

**Introductory remarks by
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UNCTAD Public Symposium

**Getting development right in a post-crisis world: global economic governance
reform and new paths for cooperation**

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It gives me great pleasure to welcome you to UNCTAD's second public symposium with civil society, the private sector, academia, parliamentarians, the media and other international organizations. You could say that the first symposium, held in May last year, was an experiment whose success laid the ground for this year's event: we hope and anticipate that this will become a regular feature of UNCTAD's calendar and a useful format for the exchange of views and information.

At the time of last year's first symposium, the global economy had reached the nadir of the financial and economic crisis. Since then, we have been hearing a succession of optimistic commentators, media reporters, economists and others pointing to the strength of the recovery: the resurgence in stock markets, the restoration of bank balances, the reversals in growth rates. At the same time, data has emerged describing the full impact and cost of the crisis, particularly for developing countries, such as an increase in unemployment, a further 53 million people falling below the poverty line and more than 100 million extra people going hungry. These figures are not moving in the right direction.

One year on, where are we: on the road to recovery, or the verge of a double dip? UNCTAD's contention is that the recovery is geographically variable – driven mainly by demand from Asia – and that it remains weak: it is still susceptible to threats from asset bubbles and debt crises in several regions, as well as low investment and persistent unemployment. The Greek debt crisis is a worrying sign of the fragility which still plagues the world economy, and more pressingly of the impact of financial events on working people in developed and developing countries alike.

Moreover, what momentum there was for the reform of international economic governance has stalled. Apart from macro-prudential regulation and some actions on bankers' bonuses and taxation, there have been no fundamental changes to the institutional architecture of economic governance. Indeed, currently some of the most significant changes are taking place at the regional level, involving increased South-South cooperation and integration. Additionally, changes in policy at the national level in both developing and developed countries – for example from tight macroeconomic policies to a looser counter-cyclical stance – needs to be recognized by multilateral initiatives, such as the MDGs and WTO

trade talks. In my introductory remarks this morning, I would like to say a few words which cover some of these issues and which will be discussed over the next two days.

Governance

Last year's public symposium took place just after the G20 met in London, where they agreed a number of coordinated measures to rescue the global economy, such as increased trade finance and a massive increase in IMF special drawing rights. The G20 also stepped up monitoring of the global economy, for example in the area of investment and trade protectionism - to which UNCTAD has been contributing a quarterly report. Yet, one year on, the world has little to show for a more inclusive approach to global governance. Despite representing 65% of the world's population, the G20 does not represent all of the world's peoples and countries. The UN is the sole institution with the legitimacy to represent the wishes and needs of a global community, together with its connections to civil society and other non-State actors.

The UN should therefore be more significantly involved in decisions about systemic reform of the global economy, on which it has contributed a number of valuable ideas. Not least among them is the Outcome Document of the Conference on the World Financial and Economic Crisis and Its Impact on Development, which has proposed a number of reforms to global finance and economic governance. The follow up process to this conference should be central to global efforts to reform the world economy, not left solely to an exclusive decision-making body like the G20.

MDGs and ODA

The economic crisis has had a decisive impact on the MDGs. Prior to the crisis, the chances of achieving the MDGs were deteriorating; now, after the crisis, it will be near to impossible to achieve all of the MDGs. IMF data (June 09) reports that financing to low-income countries rose from \$0.6 billion in 2007 to \$5.4 billion in 2008, and we expect similar trends to continue for 2009. However, the amount of funds mobilized for low income countries is not yet secured and not sufficient regarding their financing needs. Moreover, the emphasis is put on short-term rather than long-term measures: the focus appears to be on financing temporary gaps, rather than enabling the economic transformation that is needed for long-term sustainability.

The MDGs take a primarily sectoral view of development problems, focusing on health, education or disease, rather than a comprehensive and integrated (holistic) approach. Such a view can lead to dysfunctional outcomes. For example, increasing the number of primary school entrants may compromise teaching quality if expenditure on teacher recruitment cannot match the increased numbers of pupils. Alternatively, Children may leave school and not be able to continue their education or find

jobs in the labour market. Spending on public services and the social sector cannot therefore be seen in isolation from the structural upgrading of the economy and development of productive capacities in industry and agriculture. Unfortunately however, the share of aid commitments to production sectors (including agriculture) and economic infrastructure fell from 48% in the period 1992-94 to 25% in 2006. This trend needs to be urgently reversed.

In moving forward, we need to consider how aid should work not just in the next 5 years, but beyond 2015 and we also need to build a framework that better situates aid in relation to trade, finance, investment and technology flows. The objective of development cooperation, broadly conceived, is to break some of the economic and social constraints on resource mobilization and to bridge some of the gaps that might otherwise hinder or undermine the process of catch-up growth. This is not a task for development assistance alone but must include concessional development lending, as well as trade rules and arrangements, the role of multinational corporations and the mechanisms for accessing technology.

However, we should be cautious in any discussion of a “successor framework” to the MDGs and learn from the lessons of the last 10 years about the usefulness of targeting the social sector as a model for development. Efforts to achieve the MDGs should be integrated within a broader economic development strategy, as focusing on specific MDG targets in a compartmentalized way is unlikely to be sustainable. There should be a greater emphasis on production, improvement of productivity and productive capacities in agriculture, manufacturing and services, and infrastructure development in efforts to achieve the MDGs, as their achievement will require a combination of rising private incomes (based on productive employment) and improved access to public services (e.g. education, health, water and sanitation).

South-South Cooperation

The deficit in coordinated action at the multilateral level can be compensated to some extent by South-South initiatives at the regional level. Indeed, increasing regional trade and investment flows, and the development of infrastructure and economic and political institutions in the South, are key to building influence and to successful coordination at the multilateral level. With regard to the current crisis, it is unlikely that developed economies will constitute reliable sources of recovery, and so developing countries will have to find their own growth drivers.

Many developing countries have been pursuing strong export-led growth but the crisis has provided a warning note to these economies: perhaps greater regional cooperation can reduce dependence on external demand from the US, Japan and Europe - and their currencies. The promotion of domestic and regional demand – coupled with moves to enhance social safety nets and protection – could unlock savings and increase demand for imports. By allowing currencies to appreciate – perhaps coordinated at

the regional level - countries can also stimulate consumption through increased imports and the relocation of resources from export to domestic sectors.

Regarding financial integration, the strengthening of the Chiang Mai Initiative has helped maintain confidence in regional currencies and financial systems. It has also provided liquidity and a Swap facility for currencies between members of the ASEAN + 3. Following the 1997/8 Asian financial crisis, countries in the region took an explicit decision not to be reliant on the IMF or its policy conditionality. The development of the Chiang Mai Initiative therefore has important implications for global economic governance and for other emerging and developing economy regions, such as Latin America, where experiences could be shared.

A further area of cooperation where developing countries could work more closely together, in the spirit of South-South cooperation, is the up-grading of regional infrastructure. Increased infrastructure spending has been a targeted component of several developing country stimulus packages, most notably in the case of China, which has been increased infrastructure spending by 3% of GDP. Investment in infrastructure could also target energy production and transmission, such as green technologies and green growth. The transfer of technology is a key factor in the successful deployment of renewable energy technologies in developing countries. However, in addition to the transfer of technology hardware, there must also be a transfer of technology software – that is, the knowledge and skills related to the technology.

Renewable energy technologies have a considerable potential for South-South trade and technological co-operation. For these reasons renewable energy projects should be seen as a strategic and integrated component of governments' development and poverty eradication policies and not just as a stand-alone element of infrastructure investment.

Conclusion

The financial and economic crisis has changed the landscape of economic policy and presented one of those rare occasions when a new direction could be taken. What is now needed is deeper reform of the existing financial architecture, new modalities of cooperation, and a more active role for the State in terms of setting industrial and macro policy as well as supporting investment in structural industrial change, and maintaining social protection.

At the international level, the expansion of the G8 was an important step towards greater policy coherence and cooperation, but we should not forget about the rest of the world. A truly inclusive multilateralism must be based on the G192, the number of all member states of the UN. Some regions, such as Europe, have already gone through their own integration process and understand the need for

smaller countries to have a voice. Asia and other regions are now moving in that direction. The future stability of the international financial system, and the prosperity that such a system can help deliver, depends on the inclusion of all countries in the decision making, monitoring and regulatory architecture.

If an interdependent world is not to be a zero-sum game, then international policy must be more than the summation of national and regional interests. But to be truly effective these actions must be based on a level of trust across the whole international community. Global trade talks and climate negotiations suggest that the deficit in trust poses a very serious challenge at a time when an effective multilateral system is needed more than ever.

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I hope that this event will offer an environment where civil society and other development actors can have a frank and dynamic exchange of views on some of the topics I have discussed above.

Lastly, I wish to thank you all for your interest and support for UNCTAD's work. I also take this opportunity to thank the many civil society networks and other international organizations that have joined us in this effort and supported our organization to produce this event. Not least I would also like to express our gratitude to the Government of Luxembourg and our partners Friedrich Ebert Stiftung (FES) and the UN Non Governmental Liaison Service (UN NGLS) for facilitating the participation of civil society from developing countries. I wish you all fruitful discussions over the next two days. Thank you.