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Jeffry FRIEDEN

Kemal, we would like to start with you, trying to deal with what I think is one of the most troubling issues in the international economy today, that is the crisis of multilateralism.

Kemal DERVIŞ

Let me try to make four points. The first point is that when multilateralism is kind of celebrated among people like us here, in a way we have to remember that for a long time, multilateralism was not global multilateralism. The Soviet empire and then the developing countries had a very small stake, very little to say on multilateralism. Therefore, it is a little bit strange that those who, in a way, "monopolized" multilateralism, now all of a sudden regret it is diminishing. I think multilateralism probably reached its peak in the 1990s, once the Soviet empire had collapsed and one could see, if not with Fukuyama, the end of history, one could see an overall world that was taking steps towards multilateralism, with China joining the WTO, with almost all countries in the world being part of the IMF and the World Bank. There was a short period when multilateralism was truly international, and it is probably true that if in the period before that, the United States, Western Europe and Japan had taken a more, let us say, generous or open approach to the overall world economy, we would have had a true multilateralism, which in fact we never had.

Now, we are in a much more multipolar world, although the US and China are by far the two dominating giants these days by any kind of measure one may want to take, in terms of GDP, population, etc. Then, there are many medium and small countries. The question is, will a new multilateralism come, this time with China playing an important role and with the developing countries and the emerging markets playing a much more important role than before? I think that is the real question. The question is not, have we lost multilateralism? We never had it in that sense.

That is my first point. My second point is more on the economic side. About two years ago people were talking of the world economy slowing down. Larry Summers, Robert Gordon and many others, had a very pessimistic view of the world economy. Robert Gordon wrote a book that is comparable in size to Piketty's book, though I have not measured them exactly! I think *The Rise and Fall of American Growth*. I think strictly with what has happened in the last year and a half or so, all of this has more or less gone. Today, secular stagnation or the rise and fall of American growth are no longer "à la mode". There is growth in the world economy. It is fairly widespread and led by the United States and China, but it is much more widespread. Therefore, the question of what will happen in the future is much more open than it was two to three years ago when the majority of analysts were thinking of a slowdown in the world economy.

Here, it is very hard to put everything into seven minutes, I think one of the key issues is the new technologies. Will the new technologies continue to bring widespread growth or not? I will not justify my opinion here, maybe I will during the discussion, but I think they will. The new technologies will bring rapid growth in the world economy. There was a time two or three years ago when one could have argued that this growth was confined to small sectors, small parts of the economy, but I think right now it has become so widespread that there is no question that there is a very rapid growth potential in new technologies. In fact, these new technologies, contrary to what Robert Gordon said, are like electricity or the steam engine, they are really transformative in terms of what will happen in terms of world growth.

What is not clear, is whom it will benefit and what will happen with income distribution. There are very strong tendencies in the new technology diffusion for income distribution to become even more unequal. There is also a question mark whether the poor countries and even the emerging countries, will be able to catch the new technologies with the same kind of vigour they had caught manufacturing growth. Therefore, the fourth question is that for the new



multilateralism we are talking about to take root and fight the populisms and neo-nationalisms we see, we must talk not only about growth, but we must also talk about income distribution. Income distribution both in terms of across the world, across borders, and also in terms of within country income distribution should be more balanced. I think the real challenge for the next five years is to manage to discover a path, a set of regulations and a type of multilateralism that achieves that. Here, of course, I think one has to be very cautious and I cannot be very optimistic about that.

Jeffry FRIEDEN

Thank you. This seems realistic.