



**South-South Sharing of Policy Experiences**  
**14-15 March 2022**  
**Room XXVI, Palais des Nations, and online**  
**Report of the Meeting**

**Session I: Launch of ‘China’s Structural Transformation: What Can Developing Countries Learn?’**

The first panel session was entitled “Launch of ‘China’s Structural Transformation: What Can Developing Countries Learn?’”. The session was devoted to open the two days meeting and launch a research publication prepared by UNCTAD team, which is one of the key outputs of UNCTAD Peace and Development Fund project “South-South Integration and the SDGs: Enhancing Structural Transformation in Key Partner Countries of the Belt and Road Initiative”.

UNCTAD Secretary General Rebecca Grynspan opened the session, stressing that successful completion of the Project demonstrates UNCTAD “strong commitment and capability to promote South-South economic cooperation”. Ambassador Chen Xu, Permanent Representative of Chinese Mission at Geneva delivered a keynote speech in which he commended the role of UNCTAD as “think tank of the South” and expressed views that China is “ready to work with other developing countries to learn from each other”.

UNCTAD project team presented their research and analysis on China’s economic policies covering five areas of macroeconomic management and financial reform, trade and participating in GVCs, industrial development, digital transformation and debt sustainability. The research highlighted several key findings of China’s policy experiences including pragmatism, gradualism and experimentation, balancing the role of state and market, managing integration and policy space, etc. The presentation was followed by panelist from Sri Lanka and Ethiopia, who further recognized the value of policy experience peer learning, but not replication, among developing countries. They shared respective experience with comparison with that of China through cases of digital transformation of Sri Lanka and manufacturing sector development of Ethiopia.

During the discussion, the panelists interacted with the audience, both online and in-person presence, on broad range of questions including formulating proper strategy to build digital skill and capacity in developing countries, role of export processing zone in promoting manufacturing sector, challenge from climate change and environmental sustainability to the economic diversification and structural transformation, challenge of middle-income trap, role of social policy in economic development, high quality development policy framework of China, and difficult situation of multilateral cooperation for development. In general, the discussions well reflected the significant role of policy strategies for developing countries in their progress towards structural transformation and sustainable development.

UNCTAD Director on Globalization and Development Strategies, Richard Kozul-Wright, moderated the session and stressed that the successful completion of the Project is not an end, but a beginning for the further work of UNCTAD in promoting policy experience sharing among developing countries.



## Report Session II

The second panel session was entitled 'Key Policy Responses to the Pandemic in developing countries: Case Studies of China, Ethiopia, South Africa and Malaysia'. It was devoted to comparing country experiences in responding to COVID-19 trying to highlight best practices and draw policy lessons. The countries examined in the panel differ for size, demography, level of development and geography and adopted different policies in response to the twin health and economic emergencies. The panel therefore provided to practitioners and policymakers a complete spectrum of possibilities to face present and future challenges.

The panelists coincided on the existing of multiple fragilities in the global economy exposed by the pandemic and on the opening of a window of opportunity for a paradigmatic change, as the rescue from the economic crisis have come by ripping up many of the prescriptions of the 'Washington consensus' and leaving more space to expansionary fiscal and monetary policies. Such a heterodox policy stance can be instrumental also to solve political crises that, in many countries, have predated or followed the health emergency. The panelists also denounced how inequalities have been exacerbated by the pandemic, as more vulnerable categories have generally paid a higher toll to the virus. Combating these inequalities requires structural transformation fostered by industrial policy. In this context, they also stressed the importance of facilitating transfer of technology towards (and between) developing economies. For example, through the deployment of initiatives like the mRNA vaccine technology transfer hub recently set up in Cape Town. Finally, the panelists emphasize how the traditional separation between economic and social policies shall be overcome and the need to reconcile the growth and social agenda (through, e.g., public investments in the care economy).



### Report Session III

The third session, entitled “Challenges and Policies for Structural Transformation in Developing Countries”, discussed the experience of various developing countries with different initial conditions and levels of development regarding their policies to foster structural transformation. This exchange of experience provided valuable insights to policymakers as to how to address both traditional and emerging challenges for structural transformation.

The keynote speaker underlined that the project had provided valuable insights to policymakers, especially with regard to tailoring policy lessons from China’s experience to local conditions. Structural transformation was affected by both national policies and the external economic environment. Regarding the latter, it would be a mistake to turn away from economic integration and multilateralism. Nevertheless, it would be premature to create binding multilateral commitments through digital rules at a time when many developing countries were still designing national policies to build their digital infrastructure and bridge the large digital divide between developed and most developing countries, and when there was insufficient knowledge about the revenue implications of digital trade liberalization.

The panellists agreed that structural transformation required the use of multiple policy instruments, and that rising domestic and foreign debt, both private and public, represented serious current challenges. A flexible macroeconomic framework could both ensure macroeconomic stability and growth-enhancing fixed investment. Public investment, especially in infrastructure and education, and a strong domestic financial system also were crucial. Industrial policy in economies with large extractive industries faced particular challenges because it was more difficult to add local value to existing activities and to create domestic linkages for new activities when domestic enterprises were integrating into global value chains. Panellists also pointed to implementation challenges. These arose from insufficient institutional coordination among ministries or between the public and the private sector, insufficient administrative capacity, and suboptimal choices in addressing the perceived trade-off between obtaining rapid results by building on existing strengths and achieving sustainable structural transformation that required longer-term commitments, including towards investment finance. Achieving structural transformation while ensuring debt sustainability had become a difficult task especially with the Covid-19 pandemic. Diminished access to concessional finance from donors and international development agencies had increasingly forced governments to rely on external commercial funding, where a downgrade by credit rating agencies could cause immediate debt distress. Enhanced domestic revenue mobilization, reducing the share of foreign debt by issuing debt denominated in domestic currency, active liability management to reduce future debt service payments, and ensuring emergency liquidity through bilateral swap arrangements with friendly central banks could address this problem. Yet, developing countries had little influence on monetary conditions in developed countries that remained crucial determinants of debt sustainability.

In the discussion, the speakers said that South-South cooperation under the BRI allowed partner countries to benefit from China’s infrastructure investment, project finance, and faster technology transfer, while attracting greenfield FDI remained a challenge. Collaboration through the BRI created the enabling environment for productive capacity, especially in exports. It also allowed scarce capital to stay within the region, whereby loan conditions were often more favourable and related to the success of funded project. Regarding the effects on structural transformation of import restrictions on deforestation products from polluting industries, panellists pointed to difficulties in providing cost-competitive products that met ecolabelling requirements. China was a big market for said products and did not require ecolabelling.



#### **Report Session IV**

The fourth session, entitled “Policies to promote digital start-ups in developing countries”, discussed the policies of developing countries, namely Sri Lanka, Pakistan, Ethiopia, Indonesia and China, with respect to digital start-ups. The panellists discussed the key challenges facing digital transformation in their countries, particularly focusing on the digital start-ups, and shared the policies put in place by the countries to facilitate digital start-ups along with the implementation status of the policies.

The keynote address delivered by the Ambassador of Indonesia to the UN and the WTO highlighted three possible areas which need to be the focus of digital policies in developing countries. Firstly, inclusive digitalization which addresses the digital divide with regard to rural-urban areas; gender; and small and medium sized enterprises vs large enterprises. Secondly, investment in human capital and thirdly, enabling a digital ecosystem.

The panelists agreed that digital inclusivity, investment in human capital and digital literacy are important enablers for digital transformation. With respect to digital startups, the key challenges outlined by the countries included lack of standard definition of digital startup, lack of adequate digital infrastructure and availability of digital skills. They agreed that the pandemic has provided challenges and opportunities for the digital economy and the number of digital startups have increased in their countries. The governments are helping their digital startups through targeted policies like setting up of digital hubs, providing loans without collaterals, providing fiscal and non-fiscal incentives and with policies with respect to innovation and entrepreneurship. It was pointed out by some that policies with respect to data localization, data centers and data regulations can also play a key role for digital startups.

