



Federal Ministry  
for Economic Cooperation  
and Development

d.i.e

Deutsches Institut für  
Entwicklungspolitik



German Development  
Institute



inWent

Capacity Building International, Germany

## **International Dialogue Forum “Strengthening Cooperation to Foster Global Growth and Sustainable Development”**

**5-6 July 2010 in Berlin, Germany**

**Conference Concept & Programme  
(As of 1 July 2010)**

### **Background**

The global financial crisis has highlighted the importance of macroeconomic and financial market stability as a public good, both on the national and international level. The crisis has not only drawn attention to the importance of comprehensive and efficient financial market regulation and supervision. The scope and severity of the crisis have also made clear the need for greater cross-border cooperation of national authorities and an efficient functioning of international financial organisations to counter the effects of the crisis and prevent new ones from occurring.

Against the backdrop of the global financial crisis and the first signs of global economic recovery, this dialogue seeks to examine the scope for strengthening global macroeconomic and financial cooperation to foster global growth and sustainable development and prevent new crises. Topics to be addressed include the macroeconomic policy challenges that arise from persisting imbalances, the associated protectionist risks for the global trade regime, the ways and means for a globally coordinated “better regulation”, as well as the G-20 agenda on financial regulation and access to finance in developing countries.

### **Conference Concept**

This two-day dialogue aims at discussing the main economic policy challenges for the G-20 and the world economy, and emerging and developing economies in particular. It will provide a platform for mutual learning and peer-to-peer discussion about the challenges for strengthening global economic cooperation and securing financial market stability and development in order to enable global growth and sustainable development.

In a series of conferences with partners from India (March and November 2009), China (May 2009), South Africa (May 2009) and Mexico (December 2009), the dialogue between policymakers and researchers from Germany, international organisations and important emerging economies has been focused on regional approaches to the challenges of financial stability and the global financial crisis. This event in Berlin is supposed to bring together and discuss views from major emerging and developing economies, as well as from German, European and international bodies on topics which are of great importance for allowing healthy and sustainable recovery of the world economy and for preventing new crises.

The InWent-DIE-dialogue will place particular emphasis on an exchange between government officials and academics to address the public policy-oriented issues related to macroeconomic and financial stability and global economic governance. It will bring together policy makers and policy advisors from relevant public institutions and academic research from Brazil, China, India, Mexico and South Africa with their peers from international and German bodies. The number of participants will be limited to 50 to allow for an intensive debate.

The exchange of results of in-depth analysis and sound political assessment should help to shape policies with regard to upcoming new challenges to the global financial system. Cooperation and networking opportunities offer a starting point for future coordinated action.

## Day 1 (5 July)

10:45

### Welcome

- Günther Taube, Head of Department Good Governance and Social Development, InWEnt – Capacity Building International, Germany, Bonn

### Opening

- Jürgen Zattler, Deputy Director General Multilateral and European Development Policy, Federal Ministry for Economic Cooperation and Development, Berlin
- Rolf Wenzel, Director General, Financial Market Policy, Federal Ministry of Finance, Berlin

11:00

### Panel 1: Macroeconomic policy challenges arising from persisting imbalances

Chair: Peter Wolff, Head of Department World Economy and Development Financing, DIE, Bonn

- Sun Jie, Senior Fellow, Institute of World Economics and Politics, Chinese Academy of Social Science, Beijing
- Marcel Fratzscher, Head of International Policy Analysis Division, European Central Bank, Frankfurt am Main
- Nagesh Kumar, Chief Economist and Director of the Macro-Economic Policy and Development Division, UN/ESCAP, Bangkok
- Heiner Flassbeck, Director, Division on Globalisation and Development Strategies, UNCTAD, Geneva

Global economic imbalances have been identified as one of the root causes of the global financial crisis. The global “savings glut” contributed to excess liquidity in the US economy and helped fuel the development of bubbles in the real estate and financial markets. While the crisis and the disruptions in world trade led to a temporary shrinking of current account surpluses and deficits, respectively, imbalances persist. Rigid exchange rate regimes and continued intervention in the foreign exchange market, particularly by East Asian countries, effectively distort a rebalancing of global trade and capital flows and raise the danger of protectionist measures or even trade wars. At the same time, rising savings rates and shrinking consumption in deficit countries make the export-oriented growth model of surplus countries increasingly untenable. For surplus countries, the question thus arises what policies can contribute to reducing their dependency on external demand and stimulate domestic consumption. On the other hand, deficit countries are confronted with the challenge of maintaining or shoring up creditor’s confidence in order to being able to continue financing their deficits.

#### Questions:

- What follows from the G-20 Canada summit for macro policies in G 20 countries?
- What are alternative strategies to the export-oriented growth model that rests on the willingness of other countries to accumulate deficits?
- How can employment be secured in times of sluggish global demand?

12:55

### Introduction to the Working Groups

13:00

### Lunch buffet & networking

14:00

**Working groups: Risks for the world economy**

Diverging monetary policies, the resulting widening of interest rate differentials between currencies and the associated carry trade are likely to lead to an inflow of short-term capital to (emerging) economies with higher yields. This increases the risk of fuelling new bubbles in financial and real estate markets and might create severe problems for both host and origin countries in case of a sudden stop or reversal of capital flows. However, risks are not limited to financial markets. As shown through the frictions between China and the US over the dollar-renminbi exchange rate, the world economy is also facing the threat of protectionism, with the danger of escalating trade wars. On a broader scale, the international community's failure to revive the Doha round has caused discussion about resurgence of protectionist trade policies and even dissolution of the WTO.

*Questions for working group I:*

- How to address excess liquidity, the threat of inflation and the dangers of carry trade?
- What are the risks originating from excess global liquidity for inflation and the development of new bubbles?
- Can a level playing field in international finance be achieved?
- What are the dangers arising from carry trade?

*Questions for working group II: Trade frictions arising from global imbalances*

- How great is the danger that global imbalances will trigger a trade war?
- How can protectionism as a consequence of unilateral action be avoided?
- Is there a chance to revive the Doha "development" round of trade negotiations?

**Working group I: Excess liquidity, the threat of inflation and the dangers of carry trade**

Chair: Zhang Liqing, Dean, School of Finance, Central University of Finance and Economics, Beijing

Input 1: Bernd Braasch, Director, Financial Stability Department, Deutsche Bundesbank, Frankfurt am Main

Comment: Roberto Marino López, Manager of International Economic Affairs, Banco de México, Mexico City

Input 2: Madhusudan Mohanty, Head Macroeconomic Monitoring, Monetary and Economics Department., BIS, Basel  
Comment: Ansgar Belke, Head of Research, DIW Berlin

**Working group II: Trade frictions arising from global imbalances**

Chair: Jeffrey J. Schott, Senior Fellow, Peterson Institute for International Economics, Washington, DC

Input 1: Carolyn Deere Birkbeck, Director, Global Trade Governance Project, University of Oxford  
Comment: Jürgen Wiemann, Head of the Programme Development Cooperation and the World Trade System, GTZ, Bonn

Input 2: Peter Draper, Head of the Development through Trade Programme, South African Institute of International Affairs, Pretoria  
Comment: Clara Brandi, Senior Economist, German Development Institute, Bonn

16:30

**Coffee break & networking**

17:00

**Brief reports from working groups and general discussion**

18:00

**End of Day 1**

19:30

**Dinner**

Restaurant "Käfer", German Bundestag

## Day 2 (6 July)

9:00

### **Panel 2: Challenges for globally co-ordinated financial regulation**

Chair: Wolfgang Bucker, Head, Financial Systems Development, GTZ

- Hunsuk Rhee, Deputy Director General for International Cooperation, Financial Services Commission, Republic of Korea, Seoul
- Francis Selialia, Head Macroprudential Analysis Division, Financial Stability Department, South African Reserve Bank, Pretoria
- Stefanie Wolff-Hamacher, Federal Ministry of Finance, Berlin
- Eduardo Manhaes Gomes, Head of International Affairs Department, Securities and Exchange Commission of Brazil, Brasilia
- Adrian Blundell-Wignall, Special Advisor to the Secretary General of the OECD for Financial Markets & Deputy Director, Directorate for Financial and Enterprise Affairs, OECD, Paris

A lack of cooperation in regulating international and global financial markets – as agreed upon within the G-20 – carries the danger of regulatory arbitrage and a recurrence of a race to the bottom in financial regulation. It remains to be seen whether the G-20 will be able to agree on a comprehensive set of regulatory standards as developed by the Financial Stability Board, and whether these will be implemented. A further issue relates to regulatory standards for the financial sectors in developing countries and the question to what extent developing countries should be subject to the same standards as advanced countries.

#### *Questions:*

- Can the G-20 agree on a comprehensive regulatory agenda?
- Where are the obstacles for implementation?
- How can international cooperation, including technical assistance, help to overcome these obstacles?
- To what extent are the specific circumstances and the interests of developing countries reflected in the development of FSB-standards?
- How can G 20-members help to disseminate regulatory standards and knowledge within their regional sphere?

11:30

### **Coffee break & networking**

11:45

**Panel 3: The G-20 development agenda: Financial Inclusion**

Chair: Susanne Dorasil, Head of Division "Economic Policy; Financial Sector", Federal Ministry for Economic Cooperation and Development, Bonn

- Christopher Grewe, Department of the Treasury, Washington, DC
- Alfred Hannig, afi | Alliance for Financial Inclusion, Bangkok
- Klaus Pfeiffer, Senior Project Manager, Financial Sector Competency Center, KfW Development Bank, Frankfurt am Main

The G 20 has initially focused mainly on the challenge to contain the most severe negative global effects of the financial and economic crisis. However, the Pittsburgh Leader's Statement has initiated a long-term perspective with its framework for "strong, sustainable and balanced global growth". It has also triggered a consultative process on policies for better access to finance, particularly for developing countries and emerging markets, to be followed-up in the two G 20–summits in Canada and Korea in 2010.

*Questions:*

- What are the preliminary results of the G-20 stocktaking and scaling-up exercise for private SME finance and intended next steps? What are the expectations with regard to the SME Finance Challenge?
- Do successful instruments already exist that could potentially be deployed to scale-up SME finance ?
- What are the first achievements of the G-20 Access through Innovation Sub-group with regard to innovative approaches to providing financial services to the poor and what are the challenges for implementation?
- What is the way forward and what should be the objectives for the G-20 Korea summit in November 2010?

13:15

**Lunch buffet & networking**

14:15

**Panel Discussion: Scope for international co-operation beyond the crisis**

Chair: Sony Kapoor, Managing Director, Re-Define | Rethinking Development, Finance & Environment,

- Zhang Liqing, Dean, School of Finance, Central University of Finance and Economics, Beijing
- Jeffrey J. Schott, Senior Fellow, Peterson Institute for International Economics, Washington, DC
- Marcel Fratzscher, Head of International Policy Analysis Division, European Central Bank, Frankfurt am Main
- Stefan Oswald, Head of Division "OECD, DAC, G7, G8, Cooperation with other donors; statistics, Federal Ministry for Economic Cooperation and Development, Bonn

Against the backdrop of the discussions in the previous sessions and working groups, this session will consider the scope for international economic co-operation, both within and outside of the G-20 framework.

16:15

**Conference wrap-up**

- Peter Wolff, Head of Department World Economy and Development Financing, DIE, Bonn
- Ulrich Volz, Senior Economist, DIE, Bonn

16:30

**Conference Closing**

- Günther Taube, Head of Department Good Governance and Social Development, InWEnt – Capacity Building International, Germany, Bonn