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Global Economic Governance and Trade as a Vector of Sustainable Growth

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Agenda

- Global Economic Governance (GEG)

- Trade & Development

- Environmental Burden Shifting

- Reforming GEG

- WTO & Climate Policy

- Institutional Reform

What is Global Economic Governance?

Systems, institutions,
and rules shaping
global finance, trade,
and development.

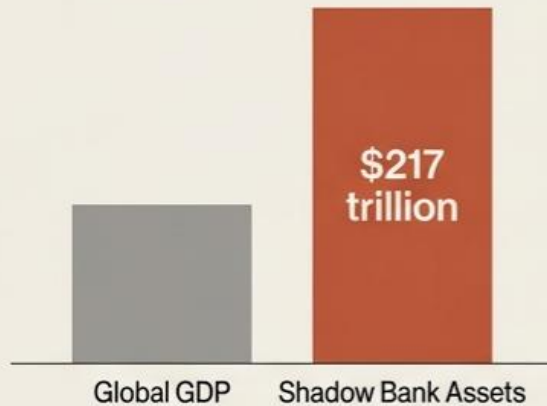
Current system
prioritizes GDP
growth over
sustainability.

The Current System Is Generating Systemic Risk and Deepening Inequality

The post-1960s obsession with "growth" as an end in itself, facilitated by financial deregulation, has created a global "nonsystem." This has led to:

Massive Financial Imbalances

Unregulated capital mobility has fueled the growth of a "shadow banking" system. According to the Financial Stability Board, assets held by these nonbank institutions reached \$217 trillion in 2022—more than double global GDP.



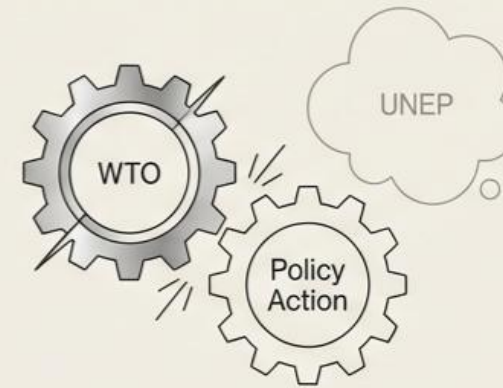
Eroding Public Authority

Private financial actors exercise undue influence over policies vital to economic stability. This has led to a loss of democratic control, obscene levels of inequality, and disillusionment with democracy.



Corporate Capture of Governance

The interests of a few powerful corporate players, particularly in the fossil fuel industry, have captured global politics, leading to weak environmental governance. Institutions like the WTO have teeth, while bodies like the UN Environment Programme (UNEP) can only "plead, coach and build capacity."



GEG Challenges to Sustainability



- Inequality



- Financialization



- Ecological overshoot



- Weak democratic control over global markets

We Need a New Vision: Four Principles for a Purpose-Driven Global Economy

To address the root causes of our interconnected crises, we must reorient global economic governance around a new set of principles. This requires a fundamental shift in how we approach the role of the state, finance, and international collaboration.



Pillar I: Shape the Economy

FROM Passively fixing market failures
→ *TO* Actively shaping markets for sustainability and inclusion



Pillar II: Finance for Impact

FROM Filling financial gaps
→ *TO* Aligning financial flows with public purpose



Pillar III: Rebuild Capable States

FROM A narrow regulatory role
→ *TO* An entrepreneurial state that shares risks and rewards



Pillar IV: Collaborate for Global Equity

FROM Fragmented competition and slow consensus
→ *TO* Purpose-driven coalitions for fair global governance

Imbalances and Financialization



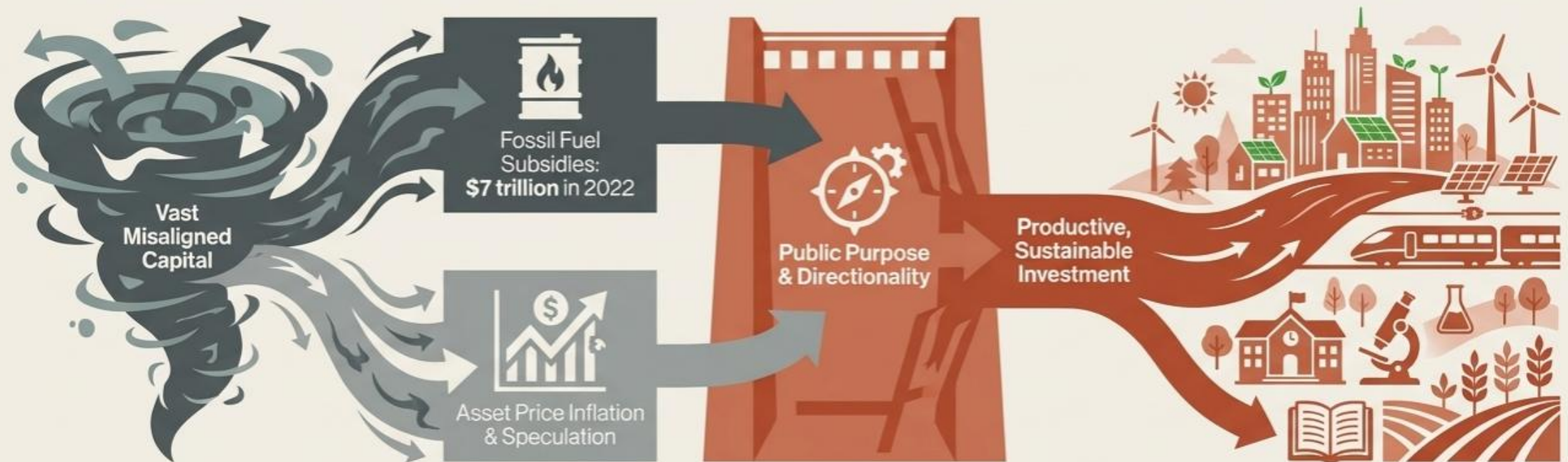
DEREGULATED CAPITAL + MOBILITY
→ INSTABILITY.



PRIVATE ACTORS INFLUENCE STATE
POLICY → WEAK PUBLIC
AUTHORITY.

Finance for what?

Global discussions often fixate on mobilizing more capital, asking "how much?". The more fundamental question is the one above. The key is to reorient vast pools of existing public and private finance away from speculation and environmental harm and toward productive, sustainable investment.



A New Approach: Finance must be governed as a tool for structural transformation. This requires redesigning the international financial architecture, national fiscal frameworks, and the instruments used to steer private capital.

Constraints on Policy Space

Developing countries
restricted by trade
rules, IP regimes,
investment treaties.

Ambitious climate
action often
penalized.

National Governments Can Unlock Public Wealth and Steer Private Finance

At the national level, outdated fiscal rules and narrowly defined tax policies constrain the investment needed for structural transformation.



Unlocking Public Development Banks (PDBs)

PDBs hold over **\$22 trillion** in assets but are often underutilized. They must be empowered to act as **investors of first resort**—deploying patient, risk-tolerant capital to shape markets, not just as lenders of last resort.

Multilateral Development Banks (MDBs) must work *with* National Development Banks (NDBs), providing equity and guarantees to help them scale investment aligned with national priorities.



Harnessing Tax Policy for Transformation

Taxation is a market-shaping tool, not just a revenue-raising one.

- Brazil's G20 proposal for a global wealth tax on the ultra-rich could generate **\$250 billion** annually.
- A global financial transaction tax could generate over **\$400 billion** per year while curbing harmful speculation.

These revenues can fund the transition, reduce inequality, and discipline extractive behavior.

Governance Weakness

WTO has strong enforcement.

Environmental institutions (UNEP) lack binding power.

Trade as a Growth Vector

1990–2017: Developing country exports ↑, global poverty ↓ from 36% to 9%.

Trade → productivity, technology access, investment.

Economic Benefits of Trade

- Technology diffusion
- Integration into GVCs
- Poverty reduction
- Employment via export expansion

Trade Facilitation Effects

- Improved procedures → lower trade costs → higher exports → economic growth.



Environmental Burden Shifting

Pollution-haven hypothesis.

High-income countries outsource environmental impacts.

Evidence on Burden Shifting

LICs: PTAs →
higher ecological
footprint exports.

HICs: no
corresponding
increase in
footprint imports.

Role of Domestic Institutions

Democracies
shift footprint via
imports.

Non-
democracies:
more likely to
bear burdens.



Reimagining GEG

Shift focus from
growth pace →
growth direction.

Align trade,
finance,
regulation with
sustainability.

Global challenges require collective action, but progress cannot be held hostage to full multilateral consensus. Strategic leadership from coalitions of the willing can generate momentum and set new benchmarks for global economic governance.

The Need for Coordinated Action

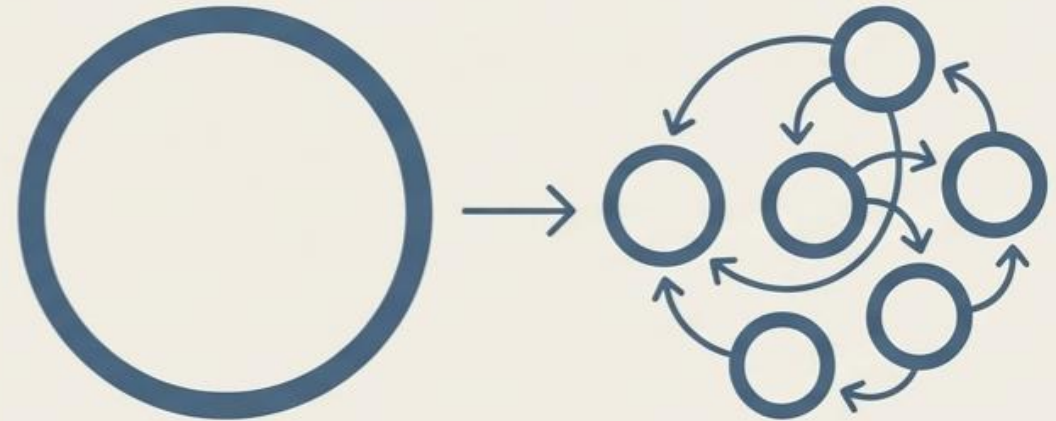
The Democratic Paradox

Research shows that in democracies, political leaders have incentives to offload environmental footprints onto other countries to satisfy voters' demands for a clean environment at home. This highlights the need for international coordination to prevent a race to the bottom.

Rising Unilateralism

The resurgence of unilateral tariffs and subsidies threatens to trigger a 1930s-style fragmentation of global trade, harming smaller and developing economies the most.

A New Model for Multilateralism

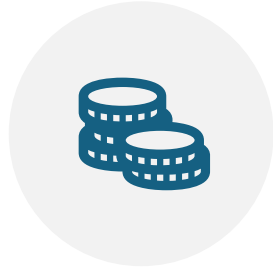


Slow Consensus

Purpose-Driven Coalitions

- Convene coalitions of like-minded G20 members to advance reforms in areas like trade, finance, and technology.
- South Africa's leadership in the WHO's mRNA technology transfer program, involving 15 partner manufacturers, provides a model for public-purpose R&D and distributed production. This is the kind of equitable, collaborative action needed.

Four Principles: South African G20 Proposal



1. SHAPE THE
ECONOMY



2. FINANCE FOR
IMPACT



3. REBUILD CAPABLE
STATES



4. COLLABORATE
FOR GLOBAL EQUITY

Trade & Regulatory Reform



- ADJUST CBAM FOR EQUITY



- GREEN SUBSIDIES EXEMPTION AT WTO



- IP REFORM FOR CLEAN-TECH ACCESS
-



Investment Governance Reform

Move away
from rigid BITs.

Reinforce right
to regulate for
public interest.

WTO Law & Climate Policy Compatibility

Labels, energy taxes, subsidies
→ often WTO-compatible.

If not: use GATT Article XX exceptions.

Institutional Reform Needs

Strengthen IMF.

Align global
finance with
SDGs.

Create global
industrial policy
coordination
facility.



SGH