

Oral Report of the Multi-year Expert Meeting on Promoting Economic Integration and Cooperation on its second session

Held at the Palais des Nations, Geneva, on 19 and 20 May 2014

The second session of the Multi-year Expert Meeting on Promoting Economic Integration and Cooperation was held at the Palais des Nations in Geneva on 19 and 20 May 2014 as per the terms agreed by the Trade and Development Board at its fifty-seventh executive session on 26–28 June 2013. The objective of the session was to examine the different forms of international cooperation undertaken in support of the Millennium Development Goals (MDGs), to assess in which areas international cooperation has been most successful and to identify the key factors behind this success.

The experts invited stressed the successes achieved on poverty, which had been reduced at an incredible pace in the last 25 years, on school enrolment, especially in sub-Saharan Africa, and on the reduction of child mortality rates. They also noticed, however, that performance on the other Goals have been far less impressive. More importantly, rising inequality within countries cast some doubt on the effective improvements experienced by the poorest parts of the population in many developing economies. Furthermore, the progress made to date seems fragile, since the growth process underpinning the achievements has not brought about structural transformation or job creation, and in many countries capital formation and savings rates did not improve.

Concerning more specifically the MDG8 on international cooperation, according to the experts, its contribution to the achievement of the Millennium Development Goals has overall been disappointing. For instance, despite the fact that the Goals framework focused mainly on official development assistance and debt relief to reduce poverty, the target of 0.7 per cent of gross national income that developed countries had agreed to provide as aid was far from being met. The adverse effect of this financing gap has been reinforced by the lack of effective international macroeconomic cooperation, which has weakened further once the worst part of the global economic crisis had passed.

Against this backdrop, the experts discussed possible new financing sources that might fill these financing gaps. They agreed that, although numerically important, private sector financing cannot be a substitute for public sector financing, and innovative sources of financing would not be sufficient to provide the financing required for sustainable development. Therefore, the experts called for systemic reforms of the global economic governance and improvements in domestic resource mobilization.

Equally detrimental has been the absence of progress regarding development issues in the Doha Round of negotiations. In the last two decades trade and income growth in many developing countries have been commodity dependent and not inclusive, resulting in a slow

reduction of poverty, a lack of structural transformation and increasing de-industrialization. This type of growth is not sustainable and there is a need to promote an employment-rich growth model, with the development of productive capacities as an integral part. In a globalized economy, this kind of development challenges cannot be addressed without a multilateral rule-based system and a strong and pro-development political commitment on the part of the major advanced economies.

The experts emphasized that isolating trade from other components of development, such as technology and infrastructure, might foster divergence rather than convergence among economies. An integrated approach is required, aimed at productivity improvement in agriculture and tradable and non-tradable activities, and based on coherent development strategies with sufficient policy space to be implemented, especially in least developed countries.

Productivity improvements, in turn, rely on the accumulation of productive capabilities and capacities. Recent research carried out by the International Labour Organization and UNCTAD shows that improving educational attainments and establishing new activities while increasing the technological content, through active support for knowledge, is fundamental for the development of the manufacturing production and of the share of medium- and high-technology products.

Finally, the experts highlighted some of the critical lessons learnt from the MDG experience to be taken into account in order to establish priorities in the post-2015 development agenda. Alongside finance and trade issues, combating inequality should represent the cornerstone of the new set of goals, in order to guarantee sustainable growth and a more equitable distribution of growth gains. This should not be evoked simply as a general principle, but should be explicitly articulated in targets on the distribution of income and with regard to other income generation related variables, such as educational achievements.

Setting ambitious objectives alone, however, is not enough to achieve real and sustainable progress, especially where the production of public goods is involved. Objectives should be accompanied by an effective mechanism of international cooperation based on inclusiveness and multilateralism, in effect adapting the architecture of international cooperation to the exigencies of the twenty-first century. And in this sense the increasing importance of emerging economies from the South and the rapid growth of South–South economic interactions offer an important opportunity to enrich and diversify the provision of financial, intellectual and political resources needed to achieve the new development objectives.