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Illustration: Cover and p. 10, Terry Widener; p. 39, Lai Oy Louie.

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A tune-up or an overhaul?

AREFRAIN often heard in international circles is that global problems—HIV/AIDS, trade disputes, climate change, financial contagion, and many others—require global solutions. Is today's global governance system up to the job? After all, the system is based on the post–World War II model, characterized by the dominance of a few advanced economies. Yet the new global economic order, which has been shaped by decades of rapid economic integration, features new regional and even global powers.

This issue of *F&D* tries to further the debate on global governance by asking experts in economics, finance, trade, and health—from inside and outside the IMF—to explore what works and what doesn't. A running theme is that if we want to hang on to the progress we've made in all these areas in recent decades, emerging market economies and developing countries must have a bigger say in decision making.

In the cover story, "Global Governance: New Players, New Rules," the authors argue that it's increasingly vital that the global community revamp the post–World War II model to cope with the challenges of the 21st century. These include absorbing demographic change, reducing poverty, expanding the provision of safe and clean energy without aggravating climate change, and alleviating health risks. For them, the answer lies in rationalizing the relationships among sovereign states, updating the existing multilateral institutions, and creating an effective oversight body.

On the financial front, we learn that future crises, much like the crises of the 1990s, are likely to include an element of contagion, meaning that adequate liquidity will be an issue. The recent U.S. subprime mortgage crisis—which revealed broader weaknesses in the international financial system—has breathed new life into the debate over whether and how international financial flows should be regulated.

On the trade front, we learn that the global trading system has been very successful to date but faces challenges in managing the increased role of developing countries—whose share of world trade grew from 22 percent in 1980 to 32 percent in 2005 and is expected to hit 45 percent in 2030—and the sensitivity of the unfinished liberalization agenda in agriculture, manufactures, and services.

On the health front, we learn that the three Millennium Development Goals on health—reducing child mortality; improving maternal health; and combating HIV/AIDS, malaria, and other diseases—remain stubbornly out of reach. A big reason, according to the author of "Governing Global Health," may be that the current global health governance system isn't adequate to oversee the changing array of players and ensure that the right health issues are being tackled fairly, effectively, and efficiently. A number of health experts suggest solutions, ranging from better disease surveillance to taking greater advantage of market dynamics.

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F&D's "People in Economics" sheds further light on global health and economic issues with a profile of Harvard's Michael Kremer, who paved the way for the creation of a mechanism called advance market commitments—now being used to help pay for the development of a vaccine against pneumococcal diseases, which claim the lives of up to a million children in poor countries each year.

Laura Wallace
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