EMERGING MARKETS FORUM

BACKGROUND PAPER

ADDRESSING GLOBAL PLANETARY ISSUES FROM SYSTEMIC PERSPECTIVE

Emerging Markets Forum

From a Unipolar to Multipolar World – Whether and How

Emerging Markets Forum Working Paper

Addressing Global Planetary Issues from a Systemic Perspective[1]

By

Andrew Sheng

Chairman, George Town Institute of Advanced and Open Studies,

Wawasan Open University, Penang, Malaysia.

Abstract

The shift from a unipolar to multipolar order has raised fundamental issues of transition and transformation, buffeted by global trends of geopolitical rivalry, disruptive technology, demographic pressures, social inequities, the energy and economic transition to NetZero and natural disasters/climate warming. This shift to a more diverse global order is not a matter of when, but how. This paper examines how the existing Bretton Woods order with a top-down, linear, silo'ed governance structure cannot cope with the multi-dimensional change, which requires a different bottom-up, multiverse governance and approach. There is adequate technology and financial resources to accelerate climate action but given inability of multilateral cooperation at the top level, the only alternative to have more local transformation with new modes of bottom-up development.

Introduction

Today, the idea that we have shifted from a unipolar to a multipolar world has become conventional wisdom. Have we already moved decisively into a multipolar order? The question of whether we have moved into a multimodal era is less important than whether the unfolding order is fit for purpose. In my view, unless the dominant power, the United States, can reverse the trend of diffusion of technology, energy, demographics, trade and hard and soft power to the rest of the world, a multi-nodal order of power sharing is inevitable.

The dominance of the US at the end of the Second World War was unchallenged. In 1944, the US was 50% of world GDP with the largest gold reserves, and major creditor to all economies suffering from war or colonial neglect. No surprise that the Bretton

[1] The author is grateful to Ali Azmi for valuable comments and Jillian Ng for research assistance. All errors and omissions are personal to the author.

Woods order was largely US-led and designed. America created a new order of free trade and development with de-colonization plus the Bretton Woods institutions, established the fixed but adjustable exchange rate system based on the US dollar linked to gold and capital controls, with funding from a newly created World Bank and the International Monetary Fund (IMF). The global free trade mechanism was negotiated first through the General Agreement on Trade and Tariffs (GATT), which later became the World Trade Organization (WTO).

This Bretton Woods structure lasted till 1971, when rising US fiscal and trade deficits forced the dollar to delink from gold at the fixed price of $35 to one gold ounce. After flexible exchange rates became the norm, the US continued to exploit its dollar exorbitant privilege – America is financed by the rest of the world because of the hegemonic position of the US dollar, protected by the might of the US military and strongest economy, including being the consumer of last resort.

What has changed in 80 years?

Martin Wolf's insightful 2019 review of Bretton Woods at 75[2] argued that globalization was under the threat of nationalism and protectionism. He documented remarkable changes since 1944:-

1. Spirit of cooperation under threat - the US share of world GDP is down to 25% by current exchange rate (15% by PPP terms), but the US dollar remains mightier than ever,
2. Poverty was reduced – world income per capita grew four times larger, even as population rose to 8 billion,
3. Emergence of G20 from G7, but BRICS is now an emerging forum,
4. Volume of trade between 1950-2017 rose by 39 times, but the US is getting more protectionist,
5. Holocene to Anthropocene – climate change will increase natural disasters and human misery.

However, the last five years alone have accentuated the trends of fragmentation, polarization, climate change and technological revolution. There was also an increasing trend in the shift of the former linear, mechanical, top-down paradigm towards a complexity, system-wide, holistic and biological cosmology. Because global data is now increasingly available, different thinkers have realized that global problems cannot be solved by a single nation, requiring what Fritjof Capra and Pier Luigi Luisi called "The Systems View of Life[3]". I named it "One Earth Balance Sheet[4]" with "condivergence", recognizing that a dynamic, open, complex system is often converging

[2] https://www.ft.com/content/e82a1f48-a185-11e9-a282-2df48f366f7d
[3] https://www.cambridge.org/core/books/systems-view-of-life/35186BA5B12161E469C4224B6076ADFE
[4] https://www.noemamag.com/the-one-earth-balance-sheet/

and diverging at the same time. McKinsey Global Institute has drawn on national and financial balance sheets to construct a global balance sheet[5], comprising three interlocking balance sheets of real assets and net worth; financial assets and liabilities held by households, governments, and nonfinancial corporations; and financial assets and liabilities held by financial corporations. The market value of each component of the global balance sheet tripled in market value from about $150 trillion in 2000, or about 4 times GDP, to about $500 trillion, or about 6 times GDP in 2020. Of course, the economic and financial balance sheet excluded natural capital, the standard of measurement which was only introduced into the UN System of National Accounts in 2012, when the System of Environmental-Economic Accounting—Ecosystem Accounting (SEEA EA) — was adopted by the UN Statistical Commission to go beyond the commonly used statistic of gross domestic product (GDP) that has dominated economic reporting since the end of World War II.

In other words, the giant, open, complex ecosystem that is the planet Earth comprises different and diverse biospheres of living things interacting with the physical world. As Karl Popper recognized in his Three Worlds[6], human civilization has evolved mental, spiritual and derivative perspectives that have yet to be fully measured, documented or properly understood. Noema magazine editor Nathaniel Gardels calls this systemic cosmic view "Planetarity[7]", a concept that "describes a new condition in which humans recognize not only that we are not above and apart from "nature," but that we are only beginning to understand the complexities of our interdependencies with planetary systems."

In short, having a planetarity view of how the global order (or international economic, trade, and financial systems) will evolve presents a different challenge: that of multiple perspectives and interactions, rather than a single, national or unipolar view of world order.

The Bretton Woods order was essentially an American view of the post-war order. American economic dominance saw the US dollar become the anchor of monetary measurement and value in the Bretton Woods order. Nevertheless, this arrangement was both a blessing and a curse for the US. The US is able to fund its fiscal and trade deficits easily, because the Rest of the World prefers to hold the dollar. But running forever deficits means that the US net liability to the rest of the world is now $22.5

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[5] https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/the%20rise%20and%20rise%20of%20the%20global%20balance%20sheet%20how%20productively%20are%20we%20using%20our%20wealth/mgi-the-rise-and-rise-of-the-global-balance-sheet-full-report-vf.pdf

[6] https://tannerlectures.org

[7] https://www.resilience.org/stories/2024-05-09/towards-planetarity/

trillion[8], or 20% of the 2024 world GDP[9], with a gross sovereign debt of $35.5 trillion[10] one third of world GDP, or 124% of US GDP. Fiscal debt cost is also rising as interest expense will rise from 3.4% of GDP in fiscal year 2025 to 4.1% by 2034.

The fundamental difference between now and 80 years ago is that the US has moved from a giver of global public goods to a taker of global resources – 5% of the world population sanctions[11] one third of the world's nations and can seize or freeze any individual, firm, or nation from using the US dollar, with no appeal mechanism in place. The irony is that the largest debtor absorbs more and more of the world's natural and financial capital that encourages global consumption to drive growth. Since consumption through debt ultimately generates more carbon emissions, the current model is neither ecologically nor financially sustainable[12].

Scenarios for the Future

Martin Wolf rightly quoted the need for global cooperation in global affairs: "We have come to recognise that the wisest and most effective way to protect our national interests is through international co-operation — that is to say, through united effort for the attainment of common goals." US Treasury secretary Henry Morgenthau Jr, closing address at Bretton Woods Conference, July 22, 1944.

After former President Trump's Make America Great Again (MAGA) dictum in 2017, President Biden's National Security Strategy 2022 emphasized maintaining American leadership in global affairs through the defence of democracy: "continue to invest in boosting American competitiveness globally, drawing dreamers and strivers from around the world. We will partner with any nation that shares our basic belief that the rules-based order must remain the foundation for global peace and prosperity.[13]" Such strategy aligns with the US Director of National Intelligence's 2040 Global Trends report[14] which suggested five possible scenarios by 2040: a renaissance of democracies led by the United States; an international order that is directionless, chaotic, and volatile as international rules and institutions are largely ignored by major powers such

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[8] https://www.bea.gov/data/intl-trade-investment/international-investment-position

[9] https://ycharts.com/indicators/us_gdp_as_a_percentage_of_world_gdp#:~:text=US%20GDP%20as%20%25%20of%20World%20GDP%20is%20at%2025.22%25%2C,compared%20to%2024.00%25%20last%20year.

[10] https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#:~:text=The%20national%20debt%20(%2435.72,accumulated%20over%20the%20nation's%20history.&text=Updated%20daily%20from%20the%20Debt%20to%20the%20Penny%20dataset.

[11] https://www.washingtonpost.com/business/interactive/2024/us-sanction-countries-work/

[12] See Andrew Sheng, Finance as barrier to addressing systemic climate change, Chapter 8 in Buying Time for Climate Action, World Scientific 2022, https://www.amazon.co.uk/Buying-Time-Climate-Action-Complexity-ebook/dp/B09JWLC1RF

[13] https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf

[14] https://www.dni.gov/files/ODNI/documents/assessments/GlobalTrends_2040.pdf

as China, regional players, and nonstate actors; competitive co-existence with US-China détente; separate blocs or silos; and tragedy and mobilization (with EU and China cooperating to deal with natural disasters). None of these scenarios are inevitable nor pre-ordained.

It is difficult to forecast the next 75 years (to 2100), other than the UN estimating that world population will reach 10.4 billion by then, with Africa accounting for 2.4 billion by 2050 and 4.2 billion by 2100. The Asian Development Bank (ADB) 2050 projections[15] suggest that Asia would account for roughly half of the world's population and half of world GDP. By 2050, Asia will be transformed, as its urban population will nearly double from 1.6 billion to 3 billion. With China still growing, even though its population is aging, Asian growth will be driven by India, the Middle East and Central Asia. The ADB 2050 study suggested that barring war and massive natural disaster, the financial wealth of Asia would account for roughly half of global wealth[16].

However, it is precisely the rise of the Global South in terms of potential population migration northwards to the cooler, richer countries of Europe and North America that is causing rich countries' nationalism, protectionism and political polarization. Since 2015, the combination of large scale migration to Europe, Brexit, Trumpism and populism, the COVID-19 pandemic, and Ukraine and Gaza wars, plus rising US-China tensions, have undercut multilateral cooperation. This includes efforts to deal with the digital divide, climate change and natural disasters, and the need to finance global public goods.

All these mega-trends and their inter-locking interdependencies are succinctly laid out by the latest UK Ministry of Defence: Global Strategic Trends to 2055 Report[17]. The current international order has witnessed the growth in influence of new powers and non-state actors with increasing diffusion of power. The Global South is demanding greater representation, including middle powers, city networks, corporate bodies and powerful elites. These actors are exerting influence, including by way of taking violent and extremist actions, made possible by disruptive technology.

Such global economic and power transformation and energy transitions, criticality in water, food and mineral resource demands, changing demographic profiles, disruptive technologies and growing natural disasters are highly interconnected, with inherent contradictions and trade-offs needed at national, regional and global levels. Reforms and change are made more difficult because social media has polarized opinions on

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[15] https://www.adb.org/sites/default/files/publication/28608/asia2050-executive-summary.pdf
[16] https://www.adb.org/publications/asia-2050-realizing-asian-century
[17]
https://assets.publishing.service.gov.uk/media/66fd3b10080bdf716392ec91/GST_7_Final_WEB_compressed__updated.pdf

what to do. Moreover, social imbalances in terms of wealth, income, digital and health divides make consensus almost impossible.

The global divide was made clear by the pandemic, when the rich countries were able to invent and produce vaccines at speed, whereas poorer countries with larger populations were unable to obtain such vaccines. In October 2021, an open letter to G20 leaders[18] highlighted how 133 doses per 100 people were given in high income countries (HICs) compared with four doses per 100 people in low-income countries (LICs).

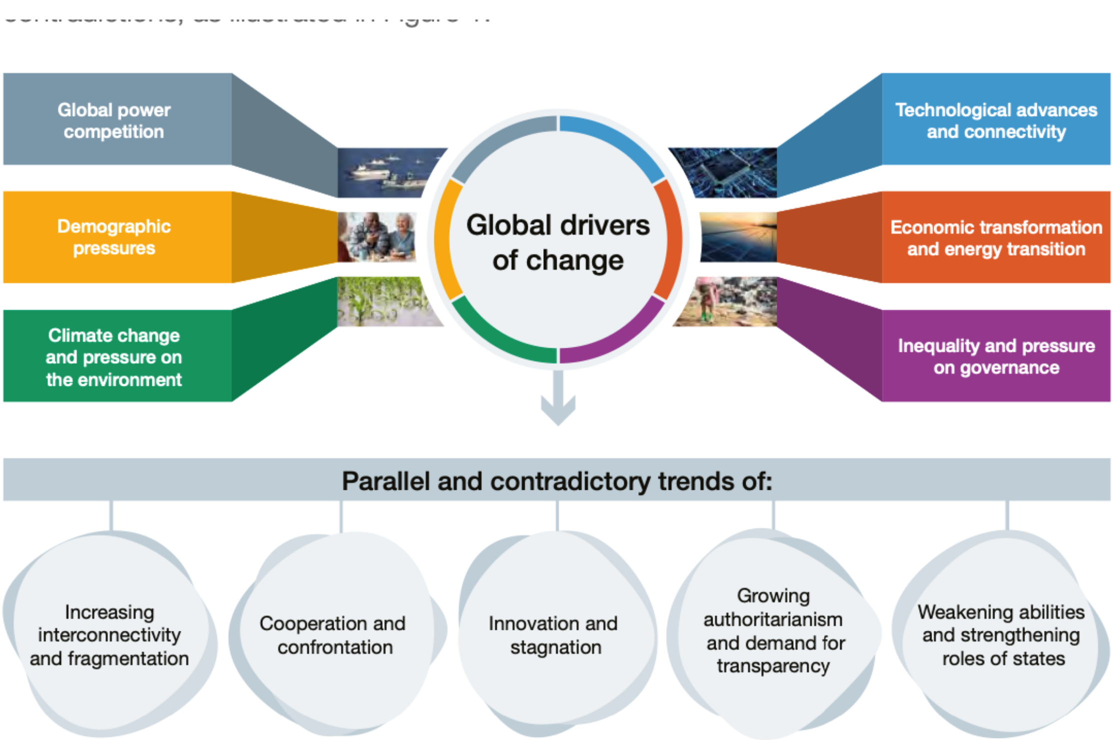

Figure 1 – Six global drivers of change and five core contradictions are shaping the future

Source: UK Ministry of Defence

Global polarization has worsened since the pandemic. Indeed, the world is increasingly being split along the five scenarios from the US Global Trends 2040 report, except that all five possible scenarios are playing out with different nations joining different blocs depending on their own particular interests. The rich and mainly white West, including Japan, is coalescing around NATO, AUKUS and the G7 alignments. By backing Ukraine, the NATO is pushing Russia, Iran and North Korea closer to China. The

[18] https://www.who.int/news/item/29-10-2021-an-appeal-to-g20-leaders-to-make-vaccines-accessible-to-people-on-the-move

Gaza war has alienated the Israel-backing West from the Islamic world and the rest of the world that sees genocide and double-standards in application of international law.

The BRICS bloc is rapidly expanded from its original 2006 membership of Brazil, Russia, India and China, with South Africa joining in 2010. Today it includes Iran, Egypt, Ethiopia and the United Arab Emirates, with Turkey, Saudi Arabia, Azerbaijan and possibly Hungary considering joining. Depending on which countries join BRICS, the bloc represents roughly 3.5 billion people or 45% of world population, whereas in terms of GDP, the grouping accounts for 27% of world GDP compared with G7's population of 800 million and 46% of world GDP.

It would be foolhardy to make predictions on which scenario is likely and how alliances would be shaped in the next 25 years. Case in point, India is a key member of BRICS, but is also a member of the Quadrilateral Security Dialogue[19] (QUAD) of the United States, Australia, Japan and India that seeks to balance rising Chinese power which makes it difficult to accurately assess the future of India-China relations.

After nearly 8 years of Trump and Biden Administrations' China trade sanctions and tariff increases, the Chinese have basically concluded that US-China relations will not improve in the near future. The majority of both countries' populations maintain antagonistic view of the other (around four-in-ten Americans now describe China as an enemy of the United States, rather than as a competitor or a partner, according to a March 20-26, 2023, Pew Research Center survey[20]. Similarly, recent surveys in China reveal that 75% of Chinese view the United States negatively, although less so for Europeans. The Chinese leadership as well as population is resigned to poor US-China relations for at least the next four years and beyond.

Addressing the Planet's systemic issues

Given such antagonism rather than cooperation between the largest economic and political powers in the global economy, what are the chances of global cooperation to deal with the planet's systemic issues?

There is already acceptance that China's emergence as the world's largest trading economy, largest manufacturer and second largest economy is changing the global power balance. Beyond that, India has already overtaken China in terms of population size and in terms of GDP growth rate. Indonesia, with a population of 280 million, is also growing fast and will be the fourth or fifth largest economy by 2050. There are huge divides in terms of how to reform global governance, international financial

[19] https://en.wikipedia.org/wiki/Quadrilateral_Security_Dialogue
[20] https://www.pewresearch.org/global/2023/04/12/americans-are-critical-of-chinas-global-role-as-well-as-its-relationship-with-russia/

architecture, rules and regulations over artificial intelligence (AI), bio-technology, trade, and on national security issues.

There is, however, too much wishful thinking over how to reform the existing system. On 22 September 2024, world leaders adopted a Pact for the Future[21] that includes a Global Digital Compact and a Declaration on Future Generations. The Pact has five parts with 12 actions for sustainable development and financing for development, 15 actions for international peace and security, 6 actions for science, technology and innovation and digital cooperation, 4 actions for youth and future generations, and 19 for transforming global governance. Furthermore, for the Global Digital Compact, there are five objectives. On the international financial architecture, there are four actions: "we will accelerate reform of IFA to address the challenges of today and tomorrow" and "to strengthen the voice and representation of developing countries"; "to mobilize additional financing for the SDGs, respond to the needs of developing countries and direct financing to those most in need"; and IFA reform "so that countries can borrow sustainably to invest in their long-term development". In reality, none of these "project hope" can be executed without multilateral agreement between the leading powers, backed by proper funding.

Since the budget of the United Nations in 2024 is only $3.59 billion, and the annual SDG financing gap is in the order of $2-5 trillion annually, one wonders how these Future Compact goals can even be realistically met?

The rest of this paper will address the *how* in the arena of climate change (SDG and carbon markets), multilateral development banks (MDBs), and overall governance.

How to finance the just transition?

To address these global imbalances, the UN has suggested that a "just transition" requires $2.4 trillion[22] annually to fund clean energy and climate resilience. The size of the funding gap varies greatly. "The high-level expert group on climate finance estimated needs at US$2.4 trillion a year by 2030 (6.5 percent of GDP) for developing countries, excluding China, for the energy transition, adaptation and resilience including loss and damage; and the restoration of natural capital. UNCTAD puts the price tag at **$1.55 trillion/year**. The World Bank estimates financing needs of lower middle-income countries – which make up most countries in the Europe and CIS region – to 5.1 percent of GDP/year. At the top end of the scale, the Climate Policy Initiative estimates around $9 trillion/year globally by 2030."

The reality is gradually sinking in that the 17 UN Sustainable Development (SDGs) may not be fully achieved by 2030. The latest review suggests that to date, only 17% of the

[21] https://www.un.org/en/summit-of-the-future/pact-for-the-future
[22] https://www.undp.org/eurasia/blog/scaling-new-heights-climate

goals are on track, nearly half are minimally or moderately progressed, whilst over a third are stalled or even regressed, according to the 2024 UN SDG report[23]. Whilst execution capacity at the national and multilateral level remains a bottleneck, the other issue is that without funding (new resources), developing countries are often constrained from even starting vital projects to achieve NetZero.

Ideally, carbon markets should be able to transfer resources from carbon offenders who will buy carbon credits (either voluntarily or along bilateral government-to-government arrangements). But since governments are still constrained by vested interests to enforce carbon rules and standards, carbon markets and pricing remain fragmented, and it will be a while before the funding begins to flow efficiently and transparently.

Where will the money to fund NetZero and the SDGs come from?

This is both a flow and stock problem. The annual shortfall (flow) can either be funded from an increase in taxation or a cut in expenditure. The stock issue is whether there is enough wealth to be taxed or used to fund climate action. If we take the planet as one single country, there should ideally be a set of global fiscal policy, monetary policy and structural policy that would reward those who are carbon capturers and punish those who are carbon emitters and polluters. To be equitable, we should tax the rich and subsidize the poor.

Instead, the current flows of official aid[24] to developing countries amounted to $223 billion in 2023, or 0.37% of donor country gross national income, a significant shortfall from the 1% commitment. According to Climate Policy Initiative[25], climate finance flows in 2022 touched $1.3 trillion, whereas global spending on military expenses[26] was $2.2 trillion, and fossil fuel subsidies were $7 trillion[27]. During COVID, the United States alone expanded fiscal spending by $4.6 trillion[28], with the Fed balance sheet expanding by $4.8 trillion during the same period. Between 2021-2022, global central bank balance sheets expanded by $13.6 trillion. All these go to show that when necessary in crises, governments and central banks can fund emergency action and relief.

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[23] https://www.un.org/africarenewal/magazine/june-2024/2024-sdg-report-highlights-stalled-progress-and-growing-inequities-2030-deadline#:~:text=The%20SDGs%20promise%20remains%20unfulfilled,third%20stalled%20or%20even%20regressed.

[24] https://www.oecd.org/en/topics/policy-issues/official-development-assistance-oda.html#:~:text=International%20aid%20from%20official%20donors,humanitarian%20assistance%20to%20developing%20countries.

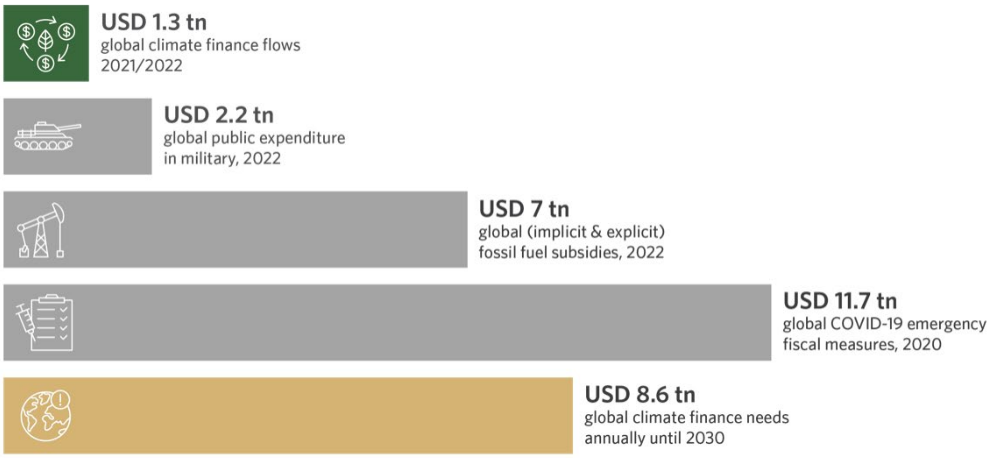
[25] https://www.climatepolicyinitiative.org/wp-content/uploads/2023/09/How-big-is-the-Net-Zero-financing-gap-2023.pdf

[26] https://www.climatepolicyinitiative.org/wp-content/uploads/2023/09/How-big-is-the-Net-Zero-financing-gap-2023.pdf

[27] https://www.imf.org/en/Topics/climate-change/energy-subsidies#:~:text=Globally%2C%20fossil%20fuel%20subsidies%20were,support%20from%20surging%20energy%20prices.

[28] https://www.investopedia.com/government-stimulus-efforts-to-fight-the-covid-19-crisis-4799723

Climate finance flows and needs in context



Source: Climate Policy Initiative

The Climate Policy Initiative estimated annual global climate finance needs until 2030 would be around $8.6 trillion. Coincidentally, McKinsey Global Institute estimated in 2022[29] that capital spending on physical assets for energy and land-use systems in the net-zero transition between 2021 and 2050 would amount to about $275 trillion, or $9.2 trillion per year on average, an annual increase of as much as $3.5 trillion from today's expenditure. To put the funding in perspective, an increase of $3.5 trillion would amount to half of global corporate profits, one-quarter of total tax revenue, and 7 percent of household spending.

Such flows may look large, but from the perspective of the stock level, total global financial assets were estimated at $461.2 trillion by the Financial Stability Board at the end of 2022, of which central bank assets alone were at $39 trillion. Thus, in terms of the ability of the global financial system to fund climate action of $8.6 trillion or 1.9% of global stock of financial savings, the desired climate funding is well within the capacity of the global financial system.

In short, there is funding at the *stock level* available to deal with climate action, which is currently flowing in the billions, whereas what is needed is trillions. But there is no political will to expand the funding for climate action. Nowhere is this more true than the field of multilateral development banks (MDBs).

Can MDBs be better, bolder and bigger?

In the 2023 New Delhi G20 Summit, the G20 Leaders recognized the need for a "big push on investments" to deliver NetZero and the SDGs at the national level, and hence

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29 https://www.mckinsey.com/~/media/mckinsey/business%20functions/sustainability/our%20insights/the%20net%20zero%20transition%20what%20it%20would%20cost%20what%20it%20could%20bring/the-net-zero-transition-what-it-would-cost-and-what-it-could-bring-final.pdf

requested the MDBs to support such effort. An independent expert group co-chaired by NK Singh and Larry Summers was appointed and its report[30] entitled Triple Agenda: A Roadmap for Better, Bolder and Bigger MDBs, called for a tripling of lending volumes to $390 billion per year by 2030. The MDBs would improve operational capacity by processing operations in half the time, work together as a system on regional and global approaches to global public goods (GPGs), and help catalyze private finance mobilisation of up to $240 billion annually, expand its use of guarantees, ensure simplified financing mechanisms, and provide automatic liquidity through debt and loan contracts in case of a disaster.

The report is a classic case of language diplomacy to cover up systemic inadequacy. Despite calling for a systemic approach and perspective, the report slid in a reference that "*The MDBs as a system will barely transfer any positive net resources to EMDEs in 2023, largely because the rise in nominal interest charges will likely more than offset any increase in disbursements*." In other words, the MDBs are not adding to new net resources for global needs.

In fact, the total size of the MDBs, including the IMF, have an aggregate balance sheet size of $1.6 trillion at the end of 2022, or 16.2% (one-sixth) of the total "BRICS" funding agencies of $9.9 trillion (see Table). These BRICS funding agencies (largely Chinese development funding institutions) have the capacity to expand their resources far more than the MDBs and are also operationally more flexible. The largest Brazilian development bank, BNDES, has a balance sheet of $132.7 billion at the end of September 2022. Even with an ambition of increasing annual funding to $390 billion by 2030, the G20 ambitions for MDBs are still grossly inadequate to the funding needs that ranges between $2.4 to $9 trillion annually.

But any increment is better than the current state of dismal affairs.

The most original way of expanding the capital base of the MDBs is to inject the increase in the IMF's special drawing rights (SDRs), of which the equivalent of $650 billion[31] was issued in 2021 as a response to the pandemic. If the whole amount were applied to increase the MDB capital, at 8 times leverage, the MDBs can increase their lending by roughly $5 trillion (8 times $650 bn). But to do so would require the rich countries agreeing that this is priority, which is unlikely given their current insecurity that leans towards protectionism and isolationism.

Indeed, so far, the concessional finance through the IMF's Poverty Reduction and Growth Trust (PRGT) and Resilience and Sustainability Trust (RST) have donor promises of $100 billion of surplus SDRs. As of March 2023, only SDR2.5 billion of the SDR 20

[30] https://www.cgdev.org/sites/default/files/triple-agenda-roadmap-better-bolder-and-bigger-mdbs.pdf
[31] https://www.imf.org/en/News/Articles/2021/07/30/pr21235-imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights

billion in pledged RST funds had been committed, of which less than a billion has been disbursed, with IMF estimates of a medium-term demand for such funds at SDR 22 billion. Similarly, the scale of operations for the IMF's PRGT is also being held back by inadequate subsidy resources.

As the G20 Report suggests, any MDB reforms "will only work with a change of mindset and attitudes - to risk appetite, working with each other, working with the private sector, and with accompanying changes in incentives and accountability indicators." Given the lack of ambition in scale and slow bureaucratic responses, reforms in MDBs may be too slow to respond to the worsening climate disasters and warming on both society and the planet.

G7 vs Brics Development Banks (2022)			
G7	**Total assets (USD bn)**	**BRICs**	**Total assets (USD bn)**
IMF	685.1	**AIIB**	47.4
World Bank	537.6	**New Development Bank**	26.4
IADB	148.0	**Silk Road Fund**	40.0
ADB	93.4	**China: China Development Bank**	2,567.4
African Development Bank	51.5	**China: Export Import Bank**	5,931.6
European Bank for Reconstruction and Development	79.8	**China: China Investment Corporation**	1,240.0
Total assets	**1,595.4**		**9,852.8**

Sources: Various development bank websites.

Solving the Systemic Underfunding of global public goods

Thanks to the Brazilian hosting of the G20 Summit this coming November, the French and Brazilians have intellectually accepted French economist Gabriel Zucman's[32] initiative, whereby a minimum wealth tax of 2% on the 3,000 wealthiest billionaires would raise $200-$250 billion per year globally. Current data suggest that ultra-high-net worth individuals have an observed pre-tax rate of return to wealth of 7.5% on average per year (net of inflation) over the last four decades, whereas their effective tax rate is roughly 0.3% of their wealth.

Alternatively, a 2019 Austrian Institute for Economic Research paper[33] thinks that a global financial transactions tax of 0.1% could yield between $238-$418 billion per year to fund global public good needs. The baseline case delivers $326.9 billion overall for the global economy or 0.43% of global GDP. For specific countries, annual potential

[32] https://www.g20.org/en/news/taxing-the-super-rich-at-the-g20-gabriel-zucman-advocates-for-international-standards-for-tax-justice
[33] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3407855

revenues could be $72.6 billion for the USA (0.37 percent of GDP) or $119.46 billion for the EU (0.69 percent of GDP). These are sizeable benefits, but needless to say, the rich who control the electoral process in democratic countries will not allow such tax increases.

Concluding notes

The latest global strategic thinking recognizes that we live in an interconnected, entangled and overcrowded planet in which no single country can impose order or rules on the others. Having a planetarity paradigm accepts that we need global solutions for global issues, and if the existing unipolar or remanent order does not resolve these issues, do not be surprised that each country, corporation or community begins to act on their own interest, with even more unpredictable systemic outcomes. Such pragmatic self-interest at the local level will lead to more bottom-up change, rather any globally agreed order.

In short, the 21st century requires multilateral cooperation in dealing with mutual existential challenges involving climate warming, social imbalances and serious polarization. This brief survey suggests that the current framework is inadequate to the tasks ahead in terms of scale, speed or scope. From the EMDE perspective, there is increasing awareness that the old Bretton Woods methodology of top-down, unipolar-led, one-size-fits-all development model is past shelf-life. A more systemic and bottom-up approach to new development model that is more culturally, spiritually and ecologically fit for purpose is needed. The scoping of this new model of development will be tackled in a forthcoming paper.

One thing is clear, since the Bretton Woods framework does not serve the Global South because the rich North is unwilling to reform it to be both representative and with voice, then a diverse phase of ideas, concepts, processes and institutional structures will evolve and emerge in the Global South to simply replace the old. This is not about Better, Bolder or Bigger, which essentially reflects the concentration of power and thinking in the old universe. The multiverse of the future will be different, more responsive to local needs and evolutionary rather than change from commanding heights. From the perspective of the incumbent powers, this may sound revolutionary, but out of order, disorder comes and then the cycle evolves. Let no one deny that these forces of change are already before us.

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Monday, 14 October 2024

The Emerging Markets Forum was created by the Centennial Group as a not-for-profit initiative to bring together high-level government and corporate leaders from around the world to engage in dialogue on the key economic, financial and social issues facing emerging market countries.

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2522A Virginia Avenue NW, Washington, DC 20037, USA.

Tel:(1) 202 393 6663 Fax: (1) 202 393 6556

@EmrgMktsForum

Email: info@emergingmarketsforum.org

Emerging Markets Forum