



## Policy Options for an Equitable Re-globalization

GREEK & EUROPEAN ECONOMY

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**Acknowledgements:** This paper is based on C. Michalopoulos “Aid, Trade and Development: The Future of Globalization” (Palgrave, 2022). The author wishes to thank Eveline Herfkens, Maureen Lewis, Petros Mavroidis and David G. Tarr for helpful comments on an earlier version.

### Summary

- The pandemic undermined development prospects and intensified pre-existing anti-globalization sentiments.
- Russia’s invasion of Ukraine created a major geopolitical split and contributed to large increases in energy and food prices with disastrous results for developing countries.
- The challenges faced by the international community are enormous and unprecedented.
- Action is needed in five areas: addressing climate change, providing economic assistance to help reduce poverty in low-income countries, strengthening the social safety net, limiting the power of MNCs, and re-establishing an effective multilateral trading system.
- Action to address climate change requires behavioral changes as well as domestic policy reform and international agreements. The most important first step would be to discourage fossil fuel subsidies. In the longer term, fossil fuel replacement will require massive investments in renewable energy everywhere.
- Eradicating poverty on a sustainable basis requires additional financial flows on concessional terms to the developing countries from the OECD as well as China.
- On health, significant progress has been made but additional more flexible funding for the WHO is needed.
- Strengthening the social safety net may involve adoption of some form of universal basic income and the establishment of active labor market programs. We should help people, not places.
- It is urgent to implement the recent OECD brokered agreement to put a floor of 15% on corporate taxes in all countries.
- The G-20 success in debt relief and health finance, suggests that the group holds promise as a venue for future international collaboration. But for the G-20 to play a greater role, it will require changes to reflect the interests of low-income countries.

**Policy Options for an Equitable Re-globalization**

- On WTO reform, all major parties, the US, China, the EU, and the developing countries need to contribute something for a newly revitalized organization. Russia, except for energy, is not a major player on trade. The best way forward is competitive coexistence with China combined with collaboration which makes global problems manageable.
- Many OECD countries have mobilized large resources in support of Ukraine. It is important that they not only take steps to preserve peace but that they also sacrifice for the good of the global commons, including act with determination to promote global social and environmental justice.

## Introduction

*Developing countries made impressive gains in reducing poverty and global income inequality in the past half century, many riding the wave of globalization. But the dozen years that followed the 2008 financial crisis witnessed a deterioration of global commitments to a liberal and more equitable economic order, made in the early years of the 21<sup>st</sup> century.*

*The war in Ukraine combined with the breakdown of supply chains caused by the pandemic led to the need to establish more secure supply chains which are less prone to disruption.*

Developing countries made impressive gains in reducing poverty and global income inequality in the past half century, many riding the wave of globalization. But the dozen years that followed the 2008 financial crisis witnessed a deterioration of global commitments to a liberal and more equitable economic order, made in the early years of the 21<sup>st</sup> century. The deterioration was also acute in the area of international trade where the rise of China and, later on, a protectionist US administration resulted in massive increases in protection, and a serious undermining of a rules-based, World Trade Organization (WTO) led, multilateral trading system. The pandemic intensified pre-existing anti-globalization sentiments, and there were strong voices to increase resilience through greater self-sufficiency and ‘industrial’ policies implemented by trade protection, not only of personal protective equipment (PPE) and drugs, but more broadly. They called for ‘de-globalization’ and resuscitated import substitution as a potentially viable strategy for development<sup>1</sup>.

As the pandemic wore on, almost everybody became convinced the world would never be the same afterwards. But no clear consensus emerged to address the emerging global challenges. Some of these challenges, such as climate change, have been present for a while, but intensified because of inaction. Others reflect old problems made worse by the pandemic. Still others result from exogenous forces such as technology change that develop their own momentum and trajectory and can be affected only to a limited extent by government action. Russia’s invasion of Ukraine created a major geopolitical split and contributed to large increases in energy and food prices with disastrous results for developing countries, many of which were just recovering from the increased poverty created by the pandemic.

This paper will propose a policy agenda for what I call a more equitable re-globalization. This has several parts: addressing climate change, supporting developing country efforts to reduce poverty, strengthening the social safety net, limiting the power of MNCs, and reestablishing an effective multilateral trading system.<sup>2</sup> The war in Ukraine combined with the breakdown of supply chains caused by the pandemic led to the need to establish more secure supply chains which are less prone to disruption. This in turn raises questions about tradeoffs between equity and security in the emerging re-globalization. Change is needed. As the OECD Secretary General, Angel Gurría said quoting Lampedusa ‘Much has to change for everything to remain the same’<sup>3</sup>.

## The Pandemic

Globalization was slowing down even before the pandemic, partly because of xenophobic populism partly for economic reasons: cost cutting was slowing down and there was some ‘reshoring’ of multinational corporations. COVID-19 stimulated demands for increased protection in both developed and developing countries. In the US the pandemic strengthened the protectionist tendencies of the Trump administration. In Europe it led to calls for bringing manufacturing back home. Countries imposed export controls on PPEs some of which were rescinded but many still remain.

The voices arguing for increased protection in developed countries focused on the reliability of supply from far away sources at a time of domestic need. In developing countries, there was a

<sup>1</sup> <https://www.unctad.org/SER.RP/2021/8>

<sup>2</sup> Addressing mass migration and refugee resettlement is another important issue that impacts on equitable re-globalization—which however, is not discussed.

<sup>3</sup> [https://issuu.com/oecd.publishing/docs/oecd\\_observer\\_311](https://issuu.com/oecd.publishing/docs/oecd_observer_311)

resurgence of support for promoting domestic manufacturing, especially of drugs behind trade barriers as a strategy for development<sup>4</sup>.

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In 2021 trade expanded significantly, if unevenly. There were persistent problems in specific sectors like micro-chips stemming from factory shutdowns in producing countries which impacted car production as well as various electronic products. Later on, additional problems emerged because of bottlenecks linked to container shipping and distribution combined with labor shortages, especially in the US. These problems contributed to supply shortages and spikes in inflation, which were expected to be temporary and to ease when the pent-up demand in developed countries resulting from the pandemic was satisfied and more 'normal' patterns were restored, and inventories replenished.

*Supply chains were reestablished but inflation pressures continued and were intensified by Putin's war resulting in double digit price increases in developed countries, led by energy and food price spikes.*

We know now this did not happen. Supply chains were reestablished but inflation pressures continued and were intensified by Putin's war resulting in double digit price increases in developed countries, led by energy and food price spikes, and increased food insecurity and famine prospects in many developing countries<sup>5</sup> (Prospects for restoring growth were revised down significantly, central banks raised interest rates several times and there was increasing concern that the combination will result in a repetition of the stagflation of the 1970s.

### Efficiency, Security and Equity

Resilience can increase through improvements in securing access—which means shortening supply chains by establishing policies that promote more costly domestic production through subsidies and/or tariffs. The logic of the argument leads one to more and more protection at the cost of greater inefficiency. While increased stockpiling can provide some measure of protection in some products, it is clearly impossibly costly to increase stockpiles for everything everywhere.

'There is no sector in which supply chain renationalization notably improves resilience, measured either by GDP, or by value added of the sector itself<sup>6</sup> 'An economy that is served by multiple firms across multiple locations is more resilient to random shocks than one where goods are produced by fewer firms in the same location. While re-shoring may bring the illusion of control, in reality, the EU will be more vulnerable and dependent on fewer and larger companies<sup>7</sup>. The key question today is how much government intervention and what policy tools are needed that would maximize resilience and minimize inefficiency. Increased resilience through increased protection at the national level makes little sense for most countries. But the temptation is great for large markets like the EU, the US, China or India.

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There are also tradeoffs between security and equity: to the extent that re-shoring occurs at the expense of production in developing countries, this will imply that re-globalization may have adverse effects in the global distribution of production and incomes. Also, if re-globalization results in increasing costs of products consumed by low- income groups, there would an adverse effect on equity from the consumption side. Both of these effects are very difficult to measure, but they should be kept in mind as the world is rushing towards identifying approaches to increase supply security.

As we consider actions for the future, it is important to keep in mind the conclusions of another study, which stressed in an eerily prescient way that: 'Technocratic solutions to supply chain

<sup>4</sup> [https://unctad.org/system/files/official-document/ser-rp-2021d8\\_en.pdf](https://unctad.org/system/files/official-document/ser-rp-2021d8_en.pdf)

<sup>5</sup> <https://www.IMF.org>WEO>issues>2022/07/26>

<sup>6</sup> <https://www.NBER>papers>27224>

<sup>7</sup> <https://ecipe.org.2021/3>

*Many of the threats to sustained supply in a globalized supply chain are political.*

threats are unlikely to work unless they also take into account the political and institutional landscape. A lot of the discussions about supply chains have focused on the raw market forces of supply and demand and the technical aspects of production, procurement, and supply planning; however, we find that many of the threats to sustained supply in a globalized supply chain are political<sup>8</sup>.

The bottom line is that increased resilience does not mean increased protection behind trade barriers. It does mean better planning and government preparedness as well as multilateral collaboration to prevent and address supply shortages and the impact of pandemics or wars on impoverished populations.

## A Large and Difficult Agenda

*International action in turn requires strengthening of multilateral institutions at a time when geopolitical tensions have increased to a level not seen since the height of the cold war.*

The challenges faced by the international community are enormous and unprecedented. Many actions require policy changes at the national level. For example, the adverse effects of globalization or technological change in creating unemployment require action at the national level to strengthen safety nets. Action to address climate change requires behavioral changes as well as domestic policy reform and international agreements. And eradicating poverty on a sustainable basis requires additional financial flows on concessional terms to the developing countries from the OECD as well as China.

International action in turn requires strengthening of multilateral institutions at a time when geopolitical tensions have increased to a level not seen since the height of the cold war. It is unclear whether we are heading towards a bipolar world, —with China/Russia on the one hand and the OECD on the other, with the developing countries again becoming the non-aligned ‘Third World’ or we are heading to a variation of the 1930’s with a revanchist power, now Russia instead of Germany, and several other powers forming shifting alliances. On some issues the bipolar model will fit and on others various country-alliances configurations will emerge. One thing appears certain: the multilateral institutions that formed the core of co-operative global action in the last fifty years will face enormous difficulties in addressing the global challenges of tomorrow.

## Climate Change

*Actual policies in developed countries have not changed sufficiently to ensure that the energy sector eliminates its dependence on fossil fuels fast enough, which must happen in both developed and developing countries.*

The Glasgow COP26 conference resulted in many countries making commitments to achieve net-zero emissions by 2050, and some others by 2060 and 2070. The problem is that these commitments – even if they would suffice - are not accompanied by policies that would achieve them. With the policy plans until 2030 as shown in the so called ‘nationally determined contributions’ they will still not be enough to meet the target of keeping warming below 2 degrees C. And actual policies in developed countries have not changed sufficiently to ensure that the energy sector eliminates its dependence on fossil fuels fast enough, which must happen in both developed and developing countries.

The Glasgow meeting’s final communique ‘Recognizes that limiting warming to 1.5C requires rapid deep and sustained reductions in global greenhouse emissions including reducing global carbon dioxide emissions by 45 % by 2030 relative to the 2010 level and to net-zero by mid-century’<sup>9</sup>. The meeting produced some welcome agreements on reducing methane gas emissions, deforestation, and reforestation as well as commitments by a number of developed countries not to support fossil fuel development elsewhere. COP 26 also agreed on steps ‘towards the phase-

<sup>8</sup> [https://www.cgdev.org/sites/default/files/Mitigating-impact-covid-essential-medicine-supply-chain\\_0.pdf](https://www.cgdev.org/sites/default/files/Mitigating-impact-covid-essential-medicine-supply-chain_0.pdf) pp. 6-7

<sup>9</sup> [https://unfccc.int/sites/default/files/resource/cop26\\_auv\\_2f\\_cover\\_decision.pdf](https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf) para.22

*There are still rampant subsidies to the fossil fuel sector, carbon taxes are not widespread and there is no evidence that consumption patterns are changing significantly to affect the global carbon footprint.*

down of unabated coal power and inefficient fossil fuel subsidies, recognizing the need for support of a just transition'<sup>10</sup>. Yet, there are still rampant subsidies to the fossil fuel sector, carbon taxes are not widespread and there is no evidence that consumption patterns are changing significantly to affect the global carbon footprint.

Russia's invasion of Ukraine has had two sets of effects: on the one hand, it led to an undesirable return to coal production in a number of countries, including Greece; but it also led the EU, to launch massive efforts to economize on energy use by changing consumer behavior through adjusting thermostats, reducing air conditioning, lighting etc. At some point the Ukraine war will end and energy supplies will return to more regular patterns; but it may well be that the consumer economizing on energy will last, thus providing a welcome unintended consequence.

In the longer term, fossil fuel replacement will require massive investments in renewable energy everywhere. Much of this investment will have to take place in developing countries particularly Asia, where CO<sub>2</sub> emissions must be cut enormously. To reach the goal of net zero carbon emission by 2050, investment in clean sources of energy has to triple from current levels to around \$4 trillion a year by 2030.

*In the longer term, fossil fuel replacement will require massive investments in renewable energy everywhere.*

Under the Paris agreement of 2015, developed countries committed to provide \$100 billion annually in development finance for the environment and climate change without defining whether it involved Official development Assistance (ODA) or not.<sup>11</sup> Of this amount, half or \$50 billion, was supposed to be spent on adaptation, as opposed to mitigation. The total climate related assistance provided by the OECD in 2019 was \$79.6 billion, of which an unspecified but probably substantial portion was not ODA, and \$14 billion was privately financed. Of these amounts, only about \$20 billion was provided for adaptation. The totals represent a substantial increase over 2014, but the amounts for adaptation are far less than those committed in Paris<sup>12</sup>. The OECD estimates that 2020 climate related assistance will be in the \$83-88 billion range and the \$100 billion goal reached in 2023<sup>13</sup>. These numbers appear large but actually pale in significance by comparison to the trillions needed; and there are serious questions about their reliability, as many donors classify almost all their aid as climate related<sup>14</sup>.

*The OECD estimates that 2020 climate related assistance will be in the \$83-88 billion range and the \$100 billion goal reached in 2023.*

The COP 26 agreement 'Urges developed country Parties to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025'<sup>15</sup>. While this provision has been hailed as a victory for developing countries, there was no indication as to how the developed countries planned to meet this request—beyond the levels indicated in the OECD estimates above. Still, there were some hopeful signs: The EU, France, Germany, the UK and the US agreed to mobilize \$8.5 billion from a combination of private and public sources to assist South Africa in decarbonizing its electricity supply away from coal while protecting the livelihoods of the 120000 people working in the industry (Economist 2021 p.50).

The Glasgow meeting also broke new ground in deciding that the 'Santiago network will be provided with funds to support technical assistance for the implementation of relevant approaches to avert, minimize and address *loss and damage* associated with the adverse effects

<sup>10</sup> [https://unfccc.int/sites/default/files/resource/cop26\\_auv\\_2f\\_cover\\_decision.pdf](https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf) para.36

<sup>11</sup> ODA is aid from the donor's public sector with development objectives and grant element of at least 25%; with the grant element calculated on the basis of the difference between the terms of the aid and the terms (interest rate and maturity) of a commercial loan.

<sup>12</sup> <https://www.oecd.org/climate-change/finance-usd-100-billion-goal/aggregate-trends-of-climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2020.pdf>

<sup>13</sup> <https://www.oecd.org/environment/forward-looking-scenarios-of-climate-finance-provided-and-mobilised-by-developed-countries-in-2021-2025-a53aac3b>

<sup>14</sup> <https://www.networkideas.org/news-analysis/2021/11/glasgow-fix-broken/>

<sup>15</sup> [https://unfccc.int/sites/default/files/resource/cop26\\_auv\\_2f\\_cover\\_decision.pdf](https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf), para. 18.

*It is too early to judge how much additional funding will in fact be forthcoming in support of adaptation to climate change or offset earlier loss and damage from the OECD, how much will be ODA and what will be its country distribution.*

*Besides the loss of millions of lives due to COVID-19, perhaps the most destructive effect has been its adverse effects on global efforts to address ongoing health problems and addressing other global needs for vaccines and prevention of AIDs, tuberculosis, and malaria.*

of climate change in developing countries<sup>16</sup>. This new fund is supposed to help developing countries deal with the loss and damage climate change caused from the earlier industrialization of developed countries. It is intended to be responsive to developing country demands that it is the developed countries' responsibility to help developing countries address problems that were not of their own making.

It is too early to judge how much additional funding will in fact be forthcoming in support of adaptation to climate change or offset earlier loss and damage from the OECD, how much will be ODA and what will be its country distribution. Quite clearly, the private sector has to play a major role, but the low-income countries will need additional ODA funding and the Multilateral Development Banks (MDBs) will also have a major role to play.

### Long term Financing Needs

Before the pandemic global needs for ODA had declined as more developing countries were able to obtain and service increasing amounts of private capital flows. ODA needs (but, alas, not its actual distribution) centered on several low-income developing countries especially in Sub-Saharan Africa. The pandemic has changed the situation drastically. Besides the loss of millions of lives due to COVID-19, perhaps the most destructive effect has been its adverse effects on global efforts to address ongoing health problems and addressing other global needs for vaccines and prevention of AIDs, tuberculosis, and malaria. There are no reliable estimates available at this time of the resources needed to get back to a trajectory that would achieve the Sustainable Development Goals (SDGs) agreed at the UN in 2015.<sup>17</sup> But there is little doubt that the goal of saving close to 100 million lives as proposed by the WHO is not reachable<sup>18</sup>.

The pandemic has also led to new proposals: (a) from the G-20 for additional financing as well as the establishment of new global institutions to deal with future pandemics; (b) to establish a new international treaty for pandemic preparedness and response<sup>19</sup>.

While there are no estimates of the additional financing needs in individual sectors, a 2021 IMF analysis which focuses on investment requirements in health, education, electricity, roads and water and sanitation, is useful in gauging the extra needs caused by the pandemic more broadly. The study concludes that on average the public and private sectors in these countries will together have to spend some 14 percent of GDP additionally every year between now and 2030 to meet the SDGs in the five sectors, some 2½ percentage points—or 21 percent more—than before the pandemic.

Undoubtedly the main responsibility for achieving sustainable development rests with the developing countries themselves. The IMF study concludes that 'domestic reforms can generate enough resources to fill up to half of our case study countries' SDG spending needs. But even with comprehensive domestic reforms, the SDGs will be significantly delayed—by a decade or more according to our estimates— without further action. Achieving the SDGs by 2030 would require an extraordinary effort from the international community as well. For instance, increasing official

<sup>16</sup> [https://unfccc.int/sites/default/files/resource/cop26\\_auv\\_2f\\_cover\\_decision.pdf](https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf), para.67.

<sup>17</sup> There are 17 SDGs to be achieved by 2030. These were agreed by world leaders at a UN Conference in 2015. For a discussion of progress and problems in their achievement see Michalopoulos 2022, Chapter 10.

<sup>18</sup> [https://www.thelancet.com/journals/langlo/article/PIIS2214-109X\(17\)30263-2/fulltext](https://www.thelancet.com/journals/langlo/article/PIIS2214-109X(17)30263-2/fulltext)

<sup>19</sup> <https://www.who.int/news-room/commentaries/detail/op-ed---covid-19-shows-why-united-action-is-needed-for-more-robust-international-health-architecture>



*Achieving the SDGs by 2030 would require an extraordinary effort from the international community.*

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*The most important early action taken by the international community in response to COVID-19 was to provide short term debt relief to developing countries.*

aid to the United Nations target of 0.7 percent of gross national income would largely cover the financing gap'<sup>20</sup>.

At the moment ODA from OECD countries is a little over 0.3% of Gross National Income (GNI) or around \$160 billion. Going to 0.7/GNI means more than doubling ODA from the OECD. Improving the distribution of ODA and focusing more on the low-income developing countries will help a lot; as will improving the effectiveness of aid programs. Expanding the assistance provided by the MDBs can help, especially in lower middle-income countries. And of course, China's aid can also help, but because of the opacity of its aid and the hard terms on which it is often provided, one does not know how to consider its potential contribution.

Still the picture is clear. Emerging economies—i.e., mostly middle- and upper middle-income countries, have additional financing needs to meet the SDG challenges. But it is reasonable to expect that these can be met with some additional effort and domestic reforms, particularly through strengthening and restructuring of their healthcare and public health systems. Low-income countries had huge needs for external finance before the pandemic and their needs increased further because of the developments in the last two years.<sup>21</sup>

## Debt Relief

Perhaps the most important early action taken by the international community in response to COVID-19 was to provide short term debt relief to developing countries. This was done by the G-20 countries who agreed to establish the Debt Service Suspension Initiative (DSSI) effective on May 1, 2020. It provided for temporary suspension of debt service payments to 73 eligible countries, initially to the end of 2020 and subsequently to the end of 2021. Since it took effect, the initiative has delivered more than \$5 billion in relief to more than 40 countries. But despite significant relief measures 'about 60 percent of low-income countries are at high risk or already in debt distress compared to only 30% in 2015'<sup>22</sup>.

Many of these countries will have to address the underlying accumulation of debt and have it restructured or forgiven. Several of these countries, including the Republic of Congo, Mozambique, and Somalia were already in 'Distress', meaning they have to negotiate a debt rescheduling and/or have part of their debt forgiven now. 25 developing countries, many in Sub-Saharan Africa, including Ghana and Kenya, with total outstanding debt of \$172 billion were at 'High Risk of External Debt Distress' i.e., they may have to restructure in the future, while another 19 faced 'Moderate Risk'.<sup>23</sup>

The international community had developed a program of forgiving low income developing country debt under the Highly Indebted Poor Country (HIPC) initiative. There was also a pattern of debt restructuring that involved the so-called 'Paris Club' and private creditors. HIPC is no longer in place and will have to be reconstituted. Official credit restructuring under the 'Paris Club' mechanism will have to address the emergence of China, not a member of the Paris Club, as a major creditor. And private creditor restructuring will need to deal with the emergence of a diffuse group of holders of developing country bonds.

A new HIPC and a modified Paris Club will require the cooperation of China. This will present problems because Chinese credits are often not transparent and contain non-disclosure

<sup>20</sup> <http://www.IMF.org>ENGLISH>SDNEA2021003>, p.5.

<sup>21</sup> <http://www.IMF.org>ENGLISH>SDNEA2021003>, p.5.

<sup>22</sup> <https://blogs.imf.org/2021/12/02/the-g20-common-framework-for-debt-treatments-must-be-stepped-up/>

<sup>23</sup> [www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative](http://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative) July 28

*A new HIPC and a modified Paris Club will require the cooperation of China. [...] The Chinese authorities must make major changes in the way they handle credits to developing countries in order to enable an equitable program of rescheduling and forgiveness.*

*There is little doubt that foreign direct investment (FDI) can make major contributions to a better future. The key issue is how to ensure a fair distribution of its costs and benefits.*

provisions. There cannot be a serious effort at dealing with official credits without having a full picture of how much is owed and to whom. The Chinese authorities must make major changes in the way they handle credits to developing countries in order to enable an equitable program of rescheduling and forgiveness.

When loans by commercial banks in OECD countries constituted the bulk of private sector credits, it was easier to organize a rescheduling or even a debt reduction compared to the present situation when there is a multitude of bond holders, each with different interests, including hedge funds that are keen on maximizing profits from their holdings. New approaches may have to be developed to ensure that the major private holders of developing country debt participate equitably in debt forgiveness or restructuring.

### The Role of Private Capital Flows

While aid, debt relief and other official capital flows have played an important role, globalization in the last thirty years was supported in large part by huge flows of private capital. There is little doubt that foreign direct investment (FDI) can make major contributions to a better future. The key issue is how to ensure a fair distribution of its costs and benefits. These are determined by the thousands of bilateral investment treaties which reflect the interests of the exporting country investors. 'If you wanted to convince the public that international trade agreements are a way to let multinationals get rich at the expense of ordinary people, this is what you would do: give foreign firms a special right to apply to a secretive tribunal of highly paid corporate lawyers for compensation whenever a government passes a law to, say, discourage smoking, protect the environment or prevent a nuclear catastrophe. Yet that is precisely what thousands of trade and investment treaties over the past half century have done, through a process known as 'investor-state dispute settlement', (Economist, 2014). This is the time to replace or amend them to reflect a more balanced approach to the rights and responsibilities of the sending and receiving country.

Increases in FDI have also gone hand-in-hand with increased market concentration, especially in developed countries. On several measures – such as market capitalization, corporate revenues, and asset ownership – market concentration has been rising across the world. In 1995 the average market capitalization of the top 100 firms in the world was 31 times higher than that of the bottom 2,000 firms. By 2015, the ratio had grown to 7,000. Concentration has also been associated with increased mark-ups<sup>24</sup> and rent extraction, linked, in some cases to the ownership and control of intellectual property<sup>25</sup>.

Globalization permits MNCs to take advantage of differences between countries' tax laws and make taxable profits disappear. Instead of being subject to double taxation, companies were able to enjoy total avoidance of paying corporate taxes anywhere. It is estimated that MNCs shifted US\$1 trillion of profits to tax havens in 2016, which implies approximately US\$200– \$300 billion in tax revenue losses worldwide<sup>26</sup>. The growing number of oligopolies and concentration of rents in the hands of firms which pay little taxes to the governments of countries where they operate, makes it urgent to implement the recent OECD brokered agreement signed by 136 countries, representing 90% of global GDP, to put a floor of 15% on corporate taxes in all countries<sup>27</sup>.

In addition, of course a lot more needs to be done to curb the increased concentration in many fields especially in technology. 'Since the 1990's the globalization of commerce has only

<sup>24</sup> <https://www.NBER>papers>24768>

<sup>25</sup> <https://hal.archives-ouvertes.fr/hal-01850438/document>

<sup>26</sup> <https://opendocs.ids.ac.uk.ICDT119>, p. 3

<sup>27</sup> <https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm>

*Globalization permits MNCs to take advantage of differences between countries' tax laws and make taxable profits disappear.*

accelerated meaning that more co-ordination and co-operation between the US, the European Union and foreign countries is needed than ever before... While the US Department of Justice and the Federal Trade Commission have in place Anti-Trust Guidelines for International Enforcement and Co-operation, the US needs stronger relations with its allies to facilitate better international enforcement (Klobuchar 2021, p.334). Indeed, in recent periods the EU has been more active in trying to curb the power of big tech firms than the US.

The G-7 may well provide the best venue where more active anti-trust action should be pursued. While their share of global GDP has shrank from about two-thirds thirty years ago to less than half, they still account for the bulk of global FDI.

*It is urgent to implement the recent OECD brokered agreement signed by 136 countries, representing 90% of global GDP, to put a floor of 15% on corporate taxes in all countries*

## International Trade

The WTO centered, rules based, international trading system was struggling at the onset of the Covid-19 crisis: Its dispute settlement arm had become non-operative, multilateral negotiations aimed at liberalizing trade were moribund and US protectionism combined with China's trade practices had undermined equitable trade relations world-wide. The pandemic introduced another spate of export restrictions, particularly harmful to poor developing countries. To make re-globalization more equitable it is imperative to address the problems faced by the WTO.

There are many things to do: there is an agenda for action in the short term and a separate group of initiatives which will take time to develop but on which action needs to start now.

## Short term Priorities

There are three priorities for the immediate future: the first is to undo completely the export restrictions, especially developed countries, have in place on health-related products needed to fight the pandemic. Some of this has been done already. However, urgent action is needed to eliminate the remaining export restraints that inhibit supplies of needed vaccines, medicines and other equipment needed to fight the pandemic.

The second has to do with ensuring that developing countries have access to the products and the technology needed to produce vaccines. This was one of the important issues that was discussed at WTO Ministerial meeting in June 2022. The WTO members agreed essentially to waive the protection to intellectual property provided under TRIPS for developing countries:

“Notwithstanding the provision of patent rights under its domestic legislation, an eligible Member may limit the rights provided for under Article 28.1 of the TRIPS Agreement (hereinafter "the Agreement") by authorizing the use of the subject matter of a patent required for the production and supply of COVID-19 vaccines without the consent of the right holder to the extent necessary to address the COVID-19 pandemic, in accordance with the provisions of Article 31 of the Agreement, as clarified and waived in paragraphs 2 to 6 below.<sup>28</sup>

*The pandemic introduced another spate of export restrictions, particularly harmful to poor developing countries. To make re-globalization more equitable it is imperative to address the problems faced by the WTO.*

<sup>28</sup> As China and India consider themselves developing countries and can produce COVID 19 vaccines, the agreement provided that developing countries that have the capacity to produce vaccines will not avail themselves of this TRIPS derogation and took them at their word that they will not do so

(<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/W15R2.pdf&Open=True> footnote 1).

*The US must do better and eliminate all remaining quantitative controls.*

The third relates to actions taken by the Trump administration to raise tariffs on several products ostensibly for security reasons. It was disingenuous to argue that US security was threatened by imports from its own allies. While the Biden administration has emphasized its commitment to strengthening the multilateral trading system, the US agreement reached with EU in early 2022 essentially involves the reduction in tariffs but the imposition of tariff quotas, a throwback to the 1980s. The US must do better and eliminate all remaining quantitative controls.

## The Dispute Settlement Mechanism (DSM)

*Resolving the current impasse resulting from the non-functioning of the WTO's Appellate Body (AB) should be given the highest priority to restore trust in the rules that govern the international trading system.*

Resolving the current impasse resulting from the non-functioning of the WTO's Appellate Body (AB) should be given the highest priority to restore trust in the rules that govern the international trading system. In the absence of a functioning DSM there is no guarantee that governments will adhere to commitments they have made and obey rules to which they have agreed. In the longer term, the viability of the WTO as a negotiating forum will also be damaged.

The demise of the Appellate Body results primarily from two sets of US complaints: procedural ones, having to do with delays in issuance of opinions and the way AB judges have been chosen or reappointed; and substantive ones which involve what is called 'judicial overreach' meaning that the AB has decided cases in which the WTO agreements are ambiguous or vague, thereby creating additional obligations to which members have not agreed.

The US has not been alone in raising these issues, many of which go back to a review of the DSM in the early 2000's which was never fully completed because of disagreements over its conclusions. In 2020, the Multiparty Interim Appeal Arbitration Arrangement (MPIA), an interim replacement of the AB, was put in place by an EU-led coalition of WTO members that are heavy users of the dispute settlement system including, importantly China but excluding the US. This is a plurilateral agreement that applies only to its signatories as long as the AB remains defunct.

*Trade policy can be used to: (a) promote the production and use of renewables and discourage production and use of fossil fuels; (b) to promote other environmentally friendly national measures; and (c) to address issues that arise from trade measures implemented by countries committed to decarbonize their economies.*

The US has recently started a process of informal consultations with other WTO delegations (excluding Russia) on proposals for a reformed DSB. The substance of the consultations has not been made public. Hopefully they will yield results soon, else the WTO edifice of rules may collapse.

## The Environment and Climate Change

There is probably no more overarching long term global concern than climate change. A major aim of the international community is to decarbonize the global economy. There are three sets of issues linking trade policy to climate change: First, trade policy can be used to: (a) promote the production and use of renewables and discourage production and use of fossil fuels; (b) to promote other environmentally friendly national measures; and (c) to address issues that arise from trade measures implemented by countries committed to decarbonize their economies which may be inconsistent with existing WTO rules.

Perhaps the most important first step would be to discourage fossil fuel subsidies. 'Globally, fossil fuel subsidies were \$5.9 trillion in 2020 or about 6.8 percent of GDP and are expected to rise to 7.4 percent of GDP in 2025. Just 8 percent of the 2020 subsidy total are explicit; the rest reflects undercharging for environmental costs and foregone consumption taxes. Efficient fuel pricing in 2025 would reduce global carbon dioxide global carbon dioxide emissions 36 percent below baseline levels, which is in line with keeping global warming to 1.5 degrees, while raising revenues

*The most important first step would be to discourage fossil fuel subsidies.*

worth 3.8 percent of global GDP and preventing 0.9 million local air pollution deaths per year<sup>29</sup>. There is a need to revise the WTO Agreement on Subsidies and Countervailing Measures (ASCM) with a view to discouraging and over time eliminating explicit fossil fuel subsidies. At the same time, the ASCM should be used to encourage subsidies in the production of renewable energy as was permitted under the original WTO agreement which was allowed to lapse in 1999.

*Another step in the same direction would be to revitalize the WTO negotiations to reduce tariffs on a list of environmental goods.*

Another step in the same direction would be to revitalize the WTO negotiations to reduce tariffs on a list of environmental goods. These negotiations broke down in 2016 over disagreements in the goods to be included for duty free treatment. Non-tariff barriers on such products in developed countries are higher than in developing<sup>30</sup>.

*The third set of needed actions result from the commitment of several major trading countries and groups including to the EU and Canada to introduce carbon pricing, taxes and levies [...] on imports from countries where production is not subject to comparable charges or levies.*

Moreover, tariff and non-tariff barriers are biased toward high carbon-intensive industries, thus implicitly subsidizing CO<sub>2</sub> emissions. If countries were to impose similar tariffs and NTBs on low and high carbon intensive industries, global CO<sub>2</sub> emissions would fall, while global real income would rise<sup>31</sup>.

The third set of needed actions result from the commitment of several major trading countries and groups including to the EU and Canada to introduce carbon pricing, taxes and levies including Carbon Border Adjustment Measures (CBAM) on imports from countries where production is not subject to comparable charges or levies. The EU is planning to introduce its system in 2025-2026, with a phase in period in starting in 2023 in five major sectors.<sup>32</sup> It asserts that it is compatible with WTO provisions as it does not discriminate against foreign companies, but rather prevents unfair competition for its own producers; its measures are targeted at companies rather than countries; and foreign producers are granted free CBAM certificates, equivalent to the free allowances EU producers receive under the EU environmental provisions<sup>33</sup>. There are questions as to the extent that the EU proposals will reduce global emissions (Tarr et al. 2022) There are also questions whether such levies are compatible with present WTO rules both on non-discrimination and national treatment. A lot of disputes are likely to arise in the future as different countries introduce different levies using different data and methodologies. It would be very important that a new WTO agreement is reached that establishes rules regarding CBAMs and provides exemptions to developing countries. Not all developing countries should be exempted: for example, China and India must be included given their very large contribution to global emissions. Still, the EU CBAM proposals are the only ones at an advanced stage of development and could be used to stimulate a wider agreement. Perhaps the most fruitful approach to such an agreement would be a plurilateral WTO agreement with initial membership based on the G-20 plus OECD members.

## Subsidies

The increase in the use of subsidies over the last decade has involved China but also other countries like the EU and the US and has pointed to the inadequacies of the WTO Agreement on Subsidies and Countervailing Measures (ASCM) to deal with government interventions that undermine competition by providing advantages to enterprises, private or public.

<sup>29</sup> <https://www.IMF+working+paper+WP/21/236>

<sup>30</sup> <https://thedocs.worldbank.org/en/doc/be98b40acb2c9215c2509df2d91248b3-0430012021/original/20211014-WBG-WTO-Trade-and-Development-With-Foreword.pdf>, p.25

<sup>31</sup> <https://thedocs.worldbank.org/en/doc/be98b40acb2c9215c2509df2d91248b3-0430012021/original/20211014-WBG-WTO-Trade-and-Development-With-Foreword.pdf> p.22

<sup>32</sup> The precise dates of phasing in and implementation are currently being negotiated between the EU Commission, The EU Council and the EU Parliament; see also Tarr et al 2022.

<sup>33</sup> <https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/>

*The EU CBAM proposals are the only ones at an advanced stage of development and could be used to stimulate a wider agreement.*

*The dominant players, including China, should recognize that their political economies are consistent with a broadly liberal international trade regime but are, and will remain, profoundly different from one another.*

Subsidies can be used to pursue various valid public policy objectives—economic or otherwise. But they have ‘spill-over’ effects—involving an adverse impact on the efficient operation of markets which, through international trade, can hurt producers in other countries. The ASCM lists a few such subsidies, which are prohibited. But the list is not exhaustive. The system also permits the right to support agriculture—within specified limits favorable to developed countries— as well as the right to use protectionist instruments (antidumping, countervailing or safeguard measures) when foreign actions such as export subsidies are used or imports pose a serious threat of injury to domestic producers. But it does not address explicitly the variety of instruments that a government can use to promote the interests of SOEs, in particular China whose government espouses a system of state-capitalism.

Until the accession of China, the multilateral trading system was able to cope with various economic systems among its members with little difficulty. Either the members were fairly small (Cuba), or, if they were larger economies (Poland, Romania), they shared (or subsequently accepted) the market based understandings that was implicit in the original GATT. China was neither small nor willing to reform its one-party political system and everything it entails in terms of state participation in the working of the economy<sup>34</sup>. In recognition of this difference, there were special provisions to treat it as ‘a non-market economy’ for ten years in connection with anti-dumping. Obviously the hope was that China’s system over time would move closer to the tenets of liberalism. It did not happen. Indeed, most of the measures that China has taken that have caused increasing concerns in the US, the EU and elsewhere were put in place after it became a member—and resulted in a growing number of complaints. With a non-functioning DSM what can be done now?

A recent study<sup>35</sup> showed that China is not the sole culprit in providing substantial subsidies to its enterprises. Adding up all the subsidy measures introduced since 2008, it was estimated that 38.5% of world goods exports were in markets where either import-competing Chinese firms received subsidies, or Chinese exporters received greater inducements to export. But the study also found that for the EU and the US the corresponding percentages are 24.4% and 13.4%, respectively. World merchandise trade exceeded \$19 trillion in 2019, which means that trillions of dollars of exports, perhaps as much as two thirds of world trade was in products and trade routes where American, Chinese, and European goods have been subsidized<sup>36</sup>.

The ASCM needs to be revised including as noted above to take into account the need to permit subsidies to renewable energy and, over time, eliminate subsidies to fossil fuels. But, no subsidy regime can function without full participation of the US, the European Union and China. On the one hand, this means any such regime must be seen as supporting the generalized gains from trade/global production, and not an attempt to isolate or ‘reform’ China. On the other hand, it means China should accept it has a leading role to play in that regime. The dominant players, including China, should recognize that their political economies are consistent with a broadly liberal international trade regime but are, and will remain, profoundly different from one another<sup>37</sup>. Any effort to rationalize the ASCM is going to be complex and difficult. It took many years of negotiations to address the issue of subsidies in agriculture and just as many to deal with the relatively small fishery sector on which agreement was reached at the recent WTO Ministerial. But it is important to start the process sooner rather than later.

<sup>34</sup> <https://www.globalpolicyjournal.com/articles/world-economy-trade-and-finance/all-tea-china-solving-china-problem-wto>

<sup>35</sup> <https://www.globaltradealert.org/reports/gta-28-report>

<sup>36</sup> <https://www.globaltradealert.org/reports/gta-28-report p.60>

<sup>37</sup> <https://cadmus.eui.eu/handle/1814/66586 p.21>

## Technology Transfer

*There are complaints that Chinese companies both private and state owned, impose forced technology transfer deals on foreign businesses as a condition for accessing the Chinese market.*

Foreign direct investment has contributed positively to development through technology transfer. While there are considerable questions regarding the balance of benefits and costs associated with FDI under current treaties, in the case of China the shoe is on the other foot: there are complaints that Chinese companies both private and state owned, impose forced technology transfer deals on foreign businesses as a condition for accessing the Chinese market. The WTO is silent on this issue. This is because requests for technology transfers by private agents are not covered in the current WTO agreements, since these agreements do not deal with private deals but exclusively with state rules or actions. To the extent that the Chinese government itself encouraged private or state-owned Chinese firms to adopt such practices, its actions and those of other governments making similar demands should be subjected to international scrutiny and rules. This again requires an expansion of current agreements to include private technology transfer deals<sup>38</sup>.

## How to Move Forward

*As the June 2022 WTO Ministerial showed, Russia, except for energy, is not a major player on international trade. Agreement was reached on a number of complex trade issues in the middle of the war in Ukraine.*

The main conclusion from the above discussion is that WTO reforms in key areas need agreement between China, the US, the EU and major emerging nations like India, Brazil, and South Africa. As the June 2022 WTO Ministerial showed, Russia, except for energy, is not a major player on international trade. Agreement was reached on a number of complex trade issues in the middle of the war in Ukraine. Many of the problems that make these reforms necessary boil down to China's state capitalism and the increasing spillovers from its subsidy system<sup>39</sup>. But the links between trade policy and climate change involve every major trading nation and cannot go forward without their early and substantive participation.

To start the process of renegotiating the procedures and functioning of the DSM the US must take the initiative of making specific proposals. With respect to changes in the ASCM, the question is what can be done to persuade China, not to change its state- capitalism system but to refrain from using subsidies and forced technology transfer by its SOEs or private firms. One proposal calls for the establishment of 'a multi-regional plurilateral trade agreement of market-based economies spearheaded by the EU and the US that would also comprise Japan, the UK, Canada, Australia, Chile, Mexico, and many other industrialized and emerging economies. The enormous size of the agreement could act as a gravitational force that would encourage further accessions including China<sup>40</sup>. China has been willing to participate in efforts to regulate practices in a particular sector, steel. It collaborated in reaching agreement on a number of issues at the recent WTO Ministerial. The best way of moving forward on trade is not to isolate China but to provide it with an opportunity to collaborate. China has a lot of stakes in international trade and may well decide to continue to do so.

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## Safety Nets

Five years ago, I had argued that 'The highest priority should be given to the development of policies and systems to address the problems of individuals or communities adversely affected by globalization or technological change or a combination of the two' (Michalopoulos 2017 p. 316). The developed world spent very large sums at home to help offset the damage COVID-19 caused to workers, firms, and the society as a whole. Many of these programs, involved straight cash

<sup>38</sup> <https://doi.org/10.1093/ejil/chab052> p.9

<sup>39</sup> <https://www.cesifo.org/DocDL/CESifo-Forum-2021-2-matthes-wto-march.pdf> p.19

<sup>40</sup> <https://www.cesifo.org/DocDL/CESifo-Forum-2021-2-matthes-wto-march.pdf> p.20

*Part of the reforms needed may involve adoption of some form of universal basic income.*

transfers reminiscent of programs already in place in developing countries—which because of far fewer resources have been able to afford far less compensation for the increased suffering of their people. Part of the reforms needed may involve adoption of some form of universal basic income. This was one of my earlier recommendations which is becoming even more important in light of the additional inequities introduced by the pandemic. Programs must be carefully geared to individual country situations to avoid creating disincentives to work. There is no one-size-fits all strategy.

*The basic approach should be to help people not places. [...] Key to helping workers rather than places is to take steps to enhance labor mobility.*

To address the problems of globalization, it is also desirable to establish active labor market programs to deal with the problems that creative destruction causes, whether stemming from domestic or foreign competition-- rather than attempt to establish programs addressing specifically the impact of globalization. It may well be that re-globalization will result in many jobs being lost forever. But the pandemic has also changed attitudes towards work versus family time; especially when there is limited child-care and employment may result in more physical contacts increasing health risks. As a result of these developments, large economies such as the US have experienced an increase in resignations resulting in shortages for low skilled workers.

A variety of policies are also needed to address problems of geographical and functional mobility and its impact on employment. There is usually a need for a combination of passive labor market policies such as unemployment insurance and social protection with active labor market programs. Trade Adjustment Assistance in the US and the European Globalization Adjustment Fund are not enough. And in most developing countries they do not exist at all.

The basic approach should be to help people not places: ‘No one should be abandoned simply because of where they live, and no community deserves to decline. ...There simply is no reliable method of saving local communities when they lose their dominant employer or industry, even with a massive amount of resources devoted to the effort’<sup>41</sup>.

*The potential calamities of future pandemics and the threats posed by climate change require countries to submerge narrow national political objectives and develop a collaborative global approach.*

Key to helping workers rather than places is to take steps to enhance labor mobility. In the US and some other developed economies house ownership is high among older workers but housing prices are depressed in communities where unemployment is soaring due to technological change or to competition from imports: a housing allowance may be needed as an incentive to relocate. The US is especially handicapped by its present programs of social support: These should be reformed so that health insurance is truly portable. Pension programs should be consolidated across employers to reduce the cost of changing jobs. Gig, temporary, and part-time workers should receive most of the same legal protections that full-time employees do, and they should be allowed to accumulate seniority, savings, and benefits just as many full-time workers do<sup>42</sup>.

Active labor market programs require early and frequent engagement with displaced workers, requiring them to participate in interviews with employment counselors, formulate individual plans, accept offers of suitable work and attend training programs, if necessary. This is best done on the job and involves establishing strong ties between the programs and the private sector, which has been done more effectively in Europe than in the US. Education policy may also need to be reconsidered to equip individuals with skills which increase flexibility in getting jobs in the face of rapid technological change which destroys jobs.

Such programs are likely to require more government spending which developing countries can ill afford. They will raise questions about the adequacy and distribution of ODA. The pandemic

<sup>41</sup> <https://fairgrowth.house.gov/sites/democrats.fairgrowth.house.gov/files/documents/Posen.pdf>, p.9

<sup>42</sup> <https://fairgrowth.house.gov/sites/democrats.fairgrowth.house.gov/files/documents/Posen.pdf>, p.11



has shown once more that the question of ‘What we owe each other’ should not be confined to the citizens of any given country but to the global community.

## Reviving Multilateralism

*The West can not afford a declining and isolated China. It should keep up cooperation and dialogue which is the best way to address trade and human rights issues.*

The potential calamities of future pandemics and the threats posed by climate change require countries to submerge narrow national political objectives and develop a collaborative global approach. The last part of this paper discusses the steps the international community needs to take to revitalize multilateralism to enable it to cope with global challenges effectively and equitably.

Moving forward will be a slow and difficult process. The international community is excellent at muddling through which has seriously adverse consequences for the weakest, countries, and people.

China is a rising global power, run by an authoritarian regime, fraught with human rights abuses that has espoused state capitalism and has used its system to eliminate poverty and greatly increase prosperity of its people. China views itself as a developing country, with a shared past with others in having been abused by colonial powers, which has managed through its own efforts to transform itself; and it looks confidently forward to becoming the leading world power in the next two decades. At the same time, it is facing increasing challenges in maintaining its progress: a rapidly ageing population; rising health care and pension costs; popular pressure to curb the huge environmental pollution and a sizable and growing middle class that is reluctant to give up its lifestyle, and its acquired wealth and personal freedom.

*On climate change, both behavioral change and additional funding are needed through multiple sources, bilateral and multilateral. The MDBs have to play an increasing role as is the private sector, but low-income countries must receive additional ODA.*

The West can not afford a declining and isolated China. It should keep up cooperation and dialogue which is the best way to address trade and human rights issues. And it should make an effort to persuade China to operate a more open market, less statist system in exchange for having a greater role as well as greater responsibilities in the operation of a new global system.

A somewhat different perspective is that whatever China does, ‘Democracies can in an affirmative, positive way, spend a lot more, do a lot more, and provide on global public goods, we have to do that. That won't make relations with China worse. That's just a choice to actually do more on the positive side. Hopefully there will be more cooperation in the future...there are different approaches, but we manage our interdependence and manage our rivalry so that it allows for cooperation on these shared challenges’<sup>43</sup>.

I have identified four main areas of shared challenges relevant to the issues of sustainable development that the global community must address: (a) climate change; (b) future pandemics; (c) WTO reform; (d) development finance and debt, including the role of private capital.<sup>44</sup>

On climate change, both behavioral change and additional funding are needed through multiple sources, bilateral and multilateral. The MDBs have to play an increasing role as is the private sector, but low-income countries must receive additional ODA; and the international community should avoid creating new agencies and institutions to distribute small amounts of assistance that would only burden already taxed low income country institutions.

<sup>43</sup> [https://www.brookings.edu/wp-content/uploads/2021/08/DollarAndSense\\_Transcript\\_ThomasWright\\_Aug2021.pdf](https://www.brookings.edu/wp-content/uploads/2021/08/DollarAndSense_Transcript_ThomasWright_Aug2021.pdf)

<sup>44</sup> Safety net issues require essentially domestic policies—supported in the case of low income developing countries by economic assistance

*On health, following the G-20 High Level Group recommendations, significant progress has been made.*

On health, following the G-20 High Level Group recommendations, significant progress has been made: First, at the 75<sup>th</sup> World Health Assembly in May 2022 it was agreed to provide more flexible funding for the WHO over the next eight years including a potential substantial increase in assessed contributions. How much actually gets done however, will not be determined until the 2023 World Health Assembly when the actual budget for 2024-2025 will have to be approved. Second, in June 2022, the World Bank established a Financial Intermediary Fund (FIF) for pandemic prevention, preparedness and response. Initial pledges to FIF by the Gates and Rockefeller foundations, other philanthropic organizations and governments amounted to \$1.3 billion of the estimated \$10.5 billion needed annually. The programs would be implemented by the WHO, the Global Fund, GAVI and similar international organizations<sup>45</sup>. The key organizational questions about this initiative, as with all aid programs, relate to the extent that the programs would reflect recipient government priorities.

*On WTO reform, all major parties, the US, China, the EU, and the developing countries need to contribute something for a newly revitalized organization: The US must come up with an agreeable plan for restoring the functioning of the dispute settlement mechanism. And the US, the EU and China must agree to a detailed understanding on subsidies and TRIPS.*

On WTO reform, all major parties, the US, China, the EU, and the developing countries need to contribute something for a newly revitalized organization: The US must come up with an agreeable plan for restoring the functioning of the dispute settlement mechanism. And the US, the EU and China must agree to a detailed understanding on subsidies and TRIPS. It will not be easy, and the negotiations could take years to conclude, but it should be possible to reach agreement: after all, at the birth of the WTO, it took several years to agree on subsidies in agriculture which for the longest time benefited greatly the OECD countries and similarly on TRIPS. Why should it be any different in this case?

Multilateral agreements on these issues must be reached in the WTO—as there is no other venue where such details can be addressed. In the absence of agreement, the world will be faced with several alternative scenarios, none too good for anybody and certainly not good for sustainable development:

- The first would be akin to the present situation in which the international trading system is directionless and volatile as international rules are often ignored by major powers like the US and China, and large regional players, leading to slower economic growth and widening income inequalities both within and between countries.
- Another configuration could involve a collaboration between China, Russia, and a number of authoritarian regimes such as North Korea, Venezuela and Cuba on the one hand and the OECD on the other, with the two groups vying for the support of other developing countries. This is what happened in trade and economic relations between the OECD and the Soviet led CMEA for several decades in the late 20<sup>th</sup> century. It could be repeated, but it would be difficult to be used against China without damage to the OECD countries themselves (and vice versa) as China is far better integrated in the world trading system than the Soviet Union ever was.

Both options will be inimical to emerging powers, like Brazil or India, let alone the LDCs. The preferred solution is that of a competitive coexistence with China combined with collaboration which makes global problems manageable including climate change and international trade as well addressing the problems of poverty in low income developing countries.

In the immediate future, addressing the needs for additional finance as well as debt relief must be explored in other international venues as well. The recent success of the G-20 in debt relief and health finance, suggests that the group holds promise as a venue for future international collaboration. It has a somewhat more balanced representation of global economic interests than the international financial institutions (IFIs) and may have the potential for meaningful discussions

<sup>45</sup> [Devex.com/news/deep-dive-as-we-gear-up-for-the-next-pandemic-where-s-the-money-103736](https://www.devex.com/news/deep-dive-as-we-gear-up-for-the-next-pandemic-where-s-the-money-103736)

on other issues. It is unclear whether in the current climate of confrontation between Russia and the West it will be able to function at all. But, for the G-20 to play a more meaningful role, it will require changes to reflect the interests of low-income countries. South Africa is the only G-20 member from Africa and does not necessarily represent aid and trade interests of the other Sub-Saharan African countries. The G-20 will also require institutional strengthening, through more staff and responsibilities in bringing together global leaders.

On issues of private capital the most important next step is to ensure that agreement on a minimum corporate tax is implemented as broadly as possible. No other agreement in this area appears possible at present.

## Concluding Remarks

Nobel laureate Daniel Kahneman said, 'When action is needed, optimism, even of the mildly delusional variety, may be a good thing'<sup>46</sup>. I am an optimist in the sense that I believe that humanity will take the necessary steps to avoid catastrophic events as well as introduce necessary changes despite or even because of the dark clouds caused by the pandemic, climate change, Russia's aggression or the US-China rivalry. I am also an optimist in the way Jane Goodall explains in her latest book: hope enables us to keep going in the face of adversity; it is what we desire to happen, but we must be prepared to work hard to make it so (Goodall 2021). And in this spirit I have made a large number of recommendations for multilateral action.

With respect to the US- China rivalry, I hope that the rivalry will settle into a long-term competitive co-existence with occasional collaboration on issues such as trade and climate change. Ultimately, China's system will change as its people will give up the Faustian bargain of sacrificing their political freedom in exchange for improved standards of living. It took the Soviet system six decades to collapse over the same bargain and Russia only got Putin. China's communist system has delivered much more for its people, and it could take longer.

Democratic processes are under pressure in the US, the EU, and the developing world. They are being challenged by an authoritarian Russia. So far the OECD countries have mobilized large resources in support of Ukraine. It is important that democracies not only take steps to preserve peace and strengthen themselves as well as achieve great standards of living for all their people, but that they also sacrifice for the good of the global commons, including act with determination to promote global social and environmental justice.

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<sup>46</sup> <https://www.Azquotes.com.quote/684175>

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