Informal summary

2013 High-level Segment of Economic and Social Council

High level policy dialogue with financial and trade institutions

10:00 am - 1:00 pm
Tuesday 2nd July 2013

Chair: **H.E. Mr. Néstor Osorio**, President, ECOSOC

In his opening remarks, **Mr Nestor Osorio**, President of ECOSOC, said that global economic growth continued to be sluggish. Unemployment remained at a record high level, although growth prospects for developing and transition countries were better than those of developed countries. There was need for concerted efforts to mitigate risks, such as the possible negative effects of the unconventional measures adopted by some developed countries, before they destabilized the fragile global economic recovery. Fiscal policy, he emphasized, should be used as a tool to support job creation. With regards to the post-2015 development agenda, he stressed the importance of a renewed global partnership and concluded by asserting that there is a need for a more accountable, inclusive and coherent system of global economic governance.

Keynote speaker- **H.E. Dr. Lionel Fernández,** former President of the Dominican Republic

The key note speaker, **Dr. Fernández,** analyzing the context of the global economy stated that the 2008 financial crisis cost the US more than US $22 trillion. Since the beginning of the crisis, developed and developing countries alike had seen the loss of 20 million jobs, with youth unemployment in countries like Greece, Spain, Italy and Portugal totalling over 30%. The economic crisis had large spill-over effects, and had reversed development gains in many developing countries: increasing the number of malnourished people in the world to at least 1 billion; with 53 million more people bound to fall into extreme poverty and more than 19% of the population in rural areas with no access to water. He stressed that the crisis had also negatively impacted innovation, which is the main driver of the economy and human wellbeing. Life expectancy in the world had increased by more than 15 years in the second half of the twentieth century and human welfare had also improved due to better scientific and technological knowledge. The number of patent applications had, however, not recovered from the pre-crisis trend; as a consequence, investments in research and development had been affected.

Dr. Fernandez then posed the question: "*What can we all learn from the present situation?*" He recalled the shift in economic thinking from market liberalization in the 70s and total market deregulation in the 80s that had become established wisdom led by leaders like Prime

Minister Thatcher and President Reagan, and some international institutions. The relationship between deregulation and innovation was complex, and disastrous if not carefully managed, he noted. Markets, he asserted, while more efficient when self-regulated, tended to increase inequalities. The financial sector, he noted, was not immune to the deregulation and liberalisation agenda. Unfortunately, the growth of the unregulated finance sector encouraged reckless risk taking, and severely damaged innovative culture and human capital. In 2005, the IMF conceded that the reforms implemented had caused social unrest and political upheavals.

In conclusion, Dr. Fernandez emphasized the need for proper recognition of the role of the real economy, and for governments to only act as intermediaries at the service of development. To this end, a culture of innovation should be taught at school in order to equip the new generation with tools to successfully address health, energy, water supply and agricultural challenges by emphasizing science, technology, engineering and mathematics as priorities in school curricula. With regard to the financial sector, even though proper regulations were being put in place, it was essential to monitor more carefully financial activities using a broader global action plan, instead of isolated national or regional regulations and plans. For instance, the International Organization of Securities Commission (IOSCO) had already proposed a framework that should be applied to assess the risks of financial instruments. The US Dodd-Frank Act of 2010 that is still to be implemented included nearly 400 rules and mandates of which only 104 are in use. Incidents like the recent LIBOR manipulation demonstrated, he argued, the necessity of transparency in market transactions. The dramatic innovation gap between developing and developed countries with MICs struggling to overcome obstacles within IPR should also be closed. He recommended an international action plan to encourage innovation in health, supporting regional development banks, creating public-private partnerships, as well as helping developing countries to integrate into the global market.

Moderator: **Mr Wu Hongbo**, Under-Secretary General for Economic and Social Affairs

Mr. Hongbo stated that policy makers were facing three challenges: i) how to strengthen global economic recovery; ii) how to accelerate progress towards MDGs; iii) how to advance the global development agenda beyond 2015. He noted that the world economy had not recovered fully from the global crisis from five years ago and as a result growth would continue at the same slow pace. In terms of achieving the MDGs, progress had been made in some targets like reducing the proportion of people in extreme poverty, despite some setbacks. However, there were still significant challenges, namely environmental degradation and gender based inequalities in decision making. He posed three questions for the panellist to address: *i) What was the opinion of the panellists on the different measures governments have adopted in response to high public debt and weak aggregate demand?; ii) How could the negative spill-overs from quantitative easing (QE) by central banks on developed countries' economies be mitigated? And; iii) How to increase progress towards the MDGs and related targets in the two years before the deadline?*

Mr. Hongbo pointed out that the global economy was expected to grow by 2% in 2013 and that in 2014 a sluggish global growth was also expected. Nevertheless, the EU area was still at risk of a further slowdown. It was essential to focus on job creation and macroeconomic policies. Official Development Assistance (ODA) had decreased in the last years. The High Level Policy Dialogue was a milestone, thanks to the useful and productive contributions of ECOSOC, in efforts of the international community to deal with the current development challenges, including through ODA increases.

Mr Pascal Lamy, Director General, World Trade Organization

Mr Lamy noted that economic growth has been slow as a consequence of slowing world trade growth last year. In responding to the questions, Mr Lamy argued that in the short term the best way to increase growth and reduce poverty is to stimulate the economy with low budgetary cuts and through opening up international trade. He added that it is important to take advantage of the lessons learned, for example that the use of both qualitative and quantitative indicators to assess growth can contribute in defining policies aimed at reducing poverty and unemployment. He highlighted the importance of monitoring as a way to ensure Member States' fulfilled their commitments. The MDGs represented one set of commitments by the international community. Even though progress has been made in achieving them, a lot of work remained. He stressed that it was important to acknowledge that the MDGs relied on the input provided by the Member States and that they had a responsibility to account for progress. He emphasized three vital tasks that needed to be undertaken:

1) Avoid protectionist tendencies that can have negative impacts on the global value chain;

2) Focus on overcoming new obstacles to international trade, namely, non-tariff barriers (NTBs) and precautionary measures that protect consumers from risks. He emphasized that deregulation and opening up international trade should proceed in an orderly and rule-based manner that did not impede the opening up of markets; and

3) Market liberalization, though necessary, was not a sufficient condition to allow developing countries to participate fully in international trade; they also needed to build productive capacity.

He also underscored the importance of providing more effective aid for trade as an additional factor in assisting developing countries. On the elaboration of the future development goals, he highlighted the need to balance private and public resources to enhance the productive capacity of developing countries.

Mr Supachi Panitchpakdi, Secretary General, UN Conference on Trade and Development

Mr Panitchpakdi stressed that the global economy in 2012 grew by only 2.3% and no significant improvement is expected in 2013. The current decrease in trade and investment flows reflected the growing uncertainty and vulnerability of the world economy. According to UNCTAD's latest figures, developed countries have only contributed 11% of the total world growth during the period 2008-2012, while developing countries contributed more than 85%. Even though developing and transition economies continue to grow, a slow down is expected due to the decrease in demand from developed countries. He stressed that the state of the world economy was hindering the prospects of many developing countries, as well as threatening to hold back young generations in the developed world.

Key concerns were: first, while the monetary policies being implemented produced effective results, quantitative easing did not result in a strong recovery for the global economy despite the trillions of dollars injected into it; second, this policy instrument was extremely limited as it usually relied on the manipulation of interest rates, when there is no consensus among economists on whether economic recovery requires stimulus or austerity measures; and third, the targets required to measure the effectiveness of interventions remained questionable. He explained, for example, that the falling joblessness rate was misleading as it merely reflected that people had given up looking for work after prolonged periods of unemployment. In addition, employment in the informal sector was not subject to the same regulations nor did it provide the same protection from poverty and increasing inequality. Job creation, he emphasized, was extremely important and dealing with youth unemployment, in particular, should be a priority.

He noted that inequality was a reality under current policies, and inequality in turn increased discontent. As such, inequality should be a measurable goal in the post-2015 MDG agenda due to its deleterious effects on modern society. He recommended raising the share of the lowest 25% of people globally and quantifying it using the gender inequality index and youth unemployment figures. He concluded that these issues point to the fact that global economic governance should be discussed in an open multilateral setting with ECOSOC being best placed for this.

Mr Zhu Min, Deputy Managing Director, International Monetary Fund

Mr Zhu outlined 3 key points in his speech: 1) Growth is currently moderate and uneven, and the forecasts for 2014 remain the same. Globally growth is slowing down particularly in Europe whereas in the US has had a fairly solid rebound as a result of quantitative easing. Growth in emerging markets like Brazil and China are experiencing stronger growth. 2) Low-income countries (LICs) have enjoyed good growth prospects, performing well over the last 3 years- Sub-Saharan Africa (SSA) experienced average annual growth rates of roughly 5% due to commodity export improvements. However, he stated that LICs should ready themselves for challenging macroeconomic situations by rebuilding their fiscal buffers as demand for commodities weaken. 3) The world is experiencing a change with most economies becoming more consumption driven and less investment driven. LICs are the exception. Investment in such countries has increased by 1/3 and consumption has dropped from 73.5% to roughly 60%. Mr. Zhu warned that the resultant increase in GDP was not sustainable and that competitiveness would be increasingly important. In addition, LICs have to manage their innovation and productivity more carefully. Mr. Zhu concluded by summarizing his main points: global growth is slowing; the financial market is very volatile; it is essential to invest in R&D and manage domestic resources; and domestic demand will be the macroeconomic focus for the next 10 years.

Mr Mamhoud Mohieldin - Special Envoy on the MDGs and Financial Development, World Bank Group

Mr Mohiedlin argued that despite the ongoing negative impacts on the global economy it had continued to grow. When addressing the future of the global economy the priorities of the international community are job creation and global partnership. A combination of growth and progressive policies were required to address current challenges. Climate change also remained a critical risk for the global community. Developing countries continued to grow, although the removal of quantitative easing would negatively affect interest rate and capital flows that were crucial to their growth prospects. On the MDGs, Mr. Mohieldin stated that some progress had been made towards reducing gender disparities in education and improving environmental sustainability. However, at the global level only 18 countries are expected to achieve the infant mortality MDG target. He pointed out that the international community should make sure that ODA commitments are met. He observed that monitoring and accountability were critical to the success of any framework, noting that increased efforts need to be directed at enhancing statistical capacity, as well as legal and administrative frameworks. He stressed that the most successful way to ensure large poverty reduction was through the promotion of equality, sustainability, and ensuring the participation of both the public and private sector in the economy.

Mr. Wu reminded Member States that the President of the General Assembly will hold a high-level meeting on the MDGs in September to assess progress and promote the redoubling the efforts by the international community. He noted that several ongoing processes are expected to converge in September 2014, namely, the process for defining the scope of the post-2015 framework, recommendations on SDGs and the financing of sustainable development.

Discussion

Nepal: speaking on behalf of least developed countries (LDCs), Nepal noted that ODA is still the largest source of funding for this group, in addition to increased trade access, which should be the focus of WTO9. Greater efforts should be made toward increasing investment in building LDC trade capacity and to support mobilization of private sector financial investments. Many LDCs were also countries emerging from conflict and needed support in all areas. Additionally, climate change impacts on these countries must be addressed.

Kuwait: highlighted that economic growth should be accompanied by equality and inclusion targets. The example of the Tunisian Revolution was given as evidence of the dangers of growth unaccompanied by inclusion. It was stated that it is important to look into the financial allocation of resources that would facilitate job creation for youths. Additionally financial assistance is also required for sustainable development and should be accompanied by good governance, transparency and administrative reforms so that the benefits of sustainable development can be shared by all.

India: stated that MDGs have been moderately successful but deprivation was still too widespread and so it is important to '*keep our foot on the accelerator*'. It was noted that there should be a decent standard of living that benefits the world in general and a focus on building the global economy. India also added that the discussion on the post-2015 agenda should concentrate on policy space and not conditionalities, for example, implementing good governance. The MDG agenda should also look at the reform of the economic agenda and what can be done to ensure a better global economic environment. There should be on-going dynamic reform of the system both domestically and globally.

Sudan: remarked that the international economic and financial crisis demonstrated the disparities of the current system. Reform of the financial and economic system was needed and should include the BWIs. Sudan also stated that discussions on achieving this new just economic system should focus on the needs of the least developed countries and how trade can aid their economic and social development. The private sector had an important role to play in social and economic development, and also in helping developing countries achieve the MDGs. Sudan stated that partnership and cooperation should be the premise on which to approach the post-2015 agenda, noting that unilateral economic sanctions would stifle economic growth and development progress.

Indonesia: noted that ECOSOC should play a central role in international policy dialogue, particularly with the BWIs, WTO and UNCTAD. It was observed that a more inclusive, rules-based and fair trading system was essential and that completing the Doha round negotiations is a component of this. In their intervention the **Dominican Republic** observed that there was massive increases in global liquidity, but that the failure of the Doha development round meant there was little way to channel such liquidity.

In response, **Mr Zhu,** said in order to overcome inequality, there was need to ensure that more women were employed, which would require improvement in child care services and employment opportunities. On youth employment, the emphasis should be on structural reforms of the labour market. Reforming global governance institutions was necessary for global governance and should be reflective of the current global structure. The reforms initiated by the IMF since 2010 were a step in the right direction and should continue.

Mr Moheldin reiterated Nepal’s point that ODA was important for both Low Income Countries and fragile states, but added that it should not be a substitute for domestic sources mobilization, including from the private sector. He pointed out that growth was not always linked with inclusiveness and in some countries growth was not associated with social development improvements.