CED 2025 ROUNDTABLE

SIMON KUZNETS KHARKIV NATIONAL UNIVERSITY OF ECONOMICS

GLOBAL COOPERATION AND DEVELOPMENT TRANSFORMATIONS: CHALLENGES, PROSPECTS, INNOVATIONS"

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TO THE ISSUE OF THE ROLE OF LAW IN ECONOMIC DEVELOPMENT IN CONDITIONS OF GLOBAL INSTABILITY.

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LADIES AND GENTLEMEN!

INTRODUCTION.

IN AN ERA OF GROWING GLOBAL INSTABILITY, CHARACTERIZED BY GEOPOLITICAL TENSIONS, ECONOMIC UPHEAVALS, CLIMATE CHANGE, AND TECHNOLOGICAL TRANSFORMATION, THE ROLE OF LAW IN ECONOMIC DEVELOPMENT TAKES ON NEW SIGNIFICANCE.

LAW IS MORE THAN JUST A NORMATIVE FRAMEWORK. IT IS THE INSTITUTIONAL FOUNDATION OF STABILITY, TRUST, AND INVESTMENT SECURITY.

FOR DECADES, CLASSICAL ECONOMIC THEORIES EMPHASIZED THE SELF-REGULATING POWER OF MARKETS. HOWEVER, TODAY IT IS BECOMING INCREASINGLY CLEAR THAT SUSTAINABLE ECONOMIC DEVELOPMENT IS UNTHINKABLE WITHOUT A FUNCTIONING, RELIABLE, AND ADAPTIVE LEGAL SYSTEM
(NORTH, DOUGLAS C. (1990)), (ACEMOGLU, DARON / ROBINSON, JAMES A. (2012)).
IN PERIODS OF UNCERTAINTY, WHETHER ARMED INTERSTATE CONFLICTS, SANCTIONS, OR TRADE CRISES, THE INTERDEPENDENCE OF LAW AND ECONOMICS BECOMES ESPECIALLY EVIDENT. LAW MEDIATES BETWEEN ECONOMIC FREEDOM AND SOCIAL ORDER, BETWEEN MARKET FORCES AND POLITICAL LEGITIMACY.

2. LAW AS AN INSTITUTIONAL FOUNDATION FOR ECONOMIC DEVELOPMENT

ACCORDING TO THE INSTITUTIONAL ECONOMIC APPROACH, INSTITUTIONS, AND ESPECIALLY LEGAL ONES, SHAPE THE "RULES OF THE GAME" FOR ECONOMIC ACTORS. WHERE PROPERTY RIGHTS ARE PROTECTED, CONTRACTS ARE LEGALLY ENFORCEABLE, AND COURTS ARE INDEPENDENT, MARKETS CAN FLOURISH.

EMPIRICAL RESEARCH SHOWS THAT COUNTRIES WITH STABLE AND RELIABLE LEGAL SYSTEMS EXPERIENCE HIGHER GROWTH RATES, LOWER LEVELS OF CORRUPTION, AND GREATER INNOVATION. WEAK LEGAL SYSTEMS, ON THE OTHER HAND, OFTEN LEAD TO CAPITAL FLIGHT, MISTRUST, AND STAGNATION.

IN THIS SENSE, A FUNCTIONING LEGAL ORDER SERVES AS AN INFRASTRUCTURE FOR GROWTH. GERMANY PROVIDES A STRIKING EXAMPLE: ITS ROBUST PROPERTY PROTECTION SYSTEM, DEVELOPED CORPORATE LAW, AND INDEPENDENT JUDICIARY HAVE CONTRIBUTED TO THE COUNTRY'S ECONOMIC RESILIENCE EVEN DURING PERIODS OF GLOBAL UPHEAVAL.

THE QUALITY OF LEGAL INSTITUTIONS IS NOT AN ABSTRACT NORM, BUT A MEASURABLE COMPONENT OF A COUNTRY'S ECONOMIC COMPETITIVENESS (VOIGT, STEFAN (2019)).

3. THE RULE OF LAW AS A PILLAR OF STABILITY IN TIMES OF CRISIS

CRISES—WHETHER FINANCIAL, POLITICAL, OR MILITARY—DEMONSTRATE THE IMPORTANCE OF LEGAL CERTAINTY.
WHEN POLITICAL INSTABILITY INCREASES, INVESTORS WITHDRAW. HOWEVER, STRONG LEGAL INSTITUTIONS CAN COUNTER THIS BY ENSURING THE CONTINUITY AND PREDICTABILITY OF PROPERTY AND CONTRACTUAL RIGHTS.

THE EUROPEAN UNION PROVIDES A PRIME EXAMPLE: ITS SINGLE MARKET IS BASED ON THE HARMONIZATION OF LEGAL STANDARDS, THE MUTUAL RECOGNITION OF JUDICIAL DECISIONS, AND SUPRANATIONAL ENFORCEMENT BY THE EUROPEAN COURT OF JUSTICE. THIS LEGAL INTEGRATION HAS SIGNIFICANTLY INCREASED EUROPE'S ECONOMIC RESILIENCE.

WITHIN THIS FRAMEWORK, GERMANY ACTS AS A LEGAL AND ECONOMIC ANCHOR. THE INDEPENDENCE OF THE JUDICIARY, ADMINISTRATIVE EFFICIENCY, AND HIGH LEGAL CERTAINTY HAVE MAINTAINED INVESTOR CONFIDENCE—EVEN IN THE FACE OF GLOBAL INSTABILITY.

THUS, THE RULE OF LAW IS NOT SIMPLY A MORAL PRINCIPLE; IT IS A FUNCTIONAL PREREQUISITE FOR ECONOMIC STABILITY.

4. INTERNATIONAL LEGAL COOPERATION IN A FRAGMENTED WORLD

TODAY, THE INTERNATIONAL LEGAL ORDER ITSELF IS UNDER THREAT.
MULTILATERAL INSTITUTIONS SUCH AS THE WTO AND THE IMF FACE GROWING PRESSURE AS NATIONAL INTERESTS AND GEOPOLITICAL RIVALRIES DOMINATE. HOWEVER, IT IS PRECISELY IN THESE CONDITIONS THAT INTERNATIONAL LEGAL COOPERATION BECOMES INDISPENSABLE:
FOR SUPPLY CHAINS, TAX HARMONIZATION, FINANCIAL STABILITY, AND GLOBAL CLIMATE GOVERNANCE.

INTERNATIONAL ECONOMIC LAW PROVIDES THE INSTITUTIONAL FOUNDATION FOR CROSS-BORDER STABILITY.
WHERE CLEAR LEGAL NORMS EXIST, COOPERATION BECOMES POSSIBLE; WHERE THEY DO NOT, PROTECTIONISM AND NATIONALISM ARISE.

A JUST INTERNATIONAL LEGAL ORDER MUST BE BUILT ON THE PRINCIPLES OF INCLUSIVENESS, RECIPROCITY, AND SUSTAINABILITY—ONLY THEN CAN IT SERVE AS A SOURCE OF LEGITIMACY AND STABILITY IN A MULTIPOLAR WORLD.

5. DIGITALIZATION, TECHNOLOGICAL TRANSFORMATION, AND THE LAW

ALONG WITH GEOPOLITICAL AND ENVIRONMENTAL CHALLENGES, DIGITAL TRANSFORMATION IS CHANGING THE RELATIONSHIP BETWEEN LAW AND THE ECONOMY.

ARTIFICIAL INTELLIGENCE, DATA-DRIVEN BUSINESS MODELS, AND DIGITAL PLATFORMS ARE TESTING THE RESILIENCE OF TRADITIONAL LEGAL SYSTEMS.

HERE, THE LAW FACES A DUAL CHALLENGE:

TO FOSTER INNOVATION AND PROTECT SOCIETY FROM POTENTIAL RISKS.

LEGAL SYSTEMS THAT FOSTER INNOVATION WHILE BEING GROUNDED IN HUMAN RIGHTS GAIN A STRUCTURAL COMPETITIVE ADVANTAGE.

THE APPROACH OF GERMANY AND THE EU—THROUGH THE GENERAL DATA PROTECTION REGULATION (GDPR) AND THE UPCOMING ARTIFICIAL INTELLIGENCE ACT—EXEMPLIFIES THIS BALANCE BETWEEN TECHNOLOGICAL OPENNESS AND LEGAL ACCOUNTABILITY.

THUS, THE LAW ITSELF BECOMES A FACTOR OF COMPETITIVENESS—A REFLECTION OF INSTITUTIONAL ADAPTABILITY IN A RAPIDLY CHANGING ECONOMY.

6. CONCLUSION

IN AN ERA OF GLOBAL INSTABILITY, THE LAW SERVES NOT ONLY A REGULATORY BUT ALSO A PRODUCTIVE FUNCTION FOR ECONOMIC DEVELOPMENT. IT CREATES TRUST, STABILITY, AND LEGITIMACY—ALL ESSENTIAL FOR SUSTAINABLE PROSPERITY.
THE RULE OF LAW, INSTITUTIONAL QUALITY, AND INTERNATIONAL COOPERATION ARE NOT ABSTRACT IDEALS, BUT ECONOMIC RESOURCES.
WHERE THEY ARE WEAK, UNCERTAINTY AND INEQUALITY GROW;
WHERE THEY ARE STRONG, INNOVATION AND PROSPERITY FLOURISH.

IN GERMANY'S EXAMPLE, THIS IMPLIES A DUAL RESPONSIBILITY:
TO STRENGTHEN ITS OWN LEGAL AND INSTITUTIONAL STABILITY AS A MODEL FOR EUROPE AND TO ACTIVELY PROMOTE GLOBAL LEGAL COOPERATION IN SUPPORT OF A RULES-BASED INTERNATIONAL ORDER.

IN A FRAGMENTED, DIGITAL, AND ENVIRONMENTALLY CHALLENGING WORLD, THE LAW MUST REMAIN FLEXIBLE, LEARNING-ORIENTED, AND GLOBALLY INTERCONNECTED SO THAT IT CAN CONTINUE TO SERVE BOTH AS A GUARDIAN OF ORDER AND AS AN ENGINE OF SUSTAINABLE ECONOMIC DEVELOPMENT.

THANK YOU VERY MUCH FOR YOUR ATTENTION.