

**2007 Economic and Social Council, High-Level Segment
Informal Summary of the
High-Level Policy Dialogue on**

**Current developments in the world economy and
international economic cooperation**

Monday, 2 July 2007, 11 am – 1 pm

A high-level policy dialogue among the representatives of UN Department of Economic and Social Affairs, UN Conference on Trade and Development, the World Bank, the International Monetary Fund and the World Trade Organization was held during the High-Level segment of ECOSOC in Geneva on 2 July.

The Under-Secretary-General for Economic and Social Affairs, Mr. Sha Zukang, serving as moderator, noted that while economic growth in most economies had remained encouraging, the pace of world economic growth was slowing. The forecast for 2008 was surrounded by much uncertainty, with risks mainly on the downside. Addressing these risks required a policy response that was coordinated internationally. The strength of economic growth in economies in transition and in poorer countries was still highly dependent on the international economic environment, which was largely determined by the economic programmes and policies of the major developed countries. Economic growth in the least developed countries had continued to be strong, increasing their prospects for achieving the Millennium Development Goals. However, economic progress was far from homogenous. In recent years, the international economic environment had been favourable for most developing countries. Yet there was volatility in the prices of commodities, and it was also noted that robust output growth was accompanied by generally weak employment creation in those countries, which would be critical to their efforts to reduce poverty.

He also highlighted the salient points of the 60th anniversary report of the *World Economic and Social Survey 2007*. The Survey had addressed the challenges posed and opportunities offered by ageing of the global population to the prosperity of the world economy. By 2050, the number of older persons worldwide would grow to almost 2 billion, with nearly 80 per cent living in developing countries. The Survey noted that, in order to overcome the negative consequences of ageing on growth, international migration and outsourcing of employment would not serve as adequate solutions; emphasis should instead be placed on stimulating productivity growth coupled with measures to stem the fall in the labour force, such as raising labour participation rates. He made a call on Member States to intensify efforts to mainstream the issues of population ageing towards promoting, worldwide, a “society for all ages.”

Mr. Supachai Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development, noted that developing countries had continued to grow strongly, supported by favourable financial conditions and strong commodity prices, allowing them to play a larger global role than ever in today’s world economic

expansion. Globalization had strengthened their trade and financial linkages with the rest of the world. There had been remarkable gains for both developed and developing countries, although management and balancing was needed to ensure sustainability. The global trading system had become more inclusive, fuelling economic growth and recovery. Overall, the share of developing countries in global trade had increased. Their impressive expansion of exports, imports and consumption meant that they were now major contributors to both global supply and global demand, which was beneficial to the world economy as a whole.

Global capital flows had been reversed; developing countries had become net exporters of capital, and developed countries net importers. The resource transfer from the poor to the rich was the exact opposite of what happened in the first era of globalization in the early 20th century. Tackling global current account imbalances, and dealing especially with exchange rates and financial speculation, must remain a priority for the international community. The recent wave of globalization had increased competitive pressure in world markets, with distributional consequences both among and within countries. Failure to address them effectively could trigger renewed protectionism internationally and social instability domestically, jeopardizing many of the gains brought about by economic expansion. Moreover, many of the poorest countries continued to operate on the periphery of the global financial system, and ODA remained the most important financial source to meet their basic needs.

Mr. Pascal Lamy, Director-General of the World Trade Organization (WTO), noted that increased trade played a vital role in growth and development. Trade liberalization and rule making were major goals of the WTO. A fundamental aspect of the Doha Development Agenda was to redress remaining imbalances in the multilateral trading system, and to provide developing countries with improved market opportunities. While an essential ingredient, trade liberalization was not a panacea for all the challenges of development. It could only be politically and economically sustainable if it was complemented by flanking policies, which addressed challenges of institutional capacity and a more even distribution of the benefits of trade.

Increasing trade opportunities for developing countries, in particular for the least developed countries, remained the most important contribution that his organization could make to development. Mr Lamy noted that the outstanding issues in the Doha Round were minute when compared with all the generally acceptable proposals already on the table, which represented two to three times what was achieved in the last Round of negotiations.

Mr. Murilo Portugal, Deputy Managing Director of the International Monetary Fund (IMF), noted that there continued to be solid growth in the Euro area and Japan, a vigorous pace of expansion in emerging market countries, and a strengthening of growth in the United States. Developing countries were expected to continue to grow strongly in 2007, drawing continued support from favourable financial conditions and, in many cases, from strong commodity prices, as well as, strengthened macroeconomic management and continued reform efforts.

It was encouraging that growth prospects also remained strong across all groups of emerging market and developing countries. Downside risks to this positive scenario included inflation pressures in both advanced and emerging market countries; the recent noticeable rise in long-term interest rates and associated global financial sector risks; and continued large global current account imbalances.

Mr. Francois Bourguignon, Senior Vice President and Chief Economist of the World Bank, noted that at the global level, economic growth in developing countries during the past decade had been truly transformational, and had opened opportunities from which all regions could benefit. Today, there was a period of exceptionally strong growth for developing countries and for the global economy as a whole. Developing country growth over the past decade was faster than over the preceding two decades, and consistently outpaced growth in rich countries. This continuing strong growth was driving rapid poverty reduction, and the world as a whole was on track to exceed the Millennium Development Goal target of halving the share of extreme poor by 2015. This was an enormous achievement, and this global picture thus provided grounds for some optimism.

Yet, at the regional and sub-regional level, inequality of opportunity and participation in global growth was arguably the greatest threat to future sustainability of growth, and to meeting the Millennium Development Goals (MDGs). There were huge disparities in income distribution across regions and countries, and the gap was widening. The challenge of meeting the MDGs was increasingly concentrated in the fragile states, countries that face the most severe governance and institutional challenges. He noted that the international community needed to meet its commitments of better financial support to the poorest countries, while multilateral institutions needed to improve coordination in order to fulfill the growing demand. Strengthening aid flows to help finance essential infrastructure and social services was vital and required new momentum and better coordination. But, despite pledges from donor countries, the expansion in global aid had stalled, and the mix of aid instruments was cause for concern.

Following the panelists' speeches, delegations made comments and raised several questions. The representative of Pakistan, on behalf of the Group of 77 and China, stated that the basic objectives of the entire international financial architecture, namely global financial stability and access to short-term financial means, needed to be revived. He asked if the Doha Round would be concluded with agreement between the main negotiating partners, what the benefits would be to the rest of the developing countries. He also inquired whether a fast-track agenda for those countries would be desirable should the Doha Round fail to come to a successful conclusion.

The delegate from Portugal, speaking on behalf of the EU, noted that 44 individual countries had failed to achieve growth of over 3 per cent, which would be a minimum requirement to achieve the Millennium Development Goals by 2015. Africa and the least developed countries faced particular challenges in today's globalized

economy. He also noted the EU's concerns with inequality, within and among nations, and a deficit in pro-poor, employment-generating growth. Successful conclusion of the Doha Round trade negotiations was essential, and the success depended both on developed and developing countries.

The delegate from the Russian Federation asked a question on what the global priorities could be in international cooperation, recognizing that there had been a diversity of development models under the current economic climate of globalization. The representative of the United States noted that the challenge was to better integrate developing countries in the globalized economy, in order to achieve greater prosperity. There was no need for a major overhaul of international financial institutions; however, he asked the panelists what their organizations could focus on, within their mandates, to promote greater inclusion of developing countries in the global economic system.

The representative of Kazakhstan called for attention to cooperation in the area of transportation in order to benefit land-locked countries. The delegate from Guinea asked about the impact of the emerging economies on the development of the least-developed countries, including those in post-conflict situations. The representative of China called for closer cooperation to address some of the risks of the current global economic system, and inquired on what efforts the World Bank and the IMF had taken towards its reform.

In reply to the questions, the Director-General of WTO stated that increased market access was one major benefit to the poorest countries of a successful completion of the Doha Round. It would also facilitate greater trade between developing countries. He stressed the importance of raising domestic support for trade liberalization and for resisting protectionism. The Secretary-General of UNCTAD stated that he would continue to address the dichotomy between highly disciplined trade regime and a lack of financial discipline, and to give continued emphasis on productive capital formation in UNCTAD's work.

The Deputy Managing Director of the IMF, in response to questions, stated that no country could address global imbalances in isolation, and that there had been efforts to use a new system of multilateral discussions to address these issues, while sustaining economic growth. The Senior Vice President of the World Bank stressed that expansion of trade in itself was of benefit to the countries which had not fully integrated into the global economy. He noted that while progress had been made in supporting developing countries with good governance, fragile states had not always benefited from international support.
