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All this you are talking about, that other panelists were talking about, requires cooperation, and yet right now cooperation is in short supply, particularly because of the rivalry, and I think it has gone beyond competition to being rivalry, between the US and some of its allies, increasingly, and China. Of course, developing countries find themselves caught between this and are hoping they can stay out of this and have good relationships with everyone, but is that feasible going forward? I want to turn, first, to Jeff Frieden to get your perspective on this and then I am going to come to Vincent, who has been studying the evolution in China. Jeff, over to you.

Jeffrey Frieden

Thank you very much. I appreciate Madam Touré reminding us of the importance of understanding divisions within countries and the legitimate concerns of those. I want to focus on the geoeconomic and political situation and the constraints they impose. I am afraid I am pessimistic on many of these dimensions, keeping in mind that a pessimist is just a well informed optimist, so I think I am being realistic about the possibilities.

We are in the midst of a fundamental change in the constraints and opportunities faced by developing countries. This is going to be a very, very challenging period to come. Over the last couple of decades we have gotten used to cheap money in plentiful quantities with the search for yield and very low interest rates, negative real interest rates, very high commodity prices in general, with some commodity booms in the period, and relatively open trade. All of those are changing. We confront a sustained period of high interest rates and of economic and financial conditions that are drawing capital back to the developed world, out of the developing world. There is a global growth slowdown, including in China, which I think portends generally weaker commodity prices throughout the world.

There are, perhaps most importantly, greater limits on trade coming from the OECD, from the developed countries. There is traditional protectionism but, more important now, concern about the domestic production of essential commodities, whether out of the pandemic or out of national security considerations. There are greater limits associated with climate policy, with border adjustment mechanisms being designed in country after country that will be serious constraints on the developing world's ability to access the markets of the developed world. There is the increasing likelihood and reality of tying trade more and more to human rights, labor rights, democracy and climate policy, all of which, again, are constraints being imposed



by the developed world, and that does not even mention the continuing American campaign to destroy the WTO. All of this portends much more difficult access to OECD markets on the part of developing countries, access which often is and will continue to be contingent on satisfying some quite stringent economic and political requirements that will be politically and economically very difficult for many poor countries around the world.

Are there alternatives? Well, there is China, with the Belt and Road Initiative, with the Chinese development banks and development projects. But as was pointed out, China is in many ways still a developing country, albeit a very, very large developing country. I think many are finding that, as is true of virtually all of these relationships, money comes with strings attached. Chinese contractors, technology, workers and geopolitical strings as well in terms of policy towards Taiwan. More importantly, the ability of China to stand as a true replacement for or alternative to the OECD is strictly limited simply by the level of development of China and the size of the Chinese economy. There are some opportunities there, but in no way can China be seen as a replacement for the OECD in supplying capital, technology, and markets for the development process.

The Russian axis, which sometimes is pointed to as an alternative, is increasingly disappearing into the horizon as the Russian government gallops down the path to making Russia a pariah state. This is essentially going to continue and deepen as the conflict with the west turns into a new Cold War. The relevant consideration here is that not only do we have a sanctions regime in place and being put in place, but those sanctions are going to become more and more stringent. There will be secondary and tertiary sanctions that will make it extremely difficult for countries to maintain or deepen economic ties with Russia and its allies, so the broader impact of a new Cold War will be severe and serious.

All in all, therefore, this is a very challenging period. The developed countries have been placing and will continue to place greater and greater demands on the economic and political realities of the developing world and the emerging markets. There will be some very difficult choices to be made. The developed world, the OECD, is and will continue to be increasingly stringent in the kinds of demands that it places on the developing countries. There are no easy alternatives available, so I think, all in all, this is going to be a very challenging time for the developing world and for the prospects of development.

I should say that I appreciate the kinds of alternatives or mechanism design issues that have been discussed here, but, as Masood alluded to, the willingness and ability to design and implement those changes depends on the underlying domestic political and geopolitics realities, especially in the OECD, and I am pessimistic about the possibility of moving fast in that direction. I think we have to be realistic about what is reasonable to expect given the difficult domestic political circumstances, which we have not really talked about, within many of the developed countries, and in that context I think that realism would be a better state of mind in thinking about the way forward.

Masood Ahmed

Thank you very much, Jeff. Thank you for bringing in that perspective that things are going to be quite difficult and also linking it right back to the first comment, which is that the fragmentation and the realities within countries are driving a lot of the international relations.