Repairing a Fractured World Economy?

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Lynn Fries (LF): Hello and welcome. I'm Lynn Fries, producer of Global Political Economy or GPEnewsdocs. Joining me is guest Richard Kozul Wright. We are going to be talking about UNCTAD's 2022 Trade and Development Report, the TDR.

Richard Kozul-Wright is Director of the Division on Globalization and Development Strategies, GDS, at the United Nations Conference on Trade and Development, UNCTAD. The GDS division produces the annual Trade and Development Report in line with its responsibilities as UNCTAD's macroeconomic unit task with providing original research, economic policy advice with technical assistance to UNCTAD Member States. Kozul-Wright is UNCTAD's chief economist and lead author of the Trade and Development Report. He has published widely on economic issues and his most recent book, co-authored with Kevin Gallagher, is titled The Case for a New Bretton Woods. Welcome, Richard.

Richard Kozul-Wright (RKW): Thanks for the invitation, Lynn.

LF: So, Richard, we're going to be talking about the 2022 TDR. But first, we should note that this year's Trade and Development Report, like every other TDR since it was first launched in 1981, has been swimming against the tide.
So, very briefly comment on what that means and the broader context of what in 1964 UNCTAD was created to address, that's so relevant into the present and specifically this year's TDR.

RKW: In 64 obviously when we were created UNCTAD was very much the voice for developing countries on multilateral issues, in response to all the weaknesses and biases in the system that was created at the end of the Second World War. And that obviously was strongly focused on biases and asymmetries in the trading system: the whole challenges around commodity exporting countries and the problem with the terms of trade and balance of payments problems.

But not only that, I mean, UNCTAD from its inception was focusing on the financing challenges, on the technological challenges that face developing countries as they moved from being politically dependent to being independent economies.
And very much, UNCTAD at that time was really looking to reform the existing system. It was not looking to undermine the existing system. It was looking to find ways to make that system work better for developing countries. And that culminated in efforts to create a New International Economic Order that was launched at the United Nations in 1974. And UNCTAD was very much the intellectual backstopping of that initiative.
As we know that initiative was grounded in the early 1980s as the global economy shifted onto a very different type of economic path. We look for words to describe that; Neoliberal is the one that is often used to describe the shift away from the kind of managed economies of the postwar period to one in which markets became a much more dominant factor in dictating the kind of economic opportunities for countries at all levels of development.
The Trade and Development Report because it was born in 1981 soon after Ronald Reagan took the reins at the White House, we've been contesting that shift in the direction of policy making and the rules of the international economy that followed along with that.
So, we have particularly focused on the way in which unregulated financial markets have held sway over the policymaking and economic prospects of all countries but particularly developing countries during the last 40 years.
And so, we've moved from being an institution really that focused on fixing the rules of the game to an institution that is focused on contesting the rules of the game that emerged from that neoliberal shift in ideological thinking and policy making from the early 1980s onwards.

LF: The 2022 TDR presents a somber outlook in its prognosis for the world economy for this year and the next, across developed and developing regions. So briefly give us a picture of what you see as some of the main characteristics.

RKW: I mean, in a certain sense, Lynn, we were swimming against the tide maybe until the Global Financial Crisis which was a quintessential failure not of government action per se or state intervention, but was a failure of markets, financial markets in particular. And a lot of talk at the time of the crisis and immediately afterwards that we would at long last be seeing reforms to the international economic system- along the lines that UNCTAD and other people have been arguing for over the last 20 or 30 years- didn't happen.

And the decade after that was one of very tepid economic growth. There were a lot of problems with accumulating debt in developing countries. There were problems with wage stagnation in the advanced economies. But finance continued to dictate the kind of direction of the economy. The response to the crisis was for central banks to really hose the runway for capital to continue its footloose activities across the global economy.

And again, you know, that was clearly producing tensions at the end of the decade. We warn back in our 2019 report that unless the tensions and asymmetries that had been building up over the post-crisis period were addressed quickly, many developing countries would be facing a lost decade in the twenties.
Now the COVID shock opened up the possibility, it seemed to us, of again revisiting the rules of the international economy in a way that would produce fairer and more stable outcomes, particularly for developing countries but we would argue for all countries. And so a year ago, that persisted.
That sense of building back a better world was where we were a year ago, in the middle of 2021. The concerns were that some developing countries didn't have the fiscal space to make the necessary adjustments to the COVID shock. But there was a real expectation that, again, this time we were going to do things differently in terms of managing the global economy. And the last year has seen this dramatic, quite dramatic shift away from that kind of language, from the language of resilience and fairness, to where we are now. Which is in a global economy that is on the edge of recession.
With central bankers, again, dictating the direction of policy making responding to the increased cost of living in the way that central bankers only can. Which is to believe that the problem is one of too much money chasing too few goods. And that the only way in which you could handle that was would be through a sharp monetary shock: rising interest rates, normalizing central bank balance sheets. That happened very, very quickly.
And we argue in the report with potentially very damaging consequences for not only the advanced economies whose central banks are essentially in charge of global monetary policy but particularly for developing countries.
And so, whilst a slowdown in the global economy was expected this year from the rapid bounce back of 2021 after the lockdowns were ended and the vaccine was rolled out, unevenly as we know, but rolled out. So, we have this combination now of a rapidly slowing global economy, particularly the advanced economies. And rapidly rising interest rates with the real danger that this will tip the global economy into a full-blown recession, and that particular report focuses on this in particular, with real damaging consequences for developing countries.

LF: So, when the US Fed responds to the cost-of-living crisis as you said by hiking interest rates that affects all regions. Rapidly rising interest rates and in some cases the risk of an associated currency mismatch makes life harder for borrowers; those whom households and governments have taken on debt for whatever reason. The report shows that while all regions are exposed to these kinds of risks, it argues that developing countries are the most exposed. Can you elaborate more on this point that you've been making?

RKW: Yeah. Developing countries, as I said, accumulated debt in the period after the Global Financial Crisis. It was not an irrational decision. Real interest rates were either zero or negative and it made sense in many respects to borrow on international capital markets. And they were willing to lend often to countries that had not in recent years been able to borrow on those markets.

So, a lot of debt was accumulated in the decade after the financial crisis. And as the fiscal squeeze tightened during COVID they borrowed more to maintain some sense of economic normalcy. Now, again, interest rates, as you know, remained particularly low during the COVID period. And again, there were reasons why developing countries should do that. We've entered a very different world of rising interest rates. And there's a very, very serious danger now of a vicious circle taking hold in which, as interest rates rise, international investors become nervous about the investments they've made in the developing world. There's a flight to safety, often to the deeper financial markets in the United States. That produces impacts on the dollar. The strengthening of the dollar has been a notable feature of the last few months.
And for developing countries that borrow in dollars, the pressure of a rising cost of borrowing and their declining currency is potentially very dangerous, squeezing their economic prospects. And that's already happening.
Some countries have, for a while, been saved by relatively vibrant commodity markets. But for those countries that are net importers of food or fuel, that's an additional burden when it comes to their payment position.
So, there's a real set of forces even before the war in Ukraine further ramped up some detrimental effects on global economic prospects, where developing countries were clearly staring into very dangerous economic waters.
As developed country central banks continue with their policy of raising interest rates in the hope, we think a false hope, that will squeeze out inflation, then the coming year for many policymakers in the South is a very, very troublesome one.
Now on top of that, the threat of climate shocks, as we know, is intensifying. And we saw that recently in the case of Pakistan. Where the floods covering a third of the country, with billions of dollars' worth of damage caused by that, adds another layer of uncertainty and damage to countries in the developing world.
And you know, this is what people are now referring to as a polycrisis facing developing countries on the economic, environmental, social, and indeed political fronts is a very, very worrisome situation.
The international community, I mean, certainly the institutions of global economic governance that were set up to provide safety nets for countries facing these kinds of troubles just does not seem to be fit for the purpose of meeting the kinds of compounding challenges that many countries are now facing.

LF: So, Richard, you've given us a picture of the short term. Let's turn now to the medium to long term prospects for the world economy. So, global growth, financial stability, environmental sustainability, and also development in the South.

In the TDR you propose a modelling scenario that extends the current conditions into the future. So, a continuation of a status quo in which policy makers don't break from the orthodox playbook. Please give us some idea of the assumptions of this scenario and the outcomes.

RKW: Well, there is a business-as-usual model that will simply go back to the kinds of policies that we saw in the period following the Global Financial Crisis. Which puts a strong emphasis on monetary policy; lack of coordination between monetary and fiscal policy; a strong emphasis on the need for flexibility of markets; adjustment for countries that come under balance of payments pressures by the indebted country with no real demands placed on the creditor countries. The familiar playbook that we've seen in place before COVID hit.

And as we try and model that kind of policy regime and its impact on developing countries, we see a particularly weak pattern of economic growth, weak employment generation for developing countries. That means a continuation of a large, informal sector of low wages and limited protection for workers.
And very little hope, under those kinds of conditions, of countries meeting the sustainable development goals and perpetuating their vulnerability to climate shocks. And certainly, no sign of a meaningful transformation in the structure of their economies in a way that is consistent with the need to move away from a carbon-based growth path.
So, that's what we understand to be the business-as-usual type strategy.
And in light of the fact that this does not deliver on the kind of transformative, sustainable, more inclusive outcomes that the international community has set itself, we argue that we need to see a very fundamental change in the kinds of policy programs that all countries, but particularly developing countries, need to pursue over the coming decade.
And, you know, that means a break with austerity. We need a much more expansionary type of macroeconomic environment. Wages need to take a much more prominent role in leading the expansion. Cutting wages endlessly in the hope that you will gain a competitive position in the global economy is ultimately a zero-sum game.
And so, a shift to a much more balanced monetary and fiscal policy regime in which all monetary and fiscal levers are used to underpin a more expansionary agenda.
We understand in that context, particularly when it comes to meeting climate goals, that there needs to be a much more prominent role for public investment in shifting the structure of economies. I mean, and that's obviously true when it comes to moving into different types of energy systems.
A more efficient use of that energy in the different sectors of the economy, but also when it comes to the provision of transportation and the range of utilities that make up a balanced economy which need to be provided by the public sector and have suffered over the last decade or more from a mistaken ideology around Public Private Partnerships and blended finance and other miracle cures that have not delivered on those kinds of promises. So, we offer a scenario and try to model a scenario in which countries begin to follow that kind of policy regime rather than the business-as-usual model that has failed to deliver over the last decade or more.
What we've tried to do in this report is to emphasize the importance of greater South-South

cooperation as offering a framework in which those kinds of policies can really take hold in a more effective way than has been the case in recent years.

You know, as we look at the evolution of the global economy over the last 20 or 30 years, I mean, it's clear that the weight of developing countries in the global economy has increased. If you look at their share in global output, or if you look in their share of global exports or in their share of global foreign direct investment, there's been this significant shift towards developing countries as being much more important players and contributors to global growth than was true 40 or 50 years ago. I mean, that's clear.

A lot of that, as we know, is down to China. But it's not just a China story. The emerging economies, particularly in the first 12 to 15 years of this new century were significant contributors to global growth. That opens the opportunity, we think, for those countries rather than to fixate on their relationship with the advanced economies, to find greater opportunities to integrate with each other in a way that can support the kind of positive policy agenda that I outlined.

And in the process, create the kinds of virtuous circles in which: expanding markets, rising incomes, rising investment, increased productivity performance feeding into greater markets within the South can become a more visible part of the global economy, I think. And we model that in this year's report.

We do show that under the right circumstances, increased cooperation amongst developing countries will indeed produce benefits in terms of employment, in terms of government revenues, in terms of investment, within the developing world.

We are very insistent as we try and outline that kind of alternative to the business-as-usual approach that it remains the case that in our interdependent world in which a lot of economic and political power continues to rest with the advanced economies. We need a shift in the multilateral system if we are going to scale up the kinds of initiatives to meet the global problems that we face. That we all face. Particularly obviously with respect to climate. So, this in no way can be seen as a substitute for the kind of reforms to the international economic system that UNCTAD has been arguing for really since 1964 but with particular emphasis over the course of the last two decades.

So, the need to ensure that we have multilateral financial institutions that provide the kind of liquidity that developing countries need if they do face unforeseen economic shocks. Which of course should be the responsibility of the International Monetary Fund. And has not been done on the scale that is needed in response to the shocks that we've seen since the Global Financial Crisis.

But also, the need for a more reliable, cheaper long-term financing to make the kinds of productive investments that developing countries need to transform their economies in a more sustainable way. That has to come from the multilateral system in a much more scaled up way. And it's not the case that increased South- South cooperation can somehow substitute for that need for much greater multilateral effort.

So, I think, what the South-South agenda does is point in a more positive direction to the kinds of reforms and initiatives that the multilateral system will need to follow if we're going to achieve the kind of goals that the international community set itself in the last decade.

LF: So, as we have been discussing, the structures of the international system of finance and trade were designed under the hands-off, business-as-usual model. So as this international rules-based system put in place extensive deregulation since the 1980s all governments, but most especially less powerful governments, so small and developing countries, lost what you call policy space.

If I understand it correctly, the idea of the South-led scenario is that by cooperating and integrating among themselves gives developing countries scope to regain policy space. In other words, within their respective regional arrangements governments would have room to pursue policies that do work towards a fairer outcome for all rather than just find themselves constrained in having to follow policies dictated by the so-called market forces. More appropriately called the concentrated market power of global finance and the multinational corporate structures that dominate the market under the auspices of model.
You've already given us a picture of vulnerabilities linked to power asymmetries in the context of the international system of finance. Let's bring the international system of trade into the mix. And more specifically vulnerabilities linked to the concentrated structure of global production.

RKW: The concentration of corporate power across economic activities has become a much more visible feature of the global economy over the course of the last decade or two. And we know that the vast bulk of international trade, for example, is controlled by a relatively small number of corporations.

And I know there's a kind of fixation in some quarters about the need to support small and micro-enterprises as engines of economic growth in their possibilities. But these are not players in the international trading system.
So, taking on and tackling the asymmetries in the structure of production is certainly going to be a critical feature of the kind of alternative development path that we are talking about. But again, that's not a tension that is unique to developing countries. We've seen around the questions of digital corporate power, the need for policy makers in advanced countries to address the problems that that can cause them. That's been true particularly in Western Europe in recent years around the issues of taxation, for example.
So again, a progressive agenda that can begin to forge a new kind of internationalism will need to take full account of the tensions and contradictions that the financialized and corporatized global economy has posed to advanced economies, since the new millennium. Again, we can't simply expect countries of the South acting together to provide by themselves to provide the kind of momentum for change. There have to be significant changes within the advanced economies themselves and their approach to international cooperation if we're going to build a fairer and more sustainable future.

LF: Given your views on where we are now and this a continuation of three to four decades of the perpetuation of the business as usual model, what makes you think that this time around we could see a change in direction away from the status quo towards this more positive agenda that you describe as a virtuous circle?

RKW: It is easy to look at what the advanced economies are doing, particularly in the international realm, and be very pessimistic about the prospects for the kind of changes that you just mentioned. But there are some reasons I think to have a more positive outlook.

And that comes from the fact that the advanced economies, since the Global Financial Crisis, have in many respects been saying one thing about the need to maintain the status quo and doing something else. And we can see that particularly, for example, with the re-emerging debate around industrial policy.

Part of our scenario about a more inclusive and sustainable development path hinges on the far more extensive use of industrial policy than has been the case under the hands-off, business as usual type scenario.

And we're seeing a far greater use of industrial policy in the United States. It's often couched in a way that is not particularly progressive. So, the recent efforts of the United States to counter what they perceive as their falling behind East Asian countries, particularly China, but not just China in the area of semiconductors and certain types of new technologies, has forced the US into reassessing its own industrial policy.

The kinds of initiatives, I think that that implies, will and already are falling foul of the international trading rules that were designed under this hands off, business as usual approach.

You can't do the kind of industrial policy that the United States is currently pursuing in a way that's consistent with the rules of the Uruguay Round [World Trade Organization]. So that is going to force significant rethinking, I think, if I take a positive view of the international rules of the game with respect to trade and trade and investment agreements.

And the developing countries, who have suffered the most under those rules, need to kind of form a positive narrative out of their own experiences of closer integration with each other that can be used to make the international rules of the trading system work in a fairer and more inclusive way.

So, I think there are developments both within the South but also within the advanced economies that at least hold out the possibility of shifting the workings of the global economy in a direction that can deliver greater sustainability and fair outcomes for all.

LF: Again, if I understand it correctly, part of the strategy behind the South-led scenario is that when countries act as a bloc- in their respective region whether that be an African bloc or Latin American bloc- this then can be a lever.

And as put in the report, to quote: "policymakers in the South share critical common ground to be capable to question the asymmetries and biases in international trade and finance that favor large corporations from advanced countries. Leveraging this shared interest opens a space for a South-led way to counter the status quo."

Does that then mean political will will be needed among policy makers in the South if they are going to leverage their shared interests and open that kind of space?

RKW: Well, I mean, it's a political organization. I mean, it’s certainly the case that the developing world has not been able to make the gains that it needs to make because it has been fragmented itself. And that the need for it to build cooperation amongst itself is a critical component of forging the alternative.

And there are economic advantages to themselves from closer integration. That’s what we show in the report. That if they do forge these closer trading and financial and technological ties, there are real gains that they can make amongst themselves. And that needs to be exploited.
I think the second side of that story is whether in the process of building closer relations amongst themselves, they can leverage that to a change in the multilateral system that ultimately will determine for the global economy whether we do get the kind of inclusive, transformative, sustainable future that the international community has been promising itself since, certainly since the middle of the last decade with the initiatives around the Sustainable Development Goals and the Paris Climate Agreement.
So, yes. There are gains to be made from closer South-South cooperation. But I think the real challenge is to ensure that the kinds of solidarity that the South builds up through those kinds of closer arrangements translates to changes at the multilateral level, which will ultimately determine whether we achieve the kinds of goals we set ourselves.

LF: I will just quickly state the obvious and flag for viewers that the report details many more features that characterize ways the South led scenario breaks from the status quo [business as usual] than we can possibly talk about today. And that includes details on an agro-ecological model of industrialization where employment intensive and traditional agriculture are part of a coordinated effort to maintain a pace of agrarian transition that is consistent with industrialization, employment generation, food security and the need to avert environmental degradation.

So again, as we need to keep this conversation at a manageable length, let’s just focus today more specifically on the issue of food security and how agrarian policy fits into a framework of a broader industrial policy consistent with sustaining employment in developing countries.

RKW: Yeah, we have, again, tragically been exposed to the threat of food insecurity over the course of the last year. Hunger is on the rise again across large parts of the South. And addressing that problem needs to think very hard about the kind of agrarian relationships that exist in the South and the vulnerabilities that exposes many countries to.

So, in our understanding of a sustainable growth path, I think it would be true to say that industrial development which has been on hold in many developing countries now for two decades, or gone backwards, needs to be revived to make the kind of transformation that

we're talking about.
But that should not come at the expense of other structural imbalances that continue to limit the economic possibilities that developing countries face. And we know that as agriculture has been hollowed out in the South, the consequences that have had in terms of the emergence of informalized urban economies is not a route for the kind of inclusive growth model that we think developing countries need if they're going to meet the Sustainable Development Goals.
So, there's an intimate relationship between what happens in the agricultural sector and the possibilities of the kind of industrial development that developing countries we think still need to be able to pursue.

LF: The report also makes it clear that because you do not want to propose anything that is unfeasible the South-led scenario is based on modest assumptions. So, you are not 'creating' mechanisms from scratch. What you do is to intensify existing mechanisms; you take existing arrangements and enhance them to the point that you think it is realistic and feasible.

For example**,** in the case of finance you propose scaling up the existing mechanisms for countries within their respective regions of the South to rely more than before in their own respective currency for trade between themselves. And to build common stocks of reserves to help stabilization efforts and for greater scope in regional stabilization funds, etc.
So then within respective regions of the South, the focus of this report is very much scaling up what is already in place.

RKW: Yeah. You know, scale economies matter when it comes to a dynamic growth process. And developing countries have tended to think of those scale economies coming from their building closer ties with advanced economies. I mean, there's logic to that.

All we're saying is that there are huge opportunities to achieve economies of scale if developing countries integrate more closely with each other. So, you know that kind of mechanism is certainly critical for the growth path that we are outlining.
But, you know, there are certain things that can only be tackled through a reformed multilateral system. Of which the most prominent, of course, is the burden of debt.
Obviously, China has emerged as an important creditor over the last decade or more. But the asymmetries in the creditor-debtor relationship remain fundamentally North-South; and with a much stronger role for private creditors in the relationship between advanced and developing countries.
And that's a huge burden that unless it is lifted over the next few years will prevent the kind of progressive growth path that we try to outline in the report. And that will require some fundamental changes to the multilateral system if we are going alleviate that burden of debt on developing countries. That's not something that can be solved by closer South-South cooperations.

LF: As further context to that and other asymmetries in the global economy and how it ties into the hands-off scenario, the TDR argues the hands-off scenario is tied into a vicious circle where increasing disparities of power, wealth and income lead to repeated crises followed by the mismanagement of those crises that further perpetuate an unequal and stagnant world economy.

As statistics to flesh that out, the TDR refers to two well-known deeply engrained trends. One, that the labor share or the wage share of income has been falling in advanced and in developing countries since the 1980s. And another, that government spending has been decreasing as a share of national income for four decades. And the flip side of those two trends being how from 1995-2015 the real benefits of global trade went to the profits of the corporate 1% who controlled over 50% of international trade. That reported the 2018 TDR. Can you expand on that?

RKW: There's a real challenge. One of the important points that we've tried to make consistently in recent reports is that the world economy as a whole has suffered from a shortage of global demand. And that part of the reason for that is that there has been a persistent tendency to repress wages. And to the point where wages in some countries have essentially become disconnected from any improvements in productivity growth.

I mean, that's largely true of the world's largest economy, the United States where wages, real wages at least, have been stagnant for decades. So, there's a case to be made for a wage led growth model that stimulates economic growth in a very virtuous type of circle.
I think that's certainly true for advanced economies. And we would also argue it's also true for many developing countries as well. So, that understanding of the growth dynamic lies behind a lot of what we have to say.
Now, you can make a case that rising profits can themselves offer a dynamic growth story if those profits are reinvested productively. The China model to some extent is a model in which there has been a rising profit share in the economy, but there has also been a rising share of investment in overall output in income.
And that has been a major part of the success of the China story. Excessively so, some would argue. But without a shadow of doubt for a period of 30 years or more, that has been an important engine of the China growth story.
You don't see that in the advanced economies. For the last 20 years, even as the share of profits in overall income has been rising, investment has been stagnant. It's one of the great weaknesses of the hands off or the neoliberal agenda.
The neoliberal agenda was sold as being good for business and therefore good for investment and innovation. But when you look at the distribution of profits – this increased share of profits that are being made by large corporations, the vast bulk of it over the course of the last two decades or more has gone to buying back shares or allocating dividends.
The work of Bill Lazonick, for example, has shown that for the firms in the S&P 500 in excess of 90% of profits have been used for those two purposes. Not for reinvesting in capital formation or improving human capital but for buying back shares or handing out dividends to

the 1%. Who, as you know, have a relatively low marginal propensity to consume. Which is one of the reasons why we face this problem of persistently low aggregate demand.
So, tackling those problems, those systemic problems, is one of the great challenges that we face.
Given that the kind of growth path that we set out in the report and in previous reports does depend on a transformation in the structure of the economy that can only take place with relatively high rates of investment.
So, moving away from that business-as-usual model, we see opportunities for raising investment, for raising productivity but also for raising wages at the same time. It's that kind of virtuous circle that to some extent- I mean you have to be careful with historical analogy- but to some extent was the modus operandi of northern capitalism in the period, two and a half, and three decades from the end of the Second World War.
So that's the kind of narrative that we want to generalize across the global economy. We see opportunities for that in the kind of closer South-South relationships that we model in this year's report.
But again, it's imperative that the advanced economies also embark on their own reform process that can break with the kind of stagnationary tendencies and highly unequalizing tendencies that have marked those economies now for three decades or more.

LF: This global policy model scenario lays out how a South led agenda of industrialization and coordination aimed at avoiding climate meltdown and promoting employment generation globally is technically possible.

RKW: Yeah, it's technically possible, but ultimately, we live in a world where, you know, it has to be politically possible, right? And the politics of this is where the struggle is taking place.

And I think the South has to demonstrate that a politics built around solidarity and cooperation offers not just a morally superior way of organizing economic and social life but also offers one that is more prosperous and more sustainable.
I think that's where the narrative of South-South cooperation really needs to build an agenda that is much richer and more powerful than the one that has for now 30 or 40 years established itself around this notion of hands off is better: a kind of individual initiative and endeavor are the only ways in which we can achieve the kind of better future that we are aspiring to.

LF: This then would mean the South assumes a leadership role in shaping the global economy and so breaking from a decades long experience as rule takers, not rule makers. And so too, breaking dependence on comfort in conformity as the report puts it or on being on the right side of a commodity boom or a geopolitical divide. So, in a South-led scenario the narrative changes to we are on the right side of a policy agenda that we are forging and going to fight for.

RKW: That we are going to fight for and that will not only be good for us but will be good for the economies in the advanced world too. I think that's critical, right? So that the leadership in the advanced world can themselves think about a different way of pursuing international engagements and coordination because the system that we have in place now is simply not delivering the kind of scale or the nature of resources that we need to prosper together on an increasingly stressed planet.

The developed countries have their own challenges that are different from those in the developing world and they will have to find instruments and mechanisms to deal with those challenges that are not necessarily appropriate for the South.
But, I mean, there is a demonstration effect from South-South cooperation that we hope will encourage leadership in the North to think about their own problems differently.

LF: And a rethinking too of the relationship with China?

RKW: Obviously, the kind of hostility towards China that has emerged particularly over the last four or five years is not conducive to building a healthy multilateral system. And the advanced economies need to get over the fear that they have of an increasingly powerful and prosperous China. Because that's going to happen.

China is going to become an increasingly more prosperous and powerful economy. The Western world needs to come to terms with that. And again, that requires a narrative built around cooperation and coordination rather than competition and conflict.
Some developing countries have their own concerns about China. But the initiatives that China has built around the Belt and Road and other things, I think, despite the fact that there are clearly issues that need to be dealt with there, again, it's a sign of a change in the world economy that offers a different kind of future from the hands-off approach that has misshaped multilateralism over the course of the last four decades. And back to where you started, against which we've been swimming for much of that period.

LF: Richard Kozul-Wright, thank you.

RKW: Thank you, Lynn. Thank you.

LF: And from GPEnewsdocs in Geneva, Switzerland thank you for joining us.

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