

Review of the 11th World Economy Annual Conference, Re-Balancing of the World Economy: In Search of New Models for Global Development

On November 29-30, 2023, the School of World Economy of the HSE University held the 11th Annual Conference on the Global Economy, this year entitled “Re-Balancing of the World Economy: In Search of New Models for Global Development.” The conference was devoted to discussing key trends in the development of the world economy at the current stage: inflation, restructuring of trade and investment flows, difficulties in the implementation of the Sustainable Development Goals and transformation of economic growth in Asia. The conference was attended by leading Russian researchers in the field of world economy, as well as representatives from Armenia, Brazil, India, Kazakhstan, China, Poland, Thailand, and Turkey. The use of English as the working language at the conference made it possible to ensure the most interactive and fruitful discussion between all speakers and guests, as well as to make the conference materials available to the international academic community.

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The conference was opened by *Alexandra Morozkina*, deputy dean for research at the Faculty of World Economy and International Affairs, HSE University, and *Igor Makarov*, head of the School of World Economy. They noted the fundamental nature of the challenges facing the world economy, the continuity of global problems, and the high probability of negative scenarios of further development of the world economy. The term “re-balancing” in the title of the conference has three meanings: tactical re-balancing due to sanctions and trade restrictions, long-term structural shifts in the world economy, and the need to change approaches to global governance in order to solve global problems.

The conference program was divided into **four sessions**:

- Session 1. Between Inflation, Financial Instability and Debt: The Patterns of Economic Growth in a Post-Crisis World.
- Session 2. The Great Re-configuration: How Is the Geography of Trade and Investment Flows Changing?
- Session 3. Lost Illusions: In Search of New Approaches to Sustainable Development.
- Session 4. Moving through the Stages of Development: How Is the Asian Economy Changing?

The **first session** was opened by *Alexander Kurdin*, deputy dean of the Faculty of Economics, Lomonosov Moscow State University. The moderator recalled the

first annual conference on the world economy held in 2013, noting its positive and cooperative mood, associated with the feeling that the world economy had overcome the consequences of the 2008 financial crisis. The situation is currently reversed and a gloomy mood prevails. Nevertheless, the leading economists of the country and the world still have an opportunity to present their views on key macroeconomic issues— inflation, economic growth, financial instability, and other issues.

The first paper of the session entitled “From Shocks to ‘Soft’ Stagflation 2020-2024” was presented by professor *Leonid Grigoryev*, academic supervisor of the School of World Economy. The speaker gave a brief retrospective analysis of the global economic situation, paying special attention to the comparison of current events with the mid-1970s, and touched upon the current situation based on the data of the IMF Annual Report. Noting the lack of convergence between countries, which was expected by economic theories, the researcher proposed a new category of well-developed countries that face a “rich countries trap” consisting of problems such as aging populations and old infrastructure. At the same time, the speaker questioned the effectiveness of global cooperation and expressed skepticism about the possibility of solving global problems, including climate change, under current conditions.

The report on macro-financial issues by *Ali Cufadar*, director of the Macroeconomic Research Program at TEPAV (Turkey), focused on the measures taken by developed and developing countries to overcome the crises of the 1990s and 2008, as well as the consequences of the pandemic in 2020. The speaker expressed concern about the potential difficulties that emerging markets may face due to high budget deficits and debt levels, predicted a general slowdown in global growth, and emphasized that the trend of Asian countries increasing their share in the global economy will continue, but at a slower pace.

DaShu Wang, professor at the Department of Public Finance, School of Economics Peking University (China), focused on inflation, debt, and financial stability in China. Inflation in the country has been effectively controlled for two decades, and digital technology has played a crucial role in improving production efficiency. The speaker paid special attention to China’s place in global trade, focusing on exports, which are gradually losing their role as the main driver of the Chinese economy. He also highlighted population decline as an important challenge for the country’s further economic development. China still owns a significant amount of US securities, but the volume is significantly decreasing. At the same time, the expert expressed concern about China’s public debt, especially at the municipal level, and concluded by emphasizing the stability of the country’s financial sector despite this problem.

In his report, “Between Inflation, Financial Instability and Debt: The patterns of Economic Growth in the Post-Crisis World” *Marcel Salikhov*, director at the Centre for Economic Expert Analysis, noted that the economic activity was robust in 2023, which persisted despite the expectations of experts. The speaker devoted his report to the stabilization of the situation in Europe, which is related to the increase in consumption in key industries and the substitution of Russian gas supplies. According to the speaker, market mechanisms effectively solve most of the issues. The expert noted the importance of a deeper analysis to understand the impact of sanctions on individual

European countries, some of which are experiencing recession and budget deficit problems. In conclusion, the expert expressed concern about excessive government intervention in market processes in Europe and the emergence of additional risks related to this.

Prof. *Marek Dombrowski* (Poland) began his presentation by discussing the short-term economic outlook, noting the improvement in financial stability and inflation in developed economies due to active measures taken by major central banks. Lessons learned from the 2008 crisis have contributed to improved financial supervision. Unemployment remains low in most countries, but economic growth rates have shown volatility since 2019, which poses some risks. Turning to the longer term, the speaker noted challenges related to labor supply, population aging, and total factor productivity, including the impact of the green transition on productivity. Finally, the speaker discussed the global nature of protectionist trends, which can lead to a slowdown in economic growth, an increase in poverty, an intensification of political conflicts, etc.

The last report of the session, presented by *Anastasia Podrugina*, associate professor of the School of World Economy, was devoted to the issues of inflation: its sustainability, consequences, and the efforts of countries to fight inflation, which may lead to the deterioration of financial stability. Inflation remains high globally, despite some improvement in developed countries. The inflation in 2022-2023 was partly driven by rising energy and food prices. However, demand-side factors are now a significant part of high inflation. In this regard, monetary policy instruments can be quite effective, and central banks of leading countries plan to maintain high interest rates for the long term. The speaker concluded by saying that the balance act between combating inflation and ensuring financial stability will continue.

The first session was followed by a welcoming speech by *Anastasia Likhacheva*, dean of the Faculty of World Economy and International Affairs. Likhacheva noted the evolution of the conference themes, emphasizing the transition from optimism to awareness of difficulties and concerns. Among the key challenges, the dean mentioned the sanctions pressure on Russia and the need for the world community to develop a balanced economic policy combining the goals of efficiency and security. The speaker emphasized the difficult task faced by economists in the balance of the boundaries between economics and politics and wished the participants interesting and fruitful discussions during the conference.

The second session was titled “The Great Re-configuration: How Is the Geography of Trade and Investment Flows Changing?” The moderator of the discussion, *Olga Biryukova*, associate professor of the School of World Economy, noted that the large-scale trade and investment restrictions imposed by Western countries on Russia have led to a sharp reconfiguration of world trade, affecting about 10% of global exports. At the same time, trade turnover between many pairs of countries in Eurasia grew by hundreds of percent in 2022-2023. New logistics routes, transportation, payment and insurance schemes have emerged. The long-term implications of this reconfiguration are yet to be understood, including whether they

are robust and sustainable. Equally important is the analysis of changes in the structure and geography of global investment, another result of geopolitical developments.

The main focus of the report by *Alexander Knobel*, head of International Trade Department, Russian Presidential Academy of National Economy and Public Administration, was on the unprecedented sanctions imposed on Russia, which affected various sectors of the country's economy and were accompanied by decisive actions on the part of foreign companies. The speaker highlighted the problems and risks facing the Russian economy, including inflationary pressures, problems with the investment climate, and demographic factors, and emphasized the need for effective adaptation and revision of traditional formats of Russian foreign economic activity. Geographical and structural diversification of Russian exports, as well as the development of Russia's transport and logistics infrastructure, were noted as key factors for successful trade reorientation.

Mariam Voskanyan, head of the Department of Economics and Finance at the Russian-Armenian University, devoted her report to the investment activities of foreign companies in Armenia. Foreign direct investment (FDI) in the country has increased significantly in 2022 and, contrary to popular opinion, not only from Russia. Not all of the FDI is long-term and strategic, and its sectoral structure is still inefficient—it is necessary to attract capital in production, agriculture, and technology. The speaker particularly emphasized the need to invest in human capital, higher education, and science and concluded her presentation with the thesis that it is necessary to achieve a constant and sustainable flow of investments, especially in sectors that will contribute to the long-term development of the Armenian economy.

The report of *Olga Klochko*, associate professor at the School of World Economy was devoted to global trends in the regulation of foreign direct investment. The speaker discussed the main changes in the global FDI policy, which consist in the attempts of the largest countries to control incoming investment flows more strictly and to start regulating outgoing FDI, especially in high-tech industries capable of providing competitive advantages to the recipient countries. The US and European countries are changing their regulatory tools and introducing measures to control FDI for geopolitical and technological reasons. Separately, the report noted the EU's ongoing efforts to coordinate FDI policies among member states. Stressing the importance of FDI for economic development, the speaker noted that Russia lacks a comprehensive FDI policy and called for the inclusion of this issue in the country's economic development and security strategy.

Alexey Kuznetsov, director of the Institute of Scientific Information on Social Sciences of the Russian Academy of Sciences, also began his presentation with the issue of FDI. On the basis of statistical data showing the decline in the volume of FDI in the world, significantly in 2022, the expert drew the audience's attention to the coincidence of this trend with anti-Russian sanctions and suggested that it is associated with the lower activity of developing countries in the EU and US markets. In the geographical structure of Russia's foreign trade, the share of EU countries is decreasing, while interaction with China, India, Brazil, and Arab countries is increasing. In general, the dynamics of world trade is changing, and under these conditions, Russia's main task is

not to wage a sanctions war with the West, but to adapt to the fundamental changes in the world economy in the direction of Asia.

The final presentation of the session and the first day of the conference was given by *Bruno de Conti*, associate professor at the University of Campinas (Brazil), who touched on such topics as obstacles to economic development, historical aspects of colonization, and structural changes in Latin America. The main focus of the presentation was the impact of China on the region's economy: Will China's emergence as the region's most important partner lead to changes in trade, FDI flows, and global value chains? The speaker pointed to the concentration of Chinese investment in sectors such as energy and services, as well as the use of Latin America by Chinese companies to implement their version of nearshoring concept. However, according to the expert, FDI would not lead to significant changes in the regional economy. Highlighting the limitations and opportunities associated with China's growing role, the speaker expressed the hope that the negotiating power of Latin American countries would increase in the geopolitical context, especially when discussing deals in the extractive industries.

The third session of the conference “Lost Illusions: In Search of New Approaches to Sustainable Development” was opened by *Alexandra Morozkina*. The moderator thanked the participants for the intensive discussions of the previous day of the conference and expressed her hope for a comprehensive coverage of the Sustainable Development Goals (SDGs) during the session.

The introductory report on “Gaps of Climate Governance” was presented by *Igor Makarov*. The speaker highlighted three key gaps in international climate governance: the mitigation gap, the climate finance gap, and the coordination gap. Current global emissions trajectories, as well as those planned under the Nationally Determined Contributions, are insufficient to keep temperature increases in line with the goals of the Paris Agreement. The global community has not yet been able to mobilize private capital to reduce emissions and, in particular, to finance adaptation, and the funds provided through official channels will in any case be insufficient to cover all needs. The speaker emphasized the need for greater coordination between countries, especially exporters and importers of hydrocarbons and carbon-intensive products. The speaker noted that despite the continuous acceleration of the green transformation of the global economy, the gap between real and necessary efforts to achieve climate goals is widening every year.

Vatcharin Sirimaneetham, chief for macroeconomic policy, UN Economic and Social Commission for Asia and the Pacific (ESCAP UN), focused his presentation on two key issues: rethinking the role of public debt in financing the SDGs and proposing more proactive central bank policies to build a more equitable society. On the first issue, the expert highlighted the challenging situation in Asia and the Pacific in terms of progress towards the SDGs, particularly the regression in the fight against climate change, and encouraged countries to prioritize long-term sustainability over short-term fiscal targets. On the second issue, the presenter discussed the impact of income inequality on the effectiveness of monetary policy, suggesting that central banks should consider social factors in addition to their traditional mandate. The example

of Mongolia showed how a “greener” economy and diversified development policies could have a positive impact on poverty reduction, carbon emissions, and the overall sustainability of public debt.

Kazi Sohag, senior research fellow at the Ural Federal University, focused on the management of macroeconomic indicators in the context of energy dynamics and geopolitical turmoil, using Russia as an example. Above all, the growth of the Russian economy under the pressure of sanctions was noted. The speaker praised both the policy of the Central Bank of Russia and how quickly the Russian financial market recovered from stressful events. Special attention was paid to the efficacy of Russia's trade integration, especially with the BRICS countries. The speaker pointed to the problems of income distribution and the need to introduce a progressive tax policy in the country.

In her presentation, *Anastasia Sycheva*, head of the Department for International Development Assistance at Rossotrudnichestvo, shared the experience of many years of work in the field of financing the SDGs. Recognizing the relevance of the SDGs, she noted that the achievement of half of them is not progressing and a third is even regressing. For Russia to ensure effective implementation of the SDGs, it is necessary to adopt a federal law on development assistance, create a specialized agency for the SDGs, and modernize the legal and regulatory framework. Turning to the issue of bilateral and multilateral aid, the speaker recognized the need to expand bilateral aid, but stressed the importance of cooperation with multilateral partners, including UN agencies. Special attention was paid to the problems of mobilizing the private sector in this direction. She identified three groups of companies: those that openly support development projects, those that are reluctant due to potential regulation, and those that avoid public attention due to sanctions. In summary, the expert emphasized the need for strategic prioritization of development assistance, the importance of adapting to global change, and the challenges and opportunities of engaging both the private and public sectors in achieving the SDGs.

The main topic of the presentation by *Sedat Alatas*, a research fellow at Aydin Adnan Menderes University (Turkey), was the role of materials in sustainable development, especially in relation to energy efficiency. The expert drew the audience's attention to the fact that climate change mitigation policies focus mainly on energy and overlook the importance of efficiency in the use of materials, the production of which also entails environmental costs. The presenter's research showed that while most countries have made progress in energy efficiency each year, material efficiency has deteriorated significantly in recent years. As a result, the presenter calls for a shift in focus towards material efficiency policies, as they have significant potential to reduce emissions.

The fourth session of the conference, dedicated to the transformation of the economic growth model of Asian countries, was opened with a welcoming speech by the academician of the Russian Academy of Sciences *Natalya Ivanova*, head of Research, Science and Innovation Department of IMEMO RAS. After a period of intensive growth, Asian countries are now facing problems that require new approaches. Possible ways

of adaptation of individual countries and subregions of Asia to the new reality and their future role in the world economy were the key topics of the final session of the conference.

Evgeniy Vinokurov, chief economist of the Eurasian Development Bank, began his report by discussing the outstanding economic growth rates of Asian countries over the past decades and the strengthening of trade integration in the region, as a result of which Asia's self-sufficiency will continue to grow. The high pace of economic growth in the region was largely determined by globalization factors—export growth and foreign investment, but in the current conditions of fragmentation of the world economy their contribution is falling. The speaker paid special attention to demographic changes in Asia and raised the question of whether the growth of the labor force in South and Southeast Asia could compensate for the deficit resulting from the aging of the population in China, Japan, and South Korea. He concluded by emphasizing to the audience that Asian countries should consider the need for economic policy changes to support intra-regional trade and the mobilization of domestic savings to ensure sustainable growth in the coming decades.

The presentation by *Devesh Birwal*, associate professor at the Department of Economics, University of Delhi (India), was devoted to discussing the transformation of the Indian economy. After briefly reviewing the country's historical problems, including the colonial period, the expert noted the stable economic growth rate of about 5% per year since independence until 2020. Foreign direct investment, India's information technology sector, the exploitation of the demographic dividend, and the development of industrial production and services have played an important role in this growth. Strategic alliances with a number of foreign countries, such as Vietnam, were cited as additional strengths. The speaker emphasized that India's modern economy has not only survived the global crises, but has shown resilience and potential for further growth, playing an important role in the economic landscape of Asia and the world at large.

Devin Lin, a consultant and attorney with the Guangdong Zhongxi Law Firm (China), devoted his presentation to China's current economic strategy, in particular the Dual Circulation Strategy introduced in 2021. Its internal aim is achieving self-sufficiency by promoting innovation, diversifying supply chains and investing in specific industries, while its external aim is to position China as a global manufacturing power, strengthen the yuan and support the Belt and Road Initiative. Special attention is given to the challenges limiting the country's economic growth—the aging population, the low birth rate, the high unemployment rates among college graduates, the deepening Sino-US confrontation, regional security issues, and the need for globally recognized brands and standards. The presentation also touches on the role of Hong Kong and recent political changes, such as the introduction of the National Security Law and electoral changes in Hong Kong.

The final report was presented by *Leonid Grigoryev* and his assistant, *Daria Zharonkina*. Based on official Chinese statistics, the researchers comprehensively analyzed the factors of the country's economic growth. They emphasized the uniqueness of China's investment model, including a high share of savings and investment in GDP

and a low consumption rate. Special attention is paid to the formation of a developed infrastructure, primarily the network of high-speed railways. Great importance is attached to the role of exports and the need for China to shift from export-oriented growth to growth based on domestic consumption. The experts also analyzed the investment behavior in various sectors of the country's economy and identified the need to restructure investments in some of them.

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Summing up the results of the conference, the organizers stated that they appreciated the two days of intensive work and noted the importance and value of the opinions expressed during the reports and discussions. Special appreciation and gratitude for the contribution to the conference were expressed to the foreign participants who came to Russia. The organizers hope that the 11th Annual Conference on the Global Economy "Re-Balancing of the World Economy: In Search of New Models for Global Development" will contribute to further research, development of cooperation, exchange of knowledge and opinions in the field of world economy between representatives of different countries.

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