

Press release

ESCAP Seminar offers a glimpse into the future of the world economy

Accelerate South-South and regional cooperation, the way forward



New Delhi, 15 January 2014 - “Developing economies can no longer depend on developed countries to act as engine of economic growth. They will have to rely on each other and on internal demand,” stated Nobel Laureate Professor Joseph E. Stiglitz from Columbia University, addressing a seminar organized by ESCAP South and South-West Asia Office held in New Delhi this week. “Greater cooperation and regional integration will stimulate growth. Developing economies need to get their act together and turn potential demand into effective demand”, explained Professor Stiglitz.

The High-level Seminar, “Future of the World Economy and Globalization in the aftermath of the Global Financial Crisis: Implications for Developing Economies”, assembled world-class and award-winning economists and development experts from diverse backgrounds and regions of the world to outline emerging trends in the world economy and globalization, and draw lessons for developing economies, such as India. Over 200 policymakers and decision-makers, diplomats, academia, scholars, students and media representatives from South Asian countries attended.

Key messages that emerged from the discussion were the importance of pursuing and nurturing a new form of multilateralism, advancing South-South and regional cooperation, reviving industrial policy, and managing globalization.

“We live in a highly integrated and interconnected global economy that generate enormous spillovers yet we lack institutional mechanisms of global governance”, acknowledged Mr. Montek S. Ahluwalia, Deputy Chairman of the Planning Commission, Government of India, who chaired the

Seminar. "Hence the value of such high-level panel discussions", he underscored, to reflect on the gaps, and possible remedy actions that need to be set in motion.

A sense of urgency to move away from outdated models of development, unbalanced and asymmetrical power relations and trading regimes, north vs. south, center vs. periphery, was palpable from the discussions, the panelists taking turn to call for fresh development thinking.

"The opportunities provided by the 'old system' are over. We need to develop new ways and build and strengthen institutions to harness South-South and regional cooperation", explained Professor Jose Antonio Ocampo, Vice-President, Initiative for Policy Dialogue, Columbia University and former Under-Secretary-General of the United Nations. "A major challenge is that for the most part these institutions do not yet exist", he stated.

"The global financial crisis has been a watershed event for the world economy, challenging many assumptions. It has also ended the dream run of the world economy where the advanced economies were expanding and acting as locomotives of global growth," said Dr. Nagesh Kumar, Director, ESCAP-SSWA Office and Chief Economist of ESCAP in his opening remarks. "Five years and double-dip recession later, the major advanced economies of the world continue to face a subdued and uncertain economic outlook... In other words, we are witnessing the downside of globalization, which is posing many challenges for policy makers in developing countries", Dr. Kumar said.

The eminent panelists examined different dimensions of globalization - financial globalization and integration, trade globalization, free movements of persons and free flow of ideas -- and pointed towards important innovations that ought to be embraced as game changers. Issues such as capital controls, trade agreements and intellectual property rights were also touched upon. Metaphorically comparing the world economy to an integrated power grid, with the gain of efficiency yet the elevated risk of contagion, Prof. Stiglitz emphasized the lessons derived from the global financial crisis, and the importance of "circuit breakers."

"An important insight from globalization is that bad things cross borders just as good things do", he stated, advocating for more mature reflections and carefully weighted decisions in areas such as trade negotiations and agreements. The panel encouraged developing economies to appropriately manage their integration with trading partners and ensure that trade liberalization occurs in terms favourable to them. Negotiators for trade agreements often have little scope to predict implications for domestic production, rights, liabilities and a range of other factors.

The eminent panelists also discussed the role of capital account management tools, that can act like 'circuit breakers' and is a sensible and realistic policy framework that developing economies should employ to manage their integration with world markets and provide insulation from global economic volatility and contagion. The panel praised the creation of the BRICS Development Bank (Brazil, Russia, India, China and South Africa) as a good example of an initiative created by emerging market economies.

Citing the case of India's achievements in the area of generic drugs that represent potential gains to be made, Stiglitz said that developing economies can exploit many more flexibilities in the TRIPs

Agreement, not only in generic medicines but also in other sectors to better exploit innovation and avoid rent-seeking behavior of IPR holders.

“The promise of the BRICS Bank and BRICS reserve pools can be models for international financial institutions’ reform”, explained Professor Kevin Gallagher from Boston University. “They should ensure more equitable decision-making powers, engage in structural change and industrial policy, counter-cyclical and long-term lending and be more involved in social inclusion and environment sustainability”.

“Developing economy and emerging market institutions can provide an alternative model for the South and push the global international financial system to become a more just and equitable place to carry out the provision of global public goods”, said Professor Gallagher.

Touching on the knowledge-based economy and social entrepreneurship, Professor Andrew Sheng, President, Fung Global Institute, Hong Kong, China, stated: “Emerging markets need to move towards and invest in the knowledge economy, as well as position themselves in the global competition for talents. They need to reallocate and mobilize their resources and adopt a different frame of reference, with full confidence in their strength”. “We should encourage the free flow of ideas, one of the greatest force for democratization is the internet and devices such as the tablet”, he said, citing examples in India of e-education, e-medicine and e-agriculture initiatives.

During the ensuing question and answer session, Prof. Joseph Stiglitz reflected on the slow uptake of proposals, innovations and new ideas. “We are just sowing the seeds of ideas and I am glad I have to fight for my ideas in a democratic process, unlike a dictator who could enforce new decisions. Dramatic changes are like a continuous process and take time. It is the very nature of the market place of ideas”.

For more information about the High-level Seminar, visit: <http://sswa.unescap.org> or follow us on Facebook @ www.facebook.com/unescapsswa and Twitter https://twitter.com/SSWA_UNESCAP

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- *ESCAP provides good development practices, knowledge sharing and technical assistance to member States in the implementation of these recommendations.*

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