

***PECC Plenary Session 1:
The Need for a New Global Order?***

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Takeaways

- Global economic integration has risen significantly over time.
- But institutions to govern it have not kept up.
- Look for little change in the area of international finance.
- For international trade, governance will be increasingly regional and led by Asia

Need for Change in Twenty-first Century

- No governance system overseeing the international monetary «system» exists.
- Role of emerging markets in global economy, especially Asia, is rising significantly, changing power relationships.
- But resistance to change is testing relevance of existing institutions (e.g., representation at IMF still skewed: China's share of voting power is 15% less than France and Italy together, despite its economy being almost three times as big) .
- Monetary cooperation at regional level: EMU no longer seen as a shining light.
- WTO: last «single undertaking» finished in 1994, before digital economy, etc. Need for new global rules.
 - Doha has been at impasse for 5 years.
 - Important role for rules, dispute adjudication: but recent unliteral actions (e.g., from US)
- Lack of leadership (interest?) in global governance seems to be putting OECD economies on sidelines, at least in the near term.
- Leadership in trade-related governance needs to come from Asia

Governance Initiatives in Asia

- Gravity of the global economy is flowing toward Asia. For example:
 - Today, US+EU constitute almost 50% of global GDP; ASEAN, China and India: less than one-fifth (one-fourth on PPP basis)
 - By 2030, ADB predicts that US+EU will equal about one-third global GDP, just slightly more than ACI. At PPP: ACI=almost two-fifths; US+EU=slightly over one-fourth
- Asia has been working on developing new trade institutions:
 - ASEAN/AEC
 - TPP/CPTPP
 - RCEP
 - FTAAP?
- Finance: AIIB, CMIM/AMRO
- Vision: Belt and Road

Concluding Remarks

- Global economic governance post-WWII was predicated on US-led liberal economic order
- The system has not been able to put in place new global institutions (e.g., monetary) and existing ones have generally resisted change for the 21st century (e.g. WTO)
- At least in part, this is due to difficulties inherent in adapting to new realities, esp. the shift in the center of global economic activity to Asia
- Asia, on the other hand, is building new institutions
- The US had its chance to participate, e.g., via TPP. Will it return?
- What role will the EU play in this transformation?
- Many questions remain. But leadership will be essential.

THANK YOU!

I look forward to discussion