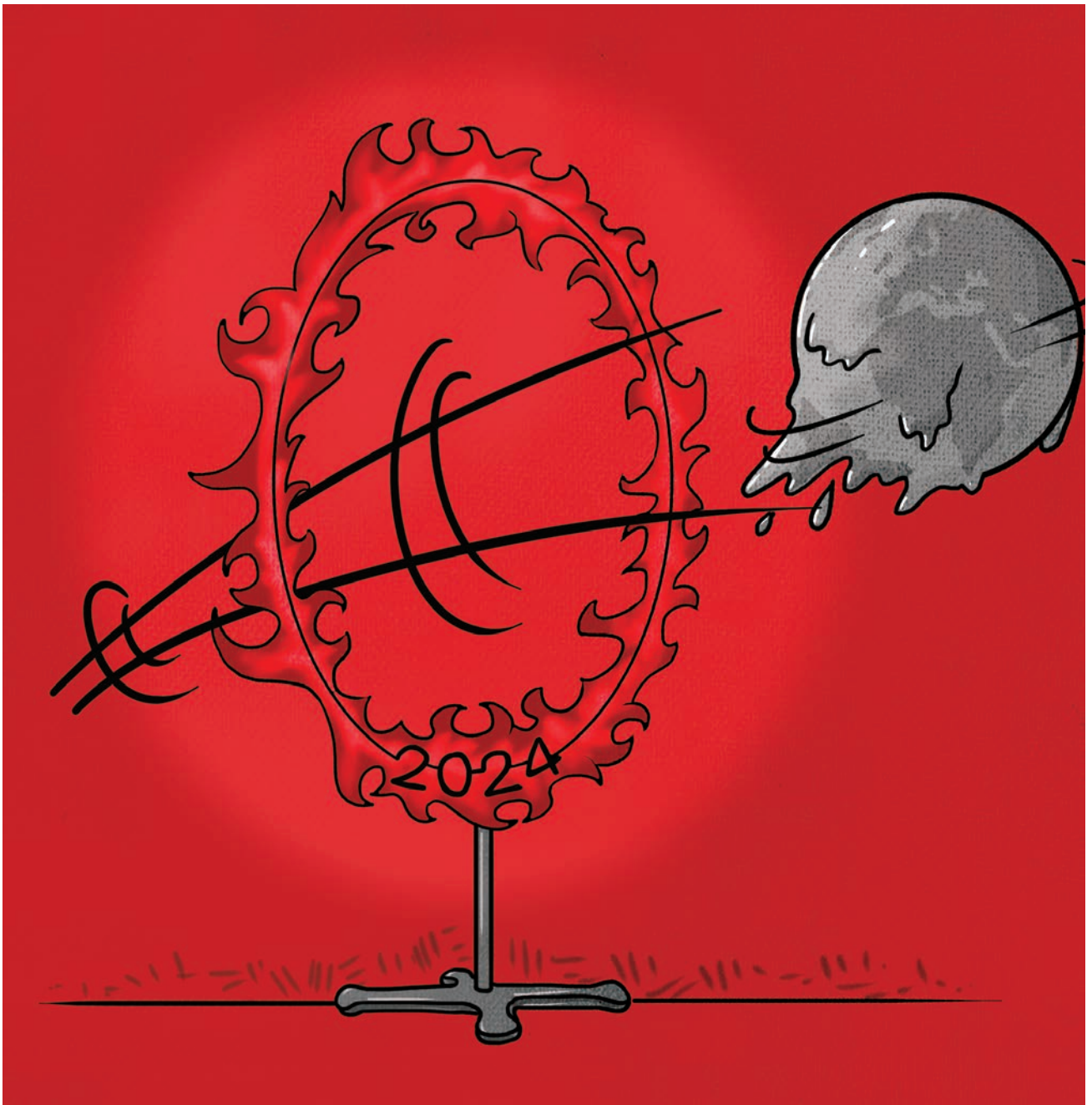


**APPRAISAL**

# 2025: PLAN FOR A DIFFERENT TOMORROW

We cannot be prisoners of yesterday

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**I**N 2024, the world changed in more ways than one. It was the year that marked the beginning of the time of climate change—when each day some part of the world was hit by extreme weather events; when a new record of heat or cold stress was made and then broken; when communities already living on the margins of survival were devastated to the point of being unable to recover from the frequent disasters.

It is the beginning of a different era. Scientists describe this as the Anthropocene Epoch, which in geological time is defined as the period when human activities have significant impacts on the Planet’s climate and ecosystems. Everything that we have done for human progress—for increased well-being and wealth generation—has breached national as well as planetary boundaries. It is also the period of momentous changes—in the way we behave with each other as human beings; in the global norms of what is right and what is wrong; and in the power of artificial intelligence (AI) technologies that will drive virtually everything in the next few years.

## Year of voters and what drove change

The year 2024 is a determinant of the future of democracy. Roughly half the world’s population voted to elect their governments. Electorates, swayed by fear and polarised politics, propelled the growth of right-wing governments. Young voters in the countries of Europe, and even the US—ironically, the generation most concerned about climate change—moved significantly to politics of the right, which promises reversal of green actions. Indeed, it’s a different world now. We need to understand why this is happening and what it will mean for the future.

First, the terrible wars in Ukraine and Gaza have disfigured the grand idea of democracy as a moral force, which would provide space for dissent and justice. The war in Gaza has brought out sharply the double standards of the liberal world; it has made these countries lose their moral authority to hold up a higher standard of human rights. The war has also sharpened the divisions between people, their culture and religion.

Then, we are seeing the fear of the “other” due to a surge in migrants. There is no simple reason why people choose to leave their home, family and community. But what is clear is that the number of migrants is on the rise. According to the US-based think tank Migration Policy Institute, the number of non-authorized migrants at the country’s borders has doubled over the past year. It drove electoral politics in the US as migration and the border wall became the issue that divided the right and the left. It is the same in Europe, where a spike in migrant population has given fodder to fear mongering. There is another paradox resonating across the old industrial world. It is argued that the young are worried about the prospect of immigrants taking over local jobs, and also culture. They are shifting to the right because these parties say they will stop immigrants from crossing over; and they want to maintain the “white” cultural and religious identity of their countries. But the fact is Europe or the US cannot do without the immigrants that service their economy. They need the labour that comes from the “other” world to harvest its crops, run its trains and factories, and clean its cities, and in many cases, they need cheap labour and even undocumented labour to grease the wheels of the economy.

The “World Migration Report 2024” compiled by the Geneva-based International Organization for Migration points out that slow-onset events because of climate change cause displacement, which is a greater contributor to the reasons people migrate. In other words, if the same old industrial world weakens on its resolve to take climate action, it will increase the impoverishment of people already crippled by extreme events and losing ability to cope. We know from our experience in India that migration from villages to cities and beyond is multi-pronged: driven by the loss of ability to cope with economic marginalisation and exacerbated by factors, including weather disasters, losses in livelihoods and, of course, the allure of cities.

We also know that this migration can be reversed by investments in natural capital and well-being. Migration has been stemmed in places where village communities have built

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local economies by rejuvenating water systems to bolster productivity, adopting low-input agriculture and engaging in similar activities. This is the reason India's national rural employment guarantee programme, which promises 100 days of employment to adults for work on ecological improvement, despite all its flaws, remains the biggest "coping" mechanism for the country. This is where a huge opportunity exists to build resilience and economic opportunities for the future.

But today's headwinds are against this reversal. Wars are driving people out; poverty is increasing in an inequitable and divided world; and climate change impacts are getting worse. We are not acting at the scale and speed needed to reduce greenhouse gas emissions that are tipping us over.

In fact, the actions that governments must take to combat climate change could have become another ignition point for the reshaping of democracies. The already industrialised world, with its huge unpaid natural debt for years of economic growth built on spewing emissions into the common atmosphere, is finding it tough to reduce emissions. Till now, it has moved from coal to relatively less carbon-emitting natural gas to meet its electricity needs. It has also exported its manufacturing to countries like China and even India. But there has been no real change in their consumption pattern, which would require a reengineering of the economies to become less carbon intensive.

But now these options are limited, as countries are facing opposition against measures to tighten emissions in sectors like agriculture or industry. This is fuelling the reshaping of democracies, where people "vote" with their fists and might. We saw this in The Netherlands, where farmers voted against measures to cut greenhouse gas emissions in their fields. In Germany, the Green Party faced anger against its policy to introduce energy-efficient heat pumps in homes. Ironically, this is coming at a time when countries need to do much more to drastically reduce emissions so that all the other related crises do not explode. This is why the future of democracy is so critical in today's climate-risked world. The fact is that action against climate change is not possible without equity. This necessitates the commitment to democratic principles of pluralism, inclusion and a voice for the voiceless.

In the June 2024 European Parliament elections, voters under 30 years gave their support to what are termed far-right parties, like the Alternative für Deutschland (AfD) in Germany, National Rally in France, Vox in Spain, the Brothers of Italy, Enough in Portugal, Vlaams Beland in Belgium, Finns Party in Finland and others. This is when we know that Europe is equally impacted by extreme weather events. And its action is not on track to reduce emissions and limit the global temperature rise to the guardrail of 1.5°C above the pre-industrial levels. So, the youth, who will inherit this increasingly warmer and catastrophic world, are bound to be concerned—in fact, anguished and worried about their future.

Climate change is no longer the exclusive domain of the green and left parties. But when you consider far-right parties' positions on climate change, there is a clear shift in emphasis, if not a downright denial. This suggests that there will be greater resistance against measures that are inconvenient and drastic—the kind that are necessary to bend the curve of Planet-destroying emissions. The Dutch Party for Freedom in its manifesto says it should be the people's choice to eat meat, take a plane or drive a petrol or diesel car—not of the officials in Brussels (where the EU headquarters is located). It goes on to say that people are suffering because of high energy prices, suggesting a rollback on fossil fuel taxes. Other far-right parties have been vocal against the transition from combustion engines or the shift to renewable energy sources, even arguing that this is "unaffordable madness". Then, there is the movement of European farmers against the use of pesticides or reduction in livestock or the emotive issue of meat consumption that is bringing these parties together. Already, the ambitious Green Deal has been weakened; policies that drive national industrial interests—not climate action—are gaining traction.

So, the question is whether the young voters will support tough actions on climate change, or opt for the so-called win-win solutions—actions that do not impinge on the cost of living or price of fuel or take away choices on their preferred mode of travel. Sadly, hesitant answers are not going to work, given the sheer urgency of the climate crisis and the fact that rich countries have not reduced emissions at the needed scale and pace.

## The crucible of change is 'me' not 'us'

Over the past decade, there has been a steady erosion of public trust and the growth of the “me” through the implosion of social media. This came to a head in 2024. We have changed the “nature” of public discourse so that we can say what we feel, even if it is vile, hateful and destructive. We believe this is the freedom of speech that protects our democracy. But in all this, we have put our faith (without much thought I would argue) in the business of the new-age technology. Today’s big tech companies are all-controlling empires—they make the multinational corporations of the past look puny—as their scale of influence transcends countries and touches our lives like never before. Think of the way we consume news; the way we shop; and the way each part of our lives, wherever we live, is infused and firmly integrated into these businesses. Today, their leaders are driving change, not just in technologies and in media, but also in politics. They seek influence and as governments weaken, they get stronger. Most governments are under the illusion that they are deciding policies and that these are still in public interest. In fact, they have ceded that space to big consultancies, investment banks and private businesses. The public space has been privatised as we watch as spectators. It is not that democracy is dead, but it has been fundamentally modified by this nexus of business and the consuming classes—you and me. And all this is happening in this time of climatic change.

Today our world is more insecure and more anxious as each super-cycle of cataclysmic change is feeding the other. We live in an increasingly inequitable world where the rich have gotten richer and the poor poorer. In the past five years, this divide has widened as the COVID-19 pandemic devastated economies, and before they could recover, the wars shaped the present, leaving countries with little financial resources to heal and grow. This, combined with bad governance, is leading to more migration, as desperate people seek new opportunities. All these add fuel to the anger and insecurity, which then make democracy prey to hateful and polarised rhetoric.

The anger is not confined to the poor in the world. The rich also feel betrayed—or at least this is how they perceive it. When the world moved to stitch up economies in the 1990s, it was the poor who were most worried about the loss of jobs. Farmers took to the streets in protest against free trade agreements that would upend their livelihoods. Today, the situation has reversed. It is the workers in the already rich world who have been left out of the new economies. They are turning against what they call the “educated elite and the experts” who have benefitted from the service and financial economy of this interconnected world.

The worst outcome of this class war is the rejection of ideas. People see knowledge as tainted and compromised and feeding private interests—also an outcome of the way we have organised the world’s information and business systems. This, then, means that what is in the public interest, like climate change, is also viewed with suspicion and, now with the second coming of Donald Trump, with rejection—even in the face of growing disasters and the need for cooperation.

This is where the climate crisis intersects again. We know that we live in the age of climate extremes but we are not doing enough to fix it. We are not in denial; but we are no more designed as societies to work for common causes. It is for this reason that in Baku, at the 29<sup>th</sup> Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC) last November, we dropped all pretence of wanting to build a cooperative world. The rich world officially decided to throw some crumbs in the name of climate finance. This world of historical climate debtors says that the world that needs to reinvent its growth to be low-carbon, to adapt to the changing climate and to survive the loss and damages must do with this pretend largess. It is an insult to the change we need in the world.

This is also where economy, climate change and politics intersect. When the world moved towards interconnected economies it was believed that it would lead to a prosperous and safer world order; countries would not attack as they would be driven by the self-

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interest of cooperation. But the real reason for moving industry was to reduce the costs of labour and environmental safeguards. It was too expensive to manufacture if these costs had to be paid. This meant that production moved and so did emissions. We know that from the carbon dioxide (CO<sub>2</sub>) balance sheet of countries as China became the world's manufacturer with others joining it. Today, as the world needs a green transition, it faces new realities. The production of all things green is still cheaper in the "other" world, China in particular. Donald Trump has promised a trade war to bring back business to his country. But this will add costs, financial and environmental, as the world is just too integrated and interconnected on its trade to disengage easily. It will also derail the momentum for a low-carbon economy as what is green is foreign-made and so must be shunned.

### A new world trade order is in the making

In 2025, trade rules for a different kind of globalisation will take final shape. Many yesterdays ago, when the world was discussing the possibility of a climate crisis, it was also negotiating a new trade agreement. In early 1990s, when UNFCCC was agreed at the Rio Summit, the World Trade Organization (WTO) was also set up and global rules to facilitate free trade between nations were signed on. The deal was simple: the cost of manufacturing would come down when goods were produced in countries with lower labour costs and environmental standards. The export-economies would drive prosperity in the still-developing world, but most importantly in the rich world where consumers would benefit from cheaper goods and the boom in services. The tectonic shift came in 2001, with the acceptance of China into WTO. China had a massive workforce; no trade unions; little environmental safeguards; and an authoritarian government. After joining WTO, China's share of global CO<sub>2</sub> emissions went up from 5 per cent in 1990 to 21 per cent in 2019. Trade boomed but the age of global prosperity did not come, and an increased trade meant that CO<sub>2</sub> emission increased.

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designed to be without distortions of subsidy and support by national governments. The question is how will these new globalisation rules take shape in a climate-risked and war-torn world of tomorrow?

Today the most hyped issue is the US position against China. This is being talked about as the fight against autocratic and undemocratic regimes (which is true). But the real reason is to gain control over resources and technologies needed for the future, including the green economy that the world so desperately needs. China today dominates the supply chains for batteries; it processes over half of the world's lithium, cobalt and graphite; and it is an established leader in solar energy. To fight this "enemy", the US decided to give up all its ideological qualms about subsidies; the Inflation Reduction Act (IRA) is providing finance to companies to manufacture low-carbon products in the US. Now with the second coming of Trump, this will change further—or so, it is promised—and tariffs will be used to provide the US advantage in domestic manufacture.

## China and its green control

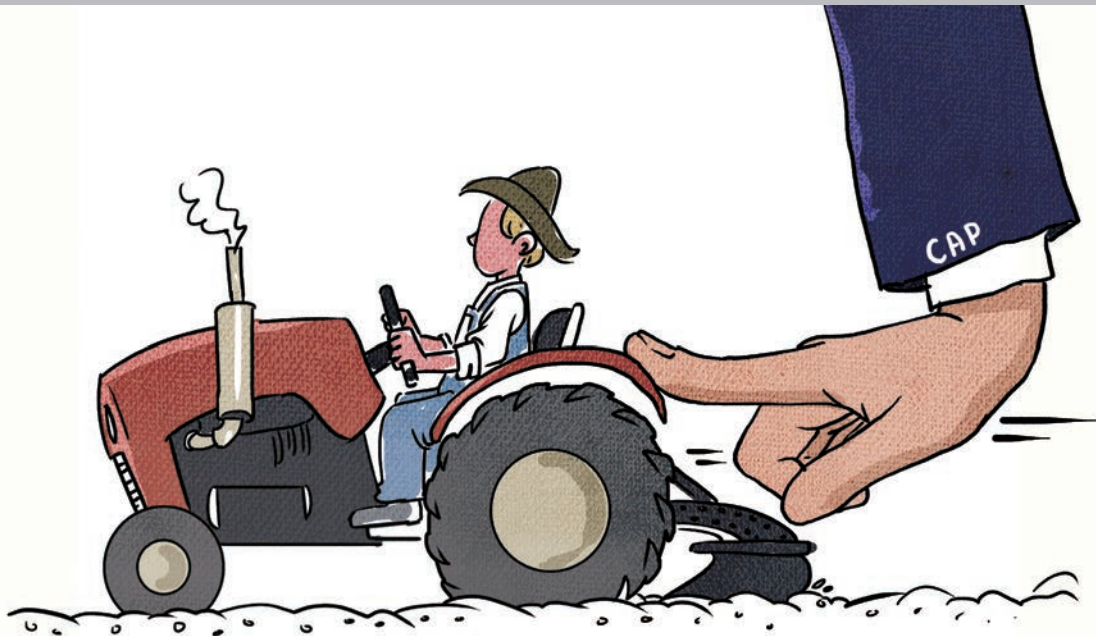
China dominates the electric vehicle industry in terms of raw materials, battery technology and production of cheaper yet state-of-the-art cars. China invested deliberately in e-vehicles, knowing that its industry could not ever compete with the conventional internal combustion (IC) engine. Now, as the world takes action to combat climate change, e-vehicles are part of the change agenda. The EU has set stringent targets for CO<sub>2</sub> emissions from cars and decreed that only zero-emissions vehicles can be sold from 2035. This would mean there can be no new petrol or diesel vehicles in the next 10 years across the EU. In the US, President Joe Biden's government has set a goal of 50 per cent new vehicle sales to be electric by 2030. This push for greener transportation—crucial for combating climate change—has landed the Chinese industry in a sweet spot. The question is: What will happen as the western e-vehicle industry crumbles in the face of Chinese dominance?

The vehicle industry has traditionally been the backbone of manufacturing and jobs in many countries. According to data from the European Commission, the automotive industry provides jobs to some 13.8 million Europeans; directly employing 2.6 million people, which is 8.5 per cent of the employment in manufacturing. But this is now in jeopardy. In September 2024, German car major Volkswagen announced that it plans to shut down two of its manufacturing plants in the country, which puts jobs at risk and has led to a political furore. The western car industry is finding it difficult to compete in terms of costs with its Chinese counterparts. European e-vehicles are still more expensive as compared to the petrol variants; and now as more countries seek to withdraw subsidies and incentives for these green vehicles, car owners get pushed to imported vehicles.

The only way then is to do what the US (and now the EU) is doing—put high import duties on Chinese-made vehicles or even components. The US has put a 100 per cent duty on Chinese e-vehicles, Canada has followed suit and now Europe is looking to increase its 10 per cent duty. In addition, the US, which provides a substantial subsidy on e-vehicles, stipulates that the vehicle will qualify for the incentive if it does not contain critical minerals or batteries supplied by a foreign entity of concern, namely China. This would mean that vehicles containing nickel from an Indonesian company with a Chinese collaborator could also be denied the subsidy—crucial for consumers to make the switch to e-vehicles.

In China, e-vehicles are taking off big time. As per official data, sales of e-vehicles overtook IC engine vehicles in July 2024—as many as 853,000 e-vehicles were sold in a single month. This is because Chinese e-vehicles are substantially cheaper and so affordable. The Chinese say the key reason for this, which is disputed by western governments, is their dominance in battery technology, critical mineral processing and low labour costs. BYD, the

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Chinese e-vehicle giant, is now expanding operations to Vietnam, Indonesia and Malaysia. The good news is increased sales of e-vehicles will bring the much-needed green transition at least in these countries.

But will the green mobility transition succeed in the western world, which has put restrictions on Chinese imports, fearing the collapse of its own industry? These countries are stepping up their efforts to secure supply chains—western countries and their allies (India is part of this) have created the Minerals Security Partnership to secure these minerals and promote recycling. The objective is to “friendshore” mineral extraction, processing and recycling so that these countries build the supply chain together. It is still a work in progress and much more needs to be done to mine and process these raw materials, and at competitive costs. Northvolt, the massive battery factory set up in Sweden’s freezing far north to take advantage of the cheap hydropower energy, is already in deep trouble as it is unable to compete with the prices of Asian rivals.

The issue is whether the western world’s mission to break this stranglehold will lead to higher costs of the green transition and even delay it? Or will it be successful in doing the impossible—securing access to rare minerals and rebuilding its manufacturing industry, despite the higher costs of labour and environmental standards. This could lead to de-globalisation or localisation as more countries decide to maximise their advantage as holders of natural resources, and technology and the knowledge that goes with it. It is also a possibility that there are new breakthroughs in technology, which would make the China-dominated supply chain redundant. For instance, there is talk about sodium-ion batteries that could take down the need for lithium batteries. De-globalisation could equally mean that the pace of green transition is disrupted. Given the near-complete control of China in the raw mineral and battery manufacturing segment, this disengagement may delay the electric vehicle transition or make it more expensive. The Chinese electric car manufacturer, BYD, has already overtaken Elon Musk’s Tesla. Therefore, managing the twin objectives of localisation and a speedy green transition in today’s China-dominated world could be a challenge.

It is the same in India. We have decided—and rightly so—to invest in local capacity for the solar industry. The Indian government has announced fiscal incentives for solar cell and module manufacture and imposed higher import duties on Chinese products. It is difficult to say, as yet, if this will impede India’s ambitious renewable programme, as domestic production may not be able to keep pace or be cost-competitive. On the other hand, there is an obvious advantage in building our industry. The gradual closing of the free-trade world will also have implications for Indian industry’s exports. All in all, there is a new game in town and we need to see if this time around the rules of trade will work for or against the people and the Planet.

## Trumped second coming

We must begin to question our decisions of yesterday. In 2016, when Donald Trump was elected as the president, the US and the world were uncertain what he stood for and against. Most of us thought it was just bluster. Trump's second coming is not a fluke as well. This time, he has come to power with the conviction that the people of the US want him because of his positions, including the strident denial of climate change. So, we should not be surprised by his actions; instead, the question should be how the world moves ahead to take steps to combat this runaway existential problem. He is an avowed climate sceptic—an out and out advocate for fossil fuels and in a time of climate crisis. He has said that he would, once sworn into office on January 20, 2025, ensure that energy prices are slashed; he would rescind green energy plans; and wants industry to go back to the time of “drill baby drill”—essentially opening more federal lands to exploration for oil and natural gas and slashing regulatory controls on his country's fossil fuel industry. Trump has also railed against the outgoing Biden administration's plans for renewable power and electric vehicles, calling them “industry-killing; job-killing; pro-China; and anti-America”. All in all, he wants to go back to the business of the past; rejecting completely the idea that the green transition is necessary as the world stands on a precipice of impending disaster.

Will President Trump pull his country out of the global agreements on climate change—the 2015 Paris Agreement and UNFCCC? It is widely held that he will. All this will weaken the global intent for decarbonisation and for building that cooperative agreement so that countries in the South get financial support for mitigation and adaptation. This is then the reality that we need to contend with. The world has no doubt moved ahead on its journey to build a low-carbon economy and this cannot be reversed so easily. There has been huge investment in green technologies, including batteries and renewable energy, and now there is an interest in this new economy—and China will be an important stakeholder with its massive investment in clean technology. But this said, we need a reboot in the way we in the environmental field have espoused our cause; we need to understand the cost of combating climate change. We need new ways towards the green transition, which is affordable and inclusive—not just in the countries of the South but also in the industrialised North. This is the message we need to take from Trump's election—it's loud and clear and we can ignore it at our common peril.

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## New economy with old rules will not work

The world is fast-tracking the transition to a green economy. But what will be the business model that we take to the new green world? I ask this as there are inherent problems with the old model of resource utilisation and its social and environmental fallouts. Take the issue of mineral extraction—be it coal, iron ore or aluminium. The mining of these raw materials, needed for energy and industry, have led to massive environmental fallouts. In India, as we have painfully found out, this mineral wealth is often under forests, wildlife habitats and, of course, tribal homes. This is why we say this resource curse is about rich lands and poor people. The fact also is that to get to the minerals we need for our economy; we have had to cut forests and displace local communities that had lived in this habitat. The tragedy of this extractive and revenue-generating economic model has been that the people who live on these lands have hardly benefited from the resources. This is the core of what is wrong in our world, not just emissions from these industries that then led us to catastrophic climate change.

The world will still need minerals; though, different ones—lithium, nickel, copper, cobalt, graphite—but still those that are found under forests and, invariably, on the lands of the most marginalised. This is true of not just India but the whole world. New York-based market consultancy MSCI reports that 97 per cent of nickel, 89 per cent of copper, 79 per cent of lithium and 68 per cent of cobalt reserves in the US are within 55 km of Native American