



The Causes of Political Reality - Understanding the present to shape the future

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Group of 20

Study Guide

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WORDS OF WELCOME

Honorable Delegates,

Welcome to the seventeenth edition of the Bonn International Model United Nations (BIMUN)/SINUB conference, which this year focuses on “The Causes of Political Reality: Understanding the Present to Shape the Future”.

Inspired by the theme of the conference, The Group of 20 will discuss two issues that are relevant to understanding the present, and key to defining our future: (A) “The Effect of Protectionist Movements on International Trade” and, (B) “A Global Approach towards Development”. We hope that this study guide will kindle your interest in these topics and guide you through the debate.

This committee faces a few challenges. First, you address topics of great significance and scope. Second, you strive to reach consensus in controversial matters, in a context where even the aim to achieve unanimity has been called into question. Third, the diversity of our committee is reflected in the use of three working languages and requires an additional effort to understand each other, further reflecting upon the perils of approaching key issues on a global scale.

We anticipate a highly engaging, passionate discussion. Whether you are a first time MUN participant or an experienced one, we hope that you can take away something new from this committee. We believe in your ability to formulate solutions and, at the same time, enjoy the experience of BIMUN. We are at your disposal to answer any question and can't wait to see what you have in store for us!

Warm regards,

Marina Navarro Montilla, Marcus Gerstein and Carmen Hernández González

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Committee Overview

History

Created in 1999, the Group of 20 (G20) was launched primarily as an answer to the 1997 Asian financial crisis, a series of currency devaluation, where the stock markets and currencies of many Asian countries lost about 70% of their value.¹

On the 25th of September 1999, finance ministers and central bank governors of the G8 states proposed to “broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all”². Thereafter, a number of systemically important countries from regions around the world gathered to meet in Berlin in December 1999, giving birth to the G20.

Since 2008, due to the global financial crisis, new consensus building was needed at the highest political level. Thus, the G20 has played a crucial role in stabilizing the world economy and has also expanded its agenda in order to tackle current challenges including financial markets, trade and development.

The G20, as a leading forum of the world’s major economies, represents 85 percent of the global economic output, 75 percent of the international trade, 80 percent of global investment and 66 percent of the global population.

Membership

The current powers included in the G20 are: Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

¹ The Balance. (2018). What was the Asian Financial Crisis?. [online] Available at: <https://www.thebalance.com/what-was-the-asian-financial-crisis-1978997>

² G-7, Statement of G-7 Ministers and Central Bank Governors (Washington, D.C., 25 September 1999).

Leading international organizations such as the International Monetary Fund (IMF), the World Bank, the International Monetary and Financial Committee (IMFC) and the Development Committee (DC), as well as some guest countries (currently Spain) and engagement/special interest groups representing different sectors of society such as think tanks, business, youth groups, and women groups are represented and invited to participate in G20 meetings.

The presidency rotates on an annual basis. To this end, the 19 member states of the G20 are divided into five groups, and every year, the organization selects a country from another group to be president, which, in order to ensure consistency and continuity of the G20 agenda, works with the previous presidency (Germany), and the following presidency (Japan).³



G20 Train straight (Creator: Heinrich Böll Foundation. CC-BY-SA 4.0)

The G20 has no headquarters or permanent staff, therefore the country which holds the presidency is in charge of hosting the meetings and setting the priorities. These priorities for 2018 include the future of work, infrastructure for development and a sustainable food future.

Mandate and procedure

As the international forum that it is, the G20 needs to reach consensus on its outcome documents and relies on its members to ensure the compliance with the goals it sets.

Consensus means that there should be a general agreement to reach a decision, no country can vote against, but abstentions are possible.

Over 50 meetings of ministers, foreign ministry emissaries (known as Sherpas), central bank governors, and world leaders take place during the

³ Heinrich Böll Foundation. (2018). The Rotating G20 Presidency: How do member countries take turns? | Heinrich Böll Foundation. [online] Available at: <https://www.boell.de/en/2016/11/30/rotating-g20-presidency-how-do-member-countries-take-turns>

year, culminating in the Leaders' Summit attended by the head of State or government, ideally all issuing a joint declaration at the summit's conclusion.

"The G20 was established to provide a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system⁴, to broaden the discussions on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all."⁵

The G20's mandate is therefore to promote international financial stability⁶ as well as global economic growth, international trade and financial market regulation. It aims to promote discussion and will study and review policy issues among industrialized countries and emerging markets with a view to achieving that international financial stability⁷.

To achieve its goals, the work of the Group of 20 is divided into two tracks: The Finance track, which comprises "all meetings with G20 finance ministers and central bank governors and their deputies" and the Sherpa track which "focuses on broader issues such as political engagement, anti-corruption, development, trade, energy and climate change, gender equality, among others."⁸

References

Europarl.europa.eu. (2018). [online] Available at: [http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/545712/EPRS_BRI\(2015\)545712_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/545712/EPRS_BRI(2015)545712_REV1_EN.pdf)

⁴ The Bretton Woods institutional system refers to the international organisations that were founded 1944 at the conference of Bretton Woods. The IMF and the World Bank are examples of "Bretton Woods institutions"

⁵ G20.utoronto.ca. (2018). 1999 G20 Communiqué. [online] Available at: <http://www.g20.utoronto.ca/1999/1999communiqué.htm>

⁶ G20.utoronto.ca. (2018). What is the G20?.

⁷ G20.utoronto.ca. (2018). G20 Backgrounder. [online] Available at: <http://www.g20.utoronto.ca/g20backgrounder.htm>

⁸ <https://www.g20.org/en/g20/how-it-works>

G20.utoronto.ca. (2018). What is the G20?. [online] Available at: <http://www.g20.utoronto.ca/g20whatisit.html>

G8.utoronto.ca. (2018). 1999 G7 Finance Statement, Washington. [online] Available at: <http://www.g8.utoronto.ca/finance/fm992509state.htm>.

G20.utoronto.ca. (2018). G20 Backgrounder. [online] Available at: <http://www.g20.utoronto.ca/g20backgrounder.htm>

G20.utoronto.ca. (2018). 1999 G20 Communique. [online] Available at: <http://www.g20.utoronto.ca/1999/1999communique.htm>

The Balance. (2018). What was the Asian Financial Crisis?. [online] Available at: <https://www.thebalance.com/what-was-the-asian-financial-crisis-1978997>

Further readings

- To see a resume of previous summits:

<https://www.thebalance.com/what-is-the-g20-3306114>

- To see the different “Communiqués” on G20 summits:

<http://www.g20.utoronto.ca/ministerials.html>

- G20 Website:

<https://www.g20.org/en>

Topic A: The effect of nationalist movements on global trade

Introduction

Differentiating between traditional nationalism, economic nationalism, and nationalization is of importance when considering this topic. As you will realize, all three types of nationalist political movements can and have had massive impacts on trade and economic activity across the globe and continue to do so in the modern days.

Prior to delving deeply into the complexities of nationalist movements and how they may affect trade, certain terms are to be taken into consideration. Oxford Dictionary defines **nationalism** as “identification with one's own nation and support for its interests, especially to the exclusion or detriment of the interests of other nations.”⁹ The Economist considers **economic nationalism** to be “the urge to keep jobs and capital at home.”¹⁰ **Nationalization** regards “the transfer of a major branch of industry or commerce from private to state ownership or control.”¹¹ For our purposes, **nation** regards a body of people united by common descent, history, culture, or language, whereas **state** shall mean an organized political community under one government.

Trade has long been thought of by economists as a pathway to greater wealth for the parties involved in the exchange. Whether or not this theory on trade was directly understood by its practitioners, the general trend across history indicates expanded wealth for a state which engages in trade versus states which engage in less or not at all.

It is important to distinguish nationalization from both socialism, as well as the socialization of the economy. Nationalization, while it may be carried out for socialist purposes, is not necessarily a socialist or communist movement.

⁹ *Oxford English Dictionary*. (2018) Definition of nationalism in English. [online] Available at: <https://en.oxforddictionaries.com/definition/nationalism>

¹⁰ *Beattie, D.* (2017) *Understanding Economic Nationalism*. [online] Available at: <https://www.nationalreview.com/2017/06/economic-nationalism-21st-century-free-market-ideology-cold-war-era-20th-century-individual-liberty/>

¹¹ *Oxford English Dictionary*. (2018) Definition of nationalization in English. [online] Available at: <https://en.oxforddictionaries.com/definition/nationalization>

Motivations for nationalization have varied across history, and may include necessities of wartime, as seen for example during both World Wars, or control of critical infrastructure like electricity, gas, or water grids.

Laissez-faire economics, a major economic school, desires an economy that may function free of restrictions. As such, the school disagrees with nationalization in most cases on the grounds of it representing the government overstepping into the economy.

Historical Background

Nationalism, despite of its apparent meteoric rise to prominence in the contemporary geopolitical climate, has been a driving force in politics, recognized by political scientists as far back as the late 1700s.¹² Nationalist movements have shaped the fates of many modern states and had large impacts on economies; whether intentional or unintentional.

India, for instance, during its fight for independence from the United Kingdom found itself as a state containing two nations, the Muslim nation, and the predominantly Hindu nation. While figures such as Mahatma Gandhi called for unity, others, such as Muhammad Ali Jinnah, promoted separation of Muslims and non-Muslims within the Indian subcontinent. The British ultimately acceded to the demands of Muslim nationalists and created two (later three following the Pakistan-Bangladesh split) independent states.¹³ The effect of this separation still severely affects economics within the three states of India, Pakistan, and Bangladesh, all of which were born of a nationalist movement.

Apart from nationalist movements inadvertently affecting trade through physical borders or nationalist animosity to outside groups, industry nationalization is another very important force in regard to its effects on global trade. It represents a type of nationalist movement where the primary focus is of economic nature, thus posing a greater danger to the economic activity of that country directly, and to the countries with which it trades. The philosophy behind nationalizing industries lies in the belief that the resources of the state belong to its nation. Industries which undergo nationalization have

¹² *Kohn, H. (1944), The idea of nationalism: A study in its origins and background, p. 73-74.*

¹³ *Banerjee, S. (2013), Indian Independence and the Question of Partition, p. 34.*

their ownership legally changed from private entities (owned domestically or by a foreign company) or owned by foreign governments to the government of the nation hosting the industry.

The issues with a nationalized industry are threefold. For one, the industry no longer has to perform at its economic best, as there is no threat of a bankruptcy, since the taxpayers of the nation partially fund the industry, making innovation and competition less of a necessity as compared to a private industry. This leads to inefficiency and ineptitude within the state run industry. The second problem is that anything subject to direct government control will face a far greater degree of control and regulation than a private enterprise, making it difficult to economically compete with less controlled companies, who do not have to comply with as many regulations which impede the company's operations. Finally, the third issue is that the nationalized industry is subject to political crises and government-specific issues which can further harm the efficiency of the industry. This will be explored further by addressing Venezuela.

Past Actions

Between October 28th and October 29th, 1929, the United States Stock Exchange saw a crash of nearly 25%.¹⁴ This event marked the sudden and powerful beginning to the worldwide economic event known as the Great Depression. Nations all around the world saw large declines in their Gross Domestic Products (GDP). Within the United States, unemployment went from 3% to 25%, and over 40% of United States banks ceased operation during the Great Depression.¹⁵ Out of fear that the concurrent global world market crash would damage US industries, the United States Congress passed the Smoot-Hawley Act, which placed large tariffs on over 20,000 foreign goods.¹⁶ This brought about retaliatory tariffs by much of the world. For example, by 1933, US steel and mineral exports to Canada dropped by 85% due to Canadian tariffs. US automobile exports to Europe dropped by 82%, also due to

¹⁴ *The Wall Street Journal*. (2011) Historical Index Data. [online] Available at: http://www.wsj.com/mdc/public/page/2_3047-djia_alltime.html

¹⁵ *Theodore Phalan*. (2012) The Smoot-Hawley Tariff and the Great Depression. [online] Available at: <https://fee.org/articles/the-smoot-hawley-tariff-and-the-great-depression/>

¹⁶ *Theodore Phalan*. (2012) The Smoot-Hawley Tariff and the Great Depression. [online] Available at: <https://fee.org/articles/the-smoot-hawley-tariff-and-the-great-depression/>

retaliatory tariffs. World trade had collapsed in what is known in the modern day as a trade war.¹⁷

On March 20th, 1951, the parliament of Iran, led by the Nationalist Party, voted unanimously to evict the British owned Anglo-Persian Oil Company and seize all company assets within the country.¹⁸ The Iranian government thus assumed supreme control of the Iranian oil industry. This action followed decades of neither the Iranian government nor the Iranian people receiving any amount of the profits made from oil on their own land. Protesting against the seizure of private assets without compensation by the Iranian Government, Iranian oil was almost universally boycotted by foreign governments for several years. Other oil producing countries opted to increase their own oil production to avoid price fluctuations.¹⁹ Despite the ensuing of decades of political instability in Iran (including foreign influenced military coup) stemming from Iran's initial nationalist movement, nationalization of the oil industry has proved to be extremely lucrative for Iran in the present day, with nearly half of government revenue coming from the sale of Iranian oil.²⁰ Despite this, risks involving the current situation regarding Iranian oil will be further expanded upon later.

Venezuela, very similarly to Iran back in 1951, also elected a president, Carlos Andrés Pérez, who ran on the Socialist party ticket, based on the platform of nationalizing Venezuela's oil industry in 1973. The nationalization severely affected the country's economy in many more sectors than just oil. Because of the state seizing all foreign owned oil assets within Venezuela without compensation, other foreign firms in other industries such as Coca Cola withdrew their investments as well, leading to the shutdown of several sugar plantations, firing of thousands of workers, and severely decreasing Venezuela's GDP.

¹⁷ *Theodore Phalan*. (2012) The Smoot-Hawley Tarrif and the Great Depression. [online] Available at: <https://fee.org/articles/the-smoot-hawley-tariff-and-the-great-depression/>

¹⁸ *Firouzeh M.* (2016) Iran Celebrates 65th Anniversary of Oil Nationalization. [online] Available at: <http://www.iranreview.org/content/Documents/Iran-Celebrates-62nd-Anniversary-of-Oil-Nationalization.htm>

¹⁹ *Bruce, M.* (1993) Transnational Corporations and the Exploitation of Natural Resources, Volume 10. p. 300.

²⁰ *BBC News.* (2006) Iran Energy: Overview. [online] Available at: http://news.bbc.co.uk/1/hi/world/middle_east/4688984.stm.

With oil prices falling worldwide currently, and the OPEC (Organization of the Petroleum Exporting Countries) very recently (June 2018) agreeing to increase oil production to lower prices further at the behest of US President Donald Trump, both Iran and Venezuela are now facing an economic crisis of increasingly large proportions.²¹ The export of oil is the primary source of income for both nations. Their dependence on state-operated oil industries exacerbates the threat to suffer from the so-called Dutch Disease. The concept describes a situation, where one industry develops within a country, whilst other industries will decrease. For example, if a country discovers oil, and starts to export oil, that exports will increase the value of the nation's currency, making export of other manufactured goods more expensive, thereby damaging that sector of the nation's economy. There is an extremely high risk for those nations that current economic trends regarding the oil-price continue. That risk is compounded further through other countries making use of tariffs on Iranian or Venezuelan oil for political reasons

Recent Developments

Nationalism indeed has gained importance in contemporary society. As the globalization of the world economy progresses, there are groups and movements occurring in both developed and developing states all aiming to place the needs of their own nations ahead of the needs of other states or the world in general. Looking individually at prominent nationalist movements in recent history, as the section below does, will give the greater context to the currently largest cases of nationalism which the world and the G20 are facing.

Venezuela

Venezuela today is still experiencing adverse effects of their oil industry nationalization. The situation in recent years has grown into a very significant

²¹ *The Associated Press.* (2018) The Latest: OPEC agrees to increase oil production. [online] Available at: <https://apnews.com/f4daaa97f4724df2854c0732ed2d6e9c>

economic crisis. Economists believe Venezuela suffers from a Dutch Disease.²²²³

This concept is reflected in the current state of the economy within Venezuela, as oil exports have shifted upwards over time, from 60% in 2003 to 98% of total exports from the country in 2016. That trend has resulted in Venezuela developing an economic dependence on its oil production. This, coinciding with oil prices trending downwards from 2014 onward, and now the OPEC agreeing to increase oil production further, has resulted in dramatic income losses for Venezuela.²⁴

Another important factor to consider in the Venezuelan oil industry crisis is government mismanagement and corruption. When Hugo Chavez came to power in 1999, he ordered to fire tens of thousands of state oil workers whom he considered to be illoyal to his government.²⁵ This massive loss of experienced workers started a continuous trend of declining oil production and general ineptitude within the state run oil company, despite Venezuela possessing the largest known oil reserves of any country.

As Venezuela continues to face decreasing oil revenues, government spending has been increasingly diverted into the oil industry in an effort to preserve it, accompanied by massive cuts for the large socialist welfare system within the country. Despite these efforts to expand the industry, oil production in 2017 had declined by 20% in comparison to 2006, coinciding with a large drop in oil worker productivity and the general collapse of the Venezuelan economy due to cuts to the socialist welfare system.²⁶

Due to owing to the now very poor state of the Venezuelan economy, which has become totally reliant on the collapsing oil industry, several foreign

²² *Peter Farquhar*. (2016) Venezuela is suffering from the ultimate case of 'Dutch disease' [online Available at: <https://www.businessinsider.com/venezuela-has-a-lot-of-problems-2016-4>

²³ *The Economist*. (2014) What Dutch Disease is, and why it's bad. [online Available at: <https://www.economist.com/the-economist-explains/2014/11/05/what-dutch-disease-is-and-why-its-bad>

²⁴ *The World Bank*. (2018) Venezuela Overview. [online] Available at: <http://www.worldbank.org/en/country/venezuela/overview>

²⁵ *Rapier, R.* (2017) How Venezuela Ruined Its Oil Industry. [online] Available at: <https://www.forbes.com/sites/rrapier/2017/05/07/how-venezuela-ruined-its-oil-industry/#756f19377399>

²⁶ *Rapier, R.* (2017) How Venezuela Ruined Its Oil Industry. [online] Available at: <https://www.forbes.com/sites/rrapier/2017/05/07/how-venezuela-ruined-its-oil-industry/#756f19377399>

companies have begun with mass firings and shutting down operations as nobody in the country can afford their products anymore.²⁷

Venezuela today faces a grim future. Foreign investment going to lesser developed countries is already low. In 2012, \$21 trillion was loaned internationally by banks. Of that, only \$2.5 trillion was loaned to developing states.²⁸ In addition to the loss in international investment, the inflation rate of the Venezuelan Bolivar, the currency of Venezuela, is expected to surpass 1,000,000% by the year's end, with an 18% drop in GDP.²⁹ The government needs to find out a way to re-attract foreign investment they are at present hemorrhaging, and that might involve opening up their oil industry to more efficient foreign/private ownership, and abandoning the nationalization experiment.

United States

The United States, following the election of Donald Trump in 2016, have embarked on a plan of greater economic nationalization. Early into his presidency, President Trump withdrew the United States from the Trans-Pacific Partnership (TPP); a multilateral trade agreement involving twelve countries bordering the Pacific Ocean aimed to lower tariffs and trade barriers amongst the twelve nations. President Trump argued the agreement posed a danger to U.S. manufacturing, and described his decision as a “great thing for the American worker.”³⁰ A reduction of trade barriers, as the TPP aims for, would result in increased competition amongst those nations. President Trump feared such competition, especially in the manufacturing sector, would impact the United States economy adversely. As a result, the US trade barriers remain in place and American workers are protected from competition, but the costs of the goods which they produce, as well as foreign imports, remain higher.

²⁷ Krantz, M. (2016) Venezuela gets ugly for some U.S. companies. [online] Available at: <https://www.usatoday.com/story/money/markets/2016/05/24/venezuela-gets-ugly-some-us-companies/84854998/>

²⁸ Sowell, T. (2004) Basic Economics: A Citizen's Guide to the Economy, 5th ed. p. 476.

²⁹ Casey, N. (2018) Venezuela Inflation Could Reach One Million Percent by Year's End. [online] Available at: <https://www.nytimes.com/2018/07/23/world/americas/venezuela-inflation-crisis.html>

³⁰ Chakraborti, B. (2017) Trump signs executive order withdrawing US from TPP trade deal. [online] Available at: <http://www.foxnews.com/politics/2017/01/23/trump-signs-executive-order-withdrawing-us-from-tpp-trade-deal.html>

Tariffs have indeed been a very important part of so-called Trumpian economics. President Trump has been operating on an economic philosophy centered around the belief that other countries are taking advantage of the United States on trade. In a 2016 tweet, he said that "China is ripping us off on trade. They're devaluing their currency. And they're killing our companies. We've lost 4 to 7 million jobs because of China. Up to 50,000 manufacturing plants. We have very unfair trade."³¹

In June of 2018, President Trump, following through with his earlier warnings, placed 10% tariffs on \$200 billion worth of Chinese goods exported to the United States.³² China retaliated by placing 20% tariffs on \$50 billion worth of US goods, primarily soybeans and corn exports. This marks an increase from a previous 3% tariff on both sides for most goods.³³

The tariff dispute generated by the American president also extends to the European Union, one of the largest trading partners of the United States. Earlier in 2018, a 25% tariff was placed on European Union steel and a 10% tariff was placed on European Union aluminum. This sparked the desire on the part of the European Union to avoid a trade war with the United States. After hours of negotiations in the White House, EU Commission President Jean-Claude Juncker and President Donald Trump announced in a joint statement that, in exchange for no further tariffs placed by the US on EU goods and vice versa, the EU has agreed to dramatically increase its soybean imports from the United States, as well as liquified natural gas. The two would also begin exploring options of lowering existing tariffs on both sides.³⁴ Considering his actions against China and the European Union, tariffs are a tool which the US President is using both as a populist/economic nationalist tool to protect the

³¹ *Caplan, J.* (2017) "They're Ripping Us Off": POTUS Trump's China Trade Crackdown Begins Monday. [online] Available at: <https://www.thegatewaypundit.com/2017/08/theyre-ripping-us-off-potus-trumps-china-trade-crackdown-begins-monday/>

³² *Lynch, D.* (2018) Trump escalates China trade war, threatens tariffs on \$200 billion in products. [online] Available at: https://www.washingtonpost.com/business/economy/trump-escalates-china-trade-war-announces-plan-for-tariffs-on-200-billion-in-products/2018/06/18/ac683f80-7355-11e8-b4b7-308400242c2e_story.html?noredirect=on&utm_term=.5b1b1fc606ef

³³ *Bloomberg Staff.* (2018) China Targets U.S. Farm Imports With Tariffs on Soy, Corn. [online] Available at: <https://www.bloomberg.com/news/articles/2018-06-15/china-targets-u-s-farm-imports-with-tariffs-on-soybeans-corn>

³⁴ *Shaw, A.* (2018) Trump announces trade concessions from EU officials on soybeans, energy, tariffs. [online] Available at: <http://www.foxnews.com/politics/2018/07/25/trump-greets-eu-chief-says-us-seeks-level-playing-field-on-trade.html>

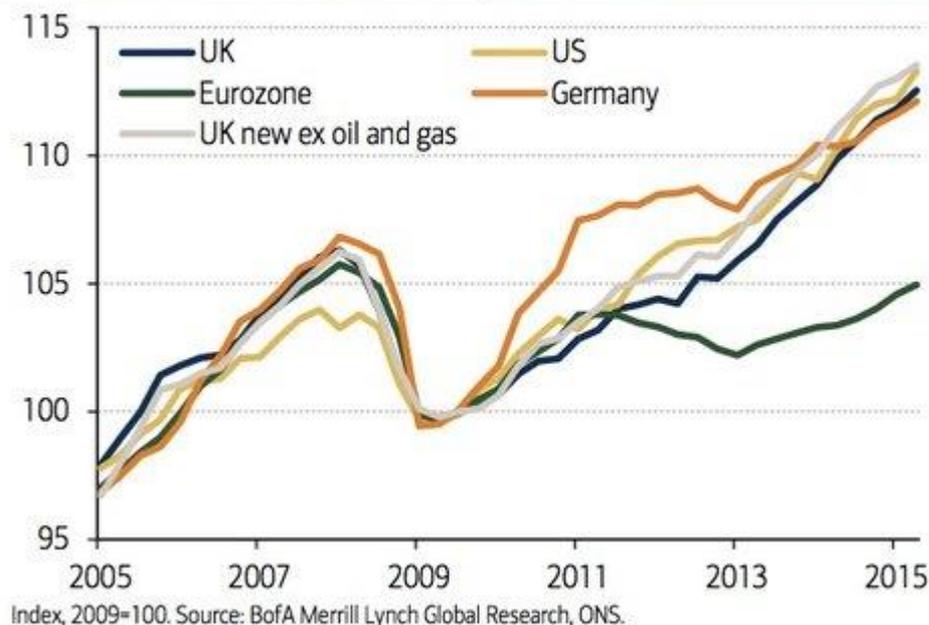
US industry, as well as a threat used to reach trade agreements which are more favorable to the United States.

United Kingdom

The United Kingdom, voting in the summer of 2016 to leave the European Union, a decision colloquially referred to as “Brexit”, marks another developed country making moves towards a more nationalist economic policy. Arguments in favor of Great Britain leaving the European Union had to do in large part with the economic conditions inside of the European Common Market, and the desire of British people to have more control over their own country’s trade policy.

Following the 2008-2009 recession, economic growth within the UK and Germany steadily grew, and kept pace with the United States. Meanwhile, the rest of the European Union, when averaged out, experienced considerably less growth.³⁵

Chart 3: UK GDP since the crisis on a par with the US



³⁵ Brinded, L. (2015) I'm starting to think a 'Brexit' is a good idea and I never thought I'd ever say that. [online] Available at: <https://www.businessinsider.com/reasons-why-uk-leaving-the-eu-brexit-is-a-good-idea-2015-10?r=UK&IR=T>

Lianna Brinded, writing for Business Insider in 2015 summed up the pro-Brexit (nationalist) position by saying “It doesn't really look like we need the EU. It needs us.”³⁶ It has been estimated that Great Britain has a net transfer of funding of approximately £163 million a week to the European Union, most of which goes to European farm subsidies.³⁷ There is belief amongst those of a Pro-Brexit position that this money would be better used to facilitate tax cuts deficit relief, or some other program with which to benefit the British.

Brexit has not been without its problems following its passage. Its economic impact is still occurring and may not be fully understood for many years. Economists on both sides struggle for a complete economic analysis and understanding. Thus, depending on sources, the results will appear quite different.

Free trade in the G20

Before Donald Trump was elected, there was little dispute over the general importance of free trade for the world economy in the G20. Although not all members of the G20 stressed the importance of free trade with the same enthusiasm and of course some economies pursued a partially protectionist trade policy, officially all G20 members committed themselves to free trade. That has changed dramatically in the last almost two years. The G20 summit in July 2017 in Hamburg, Germany, marked a turning point. President Trump insisted that the US were treated unfairly through its trade partners and refused to sign any communiqué that made a clear commitment to free trade. During the summit it was not clear whether any consensus was possible. In the end it was agreed that “We need to better enable our people to seize the opportunities and benefits of economic globalization”.³⁸ In order to find solutions towards that question what would be agreed upon by all members the G20 finance minister meeting in 2018 called upon a reform of the World

³⁶ Brinded, L. (2015) I'm starting to think a 'Brexit' is a good idea and I never thought I'd ever say that. [online] Available at: <https://www.businessinsider.com/reasons-why-uk-leaving-the-eu-brexit-is-a-good-idea-2015-10?r=UK&IR=T>

³⁷ Giles, C. (2016) Brexit in seven charts — the economic impact. [online] Available at: <https://www.ft.com/content/0260242c-370b-11e6-9a05-82a9b15a8ee7>

³⁸ G20 (2017), Leaders Declaration https://www.g20germany.de/Content/EN/_Anlagen/G20/G20-leaders-declaration.pdf?__blob=publicationFile&v=11

Trade Organization (WTO) in order to redesign the global trade relations in a “fair” manner.

Future Prospects/Measures to Take

Whilst trying to preserve the needs of their constituents, various nations are on course to pursue different agendas relating to nationalism and their own national economies. The very near future could see the European Union tested with nations possibly wishing to leave at the same time as others wishing to join.

Tariffs may go up around markets in certain parts of the world in order to protect internal industries. However, in the same vein, certain other nations may go beyond such politics and pursue sweeping multilateral treaties to lower trade barriers and get the world that much closer to a worldwide common market, with cheaper goods for all involved.

Multilateral trade agreements present a method to evade the potential damage a particular government could inflict on world trade should a government be elected with nationalistic or protectionist aims. International economic integration through multilateral agreements such as the WTO can provide a framework to worldwide trade that lessens trade barriers to a large degree. Furthermore, other, comparatively smaller organizations such as the European Common Market or the former Trans-Pacific Partnership (now the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) can and have removed other trade barriers amongst their participants so as to facilitate economic environments closer to “true” free trade.

Conclusion

While the relationship between some nationalist movements and global trade may not be a precisely direct cause-and-effect type of interaction at times, nationalism of all types still is very capable of affecting the world economy in

significant ways. It only takes a cultural division such as India's to cause large economic problems 70, 80, or more years later.

Concerns linger in the air as we move into the next decade. What will the European Union and its vast common market look like once Britain has departed? Will other countries follow suit? Across the pond, what path will the economic powerhouse of the United States take? Will the nationalist movements within those countries push for and establish greater protectionist agendas to appease their people in the name of employment, or will their large markets remain open to the world which desperately seeks to trade with them?

Questions a Resolution should Answer

- How can the need for streamlined and international trade be balanced with the right of nations to set their own tariffs?
- What can G20 nations do to lower the threat of nationalist movements harming the world economy?
- Is there a way to provide incentives for nations to stave off economic nationalism and allow for a greater degree of free trade?
- What can be done about nations threatening tariffs?
- Within World Trade Organization guidelines, what penalties be considered individually by nations which are harmed by another country's tariffs?
- If a nation chooses to do so, what can be done to lessen the international economic impact of them departing large multinational institutions such as the European Union?
- What is the role of multinational institutions in preventing nationalism from taking root?
- How should a country nationalizing an industry without compensation be treated?

Further Reading

- This article from National Review titled, *Understanding Economic Nationalism*, while slanted towards US politics, gives a very good overview of economic nationalism:

<https://www.nationalreview.com/2017/06/economic-nationalism-21st-century-free-market-ideology-cold-war-era-20th-century-individual-liberty/>

- This article from Financial Times titled, *Brexit in seven charts — the economic impact*, does a good job of breaking down the numbers behind Brexit, and whether or not it will help or harm Britain in the near future: <https://www.ft.com/content/0260242c-370b-11e6-9a05-82a9b15a8ee7>
- Addressing the differences between Brexit and the Donald Trump phenomenon in the United States, this article titled, *Trump's Anti-'Globalism' Is Anti-Free Trade*, is a good source. It explores that, along with more specifics on how US economic nationalism may threaten the US and world economies: <https://www.nationalreview.com/2016/06/donald-trump-free-trade/>
- Here is brief New York Times article titled, *Zimbabwe threatens foreign businesses with nationalization*, which shows how industry nationalization can simply come out of fear, or an anti-western sentiment within the country or government: <https://www.nytimes.com/2007/06/27/business/worldbusiness/27iht-zim.4.6364940.html>
- This New York Times article titled, *How 'Brexit' Will Affect the Global Economy, Now and Later*, explores several options Britain has in terms of going forward with its Brexit plans, and what that may mean for them and the world in the short, medium, and long terms: <https://www.nytimes.com/2016/06/25/upshot/how-brexit-will-affect-the-global-economy-now-and-later.html>

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Topic B: A global approach towards development

Introduction

“Freedoms are not only the primary ends of development, they are also among its principal means”³⁹.

However, achieving a global approach towards development requires efforts, a common vision, and the consciousness that in a globalized world all nations are interconnected. Never before economic prosperity has reached today’s levels, however almost one billion people live in extreme poverty. Never before have gaps in wealth been so evident.⁴⁰

Major economies play an undeniably crucial role on the reformulation of the present context. Development is not a privilege but a responsibility for all that follows the path determined by the relationship between policies and actors, consisting “of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency. The removal of substantial unfreedoms, is constitutive of development.”⁴¹

Historical Background

In order to get a better understanding of the debate that surrounds development, it is important to have an overview of how it has expanded. Until today, every country differs on its vision concerning the support to development and cooperation as well as on the method of reaching the solutions needed.

³⁹ Amartya Sen (1999). “Development as Freedom”,

⁴⁰ *Severino, J. (2011)*. The resurrection of aid. Development Co-operation Report 2011 50th Anniversary Edition, 121.

⁴¹ Amartya Sen (1999). “Development as Freedom” p.16

International cooperation between developed and developing countries aimed at fostering growth⁴² first emerged after the Second World War. This classification makes a difference between two major groups of countries based on economic indicators such as GDP, GNP, per capita income, industrialization, the standard of living, etc.⁴³

The term “Developed country” refers to states whose economy has highly progressed and possesses great technological infrastructure, as compared to developing countries, characterized by low industrialization and a low score in the Human Development Index (HDI) (i.e. the country does not enjoy healthy and safe environment to live, low Gross Domestic Product, high illiteracy rate, poor educational, transportation, communication and medical facilities)⁴⁴

Developed countries are for example the United States and Western Europe and some developing countries are Pakistan, Thailand or South Africa.

The World Bank has a much more concrete methodology as it considers countries with per capita income of less than US\$12,275 as "developing" countries.⁴⁵

⁴² We will understand this “**international cooperation**” as the specific policy that search the transfer of financing, technical resources and the promotion of mechanisms that help recipient countries to set their basis for take-off towards development (Daniel Gayo Lafé & Luisa Moreno Manso)

⁴³ **Gross Domestic Product (GDP)** is the total value of everything produced by all the people and companies in the country, regardless of who owns the means of production.

Gross National Product (GNP): is an estimate of total value of all the final products and services turned out in a given period by the means of production owned by a country's residents.

Investopedia (2018). Gross National Product - GNP. [online] Investopedia. Available at: <https://www.investopedia.com/terms/g/gnp.asp>

⁴⁴ S, S. (2018). Difference Between Developed Countries and Developing Countries (with Comparison Chart) - Key Differences. [online] Key Differences. Available at: <https://keydifferences.com/difference-between-developed-countries-and-developing-countries.html>

⁴⁵ The Data Blog. (2018). New country classifications by income level: 2017-2018. [online] Available at: <https://blogs.worldbank.org/opendata/new-country-classifications-income-level-2017-2018>

Efforts from the United States and the Soviet Union had originally concentrated on rebuilding European economies. Therefore, growth was established as the central objective along with the expansion of influence on developing countries. However, low growth rates presented by most Latin American countries, together with the acquired independence by some of the current developing countries during the 1950s and 1960s introduced concerns regarding the need of cooperation and the establishment of development programs. Therefore France and the UK (most notably) allocated their help to colonies or former colonies.

A more critical view also started to develop. According to Rivas David⁴⁶, cooperation programs were used by strong economic forces giving rise to a dependency scheme of the developing countries. This idea was later developed as “the dependence theory”. This theory claims that the underdevelopment presented in some countries is, at the same time, part of a global development process. Both development and underdevelopment are understood as opposite sides of the same coin. Thus, richer nations increase their wealth at the expense of poorer nations.⁴⁷

With time, differences among developed and developing countries became more visible. The first ones were characterized by their strong position on international markets, with a well-articulated internal productive system and productive diversification based generally on industrial products. On the other hand, one of the main problems found in developing countries is the specialization in the primary sector⁴⁸. This specialization is, dominantly, in the export of agricultural commodities⁴⁹ which has less value added compared to manufactured goods. Developing countries often have a big dependency on primary sector products without much diversification, leading to slower growth.⁵⁰

⁴⁶ *David M. Rivas* (2013) *Estructura Económica y relaciones internacionales*, pg. 56.

⁴⁷ *Economicsonline.co.uk*. (2018). *Dependency theory*. [online] Available at: http://www.economicsonline.co.uk/Global_economics/Dependency_theory.html

⁴⁸ *David M. Rivas* (2013) *Estructura Económica y relaciones internacionales*, pg. 60

⁴⁹ *Marshall, H., Schwartz, M., & Ziliak, J.* (1988). *Agricultural Specialization and Economic Growth*. *Sociological Focus*, 21(2), p.113

⁵⁰ To know more on primary product dependency: *Development and Growth Constraints - Primary Product Dependency* | *tutor2u Economics*. [online] Available at:

Nevertheless, these differences have become less visible since the 1990s, giving rise to the deindustrialization of some industrialized economies in the last decade.

For long time, most nations have focused their attention on purely economic growth, not taking into consideration further approaches until the middle of 20th century. It was only then that different questions and preoccupations, such as widespread poverty and environmental degradation, arose as a central part of the debate.

Moreover, numerous organizations and institutions were created: The World Bank, the Development Assistance Committee (DAC) of the OECD, IMF, Regional Banks, WTO, UN Development Programme (UNDP) or the United Nations Commission on Trade and Development (UNCTAD). Additionally, summits and commitments have taken place over time to foster development⁵¹: the 1992 Rio de Janeiro Summit established the model of a sustainable development; the 2002 Monterrey Conference focused on financing for development, and others, such as the 2005 Paris Declaration, the 2008 Accra Agenda for Action, and the 2011 Busan high level forum followed. All these international organizations and summits have increased the awareness towards the need for increased cooperation in development.

Past actions and sources for development

When analyzing the actions already taken we should differentiate that foreign aid provided by developed countries can take two forms:

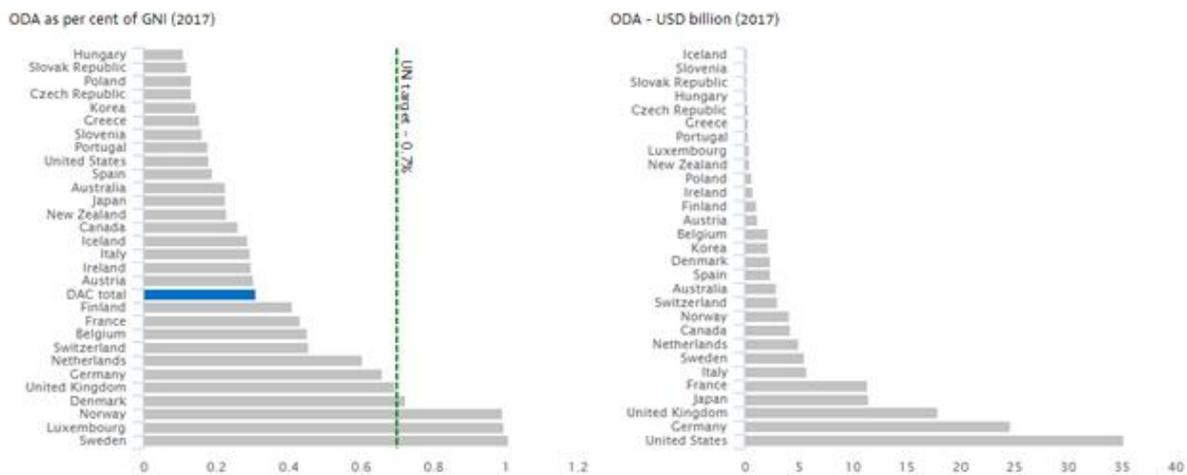
- Humanitarian aid: normally provided after a crisis situation or natural disaster, aiming to solve immediate problems and often being short term solutions.
- Development aid: aims at long-term development. It can be either material or financial aid, or in form of technical assistance. However,

<https://www.tutor2u.net/economics/reference/development-and-growth-constraints-primary-product-dependency>

⁵¹See all UN Summits: <http://www.un.org/en/development/desa/what-we-do/conferences.html>

when the term development aid or foreign aid arises, it mostly refers to “Official Development Assistance” (ODA).

ODA is defined as “government aid designed to promote the economic development and welfare of developing countries.”⁵² This aid may be provided bilaterally, from donor to recipient, or channeled through a multilateral development agency such as the United Nations or the World Bank⁵³.



ODA provided by different countries both as a percentage of Gross National Income and in billion USD
Source: OECD- DAC

If we look into the regions that receive the most aid, these are, in declining order: Africa, Asia, America, Europe and Oceania.⁵⁴

However, since the Monterrey Consensus in 2002, questions about broader development financing, including how to mobilize private resources for development, have been important aspects of the political debate on development.

Additional sources different from ODA have played an increasing and major role. Today, remittances flow (funds sent by people living and working abroad

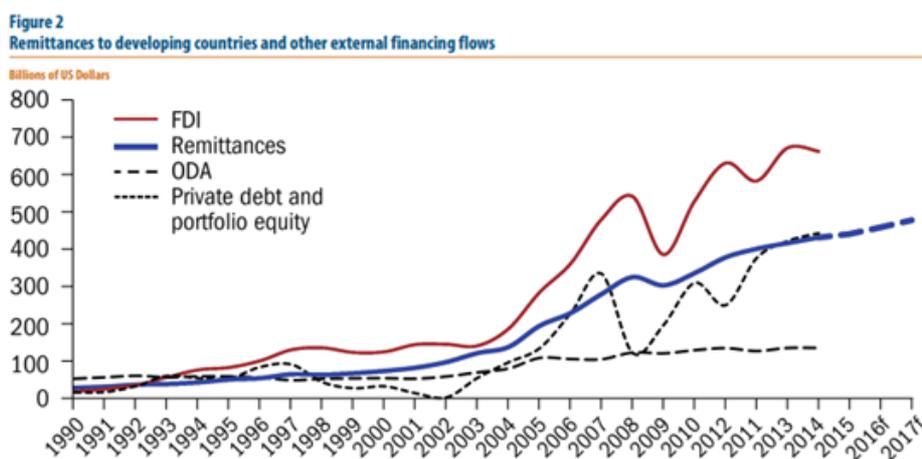
⁵² The OECD. (2018). Official development assistance (ODA) - Net ODA - OECD Data. [online] Available at: <https://data.oecd.org/oda/net-oda.htm>

⁵³ Idem.

⁵⁴ OECD (2015-2016) Development Aid at A Glance. Available at: <http://www.oecd.org/dac/stats/aid-at-a-glance.htm>

to their home countries⁵⁵) represent the largest source of external finance for many developing countries, ahead of Official Development Assistance and Foreign Direct Investment (FDI). While private capital mainly flows to emerging countries, remittances are particularly important in poorer countries where they can represent over a third of their GDP⁵⁶.

Additionally, when taking into consideration other actions and sources of aid, we need to emphasize the role of Non-Governmental Organizations (NGOs) that foster development. As analyzed by UNESCO⁵⁷, NGOs increase their involvement in capacity development⁵⁸ While this can sometimes lead to conflicting relations, this intervention alters the power configurations in a given country and can have a positive long-term impact on education by strengthening the abilities of people to demand improved services.



⁵⁵ Investopedia (2018). Remittance. [online] Available at: <https://www.investopedia.com/terms/r/remittance.asp>

⁵⁶ To see the different source flows beyond ODA: <http://www.oecd.org/dac/stats/beyond-oda.htm>

⁵⁷ Ulleberg, I. (2009). The role and impact of NGOs in capacity development. From replacing the state to reinvigorating education. Paris: International Institute for Educational Planning UNESCO. Available at: http://drt.handicap-international.fr/fileadmin/cdroms/Biblio_Renforcement/documents/Chapter-1/Chap1Doc17.pdf

⁵⁸ **Capacity development** is the process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time. (CADRI; <https://www.cadri.net/en/areas-work/capacity-development>)

Source: World Bank (Migration and Remittances Factbook 2016, third edition)

It remains to be seen whether a shared understanding between all the actors involved in development will emerge and whether their actions and sources of aid are compatible.

Recent development and state of the issue

Foreign aid

Considering the present situation of the debate on development, three main strands of thought concerning foreign aid are visible⁵⁹:

1. Aid is necessary and without it, poverty will never be overcome

The position is advocated by well-known economists such as Jeffrey Sachs and by policy-makers of developed countries such as George W. Bush or former Japanese Prime Minister Koizumi (in office 2001-2006), as well as by representatives of international institutions (UN for example)⁶⁰.

This idea was followed by the consideration that there is still a big part of the population living under extreme poverty, which makes earning or investing money impossible and therefore leads to what is called “a poverty trap”⁶¹.

Only external aid would help to overcome this situation. This could be done through the following measures:

- Increasing Official Development Aid up to 0.7% of donors’ national income. Through the 1970s, this new target gained in acceptance, but there remained some exceptions. The United States made clear that, while it supported the general aim, it did not subscribe to specific targets or timetables.
- Opening markets to exports from developing countries, aiming to facilitate their competitiveness through investment on infrastructure.

⁵⁹ Requeijo, Jaime. *Economía Mundial*, (2017) Chapter 5. McGraw Hill 4th edition.

⁶⁰ Requeijo, Jaime. *Economía Mundial*, (2017) McGraw Hill 4th edition p. 166.

⁶¹ **Poverty traps** makes reference to self-reinforcing processes that makes poverty persist over time. (Costas Azariadis and John Stachurski, "Poverty Traps," *Handbook of Economic Growth*, 2005: 326)

- Fostering the scientific investigation and research. This enables to clarify the necessities from the least developed countries.

2- Aid is lost in the labyrinthine depths of bureaucracy.

This second idea is based on the consideration that aid does not reach those who really need it. This idea is advocated by economists such as William Easterly. He claims that the right response is to shift resources to bottom-up approaches. The idea is based on the assumption that smaller reforms are more important to achieve specific goals than one big plan that does not take into account the country's specific need. It is also important to increase accountability from aid agencies so that aid actually reaches the poor.⁶²

3- Aid has not been useful to foster development in poorest areas.

The last approach on aid towards development, which focuses on the claim that it has failed to foster it was brought forward, by Peter Boone and Fredrik Erixon. They found out that development aid only led to an expansion of the public sector without reaching the country's population. Under this argument, both authors express concerns about corrupt practices on developing countries' governments, which hinder the desired effects. Thus, Erixon proposed that aid should be provided not with the goal of leading reforms, but in order to help the economies which have already started to implement reforms.

Thus, taking a decision on which path to follow regarding how to address development strategies and plans including this foreign aid has not been an easy task.

Most recently, the debate has widely extended its outreach. The massive migrant fluxes into the European Union and events unfolding in both the European Union and the United States have led to the consideration on how to aid on the development of origin countries in order to avoid further mass migration. Additionally, some host countries advocate for more liberal

⁶² Requeijo, Jaime. (2017) *Economía Mundial*. McGraw Hill 4th edition. p. 168

migration policies, whereas others (such as Italy⁶³, Poland or Hungary⁶⁴) strongly reject a greater entrance of migrants.

Some policy makers such as Angela Merkel pointed out in June that the time may have come for new, different bilateral and trilateral deals or coalitions on migration matters between countries sharing genuine political and economic interests⁶⁵.

Trade Policy

At this point, one of the main policies to foster development is **trade**, which has proven to enhance economic development to a big extent.

When trying to analyze which one would be the appropriate trade strategy for developing countries, two different ones emerge:

- An inward-looking strategy, which is an attempt to withdraw, at least in the short run, from full participation in the world economy. This strategy emphasizes import substitution, that is, the production of goods at home that would otherwise be imported. It is achieved through the use of tariffs, import quotas, subsidies to import-substitute industries...etc.
- In contrast, an outward-looking strategy emphasizes participation in international trade by encouraging the allocation of resources without price distortion. It would entail an application of production according to comparative advantage and focus particularly on export promotion.⁶⁶

⁶³ Pianigiani, G., Horowitz, J. and Minder, R. (2018). Italy's New Populist Government Turns Away Ship With 600 Migrants Aboard. [online] Nytimes.com. Available at: <https://www.nytimes.com/2018/06/11/world/europe/italy-migrant-boat-aquarius.html>

⁶⁴ Wintour, P. (2018). EU takes action against eastern states for refusing to take refugees. [online] the Guardian. Available at: <https://www.theguardian.com/world/2017/jun/13/eu-takes-action-against-eastern-states-for-refusing-to-take-refugees>.

⁶⁵ The Independent. (2018). Merkel calls for direct deals between countries to fix EU migration crisis. [online] Available at: <https://www.independent.co.uk/news/world/europe/merkel-eu-refugee-crisis-sea-arrivals-italy-spain-migrant-a8415066.html>

⁶⁶ *Appleyard, D. R., Field Jr, A. J., Cobb, S. L.* (2010). International Economics, McGraw-Hill Irwin. P. 436⁵⁸ *A. O. Krueger.* (1980) Trade Policy as an Input to Development, American Economic Review, vol.70, n°2, p. 291

According to Krueger⁶⁷, experience shows that results in terms of growth were much more satisfactory when following strategies of export promotion rather than import substitution. Respectively, back in 1987, the World Bank's World Development Report examined experience for 41 developing countries and noted the predominance of African and Latin American countries in the inward-looking category. The World Bank concluded that different results were visible depending on the strategy taken: "The figures suggest that the economic performance of the outward-oriented economies has been broadly superior to that of the inward-oriented economies in almost all respects" and also suggested that outward orientation may lead to a more equal income distribution.⁶⁸

On this behalf, it is clear that developed countries can also play a major role on this respect, as long as they promote and facilitate exports from developing countries and their inclusion in international markets.

There are several countries that started their industrialization as a closed model but have later focused on export promotion and therefore witnessing high growth rates. These have been Taiwan, Brazil, South Korea, Singapore, or Colombia.⁶⁹

Hla Myint suggested that unemployment in developing countries has represented the result of production supply that exceeded the domestic demand (i.e. the quantity of products and services produced in a certain country is greater than the demand). In this instance, international trade can provide a larger market that will permit the country to increase its output and employment⁷⁰. These larger international markets also allow developing countries to take advantage of economies of scale (i.e. "the reduction of production costs that is a result of making and selling goods in large quantities, for example, the ability to buy large amounts of materials at

⁶⁸ The World Bank's World Development Report, (1987) p.85 [Online] Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/5970/WDR%201987%20-%20English.pdf?sequence=1&isAllowed=y>

⁶⁹ Bustelo, Pablo (1992) *Economía del Desarrollo, Un análisis histórico*. Editorial Complutense. P.83-84

⁷⁰ Myint, H. (1987). *The neoclassical resurgence in development economics: Its strength and limitations*, Oxford University Press for the World Bank.

reduced prices”⁷¹), something that would not be possible with limited domestic markets.

However, possible negative effects of trade in order to promote development arise from economic factors such as market imperfections in developing countries,⁷² which result in private costs and benefits being different from social costs and benefits.⁷³

According to Appleyard, Field and Cobb⁷⁴, relying on “private prices in this environment can lead to a pattern of trade that is not consistent with either relative social costs or long-term development goals of the country” (e.g., A developing country can experience a certain industry’s growth without taking into consideration environmental damage, as a result, social cost would be generated).

At the same time, only working with comparative advantages can also turn against development. A high degree of commodity concentration in the export bundle of developing countries leads to a greater instability and greater share of trade-related benefits going to the developed countries. If, contrarily, the bundle of goods was more diversified, then a price increase in some goods could be offset by price declines in others. It is important for developing countries to be able to face situations of unbalanced growth among a certain booming sector (generally the discovery of natural resources or the increased prices of some resource), a tradable sector (e.g. agriculture and manufacturing, which prices are set in the world economy) and a non-tradable sector (services, which prices are set in the domestic economy). When a certain good increases its price considerably, as well as when huge amounts of foreign exchange revenues (remittances or foreign direct investment) start to flow into the country, negative effects of “Dutch Disease” may appear. The extra foreign

⁷¹ Cambridge Dictionary (2018). Definition Economies of scale [online] Dictionary.cambridge.org. Available at: <https://dictionary.cambridge.org/es/diccionario/ingles/economies-of-scale>

⁷² Investopedia (2018). Imperfect Market. [online] Available at: <https://www.investopedia.com/terms/i/imperfectmarket.asp>

⁷³ Oxford English Dictionary (2018). Definition of social cost [Online] Available at: https://en.oxforddictionaries.com/definition/social_cost

⁷⁴ Appleyard, D. R., Field Jr, A. J., Cobb, S. L. (2010). International Economics, McGraw-Hill Irwin. P. 423

currency enters the country and is converted into local currency. This is spent on tradables (world prices) and non-tradables (domestic prices) leading to an appreciation of the real exchange rate⁷⁵ and making the country's tradable goods more expensive (uncompetitive) in world markets. Furthermore, the increased demand for tradables is met by imports but to meet the increased demand for non-tradable goods, labor and capital are shifted towards the non-tradable sector, producing the decay of the manufacturing sector. The Dutch Disease can therefore lead to direct de-industrialization as the manufacturing sector is generally considered to be an important source of growth and welfare⁷⁶ (i.e. because of the positive externalities that it produces, because it is labor intensive, and benefits are more spread than other sectors such as the natural resource sector).

Other strategies concerning trade policy for development entailed the formation of exports cartel (e.g. OPEC in the 1970s) or the use of imports/exports restrictions to improve the terms of trade. Finally, a policy option receiving increased attention is the formation of economic integration projects among the developing countries themselves (Free trade areas or common markets), as well as the increase of bilateral agreements between industrialized countries and developing countries or among these last ones (e.g. African Continental Free Trade Area, MERCOSUR, ASEAN, Dominican Republic–Central America Free Trade Agreement... etc.).

All the different approaches taken by both parties will determine the path of development achieved in the upcoming years.

⁷⁵ **Real exchange rate:** the rate at which the currency of one country would be changed for another if differences in prices and wages between the two countries are taken into account. Real exchange rates are used to compare the values of currencies over time when considering the different rates of inflation in different countries.

Cambridge Dictionary. [Online] Available at:
<https://dictionary.cambridge.org/dictionary/english/real-exchange-rate>

⁷⁶ Gurbanov, S., & Merkel, E. (2010). Avoiding the Dutch Disease: a comparative study of three successful countries. [Online] Available at:
https://www.researchgate.net/publication/256041862_Avoiding_the_Dutch_Disease_A_Comparative_Study_of_Three_Successful_Countries

Stakeholder analysis

Developed countries

Since the debate as well as some of the possibilities for enhancing development have been elaborated upon, it is interesting to underline that major economic powers differ substantially when applying their policies. Some countries follow a more protective strategy⁷⁷, recently demonstrated by the USA⁷⁸ and China, while others enhance a greater openness of borders and a faster move towards multilateralism, i.e. some EU members.

Currently, the European Union is the multinational organization with the highest ODA spending. However, inside the EU each member state differs substantially regarding political considerations and strategy towards development. The EU also fosters development by trade preferences to developing nations. Since 1971, the European Union applied a Generalized Scheme of Preferences (GSP) which enables the Union to give differential and more favorable treatment to imports from developing countries, reducing tariffs to their goods entering the EU market.⁷⁹ This encourages developing nations to enter the European Common market.

At the same time, Arab countries, in particular Saudi Arabia, Kuwait and the United Arab Emirates, are among the “most generous” countries in the globe, having donated on average 1.5% of their combined GNP (1973-2008). On the other hand, countries such as Turkey, China, Brazil or Russia are also part of relevant donors for development⁸⁰, however, these countries have shown a preference towards bilateral channels for transfers and regional funds.

⁷⁷ BBC News. (2018). What is a trade war and why should I worry?. [online] Available at: <https://www.bbc.com/news/world-43512098> .

⁷⁸ Kuo, L. (2018). Trump's China tariffs risk 'tit-for-tat protectionism' that threatens world economy. [online] the Guardian. Available at: <https://www.theguardian.com/us-news/2018/mar/22/trump-sanctions-tariffs-china-trade-wars>.

⁷⁹ Ec.europa.eu. (2018). Generalised Scheme of Preferences (GSP) - Trade - European Commission. [online] Available at: <http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>

⁸⁰ Called “South-South Cooperation”.

Developing countries

When looking for development policies, one of the main concerns for developing nations is how to use them effectively in order to diversify from commodity dependence and to use of labor sources more effectively.

Thus, there is an increasing demand for sharing experiences to “improve the understanding of approaches that have been successful in promoting structural transformation in different countries”.⁸¹

In order to achieve greater growth, developing nations also seek for their increasing inclusion in world markets of trade and capital flows, while strengthening national capacities in the process of formulating and implementing their development policies.

International Organizations

Additionally, the diverse contribution of international institutions to development is of great importance. The International Monetary Fund has focused on monetary cooperation since its creation in 1944. “The IMF provides policy advice and financing to members in economic difficulties and also works with developing nations to help them achieve macroeconomic stability and reduce poverty”. However, this has frequently been criticized by developing nations because of the hard conditions established (Washington Consensus) by the IMF. The criticism of the developing nations focuses on the need of excessive fast changes and the lack of consideration to their difficulties and missing capacities for change.⁸²

⁸¹ *Unctad.org*. (2018). UNCTAD | Development Policies for sustainable economic growth in Southern Africa. [online] Available at: <http://unctad.org/en/Pages/GDS/Economic%20Cooperation%20and%20Integration%20among%20Developing%20Countries/UNDA-Project-1617L.aspx>

⁸² *Imf.org*. (2018). Fads and Fashion in Economic Reforms: Washington Consensus or Washington Confusion? - Moises Naim - Paper prepared for the IMF Conference on Second Generation Reforms, Washington, D.C.. [online] Available at: <https://www.imf.org/external/pubs/ft/seminar/1999/reforms/Naim.htm#l>

The volume of development finance delivered by private philanthropic institutions continues to increase. While modest in volume compared to ODA, foundations are significant players in the health and reproductive health sectors, where they were the third largest source of financing for developing countries behind the United States and The Global Fund to Fight AIDS, Tuberculosis and Malaria.⁸³

Moreover, Regional Development Banks finance projects and programs in their region. Their aim is to fight poverty while promoting sustainable development. “To this end, they provide loans and non-repayable grants for investments in the public sector and for private sector promotion. In addition thereto, they provide member states with technical assistance to help them implement their measures.”⁸⁴

Future prospects for development

Foreign policy’s role in promoting a country’s development is a matter of great importance for understanding its national trajectory, especially when concerning emerging economies. As stated, there are very diverse forms and strategies possible to enhance development and as presented in the OECD Development Co-operation report (2017)⁸⁵: “Economic, trade, foreign migration, defense and environmental policies need to achieve a positive impact on developing countries. In addition, donors need to encourage other actors, particularly the private sector, to maximize their contribution to sustainable development in developing countries.” On this behalf, the 2030 Agenda for Sustainable Development (United Nations, 2015) and the Paris Agreement (2005) provided a new framework for development co-operation.

⁸³ OECD (2017), “Development finance and policy trends”, in Development Co-operation Report 2017: Data for

Development, OECD Publishing, Paris

⁸⁴ To see more information on Regional Development Banks and the different ones that exist https://www.bmz.de/en/ministry/approaches/multilateral_cooperation/players/RegionalDevelopmentBanks/index.html

⁸⁵ OECD (2017), Development Co-operation Report 2017: Data for Development, OECD Publishing, Paris, <https://doi.org/10.1787/dcr-2017-en>.

Looking into 2017 data from the OECD Report on Development Co-operation, the EU institutions, whose aid increased by 17%, and the World Bank's International Development Association, whose aid increased by 30%, together accounted for 60% of concessional financing to developing countries. Funding by United Nations organizations also increased by 30% in real terms.

From one point of view, increasing the volume of the private sector may play a critical role in future development. Donors need to step up their efforts to stimulate private investment while being careful to ensure that the necessary policy and regulatory frameworks are in place. At the same time, bilateral and multilateral development banks and development finance institutions are using blended finance instruments to help bridging the investment gap in developing countries, using public support to mobilize private investment.

On the other hand, the use of different strategies and methods aimed at increasing resource mobilization has taken a leading role on the concern of being able to achieve the goals. New funding sources are fundamental for additional resources that complement the rest of the machinery for achieving development. These sources are based on the idea of taking part of the gains from globalization and its redistribution among the disadvantaged parties of the process. Some of these sources are global taxes (e.g. international solidarity levies on air tickets, financial transaction taxes, taxes on CO₂ emissions...)⁸⁶.

In an increasing and global world, some cities and regions are winners and others are losers; their status depends on their supply of human and natural resources, the structure of their productive systems, their institutional framework and their position in the global economy.⁸⁷

Finally, it is worth mentioning that the future of development cooperation depends on how the policy field creates linkages between some "beyond aid" areas: the proliferation of actors, the diversification of finance, the shaping of rules and policies, and the sharing of knowledge for development. Therefore,

⁸⁶ Artiñano, O. B. (2013). *La financiación del desarrollo. In Estructura Económica y Relaciones Internacionales* (pp. 231-254).

⁸⁷ Antonio Vázquez - Barquero (2002) Routledge. "Endogenous Development". P.3

this includes rethinking the relationship between the goals and instruments of development cooperation.⁸⁸

It is not clear what will replace traditional aid, but it is undoubtedly the case that development cooperation is under pressure to change and can take non-exclusive approaches: “development cooperation can specialize on poor countries and/or be integrated into the broader framework of global cooperation. In the case of specialization, development cooperation retains the focus on poverty reduction and concentrates on an ever smaller number of mostly fragile countries. In the case of integration, development cooperation supports a more complex system of global development objectives, including the provision of global public goods”⁸⁹

Conclusion

As we have been able to see, development cooperation and the achievement of a global vision to it is not an easy task. Official donors and economic powers need to strengthen their international commitments to accomplish the different goals as well as the 2030 UN Agenda.

Inclusive development and further intrinsic challenges such as environmental sustainability, peace and security cannot be achieved solely by providing aid, but with the alignment of international policies to make the aid effective and meet long-term growth strategies.

Question an outcome document must answer

- Should different economic powers commit to the increase of ODA or would it rather be more beneficial to promote development through other methods?

⁸⁸ Janus, H., Klingebiel, S., & Paulo, S. (2014). 'Beyond Aid' and the Future of Development Cooperation. Available online: <https://www.die-gdi.de/en/briefing-paper/article/beyond-aid-and-the-future-of-development-cooperation/>

⁸⁹Antonio Vázquez – Barquero (2002) Routledge. “Endogenous Development”. p.1

- Which compromises should industrialized countries adopt to foster environmental protection and inclusiveness in the process of development?
- Will countries move towards the increase of aid or to the withdrawal of it? How will it be done? How can countries dependent on it respond?
- Which main areas or sectors should developing countries focus on to achieve growth?

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<http://unctad.org/en/Pages/GDS/Economic%20Cooperation%20and%20Integration%20among%20Developing%20Countries/UNDA-Project-1617L.aspx>

UN Development Issues No. 10: International Financial Flows And External Debt:

<https://www.un.org/development/desa/dpad/publication/development-issues-no-10-international-financial-flows-and-external-debt/>

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Suggestion for further reading

- http://www.imf.org/external/np/ins/english/capacity_strategy.htm
IMF Capacity Development website
- <https://www.oecd-ilibrary.org/development>: OECD resources concerning development
- <http://ida.worldbank.org/> : International Development Association- World Bank
- <http://unctad.org/en/Pages/Home.aspx> : UNCTAD website
- Interesting article regarding current migrant fluxes : “Media hub - Aquarius, immigration caps and family separation: three lessons for doing migration differently” <https://www.odi.org/comment/10658-aquarius-immigration-caps-and-family-separation-three-lessons-doing-migration-differently>
- OECD (2018), Development Co-operation Report 2018: Joining Forces to Leave No One Behind, OECD Publishing, Paris, <https://doi.org/10.1787/dcr-2018-en>.
- Information concerning Regional Development Banks: https://www.bmz.de/en/ministry/approaches/multilateral_cooperation/players/RegionalDevelopmentBanks/index.html

Sample Outcome Document

The G20 works with very different types of outcome documents, which have in general a flexible structure. The outcome documents of the G20 Meetings of Finance Ministers and Central Bank Governors and Deputies are usually “**communiqués**”. “Communiqués” are written in first person of plural (“we”) and are usually (but not always) divided into two parts:

1. “**Main body**” of the document, which consists of numbered paragraphs. It includes an introductory paragraph/s mentioning key facts, risks faced and/or the general aim of the document. This part of the communiqué also mentions recent developments and explains the committee’s view on the issue and the agreements reached.
2. **Annex**, which comprises:
 - a. **Reports received**. This part of the communiqué welcomes the delivery of several documents ahead of the pertinent G20 meeting. It can begin with a formula such as “*we welcome the delivery of the following reports ahead of the G20 Finance Ministers and Central Bank Governors meeting, [date of the meeting]*”. The documents in question are afterwards listed following the structure [Title of the Document, Month Year].
 - b. **Issues for further action**. This part consists of recommendations. These recommendations are structured through phrases such as “we look forward”, “we ask” or “we request”.

In order to see how the aforementioned structure works, we will take as an **example** some parts of the “**Communiqué of the G20 Finance Ministers and Central Bank Governors July 23, 2018, Buenos Aires, Argentina**”, which can be retrieved at <http://www.g20.utoronto.ca/2018/2018-07-22-finance.html>.

Communiqué
G20 Finance Ministers and Central Bank Governors
July 23, 2018, Buenos Aires, Argentina

1. Global economic growth remains robust and unemployment is at a decade low. However, growth has been less synchronised recently, and downside risks over the short and medium term have increased. These include rising financial vulnerabilities, heightened trade and geopolitical tensions, global imbalances, inequality and structurally weak growth, particularly in some advanced economies. We will continue to monitor risks, take action to mitigate them and respond if they materialise. Although many emerging market economies are now better prepared to adjust to changing external conditions, they still face challenges including market volatility and reversal of capital flows.
2. We will continue using all policy tools to support strong, sustainable, balanced and inclusive growth. Monetary policy will continue to support economic activity and ensure price stability, consistent with central banks' mandates. Fiscal policy should be used flexibly and be growth-friendly, prioritize high quality investment, while enhancing economic and financial resilience and ensuring debt as a share of GDP is on a sustainable path. Continued implementation of structural reforms will enhance our growth potential. We reaffirm our exchange rate commitments made in March. We will clearly communicate our macroeconomic and structural policy action. International trade and investment are important engines of growth, productivity, innovation, job creation and development. We reaffirm our Leaders' conclusions on trade at the Hamburg Summit and recognize the need to step up dialogue and actions to mitigate risks and enhance confidence. We are working to strengthen the contribution of trade to our economies.

Communiqué Annex

Issues for further action

We welcome the MDB Infrastructure Cooperation Platform, which will report to the Infrastructure Working Group, and ask that advice be provided to us by the 2018 Leaders' Summit on its activities to improve MDB project preparation, standardization of guarantees and credit enhancement tools, and data availability.

We reiterate our call for the Platform for Collaboration on Tax to develop its workplan on its commitments by the IMF/WBG Annual Meetings this year and provide a progress report in 2019.

Reports and documents received

International Taxation

- Secretary-General Report to Finance Ministers, OECD, Buenos Aires, Argentina, July 2018

Anti-Money Laundering and Terrorist Financing

- Report to Finance Ministers and Central Bank Governors, FATF, July 2018