



JOINT MEETING OF ECOSOC AND THE SECOND COMMITTEE OF THE GENERAL ASSEMBLY ON 7 OCTOBER, 2016

The changing political economy of globalization: Multilateral Institutions and the 2030 Agenda

INFORMAL SUMMARY BY THE PRESIDENT AND CHAIR

BACKGROUND

The Joint Meeting of the Economic and Social Council and the Second Committee of the General Assembly was convened with the participation of various experts, to address the growing popular backlash against multilateralism and globalization. The President of ECOSOC and the Chair of the Second Committee delivered opening remarks, followed by a keynote address by Mr. Thomas L. Friedman, New York Times Columnist and Pulitzer Prize winning author. The general discussion involved a distinguished panel of experts: Ms. Anu Madgavkar of McKinsey Global Institute, Mr. Michael Plummer of Johns Hopkins University and Ms. Mariama Williams of the South Centre. The discussion was moderated by Ms. Pamela Falk of CBS News.

KEY MESSAGES

- The view of globalization as a force for global prosperity is being increasingly undermined by several trends, including financial crises, global inequalities, systemic imbalances and technological innovations.
- Humanity is facing three nonlinear accelerations of technology that occur at the same time and that engage three powerful forces: the market, Mother Nature and Moore's law.
- Globalization in the future will no longer be driven by the trade of physical goods and services, but by global flows of ideas and innovations. Countries would need to tap into such flows to be able to compete in the global economy.
- Large disparities in infrastructure that continue to persist between developing and developed countries will be amplified further by accelerating technological change. Fostering infrastructure development in developing countries will be essential to ensure that countries are not left behind by changing realities in the global economy.
- Social safety nets are essential in order to facilitate the economic transitions created by technological advancements and ensure that no one is left behind.
- Increases in inequality have been driven by adverse aggregate demand effects, demographic and labor market changes as well as income and tax effects.
- Policies to tackle inequalities in incomes need to revive economic growth, increase opportunities for individuals to improve their earning potential and sustain incomes through more effective transfers.

- There is the need for global solutions in a time of daunting systemic global challenges, including climate change, poverty, conflicts and terrorism. No single country can deal with these issues alone.

SUMMARY

Globalization is a broad phenomenon with impacts in the political, social and environmental spheres. Tackling its challenges requires solutions in all these areas. In order to promote Inclusive and sustainable economic growth, globalization needs to be embedded in a strong normative and institutional framework. Speakers agreed that, if properly managed, global economic integration has a transformative power that can foster development and economic growth. Panellists also highlighted that, In order to achieve fair and sustainable outcomes, globalization and multilateralism need to adapt to several key trends in areas including technological change, inequality, trade and those pertaining to structural imbalances in the international system.

Technological change

The world is facing three nonlinear accelerations, occurring at the same time and that engage three forces, namely the market, Mother Nature and Moore's law. Markets represent globalization, Mother Nature denotes climate change and biodiversity loss and Moore's law is a proxy for technological acceleration. The acceleration of these three forces reshape the world as we know it today and have deep impacts on geopolitics, community and ethics.

As highlighted in the keynote address, several of the accelerations in technology can be traced to the year 2007, when many of the technologies used today became global phenomena. However, some of these innovations were unnoticed due to the economic crisis of 2008. Since then, the rate of technological change has outpaced the rate of human adaptability. Taken together, these innovations represent a technological supernova that will have a deep impact on our lives. In politics, for instance, these accelerations require adaptations to a new environment in which those political parties will thrive that are undogmatic, entrepreneurial and heterodox. In order to ensure that no one is left behind by the radical speed of change, social safety nets are required to facilitate transitions in labor markets and the wider economy.

Technological change has also affected how globalization works. While the trade of physical goods and services has flattened out or decreased, global flows of ideas and information have increased interconnectivity changing the nature of globalization. Rather than building stocks of strategic goods, countries should tap global flows of information and ideas in order to be competitive globally. The "cloud" has become the central source of power for the future. In addressing questions from Member States with regards to how countries, in particular developing countries, can benefit from technological acceleration, panellists highlighted the need for governments to prioritize building infrastructure and educating their citizens to reap the benefits of the cloud.

Inequality

Globally, large shifts have also been observed in the distribution of incomes, suggesting increasing inequalities. These shifts have challenged the widely held expectations of individuals that their quality of life will improve over their lifetime. Between 1993 and 2005, only two percent of households in developing countries had not seen improvements in their incomes. After 2005, almost 70% of households were earning the same or less than similar families had earned in the previous period. Surveys show that 30-40 percent of respondents in developed countries feel that their

incomes are not advancing and around 30 percent responded that they are pessimistic about their children's future.

The panellists highlighted five drivers that play a critical role in fostering this negative outlook, namely, aggregate demand, demographic shifts, labor market effects, capital income and tax effects. Labor market effects are characterised by falling wage shares across many developed countries. Technology has played a role in fostering these effects, as workers become redundant or are unable to adapt to the new technologies. In addressing these challenges, better measurement is necessary to put in place policies that can revive growth through productivity, increase opportunities for individuals to improve their earning potential, sustain disposable income through more effective transfers and build stronger partnerships with government, business leaders and civil society.

Trade and development

The meeting noted that from the perspective of global investment and trade, there is the need to consider theoretical as well as specific explanations for increases or decreases in the distribution of income. The Trans-Pacific Partnership Agreement (TPP), for instance, has been shown to not only benefit high-skilled labor in developed countries, as trade theory would suggest, but also lower-income brackets as the prices of products have decreased. Technology has been an important trend that has shaped this discussion of the benefits or shortcomings of global trade. Active public policy is necessary to facilitate the transitions in labor markets and trade patterns that are associated with technological change in developing and developed countries.

While the analysis of the benefits of trade agreements have often focused on developed countries, developing countries have benefited from such agreements. Poverty reduction has been one of the effects of trade liberalisation, as this has allowed for employment creation including in manufacturing. As panellists highlighted during the discussion, the global framework for trade needs to be strengthened in order to reinforce the beneficial effects of trade, as institutions have not evolved commensurate with the increase in the volumes and interrelationships in global trade.

The international system and global imbalances

The view was shared that uncontrolled globalization has in some instances exasperated inequalities and fostered a shift away from people-centered democratic systems. An international environment benefitting few actors rather than societies as a whole has accompanied this shift. Multilateralism has sometimes been a casualty of the discontent and backlash against untethered globalization. Nonetheless, there is strong consensus among developed and developing countries that multilateralism has a key role to play in the design of the international system.

In order to address the shortcomings of the international system, including in the economic sphere, there needs to be a push for globalization that is based on the principle of solidarity and that focuses on people. This will require policy space at the national level that empowers countries to address the needs of their citizens. It is felt that the current system is not designed to allow for this, particularly in the developing country context. Therefore globalization has not fully worked for developing countries. Structural reform is thus necessary to provide a framework to achieve more equitable development across the globe.

LINKS

WEBCAST

WEBSITE

PROGRAMME

Opening remarks by

- **HE Ambassador Frederick Shava**, President of ECOSOC
- **HE Ambassador Dian Triansyah Djani**, Chair of the Second Committee of the United Nations General Assembly

Keynote Address

- **Mr. Thomas Friedman**, Author and New York Times Columnist

Q&A

Panel Discussion

Moderator:

- **Ms. Pamela Falk**, UN Resident Correspondent and Foreign Affairs Analyst, CBS News

Panelists:

- **Ms. Anu Madgavkar**, Partner, McKinsey Global Institute
- **Mr. Michael G. Plummer**, Director and Eni Professor of International Economics, SAIS Europe, Johns Hopkins University
- **Ms. Mariama Williams**, Senior Programme Officer, Global Governance for Development Programme, South Centre

Interactive Discussion