



FONDAZIONE CENTESIMUS ANNUS
PRO PONTIFICE



Heiligendamm Process

The Emergence of the Global South: Some Implications for Global Economic Governance

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1 Global Economic Governance since 1945

2 The Emergence of the Global South

3 Reforming Global Governance

4 The Heiligendamm Dialogue – A Possible Way Forward?

What role for international institutions?

- Produce **public goods** that markets under-produce (Inge Kaul)
 - international financial stability, universal trade rules, and the containment of infectious diseases
- Define **the values, aspirations, and the nature** of a society that give rise to a desire for public goods (Ngoire Woods)
 - greater equality, reducing global poverty, or increasing global literacy

The focus in the 1940/1950s...

- Rebuild Europe and Japan & Prevent the Cold War becoming a world war
 - **IMF and World Bank** to ensure the “balanced” growth of international trade and to help governments to raise “productivity, the standard of living and conditions of labor in their territories”
 - **inter-state rules** – treaties on the economic rights and duties of states and a bolstering of the law to enable developing country governments to regulate



Three milestones in the 1970/1990s

- 1973-1974 Middle East War crisis
 - IEA creation in 1974
- End of the gold standard
 - G7 as an institution for systematic cooperation on economic policy and for influencing the wider world
- The dematerialization of the global economy (trade in services and intellectual property)
 - WTO establishment in 1994



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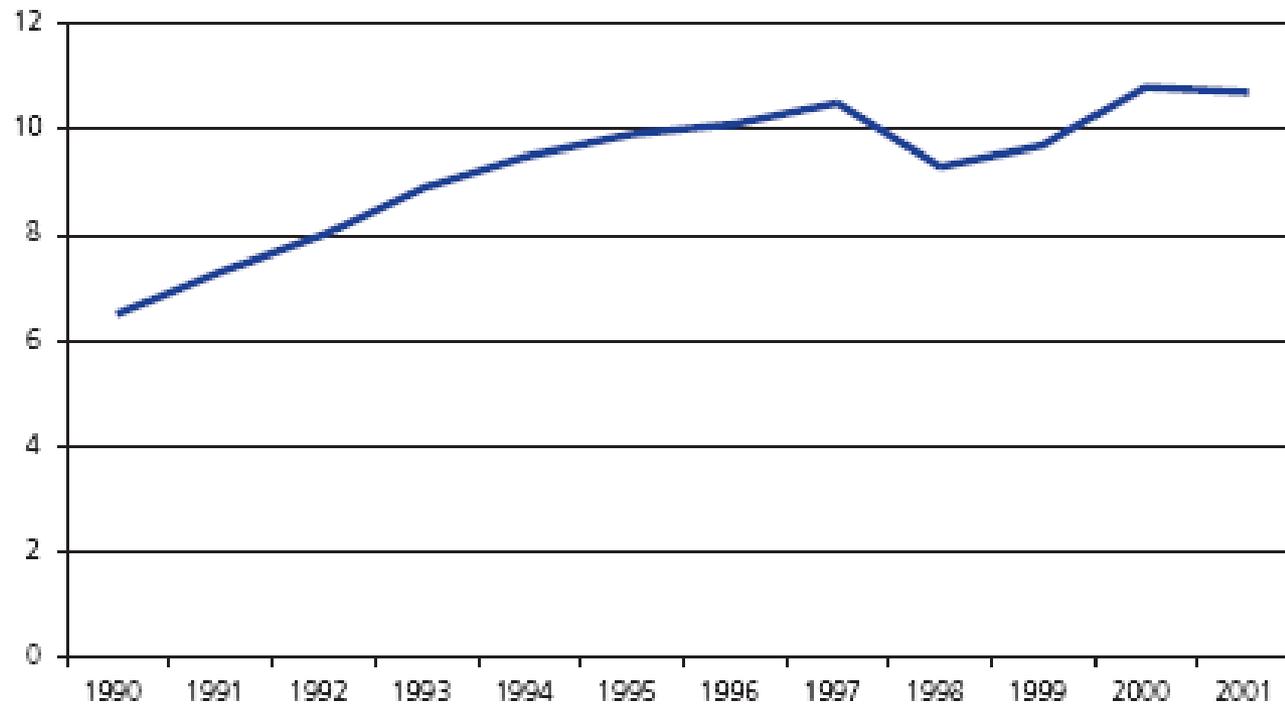
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Average growth rates of trade, 1985-2002 (percentage)

	North-North	North-South	South-South
1985-1990	14.30	9.32	5.99
1990-1995	5.74	15.24	22.71
1995-2000	5.20	8.41	13.18
2000-2002	-2.17	1.17	3.45
1985-2002	7.04	9.75	12.49

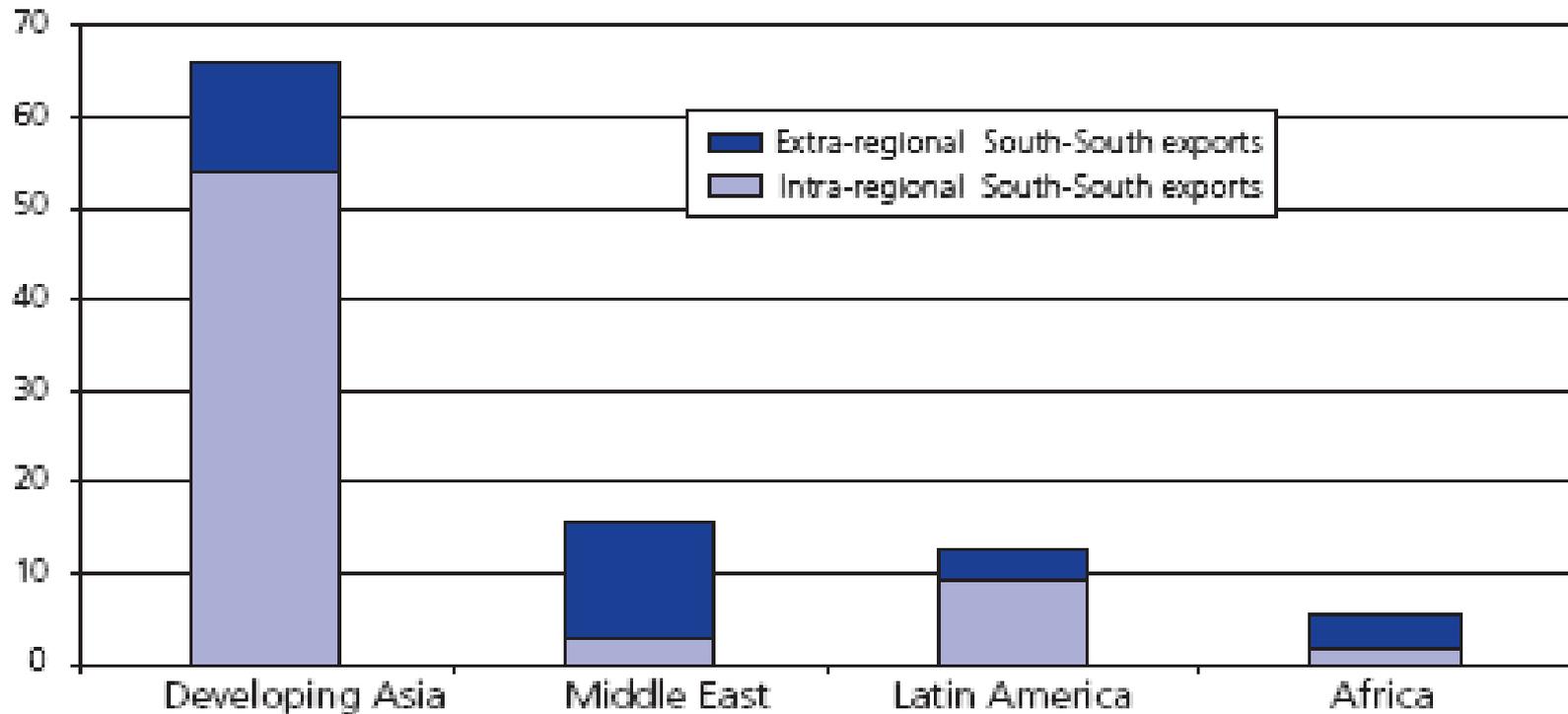
OECD (2006), South-South Trade in Goods, TD/TC (2008)6, Table 4.

S-S share in world merchandise flows



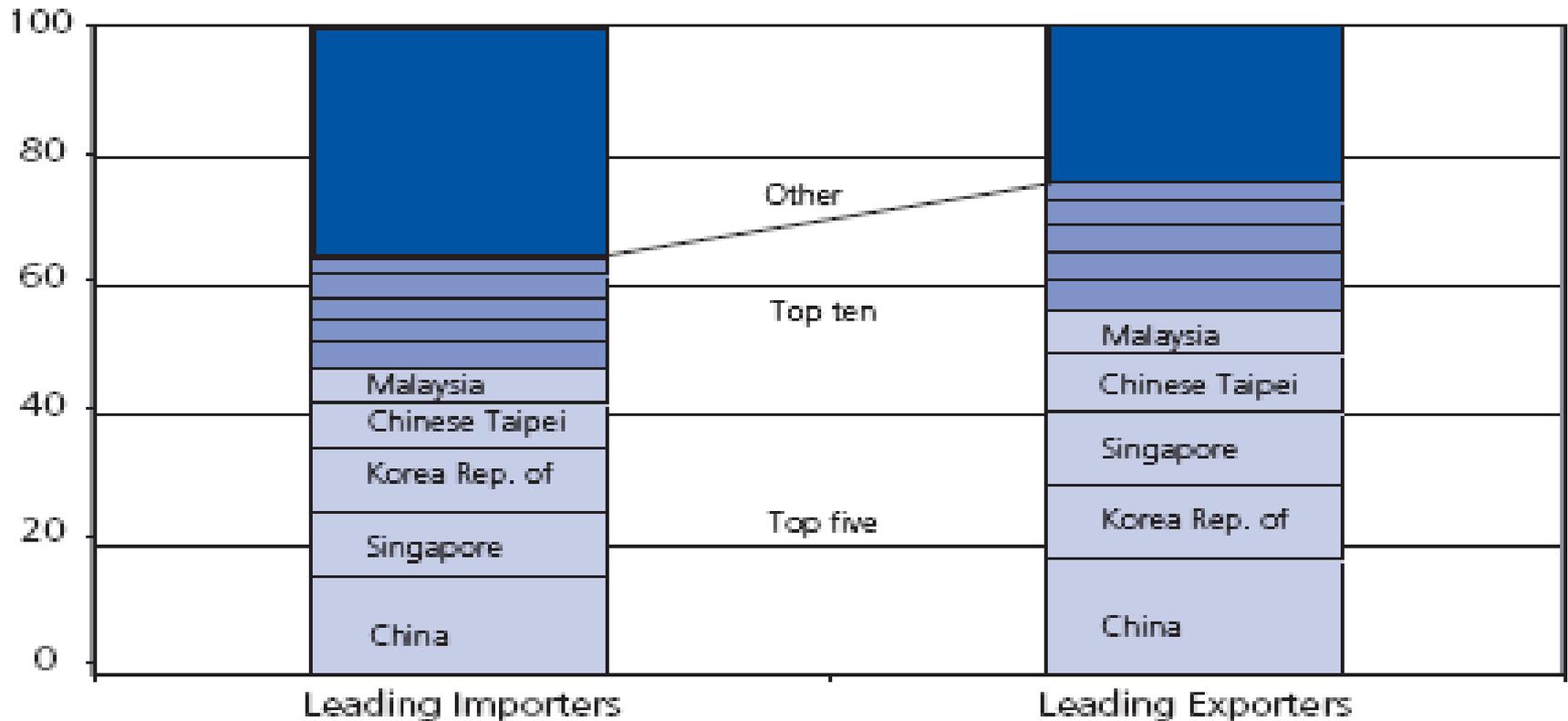
WTO (2003), *World Trade Report*, Chart 1B.2

Intra-regional S-S trade in 2001: Asia towers



WTO (2003), *World Trade Report*, Chart 1B.4

Leading S-S traders: high concentration

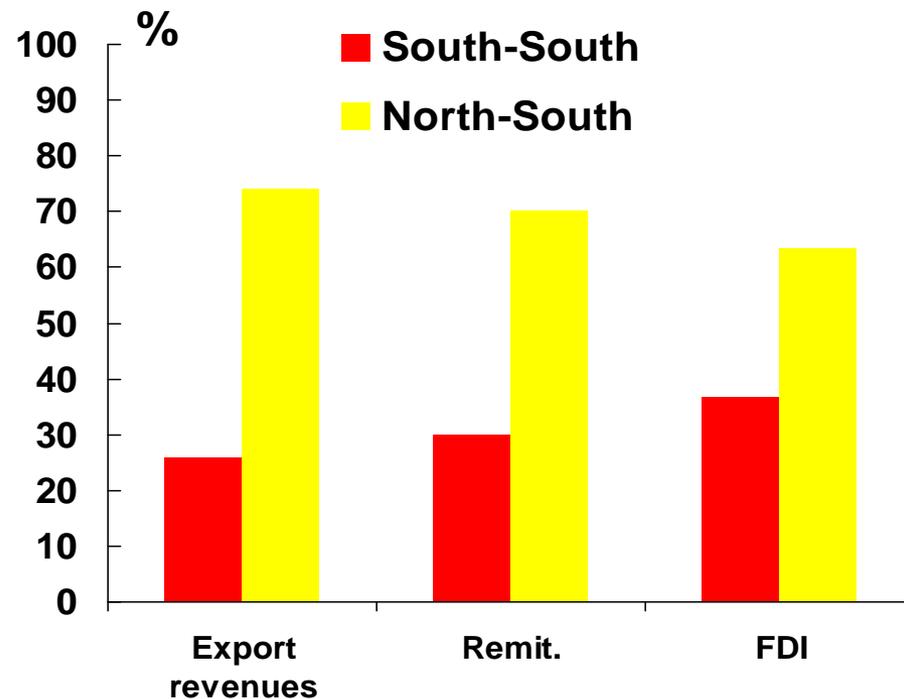


WTO (2003), *World Trade Report*, Chart 1B.5



Capital flows

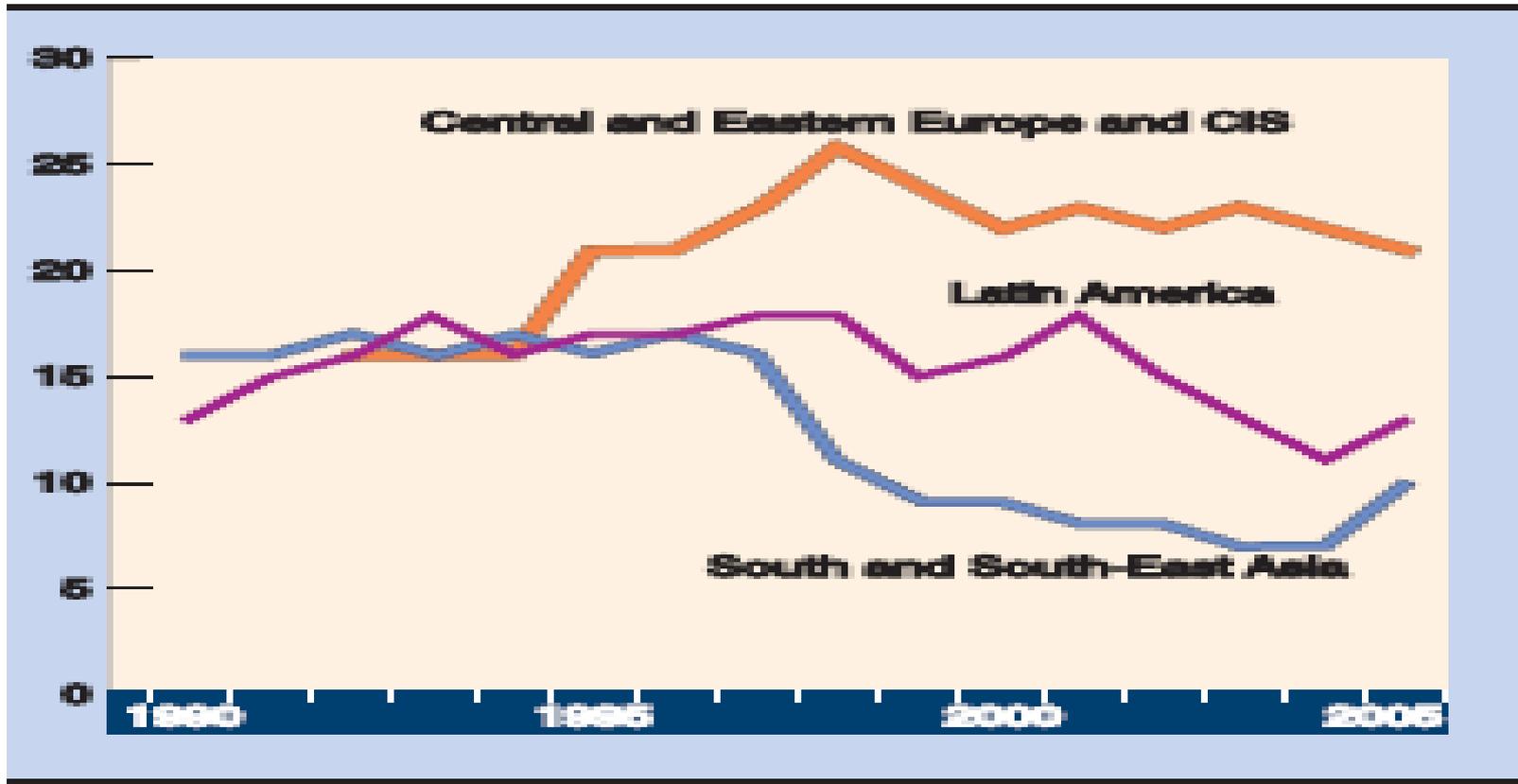
- South has become net capital exporter since 2000
 - Total capital outflows reached to \$224 billion in 2004
- South-South
 - FDI increased to 36 % in 2003 from 16 % in 1995
 - Trade increased to 30 % in 2004 from 20 % in 1995
 - Remittances is around 30-40 %
- South-South official flows are on rise



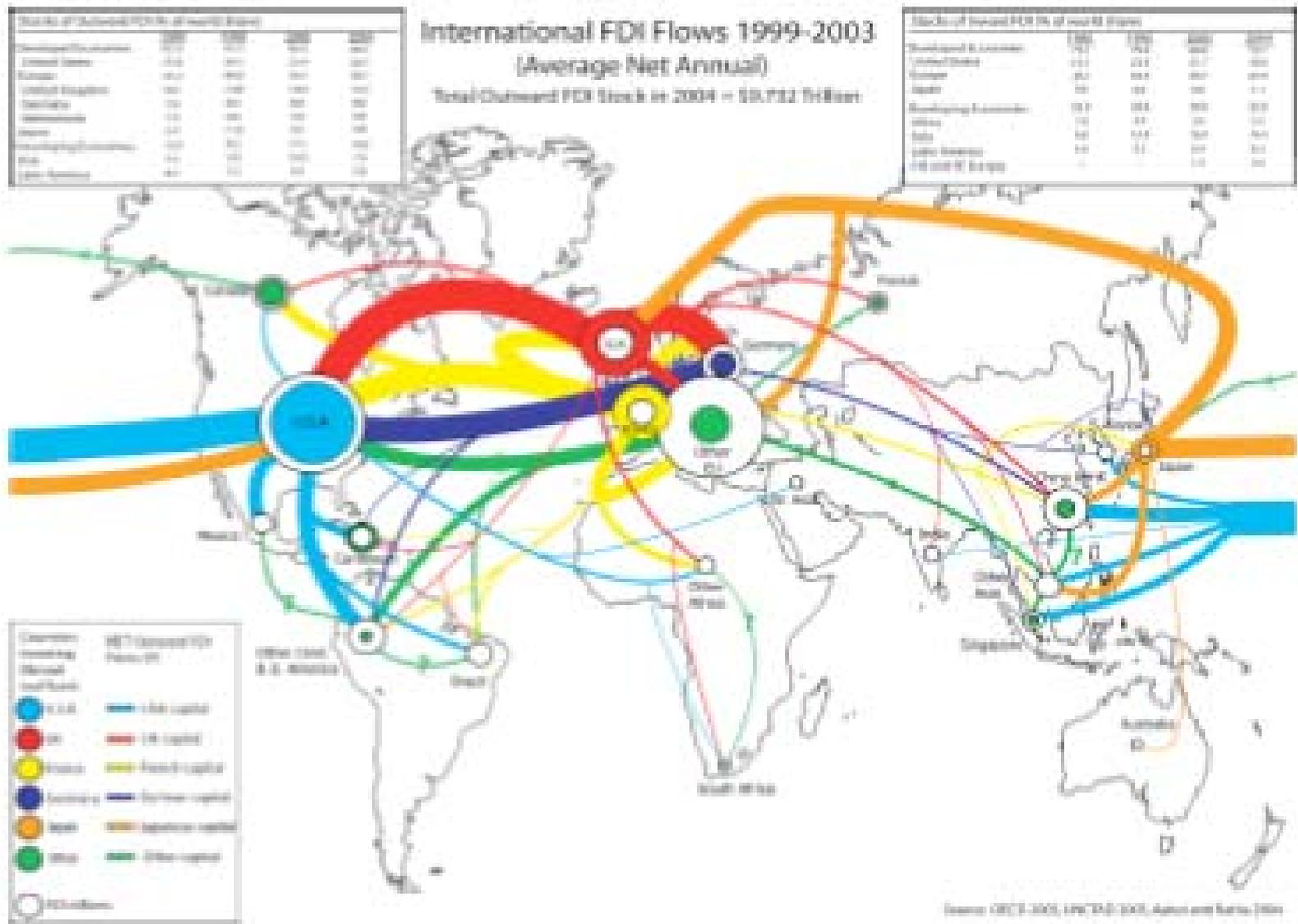
Note: data refers to 2005, except FDI

Source: World Bank (2006), *Global Development Finance*.

Number of developing countries with current account deficit

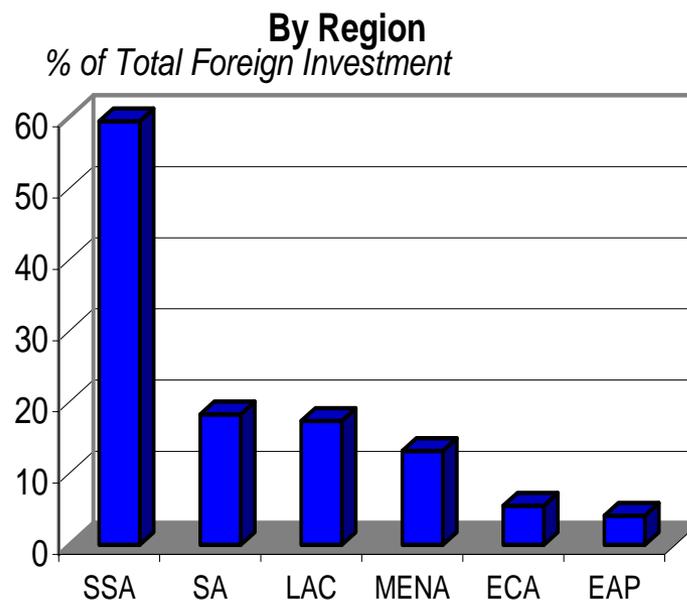
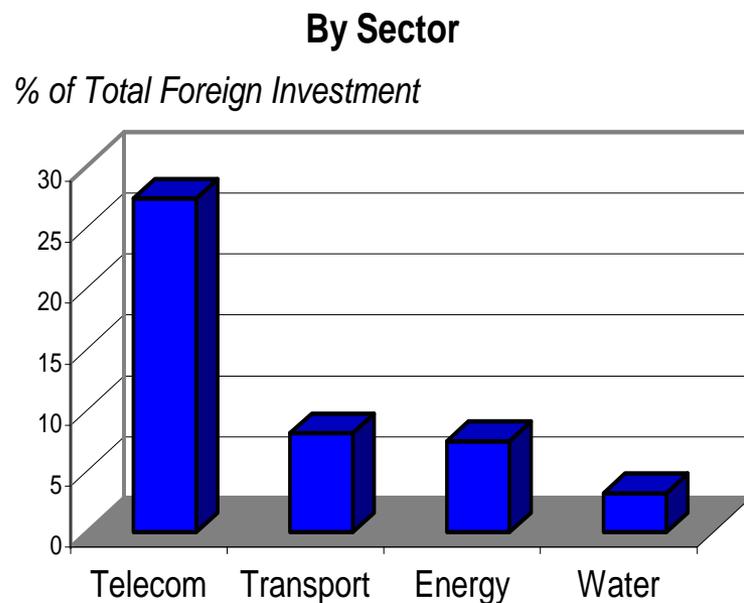


UNCTAD (2006), *Trade and Development Report*, Fig 1.1.



South-South infrastructure FDI was significant in telecoms and in Africa

(share of inflows over 1998–2003)



Source: World Bank (2005).

Source of foreign bank assets, by region

Host region	Source region							Total
	East Asia and Pacific	Europe and Central Asia	Latin America and Caribbean	Middle East and Northern Africa	South Asia	Sub-Saharan Africa	High income	
East Asia and Pacific	6.39	..	..	..	..	..	93.54	100
Europe and Central Asia	..	1.84	..	0.01	..	0.03	98.11	100
Latin America and Caribbean	..	..	4.78	..	..	..	95.26	100
Middle East and Northern Africa	..	..	..	8.91	..	..	91.19	100
South Asia	..	..	..	..	0.74	19.51	79.83	100
Sub-Saharan Africa	0.07	0.03	0.02	0.29	1.99	14.12	83.54	100

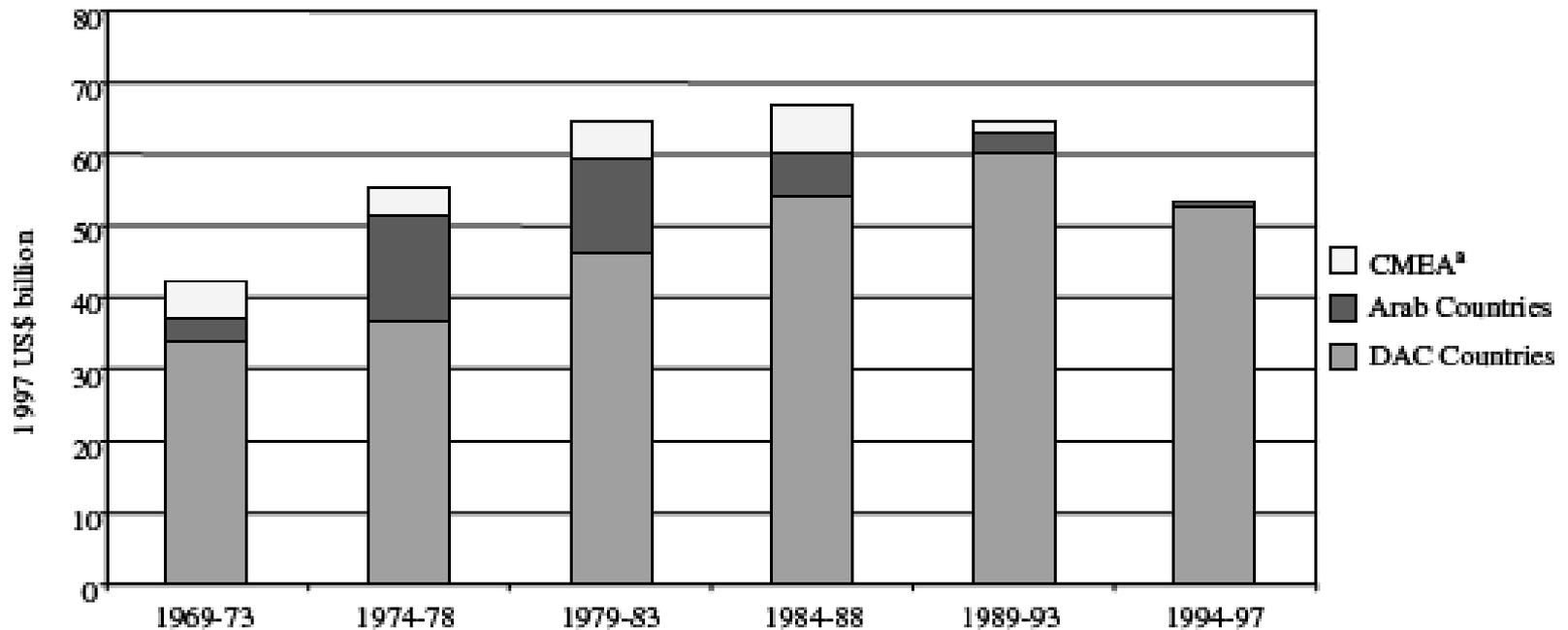
Notes:

a. A foreign bank is defined to have at least 50 percent foreign ownership.

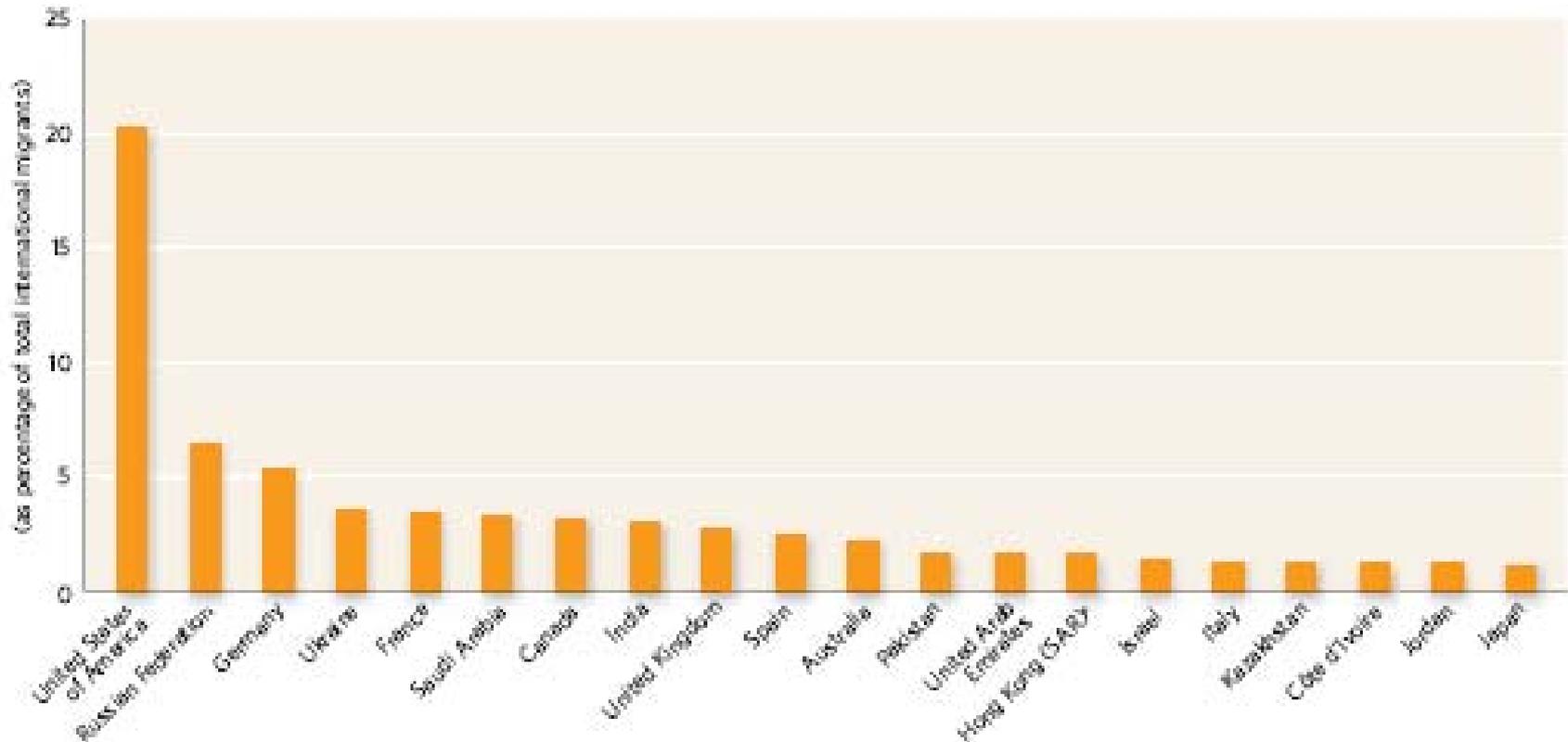
b. Foreign assets are averages over the 2000-2004 period. Region classifications follow World Bank definitions as published in Global Development Finance (2006).

Net ODA by major donor group, 1969-97

(constant US\$, five-year averages)



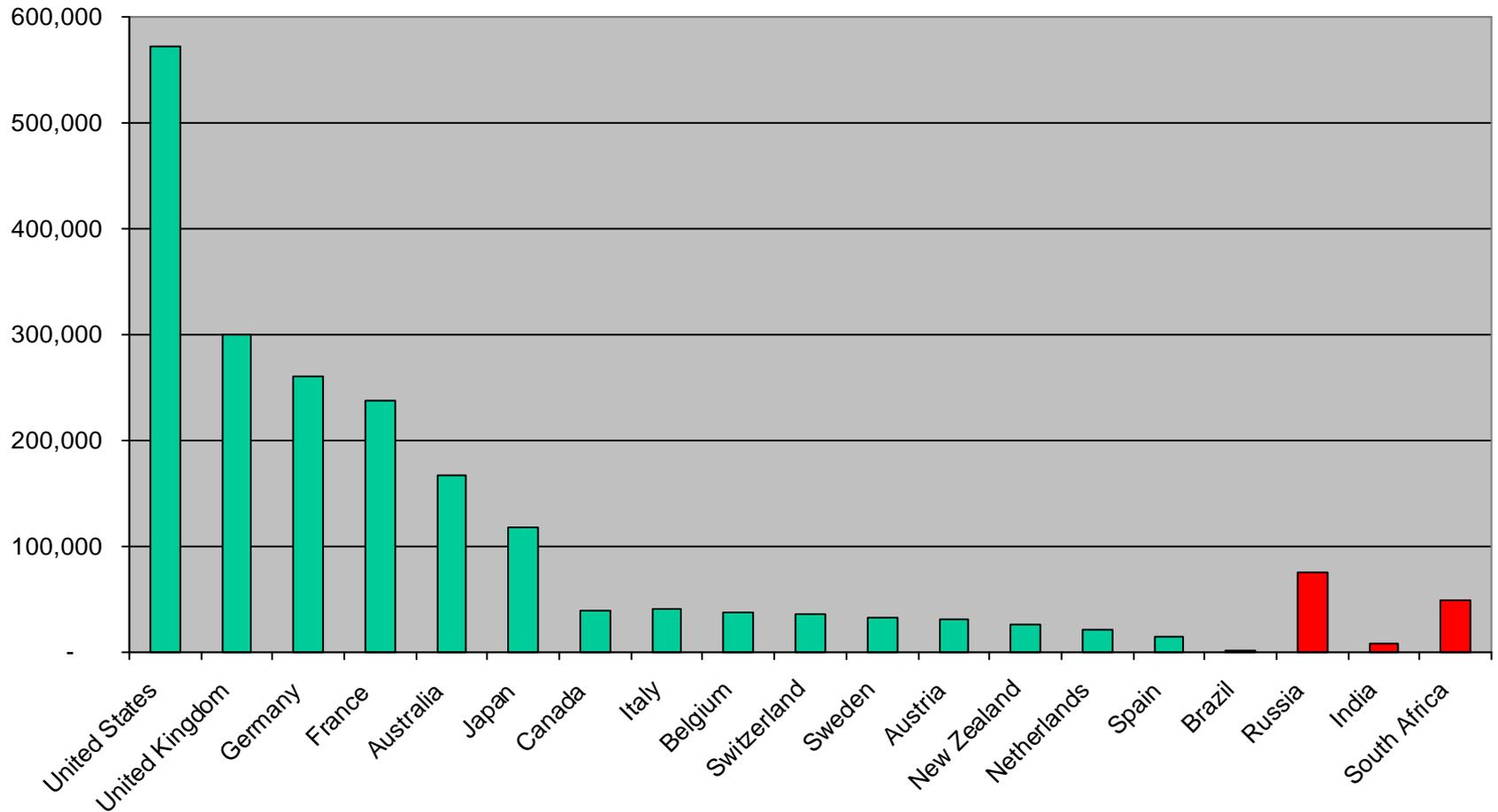
International migrants: 20 top receiving countries/areas



* Special Administrative Region of China

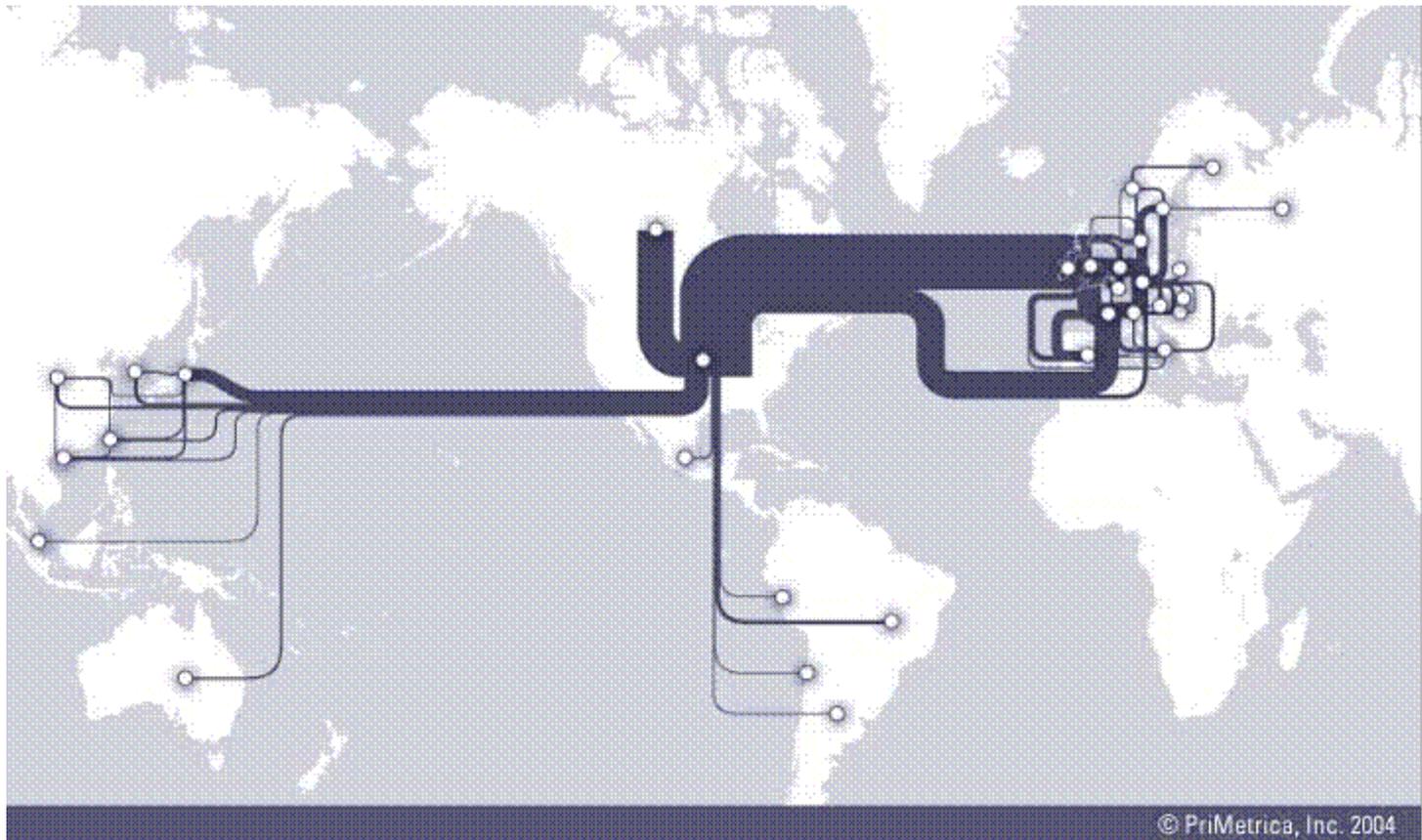
Source: UN Population Division, "Trends in Total Migrant Stock: The 2005 Revision" (POPDB/MIG/Rev2005/DOC), p11

Internationally mobile university students, by host country (2004)



Source: UNESCO/UIS database

Internet traffic capacity/flows between regions





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The Heiligendamm Dialogue – A Possible Way Forward?

Crisis of representation

- UN Security Council
 - Russia and China have permanent seats
 - other major nations, including India, Brazil, Japan, or Germany, do not
 - not one African or Latin American nation, not one Muslim country
- IMF system of quotas and voting rights
 - European countries' preponderance (e.g. Benelux has higher quota than China)
- Nonproliferation Treaty
 - States in possession of nuclear weapons, like India and Pakistan, have not joined

A coherent and effective system of global governance for a world that is changing rapidly

- **developing countries' position** in the world is changing → more donors, new markets for exports and new sources of finance
- **emerging strategic challenges** → climate change and scarcity of resources, state failure, conflicts within states, the movement of people, international corruption, organized crime and terrorism, inequality

The transformation of global regulation

- Regionalization
- Self-regulation, voluntary codes
- Public-private partnerships
- Consumers' empowerment through ICT
- Nongovernmental organizations

How to build the necessary bonds of trust, reciprocity and common purposes?

- Old-fashioned institutions, including the state, may have costs ...
- but so does the privatization of governance and regulation (litigation, after-the-fact exposure)
- “Global organizations can play a key role: fostering **common institutions, shared purposes and trust** among countries so that collectively achievable goals become possible among states” (Woods 2007)
- **Networks** to coordinate, quietly and informally



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“We need each other” (Chancellor Merkel)



Heiligendamm, 8 June 2007: G8 group photo with Outreach representatives (O5)



The HDP

- Launched in Heiligendamm 2007
- Objectives
 - Work together to meet the challenges of globalization
 - Work towards a common view on outstanding global issues
 - Develop common initiatives for resolving them
- Principles
 - Topic-driven policy dialogue, and not a negotiating process
 - Openness, transparency and equal partnership
 - Complement work in other multilateral or regional institutions and forums

**G8 & G5
LEADERS**

OECD

G8 & G5 SHERPAS

(personal representatives of Heads of State and
Government)

**HDP Support
Unit**

**DEVELOPMENT,
PARTICULARLY
IN AFRICA**

**ENERGY, WITH
SPECIAL FOCUS
ON ENERGY
EFFICIENCY**

**RESEARCH AND
INNOVATION,
INCLUDING IPRs**

**CROSS-BORDER
INVESTMENT,
INCLUDING RBC**

DEVELOPMENT

- **Role of aid and trade in development**
- **Quality of aid and its effectiveness in meeting the MDGs,**
- **Fragile states**
- **Capacity development particularly focusing on good governance and institution building;**
- **Role of triangular cooperation with equal partnership**

ENERGY

- **Retrofit of coal-fired power plants**
- **Energy-efficient and sustainable buildings**
- **Renewable energy**
- **Energy security**

INNOVATION

- **The role of education and skills and the promotion of market and fiscal incentives to promote and facilitate the innovation process**
- **The international IP system and its socio-economic impact on developed and developing countries**

INVESTMENT

- **Promoting, protecting and facilitating international investment**
- **Improving investment conditions**
- **Responsible business conduct and corporate social responsibility**