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# Economic and Social Council

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**Substantive session of 2011**
High-level segment

**Provisional summary record of the 15th meeting**
Held at the Palais des Nations, Geneva, on Tuesday, 5 July 2011, at 10 a.m.

*President*: Mr. Kapambwe . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . (Zambia)

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*The meeting was called to order at 10.05 a.m.*

## High-level policy dialogue with international financial and trade institutions

1. **Mr. Sha** Zukang (Under-Secretary-General for Economic and Social Affairs), acting as moderator, said that recovery from the global economic crisis was fragile, slow and uneven. Having grown by 3.9 per cent in 2010, average output was expected to rise by 3.3 per cent in 2011 and 3.6 per cent in 2012. The recovery was being driven by the developing countries, but was faltering in most developed countries, which had switched to fiscal austerity at a time of high unemployment. At the current pace of output growth, many advanced countries — where long-term and youth unemployment remained high — would need another five years to return to pre-crisis employment levels. In developing countries, especially in Asia, joblessness had generally returned to pre-crisis rates although many of the new jobs were precarious and finding decent jobs for young people was still problematic.

2. The new challenges to global growth and development included natural disasters and rising food and energy prices. Higher food prices favoured farmers but exacerbated food insecurity and poverty. Increasingly frequent natural disasters, soaring prices and uncertain economic recovery threatened the hard-earned progress made by developing countries and posed the greatest challenge to the least developed countries (LDCs), in particular in South Asia and Africa. Without additional efforts and resources some of the Millennium Development Goals might not be achieved. Large-scale investment would be needed to make growth more resilient, especially in the LDCs.

3. Dealing with those risks and uncertainties posed policy challenges to all governments. The developed countries should avoid embarking prematurely on fiscal austerity policies as the recovery was fragile. They should continue to focus on job creation, while promoting structural change and higher productivity with a view to more sustainable economic growth in the medium to long term. Globally, close policy cooperation was vital as was the provision of sufficient resources to help developing countries in a context of austerity.

4. Speaking as Secretary-General of the Rio+20 United Nations Conference on Sustainable Development, he emphasized the need to make major progress towards sustainable development. That would call for fundamental technological and social transformations, which in turn would require massive additional investment, especially in developing countries. Financing would be the key to greening the economy, while mitigating and adapting to the adverse impact of climate change. Since there was limited capacity to mobilize long-term financing in developing countries, most of the additional investment would have to be financed by international resource transfers. While many initiatives were being planned, yet more would be needed; the success of Rio+20 depended on a stronger commitment to financial and technological transfers. The global economic and financial situation was being defined by ecological change and social and political developments. It was evident that economic development was unsustainable without ecological and social sustainability. The world had to act as one, institutionalizing the framework of sustainable development within the multilateral system.

5. **Mr. Lamy** (Director-General of the World Trade Organization (WTO)) said that after a sharp fall in 2009 the volume of world trade was currently growing at around two or three times the growth rate for output. However, the growing divergence between economic growth rates in developed and developing countries was fully reflected in trade.

6. There were three main problems to be addressed. First, high food and energy prices were likely to increase inflation, especially in developing countries, hitting the poorest hardest. Second, whereas protectionism had been contained at the height of the crisis, recent research by WTO, the United Nations Conference on Trade and Development (UNCTAD) and the Organization for Economic Cooperation and Development (OECD) pointed to an alarming resurgence in export restrictions that needed to be monitored and, if possible, addressed. Protectionism might raise food prices with dire social consequences, especially in countries that were net food importers. Third, there was a perception in developed countries that the historically high unemployment levels were linked to the higher level of growth in developing countries. That could trigger political unrest with negative consequences for the global economy.

7. WTO should continue to monitor the development of trade policy and should resist protectionist pressures, in conjunction with WTO members and the G-20 in particular. In addition it

could further adjust the rules of world trade to address current concerns. Unfortunately the Doha Round had hit a serious impasse earlier in 2011 owing to a disagreement between some developed and emerging countries over industrial tariffs. It was hoped that at the ministerial conference in December 2011 a package could be agreed that would mostly benefit the LDCs. A good example of successful cooperation at WTO was the Aid for Trade Work Programme 2010–2011. It had shown noteworthy results in terms of increased aid and the number of case stories to be examined at the forthcoming Third Global Review of Aid for Trade. Much remained to be done but considerable progress had been made since the initiative had been launched in 2005.

8. The Economic and Social Council should play a greater role in global economic governance, addressing challenges with more coordination and accountability. At a recent meeting chaired by the President of the United Nations General Assembly, he had argued the need for ECOSOC to become more visible, by debating global policy with greater coherence. It was for ECOSOC to decide how that aim could be achieved, but the easiest way in his view was by focusing on results rather than projects and aspirations.

9. **Mr. Panitchpakdi** (Secretary-General of the United Nations Conference on Trade and Development) said that, in order not to repeat the mistakes of the past, it was vital to be aware of and heed the many risks to the nascent global recovery. They had been rightly described by the previous speakers: rising food, commodity and energy prices, persistently high levels of unemployment and sovereign debt issues. He agreed with the Director-General of WTO that ECOSOC needed to play a stronger role in global economic governance.

10. In order to support the current restructuring efforts around the world, there should be greater emphasis on the positive aspects of the international economy. While uneven, trends in the emerging economies of Africa, Asia and Latin America were highly encouraging and should be nurtured. Since many of the countries concerned had been hard hit by the crisis, it was encouraging that they were currently showing signs of a sustained recovery.

11. Growth in Asia was being maintained in 2011, admittedly at lower rates than in 2010, and it was serving as a catalyst of growth in Europe, Argentina, Brazil and some African countries. One encouraging sign was the healthier balance between domestic and external demand in China and the rest of Asia, which made economic growth stronger and more sustainable. Wages in China had been increasing recently at an average of 25 per cent a year, greatly boosting domestic demand. Moreover, fears of overheated economies and higher inflation in Asia were exaggerated, since consistent actions had been taken in many countries to tighten monetary policy and stifle bank-led real estate bubbles. In addition, the Quantitative Easing 2 (QE2) policy initiative had been terminated and was unlikely to be followed by a third such initiative. Asian stock markets had been excessively bullish until early 2011 but the normalization of capital flows had restored calm and boosted currencies, leading to more sustainable growth in the medium term.

12. In 2011, the United States of America was hosting the meetings of Asia-Pacific Economic Cooperation (APEC), whose 21 member countries accounted for around half of the world gross domestic product (GDP) and world trade. Since APEC favoured free trade, fostered trade-related capacity-building and worked closely with the private sector, it would be interesting to see what it did to stimulate world growth and trade in face of the threat of greater protectionism. The issues on APEC’s agenda included research and education, while the supply chain would be a major concern in terms of its connection with world trade, international investment and global governance. The green economy was another important issue. Many emerging countries heavily subsidized fossil fuels in order to placate consumers and APEC was examining ways of reducing those subsidies without increasing inflation. Instead, there should be more subsidies for eco-friendly energy production and support for green electricity generation. APEC would also be focusing on increased regulatory cooperation in all areas, in an effort to reduce non-tariff barriers.

13. Although Latin America had been badly hit by the impact of capital flows, at 7.5 per cent the growth rate in Brazil was the highest in over 20 years. At 6 per cent, overall growth rates in the region were good. Also, unemployment rates in Latin America had dropped by more than one percentage point in the past two years. Foreign direct investment (FDI) flows into Latin America had increased by 40 per cent in 2010 and debt levels were decreasing steadily. Stronger trade

ties between Latin America and Asia would keep up the positive momentum.

14. The situation in Africa was less encouraging, despite rising cotton prices. In response to an earlier downward trend in prices, many African cotton producers had switched to alternative crops. As a result, the benefits deriving from the current high prices were limited. However, sustained demand for cotton, especially from Asia, would keep prices high, and traditional African producer countries could revert to cotton growing. Assistance extended by international organizations to Africa should focus on enhancing productivity, improving marketing strategies and promoting added value.

15. He commended the Action Plan on Food Price Volatility and Agriculture adopted by the G-20 Agriculture Ministers in June 2011 in Paris. Given that efforts in the area of food price volatility, production and food security at the international governance level were somewhat inconsistent, the G-20 initiative was very welcome. Particularly noteworthy was the decision to launch the Agricultural Market Information System (AMIS) in order to enhance the quality, timeliness and reliability of food market information, thereby helping to prevent excessive or untimely production of food. He commended the G-20 Agricultural Ministers for supporting the call for regulation and supervision of the commodity derivatives market in order to address market abuses and manipulation. The Agriculture Price Risk Management (APRM) product recently announced by the World Bank would also help shield farmers and consumers in developing countries from price volatility.

16. In that connection, he had been pleased to learn of the decision by the International Energy Agency (IEA) to release their stockpile of oil reserves in order to stabilize oil prices. That move, while it should be regarded as exceptional, had helped prevent high oil prices from undermining the global economy.

17. With regard to the Doha negotiations, he said that obtaining a ministerial package on trade benefits for the poorest countries at the Ministerial Conference in December 2011 would be a significant step. Given that the LDCs accounted for less than 2 per cent of global trade, the impact on other countries would be minimal and the benefits for poor countries tremendous.

18. In the Seoul Development Consensus for Shared Growth, the G-20 had committed to a Multi-Year Action Plan for development in areas such as agriculture, income security in developing countries, access to financing for the poor, support for fiscal reform and public-private sector infrastructure investment projects. It was encouraging to note a shifting focus within the G-20 towards issues such as shared growth, partnership in development, meeting the Millennium Development Goals (MDGs) and poverty reduction, which had been long-standing items on the Council’s agenda. Given that trend, it could be interesting to explore possibilities for integrating the work of the G-20 with that of ECOSOC.

19. **Mr. Canuto dos Santos Filho** (Vice-President, Poverty Reduction and Economic Management, World Bank) said that, although the current global recovery remained fragile, middle-income countries (MICs) and low-income countries (LICs) had proven relatively resilient. While prospects were not the same in all developing countries, most of the developing world had been coping reasonably well with the crisis. Developing countries as a whole were becoming the new engine of global growth. Most advanced economies were still recovering from the crisis, with the possibility of additional economic shocks or aftershocks still looming. Growth prospects for HICs had deteriorated as advanced economies were burdened by exploding debts and were facing massive fiscal adjustments or solvency crises. The leveraging of private balance sheets was an ongoing process and labour market recovery was sluggish. In that situation, slow medium-term recovery could be expected at best.

20. The weight of developing countries in the global economy had been increasing steadily since 2000, and the continuation of that trend came out in most GDP projections. Over time, the absolute size of GDP in the two groups of countries seemed poised to be inverted. Although developing countries in Asia had led the way in that regard, rising shares in global GDP were also a feature of other regions. The balance sheets of both the public and private sectors in most emerging economies were in good shape. While deleveraging was still an ongoing process in advanced economies, many developing countries were able to explore untapped investment opportunities. There was also a large inventory of technologies that the developing world had yet to adopt and adapt. Advanced information and communication technologies had facilitated the transfer

of such technology and the break-up of the vertical production chain had promoted the integration of poorer countries into the global economy.

21. With the emergence of new middle classes in many developing countries, domestic consumption and investment should boost those countries' own production potential and make them less dependent on advanced economies as export outlets. If the favourable trend in South-South trade were to continue, it would support growth strategies in smaller, less developed economies. The growing demand for commodities would also bolster the growing share of developing countries in global GDP.

22. However, the positive economic outlook for developing countries was not certain. For them to realize their potential, an open trade regime was essential. Given their often dire situation, advanced economies might resort to protectionist measures; it was a positive feature of the most recent crisis that they had thus far desisted from doing so. While higher commodity prices provided opportunities for developing countries, they also represented a real threat to the poor. According to World Bank estimates, rising food prices had pushed some 34 million people below the poverty line between spring 2010 and spring 2011. For growth to be socially sustainable, social protection systems for the poor were vital. Developing countries themselves must not be complacent and must adopt the necessary reforms to improve governance and social inclusion.

23. Placing greater emphasis on gender equality in terms of both opportunities and outcomes was also crucial. Gender equality was part of the MDGs and a key to socially sustainable development. Without it, many economic growth opportunities would be lost.

24. **Ms. Bokova** (Director-General, United Nations Educational, Scientific and Cultural Organization (UNESCO)) said that, given the fragility of economic recovery, it was important to recall the crucial role played by education in enhancing economic growth and ensuring competitiveness. Global economic and financial forums mostly failed to recognize education as a priority. Although the G-20 Meeting in Seoul had made some progress in highlighting the importance of science, education and innovation for development, even greater focus should be placed on education. It was important to recognize that investing in education meant investing out of the crisis.

25. The global economic crisis had put downward pressure on education financing by both national governments and international donors. It was a dangerous trend and it was important to recall that governments and international donors must not use the economic crisis as an excuse to cut funds or sideline education. There was abundant evidence of the close relationship between education and economic performance.

26. **Mr. Paugam** (Deputy Executive Director, International Trade Centre (ITC)) said that the Aid for Trade agenda should be boosted in order to help less developed countries benefit from the prospects of global economic recovery. Trade-related technical assistance was highly relevant. Most of the work done under the Aid for Trade agenda was aimed at empowering the human capital of small- and medium-sized enterprises (SMEs) in the export sector. Training in compliance with international standards, product value improvement and foreign market access was an essential element. The Aid for Trade agenda had to accommodate evolving development strategies, especially in LDCs. New challenges had emerged in the tourism sector, which was a priority in most LDCs.

27. The Aid for Trade agenda must also include social objectives. While export promotion contributed to GDP growth, it did not automatically reduce poverty. The most vulnerable sectors of society must be empowered to benefit from the opportunities arising from trade. Gender equality was an important factor in that regard, and emphasis should also be placed on youth and poor communities.

28. **Mr. Flores Bermúdez** (Observer for Honduras) wondered whether small- and medium-sized enterprises (SMEs) might not be an appropriate vehicle for cooperative United Nations initiatives related to employment creation, market identification, access to foreign markets, working conditions, social security coverage, capacity-building, vocational training, education, innovative access to technology, the green economy and gender equality. He would be interested to hear panellists' views in that regard.

29. **Mr. Maimeskul** (Ukraine), commending the World Trade Organization (WTO) for its efforts to establish fair and equitable multilateral trade relations, said that preventing protectionism was crucial to economic recovery, as protectionist measures could undermine the interests of small and vulnerable

economies. Globalization was a reality and States must recognize the interrelated nature of their interests. All States must promote a new flexibility in trade negotiations to maximize development opportunities. Market growth in developing States, especially middle-income economies, would greatly contribute to economic progress. Well-coordinated cooperation together with global policy dialogue would help achieve the MDGs, including those related to education.

30. **Mr. Yamashita** (Japan) observed that the G-20 was driven by ministers of finance, while United Nations bodies were generally led by people with a foreign affairs approach. The idea of combining the efficiency of the G-20 with the legitimacy of the Economic and Social Council was attractive, but he wondered how institutional differences of approach might be overcome to bring about such a merger.

31. **Mr. Qian** Bo (China) said that the issue of international development cooperation posed three challenges: the imbalance between North and South, which lay at the heart of uneven development around the world; the diminishing resources available for development, especially since the financial crisis had led to a reduction in official development assistance and made it difficult for developing countries to earn funds through trade and investment; and the lack of coordination between different cooperation mechanisms. Development assistance policies needed to be more complementary and stakeholders should accord higher priority to international development cooperation, including in education. More resources were needed for development and a more favourable and equitable climate for development and global trade should be fostered. The Council ought to play a greater role in development cooperation, and international financial and trade institutions should work more closely with the United Nations and mobilize the private sector, civil society and other stakeholders to strengthen cooperation.

32. **Ms. Shah** (Pakistan), noting that great changes were taking place in developing countries, said that the Council could claim a greater role in global financial and economic governance if it were more representative. Rather than reacting to G-20 initiatives, the Council should set and drive its own agenda. LDCs were keen to explore aid-for-trade options and aid-replacement solutions, particularly in education and health. There should be closer study of the functioning of urban and rural economies, not just national economies. The recovery of economies hit by natural disasters and emergencies should be included on the Council's agenda.

33. **Mr. Barton** (United States of America) asked the panel to provide specific examples of where the Council or other United Nations bodies had failed to make the most of their comparative advantages. He also asked it to comment on the fact that significant economic growth in some developing countries had failed to bring about any improvement in their poverty indicators.

34. **Ms. Sisulu** (World Food Programme) said that WFP supported the plan of action adopted at a recent meeting of G-20 agriculture ministers on food-price volatility and its impact on the most vulnerable sectors of the population. At the request of the G-20, WFP had prepared proposals for the creation of emergency humanitarian food reserves as part of a broader response to the problem of food-price volatility and in support of WFP's Forward Purchase Facility. The proposals included a pilot programme for an emergency humanitarian food reserve system, to be considered before the end of 2011.

35. **Mr. Lamy** (Director-General of the World Trade Organization) said that much time and money were spent on education and training and that WTO, in spite of being a regulatory and not a development agency, devoted 20 per cent of its resources to training and trade-related technical assistance. Financing education was the best investment for stimulating growth, development and poverty reduction.

36. There was a need to improve coherence between international bodies but, before that could happen, Member States of the United Nations had to improve domestic coherence, for example between ministries. With regard to the relationship between the G-20 and United Nations bodies, a global governance system had to provide leadership, legitimacy and efficiency. At the national level, all three could in theory be delivered by government; internationally, they were not found combined in any one body. The comparative advantage of the United Nations lay in its legitimacy, while the G-20 could provide leadership and the specialized agencies their expertise. Greater coherence could be achieved within that triangle if members of the international system, including the G-20 and international organizations, were obliged to report

regularly to a body on whether they were achieving their objectives. The ideal forum for that purpose would be the Council, whose comparative advantage had thus far not been exploited. Such an arrangement would resolve the issue of boosting the authority of the Council and would obviate the need for grand reforms.

37. **Mr. Panitchpakdi** (Secretary-General of the United Nations Conference on Trade and Development) said that UNCTAD’s work on SMEs was proceeding well in four areas: microfinancing and moves to blend the formal and informal financing of SMEs; improved access to education, labour rights and the right to equal pay for women, many of whom ran SMEs; education and training targeted at entrepreneurship development for SMEs in the areas of management and access to finance and technology; and efforts under UNCTAD’s business linkage programme to help SMEs to market themselves and establish links with global firms.

38. He had been disappointed at the ambivalence shown by members of the G-20 to the idea of working with the United Nations, in particular the Council, within a system of global governance. There was no reason why decisions of the G-20 in terms of a global agenda should necessarily be taken up by the United Nations system.

39. What the Council needed was not so much major reform as an adjustment in attitude and organization. Global governance called for a holistic approach since social, commercial and economic considerations were increasingly intertwined. The Council required more professional staff in the fields of economics and finance and its meetings should be better focused. The global governance agenda should be jointly determined, and the G-20 should pay closer attention to the work of the Council. He noted that the theme of the Council’s current substantive session on education, training and innovation was also on the G-20’s agenda.

40. The United Nations and G-20 should therefore pool their resources, avoiding the duplication of preparatory work. Relations between the two bodies could be made a permanent item on their respective agendas. As a means of improving interaction between the two, the Council could also host annual meetings with the G-20.

41. **Mr. Canuto dos Santos Filho** (Vice-President, Poverty Reduction and Economic Management, World Bank) said that, in its policy dialogue, the World Bank had defined and measured the concept of core public spending, which was an estimate of the minimum spending required in social sectors, in particular health, education and basic infrastructure. Those estimates were used to encourage countries to protect that spending, since the long-term impact of cutting funding to those sectors would be particularly harmful.

42. On small- and medium-sized enterprises, World Bank analyses had shown that an effective way of boosting operating conditions for SMEs was to improve the investment climate and conditions for doing business, since SMEs did not have the same capacity as large enterprises to circumvent poor business environments.

43. Regarding Aid for Trade, the World Bank had recently prepared a Trade Strategy, including a “behind-the-border” agenda that had addressed trade facilitation and underscored the Bank’s willingness to help countries improve trade conditions.

44. He agreed with the representative of Pakistan on the importance of paying attention to natural disasters, which were becoming both increasingly frequent and severe, particularly in terms of their social and economic impacts. In its policy dialogue with countries, the World Bank had encouraged finance ministers to make the necessary budgetary provisions to cope with natural disasters.

45. Responding to the representative of the United States, he said that international institutions with different comparative advantages functioned more effectively when they worked together than when they took unilateral action. On the question of gender equality, the World Bank had made considerable efforts to mainstream gender in all its areas of work. They had been easier to achieve in sectors such as education and health than in typically economic sectors such as agriculture, energy, water and infrastructure development, where challenges remained. Through the implementation of a gender action plan, the World Bank had developed a roster of over 110 projects in economic areas that included a gender equality dimension. Efforts were being made to raise government awareness of the economic advantages of implementing a gender equality strategy in trade.

46. **The Moderator** said that setting the institutional framework for sustainable development was a key element of the work of the Economic and Social Council. He agreed with **Mr. Lamy** that fragmentation

of the United Nations system mirrored fragmentation at the national level and that the United Nations would function more effectively if government ministers interacted more effectively.

47. **The President** drew attention to the World Economic and Social Survey, 2011: The Great Green Technological Transformation (E/2011/50), which had been circulated to members of ECOSOC. He thanked the panellists for their contributions and closed the high-level policy dialogue.

*The meeting was suspended at 12.10 p.m. and resumed at 12.15 p.m.*

**Special policy dialogue of the high-level segment on “Education for sustainable development”**

48. *A policy dialogue followed on the topic of “Education for sustainable development”. The panel was chaired by Mr. Kapambwe (Zambia), President of the Council, and moderated by Mr. Ashok Khosla, Founder and President of Development Alternatives in India. The moderator made a statement and introduced the panellists: Ms. Bokova, Director-General, United Nations Educational, Scientific and Cultural Organization; Mr. Panitchpakdi, Secretary-General, United Nations Conference on Trade and Development; and Mr. Sachs, Director, Earth Institute, Columbia University.*

49. *The panellists and the moderator made presentations.*

50. *The moderator made concluding remarks and closed the policy dialogue.*

*The meeting rose at 1.15 p.m.*