# Review of the 12th Annual International Conference on the Global Economy, "Challenges of Catch-up: Emerging Countries in the Global Economy"

On December 4–6, 2024, the School of World Economy of the HSE University held the 12th Annual International Conference on the Global Economy. This time conference was entitled "Challenges of Catch-up: Emerging Countries in the Global Economy." The conference was devoted to the challenges facing the Global Majority, including the problems of inequality, economic growth and sustainable development, as well as the agenda and results of the Russian chairmanship in BRICS. The conference was attended by leading Russian researchers in the field of world economy, as well as representatives of Armenia, Brazil, China, Morocco, Turkey, and Uzbekistan. English as the working language of the conference made it possible to ensure interactive and fruitful discussion among the participants, as well as to make the conference materials available to the international academic community.

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The conference was officially initiated by *Anastasia Likhacheva*, dean of the Faculty of World Economy and International Affairs, HSE University, and *Igor Makarov*, head of the School of World Economy, HSE University. Likhacheva underscored the significance of the conference theme, highlighting the substantial potential inherent in developing countries to devise novel approaches and models for socio-economic advancement. Presently, the global economy is experiencing significant influence from shifts in political landscapes. However, when conducting analyses, it is imperative to prioritize the examination of long-term structural transformations. Makarov placed particular emphasis on the expanding role of developing countries in the global economy and technological advancement. This, in turn, necessitates alterations in the existing global regulatory system. This includes the imperative for these nations to be better represented within international institutions and the creation of novel economic development models.

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

- Session 1. Fragile Convergence: Past, Present and Future of Inequality between Countries.
- Session 2. Lighthouse of Successful Catch-up: Growth Stories in Changing Global Environment.
- Session 3. The Voice of the World Majority: BRICS in the First Year after Expansion.
- Session 4. Unfinished Business: What is the Future of the Sustainable Development Goals?

**The first session** was opened by its moderator, *Alexander Kurdin*, deputy dean of the Faculty of Economics, Lomonosov Moscow State University (Russia). He stressed the impact of the fragility of global governance on the world economy and expressed the opinion that recent events, including the rise of Donald Trump to power in the United States, will lead to an increase in isolationist sentiments and pose a threat to globalization and the developing world. Nevertheless, developing countries have demonstrated resilience during the COVID-19 crisis and in the context of geopolitical tensions, so they will be able to remain drivers of global economic growth.

The first presentation of the session on economic growth and the traps in its path was delivered by professor *Leonid Grigoryev*, academic supervisor of the School of World Economy (Russia). He first emphasized the need to understand the mechanisms of interaction between politics and economics, without which it is impossible to take effective actions to achieve sustainable growth in the face of threats and uncertainty. Groups of countries with different levels of per capita income were considered. It was shown that low-income countries in recent years are in fact lagging behind—they are growing at the expense of resource factors, but have no significant increase in factor productivity. The speaker dwelt on such issues of uneven growth of countries as volatility of commodity prices, inflation, slowdown of investment growth, migration, high volumes of European capital flows to the US. At the end of the presentation, it was emphasized that relative poverty and persistent social inequality even in developed countries remain pressing problems that need to be addressed.

TEPAV executive director *Gülbin Şahinbeyoğlu* (Turkey) in her report "New Growth Strategies for BRICS+ and Turkey" raised the issue of the changing global balance of economic power, emphasizing the declining share of developed economies in global GDP and the growing share of developing countries, especially Asian countries. BRICS countries also contribute significantly to the global economy. The speaker noted that developing countries are facing growth challenges, increasing debt and declining export competitiveness, emphasizing the importance of green transition and development of sustainable cities, and considered aspects such as the role of technology, trust in the state and policy coordination. The report focused on the challenges faced by developing countries with regard to access to domestic financial markets, high public debt and rising interest rates. The author concluded that developing countries need to develop domestic capital markets and financial infrastructure to address debt problems.

*Anastasia Podrugina*, associate professor at the School of World Economy (Russia), gave a comprehensive review of the topic of sovereign debt in high interest rate era. The speaker reminded that the World Bank's 2022 report noted a high level of debt in developing countries due to high interest rates and stable inflation. Developing countries often borrow due to limited domestic financial markets, which leads to the growth of external debt, so access to domestic markets is crucial for them. The expert expressed concern about high interest rates, which affect all countries, including the United States, and are related to fighting inflation and protecting the currency. In this environment, developing countries faced the need to refinance debt at higher interest rates, which increased the risk of default.

*Ksenia Bondarenko*, associate professor at the School of World Economy (Russia), devoted her report to the most significant global trends characterizing the gap between the economies of developed and developing countries. For example, China, Brazil and India demonstrate growing economic power and occupy an increasingly influential position in the world. However, despite this, in general, the gap between developed and developing countries is widening. The expert noted the rise in inflation in the Eurozone, caused by economic problems rather than central bank actions, as well as the weakening of the dollar and the growth of European investment in the United States. The speaker concluded that convergence among developing countries could be expected, but that some of them required more support to accelerate their growth.

The session ended with a presentation by *Nicolas Buchoud,* senior advisor to the CEO, the Asian Development Bank Institute. The expert touched upon the problem of middle-income countries, noting that the key factors of their successful growth are the quality of urban infrastructure, governance, banking system, and education. Special attention was paid to the contradictions faced by global cooperation on sustainable development—developed countries should finance developing countries, but there are not enough mechanisms to do so. With regard to attempts to integrate the sustainable development agenda into economic policy, it was noted that it had become more of a way of maintaining existing production patterns. In conclusion, the speaker raised the need to combine theoretical and practical approaches to develop solutions, and the importance of further discussion of the economic, social and geopolitical factors affecting economic development.

**The second session** of the conference "Lighthouse of Successful Catch-up: Growth Stories in Changing Global Environment" was devoted to discussing cases of different countries that have managed to demonstrate high rates of economic growth in recent years. The session was opened by *Igor Makarov*, head of the School of World Economy, who noted that despite the absence of universal recipes for development, the study of best practices will help to draw useful lessons. Certainly, it may not be possible to repeat some examples, such as the economic miracle of the Asian Tigers, but their study can contribute to the elaboration of new development strategies.

*Abdelaaziz Ait Ali,* head of research in economics, Policy Center for the New South (Morocco), presented a report on "The New Challenges to North African Countries' Growth Models Amidst Global Transformations." First, the speaker focused on the need for the countries of the region to use industrial policy instruments due to the active interference of developed countries in their economies in violation of the principles of free trade (an example of which is the EU border carbon adjustment mechanism). Another important aspect is the green transition, which creates opportunities for North African countries with significant renewable energy potential. A serious problem is the falling share of industry in GDP—modern technologies reduce the need for labor, which reduces the potential of industrialization as a growth driver for North African countries. The expert emphasized the risks of the region's dependence on the EU, which is experiencing an economic downturn, noted China's growing interest in investing in the region and suggested diversification of partnerships and more active use by North African countries of their natural and economic resources as the main strategy.

The presentation of *Mariam Voskanyan*, head of the Department of Economics and Finance at the Russian-Armenian University (Armenia), was devoted to the threats and opportunities facing the economy of the Republic of Armenia. She showed that the financing of the IT sector does not benefit the economy in a meaningful way, and it is necessary to unite the efforts of different sectors into a single institution to work out a common development strategy. The monetary policy of the country based on inflation targeting, which is not suitable for Armenia at the current stage of its development, was criticized. In the fiscal part, the speaker pointed out the problems of small and medium business in the country, which suffers from the tax policy, and proposed to introduce zero tax on income for business in order to stimulate the industry and real sector. Insufficient funding for long-term investments, such as in human capital and infrastructure, was also noted.

Professor of University of Delhi *Varun Kumar Das* (India) presented a paper on “History as a Lighthouse—Learning from the Past: Few Perspectives and Thoughts from India’s Experience.” India’s economy has developed in an unconventional way—instead of the classical transition from agriculture to industry, the country practically passed the stage of industrialization and went straight to the dominance of the service sector. The manufacturing sector is still weak and most of the labor force is employed in agriculture or the informal economy. However, instead of moving to cities to work in factories, Indians often migrate from one rural region to another while continuing to work in agriculture; at the same time, there is a shift of production from urban to rural areas. Overall, India faces a unique economic situation that requires sound policies to support industry and create off-farm jobs.

*Wei Feng*, dean of the Institute of Economics and Business Administration, Heilongjiang University (China), spoke on the imitation trap and catching-up development. The researcher presented a basic model of endogenous economic growth adapted for developing countries, which considers three types of resources—finance, intermediate goods, and labor. Economic growth was driven by technological progress, which could occur either through imitation of existing technologies or through innovation. It was emphasized that developing countries that were successfully catching up with developed economies were moving from imitation to creating their own innovations, while others might be stuck in the imitation trap. Separately, the report examined the role of government policy in this process—tax incentives, financial subsidies and other measures aimed at stimulating R&D and innovation. For a successful transition from the imitation model to the innovation model, the state should actively invest in infrastructure, education and support for technological entrepreneurship. Access to finance for companies and reducing barriers to the introduction of new technologies also play an important role. The report concludes that in the early stages of industrialization, imitation can be an effective strategy, as was the case in China, but in the long term, sustainable growth is only possible with a shift to self-driven innovation.

*Nodira Abdunazarova*, chief specialist, the Project on Macroeconomic Policy and Analysis of the Institute of Macroeconomic and Regional Studies (Uzbekistan), in her report reviewed Uzbekistan’s path to sustainable development. First of all, the speaker outlined the country’s sustainable development priorities, such as maintaining GDP growth at 3.5% per year, finding new drivers of economic growth, making it more inclusive and addressing environmental issues. However, the economy is currently characterized by high inflation despite rapid economic growth; in addition, there are challenges such as macroeconomic instability and external shocks. To address the above problems, it is necessary to improve coordination of strategic decisions, reduce bureaucracy, improve the quality of public administration and develop domestic production to reduce dependence on imports and create a competitive economy.

The final report of the second session and the first day of the conference was presented by *Evgeny Biryukov*, senior research fellow at the Institute of Economic Forecasting of the Russian Academy of Sciences (Russia) on the topic "Arabian Model: Unique Modernization / Catch-up." Arab countries, despite high growth rates, have a low share of manufacturing in GDP, and the key factor of their development is the oil industry. For example, Saudi Arabia and other countries in the region have received huge revenues from oil exports since 1966, which allowed them to develop social programs, ensure high living standards and invest in foreign assets. In recent decades, however, the pattern of development has begun to change. In response to falling oil prices and a budget crisis in 2014, Saudi Arabia adopted the Vision 2030 program, which aims to diversify the economy, increase taxation and develop the private sector, as well as social changes such as allowing women to drive cars and loosening religious control. The main strategy of Arab countries is to turn oil into the basis for the development of other sectors such as industry and services, which requires significant investment and the creation of new technologies domestically.

**The third session** of the conference "The Voice of the World Majority: BRICS in the First Year after Expansion" was opened by *Alexandra Morozkina*, deputy dean for research, Faculty of World Economy and International Affairs, HSE University (Russia), who noted that Russia, as the BRICS Chair in 2024, faced a difficult task of integrating new members into more than ten official formats, including ministerial, academic, municipal, ethnic, cultural, and others. In this regard, discussing the BRICS expansion process in a separate session is particularly relevant.

*Andrey Gnidchenko*, senior expert of the Center for Macroeconomic Analysis and Short-Term Forecasting (Russia), opened the session by analyzing the role of the BRICS in the global economy and catching-up development. It was noted that the BRICS does not yet represent the majority of the world economy but is rapidly moving in this direction—by 2030 BRICS++, including new members and partners, may surpass its opponents in terms of total GDP. The expert emphasized that within the bloc the pace of development varies—India, Egypt, and Ethiopia are growing rapidly, while South Africa and Iran are experiencing stagnation. From the point of view of catching-up development, the countries that have made significant progress—China, Kazakhstan, Turkey, Belarus, and others—were singled out. In conclusion, the speaker noted the need to deepen cooperation in trade, investment and infrastructure within the grouping in order to narrow the development gap between the BRICS countries.

*Bruno de Conti* (Brazil), associate professor at the University of Campinas, discussed in his presentation the implications of the BRICS expansion. The expert explained the growing interest in joining BRICS by way of the multidimensional global crisis (humanitarian, environmental, and social) and the ineffectiveness of the current system of global regulation. The pandemic and geopolitical crises demonstrated the inability of developed countries to cope with the challenges, which strengthened the desire of the World Majority countries for alternative associations such as BRICS. The key achievement during Russia's presidency in 2024 has undoubtedly been the expansion of the bloc. At the same time, an increase in the number of participants is crucial in order to strengthen the voice of the World Majority, despite the existing differences between the participating countries. The speaker expressed the opinion that expansion can increase the effectiveness of the bloc, while such aspects as flexibility in decision-making are important, when not all countries are obliged to participate in specific initiatives, such as the New Development Bank or possible BRICS currency. The speaker concluded by calling for a common agenda on climate issues and emphasized that despite governance challenges, BRICS expansion is a positive step.

*Xiaochen Hou*, program manager of the Center for BRICS Studies at Fudan University (China), spoke about the challenges and opportunities for cooperation among the BRICS countries. The expansion of the organization has been a major development, but it faces a number of challenges—disagreements in the BRICS countries' voting in the UN, the need to reform decision-making mechanisms, risks to the credit rating of the New Development Bank, and the need to build balanced relations with both the Global South and the West. At the same time, new opportunities are opening up for BRICS. Among them are industrial, financial and energy cooperation, as well as strengthening its role in global regulation and security.

*Vladimir Zuev*, head of the Department of Trade Policy, HSE University (Russia), raised the issue of the need to create a system of indicators to measure the BRICS achievements. Traditional indicators (share in global GDP, trade, and investment) do not reflect the real influence of BRICS as an organization and attempts to develop a different system of indicators have encountered disagreements among the member countries. The expert suggests reducing the number of indicators and focusing on indicators reflecting cooperation within BRICS, such as the volume of trade and investment between the countries. He emphasized that BRICS' contribution to the global economy is growing, but domestic trade and investment remain at a low level. For an objective assessment of the BRICS role, it was suggested to take into account additional parameters, such as the divergence in voting on international platforms, the number of joint projects and initiatives. In conclusion, the expert emphasized that the BRICS should pay more attention to deepening interaction between the member countries.

The presentation by *Bashir Adelowo Wahab*, research fellow at the School of World Economy (Russia), was devoted to the consequences of the BRICS group expansion. The speaker analyzed the impact of the expansion on international trade, foreign investment and economic growth of these countries. The main attention was paid to changes in trade and foreign investment between the old and new BRICS members, as well as interdependence in the sphere of natural resources, primarily oil and gas. According to the expert, an important point is that the new members can benefit greatly from expansion through access to larger markets, improved investment attractiveness and enhanced energy security. However, it should be taken into account that the economies of the old BRICS member countries are more closely linked to each other than to the economies of the new member countries.

*Marcel Salikhov,* president of the Institute for Energy and Finance Foundation (Russia), focused his presentation on the financial aspects of cooperation within the BRICS framework, addressing such issues as the launch of BRICS Pay and the creation of a common currency. It was noted that BRICS Pay is not yet a concrete instrument, and the idea of a common BRICS currency has no economic justification due to limited mobility of labor and capital and weak trade integration between the countries. The speaker emphasized that the US dollar continues to dominate international payments and reserves despite attempts to replace it with other currencies such as the yuan. The issue of creating a common currency remains controversial, especially when the internal efficiency of BRICS and its institutions, in particular the New Development Bank, remains low. Overall, the expert called for more practical actions within the BRICS framework, noting the large number of discussions with a lack of real results.

At the end of the third session, the report "Towards Global Green Leadership: BRICS Cooperation Priorities on Coping with Climate Change," prepared by the Laboratory for Economics of Climate Change, HSE University, and the International and Comparative Law Research Center (ICLRC), was presented. The report was presented by its authors—*Alexandra Khlebnova*, head of the Climate and Environment at ICLRC, and *Igor Makarov*, head of Laboratory for Economics of Climate Change (Russia).

Khlebnova noted that previously the topic of climate change was formally presented in BRICS, but in recent years it has received more attention. Thus, the summits in Johannesburg and Kazan consolidated a common approach to climate policy. And under the Russian presidency in 2024, the BRICS Contact Group on Climate Change and Sustainable Development was established and a Framework for Climate and Sustainable Development was adopted. The BRICS countries support the UN principles on the leading role of developed countries in combating climate change. Russia shares these views, but being an Annex I country of the UNFCCC, unlike its BRICS partners, it cannot qualify for climate finance. The expert recalled that the 2024 UN Climate Change Conference discussed primarily the issues of financing and suggested that the next conference in Brazil will focus more on biodiversity, protection of the Amazon and a just energy transition.

Makarov also emphasized that climate has not been a priority for BRICS for a long time, but the situation is changing. The BRICS countries differ greatly in their energy mix and climate policies, but cooperation is necessary—after the BRICS expansion, the BRICS is responsible for more than half of global emissions. The dynamics of emissions in the countries of the grouping are heterogeneous: China and India have increased their emissions several times over 30 years, while Brazil has reduced them and Russia has drastically reduced them, mainly due to the economic crisis of the 1990s. The countries' climate goals and policy instruments differ as well (for example, China uses cap-and-trade, South Africa uses a carbon tax, and Russia is testing a pilot system of carbon pricing at the level of only one region). The expert proposed four priorities for climate cooperation within BRICS. Firstly, it is necessary to adopt common principles of climate policy, including technological neutrality, reducing emissions together with addressing other sustainable development issues, dialog between exporters and importers of fossil fuels, etc. Secondly, it is important to develop expert and analytical cooperation, including the development of BRICS-specific competence centers. Thirdly, it is necessary to calculate consumption emissions along with production emissions, which is beneficial for most BRICS countries, as they are net exporters of carbon-intensive products. Fourthly, it is necessary to create infrastructure to attract financing from developed countries to make it cheaper to reduce emissions in developing economies. Together, these will help to shape a fair and effective climate policy both in the BRICS and, in time, at the global level.

**The fourth session** of the conference "Unfinished Business: What is the Future of the Sustainable Development Goals?" was opened by academician of the Russian Academy of Sciences *Natalya Ivanova*, head of Research, Science and Innovation Department, IMEMO (Russia), who noted the scale of the UN goals and the non-fulfillment of most of them, and also raised the question of what should be the sustainable development agenda after 2030.

The first report of the session was delivered by *Igor Makarov*, head of the School of World Economy and Laboratory for Economics of Climate Change, HSE University (Russia) and was devoted to the topic of risks of green transformation of the world economy. These risks are primarily caused by external factors, such as the decline in global demand for fossil fuels and carbon-related trade barriers. The expert considered the prospects for hydrocarbon exports from Russia in various decarbonization scenarios, including the implementation of the Paris Agreement goals. Transition risks remain high. Nevertheless, the recent reorientation of supplies to Asian markets has significantly increased the resilience of the Russian economy to the risks of global decarbonization. Separately, the results of modeling scenarios for the introduction of a carbon-related trade barrier in China were presented and it was shown that it will not have a significant impact on gross Russian exports, although it may be sensitive for individual companies in carbon-intensive industries.

*Anna Galkina*, senior researcher at the Energy Research Institute of the Russian Academy of Sciences (Russia), presented a paper on "Some Global Energy Scenarios: Not Normative but Descriptive Approach." The expert presented three scenarios of global development in the field of energy: (1) "Fog," in which the world is divided into two poles, the relationship of which is characterized by trade barriers, limited technology exchange, the gap in emissions prices between developed and developing countries; (2) "Split," in which there is increased fragmentation of the world economy, weakening international cooperation; and (3) "Key," characterized by active cooperation between countries, increased investment and more active energy transition. The main conclusions of the report can be summarized as follows: global energy consumption continues to grow, especially in developing countries, albeit at a slowing rate; energy intensity is declining but the gap between developed and developing countries remains; renewable energy and fossil fuels will not be competitors but rather complementary; oil and gas markets will remain volatile and $CO_2$ emissions will not peak until 2035–2040; political will and international negotiations can significantly change the situation.

The report by *Kazi Sohag*, a lead researcher at the Ural Federal University (Russia), was devoted to geoeconomic fragmentation and environment, as well as related aspects of energy, industry, inflation, and environmental policy. The expert considered four key topics: (1) energy dependence on Russia and the consequences of Russia–EU energy integration; (2) industrial production under geopolitical risks, in particular, the impact of energy shocks and gas and oil price volatility on European industry; (3) sanctions, inflation, and economic shocks, including the impact of the Russia–Ukraine conflict on inflation in the EU, the growth of energy and food prices; (4) environmental policy—the progress of countries in meeting the goals of the Paris Agreement and the economic consequences of EU environmental initiatives. The expert criticized the lack of market mechanisms and suggested that the United States is pursuing a strategy of non-cooperation in the field of climate policy. The key message of the speech is that global cooperation is the only way forward, but due to the geopolitical interests of the US and the EU, confrontation will remain the most likely scenario.

*Sergey Bobylev*, head of the Environmental Economics Department, Faculty of Economics, Lomonosov Moscow State University (Russia), presented his vision of the issues discussed at the session. The expert pointed out that among all types of risks facing mankind, environmental risks cause maximum concern. The speaker considered the transformation of economic theory necessary for a full-fledged economic analysis of these risks and pointed out the need to include environmental and social factors in traditional macroeconomic indicators. The issues of market regulation, the role of government and business in achieving sustainable development were also touched upon. In conclusion, the expert emphasized the importance of revising the methods of assessing progress and development, as existing indicators such as GDP do not reflect the real situation.

The final report of the session and conference was presented by *Sedat Alataş*, a researcher at Aydın Adnan Menderes University (Turkey), on "What Drives Eco-Innovation in Turkish SMEs?". Turkey is striving to meet carbon reduction and resource conservation targets despite high economic growth and industrialization. However, this requires significant funding—both from domestic and external sources. SMEs play an important role in eco-innovation, accounting for a large share of the country's output. But their innovation potential is limited, also due to a lack of financing. In particular, only a quarter of Turkish SMEs use government grants and subsidies. It is concluded that the main drivers of innovation activity of Turkish SMEs are their own financial resources and technological developments, while the role of public subsidies remains limited.

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The participants and organizers highly appreciated the results of the conference, noting the importance and relevance of the issues discussed and the discussions held. Special appreciation and gratitude were expressed to the foreign participants who came to Russia. The organizers hope that the 12th Annual International Conference on the Global Economy entitled "Challenges of Catch-up: Emerging Countries in the Global Economy" will contribute to further joint research, development of cooperation, and continuous exchange of knowledge and opinions in the field of world economy.

*AI technologies were used in the preparation of the material: ChatGPT, DeepL, NeuralWriter.*