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High-level segment

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Held at the Palais des Nations, Geneva,
on Monday, 3 July 2006, at 9.30 a.m.

President: Mr. HACHANI (Tunisia)

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The meeting was called to order at 9.45 a.m.

OPENING OF THE SESSION

The PRESIDENT declared open the substantive session of 2006.

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS (E/2006/78, E/2006/100, E/2006/L.4 and E/2006/L.5)

The agenda, as contained in document E/2006/100, was adopted.

The PRESIDENT drew attention to the proposed programme of work contained in document E/2006/L.4 and the oral revisions made during informal consultations.

The proposed programme of work, as orally revised, was adopted.

The PRESIDENT drew attention to the requests from non-governmental organizations for hearings before the Economic and Social Council contained in document E/2006/78. He would take it that the Council agreed to hear statements by the non-governmental organizations listed therein under item 2 of the agenda.

It was so decided.

STATEMENT BY THE PRESIDENT

The PRESIDENT said that the Council was meeting for the first time since the 2005 World Summit, which had generated important measures on aid and debt relief and prompted commitments to adopt comprehensive national development strategies for achieving jointly determined goals. The challenge was to translate those commitments rapidly into practice, and the key to successfully addressing that challenge was partnership: no country or entity could meet those goals alone. The Economic and Social Council, as the main United Nations body responsible for promoting economic and social development and for ensuring overall policy coherence, was particularly well placed to coordinate efforts to give effect to the so-called development agenda. Its new functions, in particular the annual ministerial reviews of progress towards development objectives, the biennial

Development Cooperation Forum, its response to humanitarian emergencies and its contribution to post-conflict peacebuilding, could be the key to success in that respect.

The ministerial reviews should in his view provide a snapshot of global progress, evaluations by thematic cluster and an opportunity to share best practice and exchange lessons learned. The Development Cooperation Forum provided the Council with a dedicated means for enhancing the linkage between the international development cooperation system and implementation of the development agenda. The Forum would bring together all stakeholders to engage in a dialogue on coherence, performance and resource trends in the field of international development cooperation. As far the United Nations’ response to natural and humanitarian disasters was concerned, there was a need to assess the added value that the Council could bring to the Organization’s current activities. The special events on avian flu and food crises in Africa had shown how the Council could raise awareness about imminent or neglected crises. Meanwhile, the ad hoc advisory groups on Burundi, Guinea-Bissau and Haiti had shown the Council to be uniquely placed to promote an integrated approach to post-conflict peacebuilding. The Council and the Peacebuilding Commission must combine their expertise to focus on reconstruction and institution-building and to help ensure predictable funding and the long-term commitment of the international community to such activities. The success of all the Council’s new functions would depend on the active involvement of all concerned and on reaching agreement on how best to implement those functions.

World leaders at the 2005 World Summit had underlined the fundamental link between employment and poverty reduction, gender equality and social integration and had resolved to make the goals of full and productive employment and decent work for all a central objective of their national and international policies. In the context of globalization, the employment challenge was of key importance to all countries, whether developing, in transition or developed. It was the responsibility of Governments and the international community as a whole to respond to the hopes aroused by the Summit by adopting appropriate economic and social policies and effective strategies at the national and international level. The Council’s discussions, involving representatives of Governments, international organizations, regional institutions, civil society and the private sector, were an opportunity to bring to the fore initiatives, ideas and recommendations that could have a real impact on the lives of people everywhere.

ADDRESS BY THE DEPUTY SECRETARY-GENERAL OF THE UNITED NATIONS

The DEPUTY SECRETARY-GENERAL said that development was one of the pillars of the Secretary-General's current reform. The sobering reality was that 30,000 children died every day of preventable diseases; one woman died every minute from complications in childbirth and pregnancy; 60 countries had actually grown poorer in the 1990s; 3 billion people continued to subsist on less than $2 a day; 1 billion people lacked clean drinking water; and environmental degradation continued to erode the capacity of soils to support basic human needs. That reality demanded a strong response from the United Nations, and the Organization required the Council to lead the way in that regard.

The Economic and Social Council's record in coordinating and advancing development policy was mixed. Its work had been hampered by confusion over overlapping mandates with the second and third committees of the General Assembly. Moreover, the Millennium Development Goals presented it with an opportunity to rally around a set of clear, universally acclaimed and achievable targets, and the World Summit had charged it with ensuring that those goals were implemented. The Council thus had a chance to play a more pivotal role in the lives of ordinary people by seeing to it that the benchmarks in question, and the broader United Nations development agenda, shaped its work.

The Economic and Social Council should seek to become an intergovernmental lobby for the Millennium Development Goals and the objectives of United Nations conferences. It should be the political and policy-level global forum for tracking and correcting progress towards those goals and objectives, an assembly where ministers made commitments and were held accountable for action on those commitments. The introduction of annual ministerial reviews and the biennial Development Cooperation Forum could make the Council the "development parliament" of the United Nations. Goal by goal and region by region, its members must review progress, correct setbacks, hail advances, win new resources and urge future reforms so as to help keep the world on track to meet the Millennium Development Goals by 2015.

In the context of the Council's debate on the growing problem of global unemployment, the Secretary-General was particularly concerned about youth employment. People aged 15 to 24 accounted for only a quarter of the world's working population but comprised half of its unemployed. The fact that the young were more prone across the world to work longer hours for less pay with little job security was an appalling waste of human resources, energy and creativity. With some 1.2 billion young people worldwide coming of working age over the next decade, it was an issue that would soon be at the top of the political and policymaking agenda.

While the different faces of youth unemployment in different parts of the globe required a variegated response, employment-oriented growth strategies, education and training, and above all job creation were common requirements. In Germany, a national agreement guaranteed a place on a course to all young people applying for vocational training, while the United Arab Emirates provided young nationals with training and enhanced career opportunities through a skills development fund. Ideally, the young should be given entry channels from educational institutions into the labour market or opportunities for on-the-job learning, since young people with some working experience had much greater chances of finding new employment. Japan, for example, had a trial employment scheme that provided financial incentives to companies offering short-term on-the-job training to unemployed young people; and Croatia subsidized employers who took on salaried apprentices and interns. Any comprehensive youth employment strategy must also cater for vulnerable groups, including women and the poor.

Entrepreneurship was another important avenue for youth empowerment. Microfinance initiatives in the developing world had pursued that goal, with largely favourable results. Mexico was an example of a country that had gone further by providing support to the young in formulating project proposals, obtaining finance and running small enterprises.

While the United Nations system was working with Member States to address the challenge of youth employment through the Secretary-General's Youth Employment Network, the Economic and Social Council could provide crucial leadership on the issue by guiding policy, influencing action and overseeing implementation. With the target year of 2015 approaching fast, it was to be hoped that a similar approach would be brought to bear on the many other development goals before the Council.

WORKING OUT OF POVERTY

Mr. AZIZ (Prime Minister of Pakistan) said that, despite historic progress over the last decade, a large part of the world's population continued to live at the margins of subsistence - illiteracy, malnutrition and disease continuing to condemn many to perpetual poverty. Notwithstanding the sobering array of other challenges, including the problems of adequate energy and water supplies, global warming, food security, vulnerability to natural disasters, the threat of pandemics, proliferation of weapons of mass destruction and the digital divide, there was no greater challenge to humanity or the international order than the failure to realize the United Nations vision of promoting “better standards of life in larger freedom”.

The key factors influencing the social and economic landscape included: increasing economic integration and industrialization; the premium placed on security emanating from geopolitical considerations and high energy prices; and the widening trade imbalances and income gap between the rich and poor. While the world’s vibrant economies were justifiably concerned with imbalances in global trade, budget deficits, rising oil prices and fluctuating currencies, the global economic fragility of which those problems were a sign arguably impacted most acutely on the poorest and the most vulnerable people. Yet the world now had an unprecedented collective capacity to end hunger and poverty, realize the promise of universal prosperity, save succeeding generations from the scourge of war, and promote social progress. While globalization posed new challenges, it also afforded huge opportunities. Much of the world’s prosperity and improved living standards over recent years derived from the expansion of global trade, investment, information flows and the use of technology. To take full advantage of the opportunities afforded by globalization it was necessary to undertake deep and comprehensive reforms to open up economies, liberate the entrepreneurial spirit of the private sector and empower women.

Nations could no longer remain isolated and indifferent to global events in an increasingly interconnected world, where the symbiotic relationship between development and security was self-evident. The demands of ethics, peace, security and economic interest were converging. Peace and stability were essential prerequisites for growth and development, requiring countries and regions to resolve their disputes and differences as a matter of urgency.

Working out of poverty and moving towards development with dignity was possible through a broad framework of policies adapted to local situations. There was a need to firm up homegrown reforms, for which the primary responsibility lay with the developing countries themselves. Such reforms must be backed by strong political will and conviction based on a widely shared vision and philosophy. Improving the investment climate and unleashing opportunities for the private sector were vital to attract global investment capital and to benefit from the dynamism of private enterprise, which was conducive to job creation, raised income levels and sustained poverty reduction.

Aid should not serve as a permanent crutch but as a means to self-help. The prime responsibility of the receiving countries was to increase the effectiveness of aid by creating an appropriate framework for investment, ensuring good governance and high standards of transparency, and involving civil society. Every extra dollar of exports from developing countries helped to feed, and build a better future for, its poor inhabitants.

Developing countries needed a fair and transparent global trading system and the capacity to take advantage of it. The huge subsidies paid by developed countries to their farming and other sectors, and the high and escalating tariff barriers denying market access to the most dynamic exports of the developing countries, underlined the need to achieve the goals of the Doha Round of trade negotiations. The developed countries should also progressively remove restrictions on the migration of labour and provide incentives for direct investment in developing countries. Partnerships with the developed world that provided not only concessional financial flows but also technology and knowledge would be crucial to the promotion of global development goals.

Since the creativity of human capital was the true source of economic progress, building up educational and technical skills, becoming technologically innovative and improving productivity were of the greatest importance. Investment in people was essential if they were to achieve their true potential. Translating the benefits of growth into meaningful gain for the people of the developing countries was crucial. All macroeconomic theories, achievements and reforms would come to nothing if they did not lead to a better life for the countless millions who had hitherto known nothing more than deprivation. In the end, however, the most important factor in development were arguably visionary leadership, capable government and strong institutions with the ability to plan for the long term, prioritize challenges and responses, promote equitable economic growth and development, mainstream gender issues, encourage social inclusion and create jobs.

Pakistan had undergone a qualitative transformation over the past seven years through a policy of comprehensive multisectoral reform, the main planks of which were: improved governance through transparency and accountability and the promotion of grassroots democracy; sound economic management based on deregulation, liberalization and privatization along with better fiscal and monetary discipline; the achievement of broad-based economic growth focused particularly on the rural economy; investing in human capital with an emphasis on the effective delivery of basic social services; bringing poor, vulnerable and backward regions into the mainstream of development; empowering women and minorities; improving access to health care and education; and pursuing peace and cooperation through dialogue. That strategy had yielded rich dividends in the form of a surge in economic growth, poverty reduction and development. Pakistan was one of the fastest growing economies in Asia and its liberal policies and low tariff regime were attracting increasing foreign investment. Its accelerated pace of development had created millions of jobs and decreased poverty rates from 34.5 per cent in 2001 to 23.9 per cent in 2006.

Mindful of the problem of jobless growth, his Government had adopted a series of measures to promote productive employment and a decent work environment. They included: encouraging small and medium-sized enterprises; upgrading workforce skills; increasing investment in technical education; and expanding the value-added sector. The national programme for decent work focused on rights at work, employment and income opportunities, social protection and social dialogue. However, despite the achievements in recent years to ensure prosperity and socio-economic progress for the people of Pakistan, much remained to be done. His country had accordingly embarked on a second generation of reforms covering infrastructure-upgrading, institution-building and human resource development.

The United Nations had a pivotal role to play in advancing the global development agenda. It was therefore essential to ensure that its universality, neutrality, expertise and convening power were utilized more fully and effectively. As co-chair of the High-Level Panel on System-wide Coherence, he was working with other panel members to draft recommendations on building a United Nations development system that was equipped to support developing countries in their national efforts to realize the Millennium Development Goals and other internationally agreed development goals. The panel believed that a revitalized

Economic and Social Council could play an effective role in that regard and looked forward to the early implementation of the 2005 World Summit's decisions on reform and development of the Council.

The financial, technical and human resources, together with the instruments of national action and international cooperation, were available to promote rapid growth and development. There were examples to show that, with the right policies and determined efforts, success could be achieved even in the most difficult circumstances. The challenge was to lose no more time in translating vision into reality. Success would depend on the availability of adequate development assistance to jump-start growth and development, on the forging of a genuine partnership between developed and developing nations, and on reshaping the global financial architecture to reverse the outflow of financial resources from developing to developed countries.

Responses to the overwhelming power of nature in the recent past had demonstrated the power of human compassion when the world acted together. There was a need to build bridges between developed and developing nations based on a shared vision of a world free of hunger, disease and unemployment and of an equitable economic order conducive to a stable, peaceful and prosperous future for all.

Mr. STOLTENBERG (Prime Minister of Norway) said that he was particularly honoured to share the rostrum with the Director-General of the International Labour Organization (ILO), since Norway considered ILO to be one of the most important international organizations ever created. The strong would be just and the weak secure only so long as the protection of worker rights was overseen by a global institution. Norway's near full employment and prosperous economy sometimes prompted the question as to what his country produced apart from oil and gas. He believed that the greatest product it had developed was one of the world's most equitable, secure, competitive and innovative welfare states. Nor was it simply a matter of his country having sufficient financial resources: it had become prosperous because it had developed the welfare state. Some decades ago, certain economists, politicians and writers had suggested that the Nordic welfare state had peaked and would decline in relation to countries with weaker social policies. International development and competitiveness indicators, which showed that the Nordic countries remained among the top 10, proved them wrong.

A system of extensive worker's protection, a public and universal social security system and even a relatively high level of taxation were not economic liabilities. On the contrary, more equal opportunities and fair outcomes were basic reasons for Norway's high national income. It was a market economy that had found a balance between the State and the market. The greatest gains a country could achieve economically and politically came from empowering women, ensuring equal opportunity, providing health care and increasing women's active participation in the workforce. Indeed, increased female participation in the workforce - not oil - was one of the main reasons for Norway's economic success. The increase in women's employment had not happened by chance: it was the result of a systematic policy aimed at empowering women through a series of measures that allowed them to have children as well as a career. Those countries - whether in the North or the South - that managed to overcome cultural impediments to such a policy would grow and prosper. That was the experience - confirmed by hard figures - of Norway and other Nordic countries, and that was why his country was working with many countries to improve the condition of women and children worldwide. A healthy, well-educated population was any country's most important asset.

Norway was working on all the Millennium Development Goals but had decided to contribute in a special way to achieving the goal of reducing child mortality by two thirds by 2015. A quarter of the 10 million children who died every year could be saved by vaccines available already or in the near future. There could be no justification for failing to take measures that were both possible and affordable. Immunization was the most cost-effective means of preventing disease and child mortality, and was thus key to economic growth; Norway would therefore contribute 1 billion dollars to relevant programmes by 2015. Through concerted action, the international community could change history in the next 10 years, turning out healthy children ready to realize their full potential.

No one could gainsay the importance of the United Nations both as a forum for finding solutions to common problems and as an agent for peace and development. However, the world had changed since its creation, and there was a widening gap between expectations and its achievements. The United Nations was ready for renewal and its staunchest supporters must be the key drivers of that renewal. It was time to put an end to duplication, fragmentation and rivalry and to focus on the impact of the system as a whole and not on each agency's field of competence. Less money should be spent on bureaucracy and more in the field, and all savings must be pledged to development. Such were the principles that guided him as co-chair of the High-level Panel on United Nations System-wide Coherence.

Despite the failure of the most recent trade negotiations, there was still a binding global trade regime with effective dispute-settlement and sanctions mechanisms. And yet there was no similarly binding regime for ensuring the promotion and protection of human rights and decent work for all. Competition for trade and investment must not be allowed to undermine the promotion and protection of the common good.

A truly comprehensive agenda to generate full and productive employment and decent work for all required comprehensive governance at the national and global levels alike, with policies that created a level playing field in economic, social and environmental issues. There was a need for an international system of compliance to enhance respect for international labour standards. The challenge lay in putting long-term interests at the heart of the pursuit of the common good.

Ms. DIOGO (Prime Minister of Mozambique) said that the adoption of the Millennium Development Goals and the subsequent political momentum had highlighted the need for an integrated approach to major international issues, especially in global efforts to fight poverty, giving equal weight to development, security and human rights. Accordingly, the creation of an environment conducive to full and productive employment and decent work for all must be addressed in the context of national and regional efforts to eradicate poverty.

Agriculture was still the most important income sector in Africa and employed most of the working population, making many Africans heavily dependent on the sector for many aspects of their lives. Therefore, without improvements in income and poverty levels in the agricultural sector, most African countries were unlikely to rise above their current poverty levels. There was an alarming upward trend in unemployment rates, particularly among women - many of whom worked in agriculture, often in the most precarious jobs - and young people, two vulnerable and important groups in the African labour force. Since most of Africa’s population lived in rural areas, agriculture could play a meaningful role in providing employment and decent work, and hence in reducing poverty, promoting gender equality and social inclusiveness.

Given the relationships between agricultural performance, land and agrarian reforms, poverty, conflicts and HIV/AIDS, Africa needed to take an integrated approach to economic and social policy. Employment was the key to the realization of the Millennium Development Goals and the basis of economic empowerment.

In order to focus on employment issues in the development process, it was important to have a clear picture of each country's population situation, dynamics, structure and migration trends. Assistance from the United Nations was critical in helping Member States produce data and analyses for policy design, monitoring and implementation. It was also important to have a clear understanding of the informal sector, the family sector and women's role in productive activities. However, poverty reduction implied increased wealth, which flowed from productive activities in a dynamic private sector. Her country's five-year poverty reduction strategy therefore encompassed the establishment of policies conducive to job creation through its three main pillars - human capital, economic development and good governance - as well as through cross-cutting issues such as HIV/AIDS, the environment, disaster preparedness and gender. For people, especially women and young people, must be made employable and offered opportunities to work and to develop entrepreneurial skills. The United Nations could play a vital role in that respect by helping developing countries collect, analyse and use employment data. The long-term goal of sustainable development called for a wide-ranging partnership among Member States, the United Nations and society as a whole and for concerted and coordinated action that drew on each country's strengths.

Mr. CHADLI LAROUSSI (Minister of Labour and Youth Employment, Tunisia) said that the need to increase employment in order to reduce poverty posed a substantial challenge to the international community. The resurgence of unemployment, poverty and marginalization called for a comprehensive approach that took account of all economic, social and political aspects. National endeavours must go hand in hand with concerted international efforts to eradicate disparities among peoples and build partnerships based on interdependence, tolerance and cooperation. The implementation of the Millennium Development Goals clearly called for a realistic strategy and coherent long-term vision. The time had come to translate into action President Ben Ali's call for a universal covenant on peace, progress, justice and greater solidarity among States, made inter alia at the 1995 World Summit for Social Development held in Copenhagen.

Employment was a high priority for the Government of Tunisia, which had undertaken a series of structural reforms designed to promote the development component of employment and to ensure that the people of Tunisia lived in dignity. It had adjusted its investment and exports legislation, reformed the education system, overhauled the industrial sector and improved the country's infrastructure, including the communications network. The resulting healthy growth rate, the fall in unemployment, the dramatic decline of poverty and the fourfold increase in per capita income since the 1960s all made for greater social cohesion. The United Nations had placed Tunisia among the 20 top countries in terms of economic development, largely as a result of its progress during the previous decade, and by 2010 it should be among the top 10 countries in the Human Development Index.

In recognition of the country's approach to human rights issues, it had recently been elected to the new Human Rights Council, and employment was a fundamental component of its human rights policy. The promotion of employment was a top national priority, based on the conviction that work was a fundamental component of individual dignity and a sine qua non of social stability. The country's National Employment Fund contained a "decent work" component, and its development plan for the coming five years would be structured on employment promotion and the needs of vulnerable groups. Although growth was important, the direction and quality of that growth were even more so. Tunisia's development programmes therefore assigned equal importance to the economic and social dimensions of development and to the interdependence of all members of society. The 1993 National Solidarity Fund included job-creation and social programmes that would raise the level of the country's least developed regions and integrate them into the nation's social fabric. Tunisia had proposed replication of that initiative on a global basis through the creation of an international solidarity fund to combat inequalities in developing countries and provide more social justice in the world.

The Tunisian Solidarity Bank had been established to help finance microenterprises for people without access to the conventional banking system, while the Employment Fund provided training courses for the unemployed. However, notwithstanding efforts at the national level, there was a need for a global partnership to ensure that globalization was more equitable, to create opportunities for all and to provide for greater peace and security worldwide.

Mr. SOMAVIA (Director-General, ILO) said that the high-level segment could make three very practical contributions to an economic, social and political environment that would generate enough decent work to make poverty history: it was in an admirable position to mainstream the goal of full and productive employment and decent work for all into the regular activities of all relevant United Nations bodies; it could launch a policy dialogue within the United Nations system, including the Bretton Woods institutions, so as to stimulate the indispensable convergence behind that goal; and it could strengthen the link between development cooperation policies and the decent work agenda.

It was important that in the coming decade the notion that working out of poverty was key to the realization of the Millennium Development Goals should be acted upon, decent work being an all too often unsatisfied basic need. A global response was required for a global crisis reflected in a 20 per cent increase in official unemployment in the previous 10 years and the accompanying growth of the informal sector, not to mention a projected increase of 430 million in the global labour force over the next 10 years, while young people in all countries, whose unemployment rate was four times higher than that of adults, could tell that the problem was not being adequately addressed.

There were a number of steps that needed to be taken if the disappointing job-creation record of recent years was to be reversed and there was to be a move towards a growth strategy that favoured employment-rich, pro-poor sustainable development and fair globalization. The first step was to value work. Prevailing policies tended, with dire results, to consider job creation as an outcome of macroeconomic policies and not as an objective per se. And yet, in times of crisis, labour was the main adjustment factor. It was time that labour was part of the cost of production and there was a labour market, but it was by no means a mere commodity. As recently stated by the President of Liberia, the sustainable road out of poverty for the unemployed in her country was the decent work agenda - decent work being the key to human security and social stability - rooted as it was in the central role of work in the lives and well-being of people and societies. Sadly, the current globalization model had forgotten those values.

The second step was to acknowledge the urgent need for political action. As evinced by election results and street demonstrations around the world, the opportunity to find decent work was currently the most widespread democratic demand. Lack of decent jobs bred insecurity and profoundly undermined the credibility of Governments, the business community and international organizations, as it did belief in the ability of institutional systems - and sometimes of democracy itself - to solve the jobs crisis. Unemployment was probably the most serious security risk facing many countries; it would therefore be fatal to fail to deal effectively with the global decent work imbalance.

The third step was to tackle the challenges faced by all countries in efforts to provide decent work. Common elements of a policy framework concerned productive employment and enterprise development, social protection, labour standards and social dialogue, all of which had a gender equality dimension. But all those elements needed to be reinforced with due respect for very diverse national realities, which was why real respect for national ownership was of the essence. The coordination of the efforts required was most effectively achieved through dialogue, with the concomitant strengthening of “tripartism” - cooperation among employers’ organizations, trade unions and Governments.

The fourth step was to promote local and community development by expanding local markets and capacities. Global linkages should not overshadow a sound understanding of local development, which was particularly necessary for upgrading work in the informal economy, which, for many countries - especially in Africa and the least developed countries - was arguably the greatest challenge in the field of employment.

The fifth step was to adjust the policy environment to the evolution of global markets in order to support entrepreneurial development and the creation of decent work opportunities. The tripartite partners in all countries constantly sought the right balance between flexibility and security, both of which were needed by the partners for their own reasons.

The sixth step was to ensure greater cooperation among multilateral international organizations, given that no single international organization or Government could alone put in place policies for full and productive employment and decent work for all. Without intense global cooperation and national commitment, current underperformance in that area would be perpetuated, and failure to tap the potential synergies between policy domains could only perpetuate the jobs crisis.

In that light, one could not simply repeat the policies of past decades. A reform mindset was needed to revitalize the multilateral system and provide more efficient resource management. In that regard, the High-level Panel on System-wide Coherence could provide guidance on practical ways in which the relevant international organizations could cooperate on policies for full and productive employment and decent work for all.

ILO had focused its strategic policy framework on achieving the global goal of decent work. The four pillars of its strategy - jobs, rights, social protection and dialogue - underpinned its new Decent Work Country Programmes, a delivery mechanism for all its technical cooperation and policy advice activities and a means of providing input for the United Nations Development Assistance Framework (UNDAF) and poverty reduction strategy papers. ILO was also developing with other international organizations a policy coherence initiative on growth, investment and jobs, and a toolkit on decent work, at the request of the United Nations System Chief Executives Board for Coordination.

If the United Nations system possessed the political will to make full use of the Council's mandate, it must ask hard questions of the United Nations organizations and the Bretton Woods institutions, such as: how their strategies were creating more and better jobs; how they worked with other agencies towards employment-rich, pro-poor sustainable development; and how the international development support frameworks helped increase decent work opportunities and achieve the Millennium Development Goals.

The meeting was suspended at 11.25 a.m. and resumed at 11.35 a.m.

HIGH-LEVEL POLICY DIALOGUE AND DISCUSSION ON IMPORTANT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION WITH THE HEADS OF FINANCIAL AND TRADE INSTITUTIONS OF THE UNITED NATIONS SYSTEM (E/2006/50 and E/2006/CRP.3)

Mr. OCAMPO (Under-Secretary-General for Economic and Social Affairs), Moderator, said that the world economy had performed well during the previous year, but was expected to slow somewhat later in 2006. There had been a conspicuous increase of volatility in global financial and commodity markets. Nevertheless, growth rates in the developing countries remained high, reflecting a very favourable international economic environment, which had included debt relief for some of the poorest countries and increased commitments to official development assistance (ODA), coupled with strong growth in trade and commodity prices and exceptional access to international private capital markets. However, that situation was threatened by increasing risks, including uncertainty around trade negotiations, commodity market volatility and rising interest rates in industrialized countries. Globally there were increased uncertainties, especially owing to the high current account deficit of the United States of America and contractionary monetary policies implemented to contain inflation caused by the high price of oil. Maintaining solid, broad-based and stable economic growth would require international cooperation. The recent decision of the International Monetary and Financial Committee (IMFC) to place multilateral surveillance at the centre of the work of the International Monetary Fund (IMF) was therefore a welcome step.

Despite the improved performance by developing countries, since 1980 there had been a process of dual divergence: an increasing income gap between developed and developing countries, paralleled by a process of growth divergence among developing countries. The World Economic and Social Survey 2006: Diverging Growth and Development (E/2006/50/Rev.1-ST/ESA/306) presented four major findings. First, success and failure in achieving sustained growth were apparently concentrated in time and space. Markets could exacerbate inequality, as capital followed success, while those left behind were more vulnerable to shocks in international markets. Secondly, growth in the developing countries tended to reflect a diversification of the domestic production structure, with the generation of new activities and a strengthening of economic links within the country. Domestic factors related to structural transformation were apparently more important than integration into world markets per se. Specializing in low value-added activities such as primary goods and natural resource-intensive manufactures generated low economic growth. From the standpoint of growth, a successful export strategy was a question not of how much was exported, but rather of what was exported and how the export sectors were integrated with other domestic economic activities.

Thirdly, macroeconomic stability, investment and growth were mutually reinforcing. Counter-cyclical macroeconomic policies played a very important role in economic growth, as they avoided strong swings in economic activity. Pro-cyclical fiscal adjustments had resulted in lagging infrastructural development, which could for example account for as much as one third of the income gap between East Asia and Latin America. On the other hand, ODA could have a strong positive impact on long-term growth because it supported long-term investments in infrastructure and human development. Fourthly, there was a need for a broader definition of institutional reform. Over and above the creation of markets and the guarantee of property rights, it must ensure a regulatory and institutional framework for markets, with the provision of public goods and fair rules. Institutional reform did not need to be large-scale and comprehensive from the outset. Minor and gradual institutional change could have a great impact on growth, provided it was perceived as initiating a further process of credible reform.

The survey called for a strategy to reduce international economic divergence by fostering active trade and production sector policies aimed at the structural transformation of developing country economies, diversifying production sector structures, creating domestic linkages and upgrading technologies. It also called for more space to be opened up for counter-cyclical macroeconomic policies, for example making price stability less an objective in itself and more a goal related to growth and job creation. Levels of public spending must be sustained to make the necessary investments in infrastructure and human capital. That would require inter alia increased efficiency of public expenditure, improved governance and a stronger tax base. For the poorest countries, it would mean additional ODA. Lastly, gradual, country-specific and home-made institutional reforms should be encouraged, for example by avoiding institutional conditionality in international cooperation.

Mr. PANITCHPAKDI (Secretary-General, United Nations Conference on Trade and Development (UNCTAD)) said that the recovery in the world economy was continuing and had resulted in a major improvement in the living standards and employment situation of hundreds of millions of people in developing countries. With monetary policies freed from unsustainable exchange-rate regimes, economies in Latin America had succeeded in transferring external stimuli into growth without reviving inflation.

Since 2003, the terms of trade had changed. The recent changes had been generally favourable to developing countries and had had an impact not only on the balance of payments, but also on the income of the different economic agents and on their domestic expenditure. In countries that had benefited, such as exporters of hydrocarbons, ores and minerals, the income gains had financed higher domestic spending, stimulated growth and driven down net foreign debt.

Yet there was no room for complacency. In real terms, prices of non-oil commodities remained below the levels of the 1970s. Commodity prices were dependent on factors beyond the control of producer countries, including demand from large, emerging countries and global economic growth. Markets remained volatile, and several of the poorest countries were not benefiting from buoyant demand for their export commodities either because their products were not in demand or because the benefits were being offset by high fuel costs and profit remittances to developed countries. One of the biggest challenges consisted in ensuring a fair distribution of the rent arising from primary production and its proper use in financing development.

The international situation could deteriorate abruptly if prevailing trade imbalances were not properly managed. Widening deficits and surpluses could culminate in a disorderly adjustment of the dollar, thereby adversely affecting global growth and poverty reduction. To mitigate such negative impacts, it would be prudent to pursue expansionary policies in surplus economies of a critical size and in those countries that were growing below their potential, such as those of the European Monetary Union and Japan. The developed surplus economies must assume a greater role as engines of worldwide growth by expanding their domestic demand.

The most promising approach to achieving an orderly adjustment of the dollar would be through global macroeconomic policy coordination, which would also improve coherence between the international trading and financial systems. International trade was organized around a rules-based system, with certain core principles, but that was not the case for international money and finance. Yet self-centred national monetary and financial policies could be much more damaging than those created by trade policies. A global monetary authority such as the IMF could do much to strengthen the international institutional framework by focusing on international monetary and financial stability, for example through surveillance.

The debt cancellation initiatives for the poorest developing countries and measures to increase ODA were welcome, but the long-term sustainability of external debt depended on a confluence of factors, notably a country’s economic growth and export prospects, the creation of an environment conducive to development and enhanced market access for its goods and services. Most poor countries would continue to rely on external finance to complement domestic resources for the financing of their development goals. In any such initiatives, it was essential to establish the principle of "additionality", according to which such measures were additional to other ODA commitments.

In the Uruguay Round of trade negotiations, developing countries had taken on unprecedented obligations at substantial cost in order to build supply capacity. It was thus gratifying that in the Doha Round the need for capacity-building and the risk of potential losses from trade liberalization were given greater recognition through the aid-for-trade initiative. Many developing countries would need trade-related assistance in order to cover adjustment costs related to preference erosion, terms-of-trade losses in food-importing countries, the loss of tariff revenues, compliance costs and other costs. Trade-related capacity-building in developing countries, in particular in the least developed countries, would be required regardless of the outcome of the Doha Round. The aid-for-trade initiative must be predictable, non-debt creating and additional to other ODA commitments, and UNCTAD, as the lead agency for trade and development within the United Nations system, could help to ensure that the initiative assisted developing countries to benefit from the international trading system.

Ms. RUGWABIZA (Deputy Director-General, World Trade Organization (WTO)) said that in the previous week, government ministers had gathered in Geneva to try to bridge gaps on three key pillars of the Doha Round: agricultural subsidies, agricultural tariffs and industrial tariffs. Regrettably, they had failed to narrow their differences. Clearly, there was a crisis, which would have repercussions not only for negotiations on agriculture and non-agricultural market access, but for the Round as a whole. It would now be much more difficult to conclude the Doha development agenda by the end of the year.

Fortunately, no one had given up. The talks had not been acrimonious. The situation was not hopeless, and positive progress was being made in a number of areas. The main losers of a weakened multilateral trading system would be the developing countries. WTO was seeking a way forward to complete the talks, even though the modalities had not yet been established. In the view of the WTO members in the Trade Negotiations Committee, a new modus operandi was required. They had asked the Director-General to act as a facilitator and catalyst of an agreement on modalities in agriculture and non-agricultural market access. He had responded by saying that he intended to preserve the bottom-up and inclusive approach, and would report back to the Trade Negotiations Committee as soon as possible.

The negotiations were particularly difficult because they were considerably more ambitious than those of previous rounds. The reductions in subsidies, import tariffs and agricultural subsidies would be twice as large as they had been in the Uruguay Round; agricultural export subsidies would be eliminated altogether by 2013. The Doha Round aimed to introduce new issues into the WTO legal construction, such as disciplines on fishery subsidies and trade facilitation, which addressed day-to-day problems such as customs procedures, transit of goods and bureaucratic border requirements - which would be of particular interest to small and medium-sized enterprises. The Round would make the development dimension more central to the system, granting “flexibilities” for developing countries in the form of special products or special safeguard mechanisms and making market access duty-free and quota-free for most products originating in the least developed countries.

The link between trade and development had been acknowledged, and the Doha development agenda aimed to lock in the tremendous gains of past rounds of trade negotiations and to achieve more by improving trade conditions and market access opportunities, especially for poor countries, by ensuring predictability and by refining, rebalancing and strengthening the rules that governed trade. To achieve a more prosperous, equitable, just and stable world, a timely outcome of the Doha negotiations was imperative. Stagnant economies could not generate jobs, raise incomes or improve living standards. That was not to say that trade negotiations were the only element, but they were certainly an important one. Supportive infrastructure, economic and fiscal policies and the political context were all central to improving production capacity and competitiveness. WTO was working with other international agencies to address supply-side challenges by putting together a comprehensive aid-for-trade package to accompany the Doha development agenda. To be successful, the initiative would require broad support from the international community and from trade, development and finance ministries at the national level.

The real promise of a “development round” was to create trade opportunities that would help lift millions of people out of poverty and improve their everyday lives. That was a promise that must be kept.

Mr. BOURGUIGNON (Chief Economist and Senior Vice-President, World Bank) said that although global economic growth had slowed somewhat after a record increase in 2004, there was growing convergence in the rates of increase in gross domestic product per capita in the developing countries and the developed countries. Every effort must be made to ensure that that convergence became a real structural trend with a view to achieving a sustainable reversal of the increase in income inequality witnessed in the previous three decades. Improved growth rates in the developing countries as compared to those in the developed countries would contribute to a further reduction in both the relative and absolute differences in per capita income growth rates. The process of convergence should continue in the medium term unless there was a drastic disruption in the oil supply and provided that global macroeconomic issues were resolved through international cooperation.

Unfortunately not all low-income countries had achieved an improved growth rate and as a result poverty reduction in those countries had suffered. In sub-Saharan Africa, for example, the Millennium Development Goal for poverty reduction would not be achieved by 2015 without accelerated economic growth whose benefits were shared by the population. The chances of meeting the other Millennium Development Goals were even smaller. Success in meeting the Goals would require strengthened international cooperation, sound national policies, increased aid, increased opportunities for trade, measures to facilitate migration and better control of climate change and pandemics.

The developing countries must implement vigorous and ambitious national development strategies and coordinate their poverty reduction strategies with international partners. Donors must meet their commitment to increase aid and coordinate their efforts while ensuring recipient countries retained ownership of the programmes implemented. A new emphasis must be placed on results-based planning and policy initiatives which took full advantage of available development knowledge.

Increased trade and market access were key to continued development and it was essential that the Doha Round be concluded successfully, even if the outcome was less ambitious than originally hoped. A successful conclusion would improve development opportunities and promote progress towards improving the lot of the poor.

It had been shown that migration could be beneficial to the country of origin, the host country and the migrants themselves. It was therefore important that measures be adopted to facilitate and take full advantage of the opportunities offered by migration.

Control of climate change was an important element in ensuring sustainable development over the long term, and the international community must make every effort to address that complex issue. Although there had been much debate about the effect of environmental measures on economic affluence, win-win situations did exist: for example, it had been shown that if the appropriate technologies were transferred to the developing countries, it was possible to increase production while at the same time reducing emissions.

Mr. MUNZBERG (Special Representative to the United Nations, IMF) said that global economic growth, while strong, could be threatened by volatile oil prices and the effects of a possible avian flu pandemic. Global payment imbalances were another concern; underlying those imbalances were imbalances in global consumption and savings.

The International Monetary Fund was developing a new mechanism based on multilateral consultations on major issues with a view to providing a framework for analysis and consensus-building that would highlight the benefits of joint action for all member States. The first multilateral consultation would focus on narrowing global imbalances while maintaining robust global growth.

The Fund had recognized the importance of making its lending more effective, in particular in supporting emerging market economies; to that end, a new instrument was being discussed to provide predictable and front-loaded financing to emerging market countries that had strong fundamentals but remained vulnerable to shocks. The Fund continued to work to help low-income countries achieve their development goals by focusing on policies and economic institutions critical to economic and financial stability and growth. It also assisted countries in their efforts to effectively absorb increased aid and to avoid accumulating new debt. Such efforts were part of the Fund's new medium-term strategy, which was designed to adapt the work of the Fund to the globalized economy. Important aspects of that strategy included making the Fund's surveillance activities more effective and addressing the issue of governance of the Fund, including with regard to quotas. There was a growing consensus that the Fund could only be effective if all members had a strong sense of ownership and participation in the institution.

Mr. KIM Hak Su (Executive Secretary, Economic and Social Commission for Asia and the Pacific), speaking on behalf of the regional commissions of the United Nations, said the past few years had been a golden period of high growth for the developing and transition countries in all the respective regions. A favourable international environment had contributed to good performance through vibrant trade and capital flows and many countries had improved their domestic macroeconomic and microeconomic fundamentals. Growth in 2006 should remain robust and the regions should be better prepared to withstand any future economic downturns. Despite that high growth, nearly one sixth of the world's population still lived in extreme poverty and the regions faced a host of policy challenges in their efforts to translate increased growth into poverty reduction.

One key new issue was the phenomenon of jobless growth. In the Asia-Pacific region, for example, growth had averaged 5.7 per cent over the past decade, and yet unemployment had been increasing in all its subregions. In order to address that problem, Governments must improve the functioning of labour markets, with particular emphasis on youth employment, and develop policy initiatives to improve the productivity and earnings of all workers. Employers must provide skills training to employees in order to keep pace with the rapidly changing global economy. Unless the problem of jobless growth was addressed in a holistic manner, the majority of the poor in the regions would see little improvement in their lives.

Mr. KUMALDO (South Africa), speaking on behalf of the Group of 77 and China, said he agreed with the Deputy Director-General of WTO that the developing countries had a lot to lose if the Doha Round failed. He would be interested to know if she felt the developed countries had an obligation to take the key decisions that would facilitate a successful completion of the Round. He welcomed the efforts by the IMF to increase participation in and ownership of its processes but stressed the need to give the developing countries an effective voice in the Fund. In that context, he said that he was encouraged by the resolution on follow-up to the development outcome of the 2005 World Summit (A/60/L.59) adopted in the previous week by the General Assembly.

Ms. RASI (Observer for Finland), speaking on behalf of the European Union, welcomed the high-level policy dialogue on developments in the world economy and international economic cooperation as an important part of the dialogue between the Bretton Woods institutions, WTO, UNCTAD and the Economic and Social Council. The European Union looked forward to participating actively in that dialogue and in enhancing partnerships and exchanging views in the spirit of the Monterrey Consensus on financing for development.

The least developed countries and Africa presented a particular challenge. The international community must find ways to promote economic growth in those countries and encourage poverty reduction in particular. The promotion of equality between men and women must likewise be an integral part of efforts to combat poverty. Development challenges could only be dealt with if Governments, the private sector and civil society in the developing countries shared a strategic vision. The promotion of national poverty reduction and development strategies by the international community, coupled with strong national ownership and domestic policies, would ensure economic growth and productive employment in the developing countries which would help the poor.

She reiterated the European Union’s strong support for a rapid, ambitious and pro-poor conclusion to the Doha Round, as outlined in the European Consensus on Development. Recognizing that international development cooperation played an important role in supporting the national development and economic growth efforts of developing countries, the European Union had adopted a timetable for its member States to achieve the target of allocating 0.7 per cent of gross national product for ODA by 2015 and had committed itself to provide 55 per cent of the increased aid to Africa. It was also committed to implementing the quality objectives and targets set out in the Paris Declaration on Aid Effectiveness.

The European Union would align its support with developing countries' national development strategies and work to ensure that development cooperation served to create employment and decent work for all. The Multilateral Debt Relief Initiative provided an additional tool to support national development efforts.

The aid-for-trade initiative currently being discussed within WTO provided an important opportunity to increase the effectiveness of aid efforts and support the strengthening of productive and employment-creating capacities in the economies of the developing countries. Economic growth, more efficient markets and new employment opportunities helped to strengthen social cohesion among the populations in the developing countries and to build more sustainable societies. That outcome was closely linked to the primary objective of the European Union's development policy: the eradication of poverty in the context of sustainable development.

Mr. SARENBERG (Brazil) stressed the need to devote greater attention to the international economic environment. Recent gains made by the developing countries were internationally driven and in order to maintain that momentum further progress must be made in the promotion of trade, in particular through the successful completion of the Doha Round. In that context, he expressed great disappointment at the lack of progress during the recent ministerial-level consultations and expressed concern that time was running out for a successful conclusion to the negotiations.

Mr. SATJIPANON (Thailand) said that widening global imbalances and insufficient income growth remained key obstacles to developing countries' efforts to achieve the Millennium Development Goals. High inflation caused by increased oil prices and the cost of the avian flu pandemic likewise continued to exact a heavy toll on developing countries. His Government advocated the building of partnerships for development in order to help developing countries cope with those development challenges. Exchanges of experience and best practices should be encouraged. Partnerships and cooperation to improve energy efficiency and develop alternative energy sources, as well as cooperation in coping with avian flu and its economic consequences, were examples of desirable collaborative initiatives. The United Nations must play a lead role in supporting such partnerships and should take steps to enhance the effectiveness of its development activities in order to close the development gaps among the developed and developing countries. Developing countries should also be given the opportunity to participate effectively in formulating global economic, financial and trade policies and to contribute to the work of the Bretton Woods institutions.

The developed and developing countries had a shared obligation to implement the Monterrey Consensus. The Bretton Woods institutions had the capacity to help developing countries mitigate the effects of volatile capital flows and provide counter-cyclical financing mechanisms. Improved coordination between the United Nations and those institutions was therefore essential in order to ensure consistency in the monetary, financial and trade systems put in place to support development.

The Economic and Social Council should serve as the principal United Nations body for ensuring policy coherence among United Nations agencies while UNCTAD should make effective use of its policy analysis to provide advice and recommendations on how to achieve the Millennium Development Goals.

Mr. LORENZO (Observer for the Dominican Republic), having associated himself with the statement made by the representative of South Africa on behalf of the Group of 77 and China, said that trade was the driving force behind the growth needed to achieve the Millennium Development Goals. Every effort must therefore be made to implement the Doha development agenda and to reform the international financial architecture. Reforms were necessary in the areas of agricultural policy, market access, trade-distorting tariffs, technology transfer and migration in order to promote job creation and decent employment. Information technology could play an important role in that context by creating employment and improving working conditions, adding value to national economies and promoting competitiveness.

Although global economic growth had been encouraging, volatile oil prices and the vulnerability to disaster of the Caribbean and other nations were obstacles to growth in the developing countries. He suggested that an oil summit should be held to address the problem of volatile oil prices.

Mr. YAKOVENKO (Russian Federation) said that, despite the progress made, uncertainty remained with regard to the prospects for continued growth and stability in the global economy. Macroeconomic medium-term policies and constant dialogue were necessary to ensure that the obstacles to continued growth and stability were overcome. All international organizations and financial institutions had an obligation to work to promote a balanced international economy and avoid economic downturns.

Ms. RUGWABIZA (Deputy Director-General, World Trade Organization) said the recent ministerial consultations had focused on three issues: trade subsidies, agricultural tariffs and industrial tariffs. The countries or groups of countries most concerned by those issues were, respectively, the United States, the European Union and the G20 group of countries, which included South Africa. She stressed that some common ground must be found on those issues before moving on to other pressing concerns such as the specific flexibilities needed by the developing countries.

Mr. MUNZBERG (Special Representative to the United Nations, International Monetary Fund) stressed that the Fund was committed to reviewing basic issues such as quota adjustments and increased participation. The Managing Director was engaged in wide-ranging consultations with a view to submitting proposals for reform.

The meeting rose at 1.10 p.m.