KEMAL DERVIS ANALYSES THE WORLD ECONOMY AT THE SECOND GEOCEO ORGANISED BY ESADEgeo

ESADEgeo held its second GEOCEO event in Barcelona on 24th November. The lecture entitled ‘Emerging Countries and the World Economy’ was delivered by Kemal Dervis, Vice-President of the Brookings Institutions, former Director of the United Nations Programme for Development and former Turkish Finance Minister. The event was presented by Javier Solana, President of ESADEgeo.

In his lecture, Kemal Dervis highlighted the enormous transformations that are taking place in today’s world structures: A world that, we should bear in mind, has been self sufficient for centuries and whose economic growth is relatively modern.

The Brooking Institutions Vice-President noted that although this growth, which started in the late nineteenth century, was initially concentrated in the US and Europe, the current reality is very different and requires different approaches. Since 1981, we have seen faster growth in the emerging countries compared to the advanced countries. According to Dervis, this phenomenon is due to the fact that the former managed to build effective institutions, the so-called ‘economic friendly’ institutions, which were capable of absorbing technology and exploiting the information revolution. However, in this sense, Dervis stressed how important it is to distinguish Asian development (with a forecast growth of 8% over the next five years) from other emerging countries (4.5%). He also stressed the importance that ‘saving’ has for these States. In the last decade, emerging countries in Asia have saved about 37% of their GDP – figures for China are above 44% – which inevitably makes them less vulnerable and less dependent.

Another interesting idea developed by Dervis in Barcelona was that although the economies are still tied to each other, a slight dissociation has been produced in today’s world. While Western powers struggle to overcome the crisis, the growth forecasts for the emerging countries are, however, positive. For this reason, Dervis has called for twenty-first century challenges to be addressed through legitimate institutions that allow for new players. Although reluctant to consider the G-20 as the ‘world government’, he does consider it a first step towards legitimacy and much-needed co-ordinated action.

Finally, Dervis put forward two ideas that, together with the concept of legitimacy, are particularly important in these difficult times: These are psychology, essential in dealing with players’ expectations, and communication, highly relevant as a result of the current need to adequately explain and unite the different parties involved.