

Joint UNCTAD-Government of Kazakhstan Lunch Event

World Anti-crisis Conference
23-24 May 2013, *Astana, Kazakhstan*

50 years of development: What have we learned?

Opening Remarks

Charles Gore

Excellencies, Distinguished Participants, it is a pleasure to welcome you all here to this thematic lunch organized by UNCTAD and the Government of Kazakhstan. A thematic lunch is a curious type of event in which the aim is not only to provide good food but also good food for thought. We have a fine panel of speakers and also, in you yourselves, a very distinguished audience and I hope that together we can stimulate your senses in a variety of ways and generate some creative ideas.

In my opening remarks now I would like, firstly, to link the work of this session to the Anti-Crisis Conference Forum, and then to introduce the speakers and explain the déroulement of the lunch.

I was watching an interview with Jim O'Neill, the inventor of the idea of the BRICS last week. He is retiring from Goldman Sachs and the interviewer asked him what he was most proud of in his career. His reply was interesting. He did not say it was inventing his famous acronym. He did not say it was his well-known prowess in currency forecasting. What he said that he was most proud of was: "Thinking globally".

It is an interesting answer because one may think that nowadays we are all thinking globally, even in our sleep. But no: Jim O'Neill's answer suggests it is much harder than that. Imagining and quantifying new global facts about the world; discerning something which can be described as a global process; tracing out global systemic effects economically and ecologically; articulating the relationships between global and national processes; re-asserting the importance of national processes within a global context; re-configuring analysis of national economies to take account of global processes – these are really difficult tasks. Most of the economic and social sciences on which we base our work are still rooted in national frames of reference, and escaping them requires imagination, hard work and persistence.

I would suggest that trying to think globally has been at the heart of the deliberations here at the Anti-Crisis Conference. It is also the foundation for the idea of this thematic luncheon.

The theme of the luncheon is based on the intuition that global income inequality is a fundamental cause of the financial and economic crisis and its persistence, and that unless stronger efforts are made to reduce global income inequality, and in particular to reduce development gaps between countries, the crisis will persist and the world will remain prone to recurrent instability.

I must stress that this is an intuition. There are interesting analyses, including by Joe Stiglitz and Raghuram Rajan, which link the origins of the financial crisis with growing income inequality at the national level, particularly in USA. However, most *global-level* analysis of the financial crisis has focused on recent global imbalances in savings and investment rather than the long-term contradictions in the global development trajectory, notably the scale of global income inequality. But new global facts about income inequality are shocking.

In 2005, the poorest 40 per cent of the world population get just 4 per cent of the world income. The poorest 60 per cent got just 10 per cent. The poorest 80 per cent of the world population were living on less than \$13 per day, equivalent to the US poverty line. The richest 1.75 per cent of the world population got 20 per cent of the world income, which was the same as the poorest 77 per cent.

Some analysts see the global income inequality trend peaking, owing to rapid growth in China in particular and a few other large emerging economies, and I believe this is true. But available projections suggest that the level of inequality will only decline slightly by 2030.

According to World Bank projections, the income of the average developing country resident is predicted to be only 23 per cent of that the average high-income resident in 2030. Within their scenario, the average Chinese income would rise from 19 per cent to 42 per cent of the high-income level from 2005 to 2030. But South Asia would only see very modest convergence with income per capita increasing from about 10 to 14 per cent of high-income country levels, whilst both Latin America and MENA would stay at about the same relative level with per capita incomes around 20 per cent and 25 per cent of the high-income level in 2030. Income per capita of SSA countries actually declines slightly relative to high-income countries from 2005 to 2030, and at the latter date are expected to be just 5 per cent of high income country levels.

These projections were made in 2007 before the financial crisis and they therefore must be adjusted to take account of events since. But equally, they were based on optimistic growth projections for developing countries extrapolating the trend of the 2000-2005 period, which has proved unsustainable, rather than the long term 1980-2005 trend. Thus I do not think that adjustments would radically change the picture.

Can such an unequal world be stable? It is difficult to imagine the creative talent which is being wasted because of these inequalities. And it is difficult to imagine the loss to global aggregate demand which such inequalities imply. But we are getting more and more images in the news which remind us of the social frustrations associated with this world in which there has been a globalization of expectations without a globalization of opportunities.

The G20 has recognized in its Toronto Declaration of July 2010, and reinforced through the Seoul Development Consensus, the need to narrow the development gap.

But how can this take place? How can we reinforce the historic turning-point in the global income inequality curve which could now be happening?

At this point we must retain our global vision but return to what is happening at the national level. And this brings us to the theme of our lunch.

The basic idea is that 50 years ago when theorists and policy analysts were writing about development they just wrote deductively and speculatively. But we now live in a world where a few countries have actually made the transition from being least developed countries to high-income countries. Moreover, other countries are adopting and adapting the successful approaches to their own country context and they also are starting to catch up. There are therefore important lessons which can enable us to forge better national and global policies to close the development gap.

This is what we want to address for the next hour and a half. What are the major lessons from past experience? Why are they not more widely known and applied? How must they be adapted to the new global context?

We have a great line-up of speakers to give us their views on these questions. The first is Dr. Supachai Pantitchpakdi. For the last 8 years he has been Secretary General of UNCTAD and before that he was Director General of WTO. He has also been the Deputy Prime Minister of Thailand and was Minister of Finance when the 1997 financial crisis broke on Thailand. The second speaker is Joe Studwell who, like Jim O'Neill, comes from the Northern England. Joe founded Dragonomics, which is now one of the leading companies engaged in macroeconomic research and forecasting in China, and he has written various books on Asian development including *How Asia Works*, which was published earlier this year. Finally we are extremely honored to welcome Kariat Kelimbetov, the Deputy Prime Minister of Kazakhstan, who has also served as Minister of Economic Development and Trade and CEO of the Kazakhstan Sovereign Wealth Fund.

Before they begin, I must warn you that we have not planned this sequence of interventions as a meal which starts with the soup, then moves on to the main course and then you get the desert you have all been waiting for. No, we have planned this as "Main course, Main course, Main course". But the sequence of interventions is intended to be complementary and their different perspectives will, I believe, together make a wholesome meal.

After they have spoken for 12-15 minutes, I shall open the floor for discussion. There is so much experience and knowledge in the room it will be great to get your views. Rather than a one-to-one dialogue, let us place our ideas onto an imaginary collective table in the middle of the room, which we can then all collectively address, debate and each pick up what we want when we leave. However, to close the session I do intend to give each speaker a few moments to give their final thoughts, including addressing any questions that might have been addressed to them.

So, without further ado, let us begin. Over to you, Dr. Supachai.