

Informal Summary

2011 Economic and Social Council High-Level Segment

High level policy dialogue with the international financial and trade institutions on current developments in the world economy

Tuesday, 05 July 2011

Chair: H.E. Lazarous Kapambwe, President of the United Nations Economic and Social Council (ECOSOC).

Panellists:

Mr. Sha Zukang, Under-Secretary-General, UNDESA (Moderator)

Ms. Pascal Lamy, Director-General, WTO

Mr. Supachai Panitchpakdi, Secretary-General, UNCTAD

Mr. Otaviano Canuto dos Santos Fihlo, Vice-President, Poverty Reduction and Economic Management, World Bank

Key Messages:

- **Economic recovery is slow, but unevenly distributed, with a more positive outlook for developing countries than for the developed ones.**
- **Some of the most imminent risks that developing countries face are inflation, protectionism, and the negative effects of rising food prices.**
- **There has been a shift in the global economic scenario, with emerging economies, particularly Asia, driving trade and economic growth and more intense south-south linkages.**
- **ECOSOC should play a more visible role in global economic governance and explore ways to change its current interaction with the G20.**

Mr. Sha Zukang opened the High-Level Policy Dialogue stating that the world economy recovery is fragile, slow and uneven across countries, with a higher rate of recovery in the developing world and an important job crisis in advanced nations. Mr. Sha Zukang pointed out several policy challenges, according to which all governments must:

- Focus on supporting employment, structural change and productivity growth;
- Be cautious not to embark prematurely on fiscal austerity policies;
- Understand that these efforts will only have effect with international policy coordination;
- Ensure availability of resources to developing countries while recognizing that many of these are taking austerity measures.

Mr. Sha Zukang added that at the Rio+20 summit in June 2012, in Rio de Janeiro, it will be necessary to make progress towards putting the global economy on the path of sustainable development, which requires technological and social transformations, as well as large investment in developing countries, to ensure environmental sustainability and mitigate and adapt to climate change. International transfers will play a key role, given the limited capacity of developing countries to mobilize long term financing. Finally, the Under-Secretary-General

highlighted that the global economic situation is being defined by ecological change, social and political developments, which make it all the more important to institutionalize efforts towards sustainable development, as “the world can’t afford inaction”.

Mr. Pascal Lamy, commented on four main points. In terms of the global trade context, Mr. Lamy pointed out that trade has rebounded strongly from the economic crisis, but the recovery is uneven. The most imminent risks, especially for poor countries, include inflation, protectionism high food and energy prices, and the perception among developed countries that their dire job situation is connected to the higher growth in developing countries, which creates political turbulences and uncertainty. The second point addressed by Mr. Lamy was the role that WTO holds in addressing these challenges, namely: monitoring of worldwide trade on an ongoing basis; adjusting trade rules to address current concerns, particularly attempting to reap early benefits for LDCs from the stalled Doha Development Round, and; addressing the disconnect between benefits of trade opening for developing countries and their capacity to use it, in which the “Aid for trade” initiative is of particular importance. Mr. Lamy gave his view on how ECOSOC could become a more operational and visible forum. He stated that, in the long run, ECOSOC must be transformed into a more relevant, visible and prominent forum for debating global policy and promoting coordination, coherence and accountability. In the short run, the political visibility of ECOSOC can be increased by having its discussions focus on results rather than on projects and aspirations that all members share.

Mr. Supachai Panitchpakdi, highlighted some of the positive trends that the global economy has presented recently. Asia has become the new catalyst for global growth, and along with the rest of the developing world is driving the economic recovery; furthered by the strengthening relationships between Asia and other main growth hubs in the developing world. Fear of Asian economies overheating is somewhat exaggerated, although there is need for a cautious monitoring of inflation trends and avoiding risks of excessive monetary tightening. Mr. Panitchpakdi noted that growth trends show that domestic and external demand has more equally driven production in these countries than previously believed, and that countries had addressed the issue prior to the crisis, by implementing tighter monetary policy, allowing growth in Asia to be sustained in the medium term. Commenting on the APEC agenda, it was pointed out that a high priority has been given to trade and investment, particularly addressing the next generation of innovation and global supply chain initiatives, reducing subsidies for fossil fuels and increasing regulatory cooperation. In the case of Latin America, Mr. Supachai Panitchpakdi stated that growth, job creation and FDI have shown positive trends, and stronger ties between Latin America and Asia will promote the continuation of these results. In terms of Africa, the scenario is less optimistic. With the higher demand for cotton, UNCTAD is working hard to ensure that producing countries can take advantage of high prices by enhancing productivity, marketing and value addition.

Three additional positive trends mentioned were the recent G20 Agriculture Ministers meeting in Paris, which included the agreement on AMIS (Agricultural Marketing Information System) among other actions to manage food production and market logistics; the positive results from the judicious use of emergency reserves to stem the rise in energy prices; and the WTO’s actions on the Doha agenda. Finally, Mr. Panitchpakdi suggested incorporating the G20 into ECOSOC, in a “Global Green Room” format, to address shared issues and multilateralize global economic governance.

Mr. Otaviano Canuto dos Santos Fihlo, began by stating that the largest structural change that has taken place in recent years in the global economy has been the move towards developing countries becoming engines of growth. Developed countries have been greatly

affected by the crisis and the World Bank projects a slow medium-term recovery at best. In terms of developing countries, Mr. Canuto dos Santos Fihlo pointed out that there has been a switchover of locomotives in the global economy, although developing nations still lag behind in the technology arena. The growth in south-south trade and other links, the expansion of the middle class, the role of ICT in facilitating technology transfer, suggest an increase in domestic consumption and a lower dependence on that of the developed economies. There are several risk factors, however, such as openness of the global economy, protectionism and high commodity prices which threaten the livelihood of the poor and deepening poverty. Mr. Canuto noted that it is important to make sure that growth is socially sustainable without hindering incentives for higher production. He cautioned that developing countries should not become complacent and should use the opportunity that this global economic shift offers to improve governance and social inclusion systems, noting in particular gender equality as an issue that deserves more attention, primarily because it is “smart economics”.

Questions and observations

In the ensuing discussion, UNESCO requested that the panellists elaborate on the role that education plays in economic growth and recovery, as there have been setbacks in financing of education from national budgets and international aid. ITC stressed the need to help the most vulnerable sectors of society and the LDCs, especially through support for SME development, capacity building in export promotion of new areas such as tourism development. It was noted that ITC’s aid-for trade programme, with a focus on women, youth and marginalized communities, is intended to build linkages with global value chains. The delegation of Honduras asked the panel to elaborate on ways to achieve a more coherent UN system that must deal with multiple, wide-ranging social and economic issues, and enquired about the role of SMEs in promoting growth and recovery. The delegation of the Ukraine stressed the problematic consequences of protectionist measures in developed nations and the need to expand global capital markets. The delegation of Japan, in reference to the idea of linking the G20 agenda with ECOSOC, asked how this would work in terms of institutional differences, since the G20 involves Ministers of Finance and ECOSOC Ministers of Foreign Affairs. The representative of China noted that the main challenges in the global economic agenda continue to be north – south imbalances, paucity of development financing and the absence of a coordinated policy response. The delegation of Pakistan commented on the reduced fiscal space due to large levels of international debt and suggested that ECOSOC should drive its own agenda instead of limiting itself to a responsive role to that of the G20. ECOSOC should focus also on issues such as the impact of natural disasters on economic recovery. The representative of the US enquired about the comparative advantages of the UN in global policy coordination and what steps or opportunities may have been missed. The US representative also noted that many developing countries were experiencing high growth and low progress in reducing poverty. Several delegations expressed support for finding ways to make ECOSOC more visible, and have an increased interaction with the private sector and the G20.

Recommendations

In response to the questions from the floor the panellists made the following recommendations:

- Education represents the best strategy for development and social achievements and is a priority for their respective organizations. Efforts are being made to convince finance ministers to avoid cuts in education.
- In response to the institutional differences between the G20 and ECOSOC governments should focus on improving coherence among ministries, as

differences at the national level are reflected in dealings with international organizations.

- The comparative advantages of the UN and the G20 are that the G20 has the advantage of leadership and efficiency, while the UN has legitimacy. ECOSOC should be a forum where members of the international system and the G20 report their progress based on an established agenda and their respective mission statements.
- In reference to SMEs, microfinance, gender, education and marketing/business linkages were key areas needing support.
- ECOSOC should include a permanent item on its agenda on issues being dealt with by the G20, and the G20 should do likewise regarding the social and economic issues of ECOSOC.
- ECOSOC should consider hosting a meeting with the G20.
- ECOSOC should incorporate macroeconomic impacts of natural disasters in its discussions.

Conclusion

In his closing remarks, Mr. Sha Zukang noted that the issues of institutional restructuring are germane to the Rio+20 discussions and expected that action will be taken in Rio de Janeiro to enhance the global institutional framework.