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Summary record of the joint meeting of the Second Committee and the Economic and Social Council on "The global economic outlook"
Held at Headquarters, New York, on Monday, 22 October 2012, at 10 a.m.

Co-Chair: Mr. Talbot (Chair, Second Committee) . . . . (Guyana)
Co-Chair: Mr. de Alba (Vice-President, Economic and Social Council) . . . . (Mexico)

Introductory remarks

Presentation on "Project LINK: Global economic outlook"

Presenter: Mr. Vos, Department of Economic and Social Affairs
Lead Discussants: Mr. Burns, World Bank
Mr. Mahmood, International Labour Organization

Interactive dialogue

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The meeting was called to order at 10.10 a.m.

Introductory remarks

1. **Mr. Talbot** (Co-Chair) said that, more than four years after the start of the global financial and economic crisis, the world economy remained precarious. According to recent analysis by the Department of Economic and Social Affairs, the global economy was expected to grow over the following two years at a pace that was far below its full potential. Many of the structural weaknesses that had given rise to the crisis remained unresolved and there was a significant risk that the global economy would continue to worsen.

2. In many developed countries, banks, firms and households continued to strive to reduce their debts, resulting in reduced access to credit, a fall in investment, and weak consumer demand. Unemployment remained disturbingly high. Furthermore, fiscal austerity measures adopted to reduce public debts had often backfired, causing public debt levels to rise.

3. Economic weaknesses in the developed world had, moreover, affected developing countries: demand for their exports had fallen and they were suffering from the impact of reduced capital flows and increasingly volatile commodity prices. In some cases, domestic structural weaknesses were exacerbating the strains on those countries' economies and had further depressed domestic investment.

4. **Mr. de Alba** (Co-Chair) invited **Mr. Robert Vos**, Director, Development Policy Analysis Division, Department of Economic and Social Affairs, to deliver his presentation entitled "Project LINK: Global economic outlook".

Presentation on "Project LINK: Global economic outlook"

5. **Mr. Vos** (Department of Economic and Social Affairs) said that Project LINK was a large cooperative non-governmental research consortium that brought together experts from more than 60 countries with a view to sharing knowledge on global economics.

6. Four years after the outbreak of the global financial and economic crisis, the world economic outlook remained extremely worrying. Major developed countries, particularly in Europe, were caught in a vicious circle in which high sovereign default risks, banking fragility, fiscal tightening, slower growth and rising unemployment had combined to thwart economic recovery. Sharp economic slowdowns had compounded financial fragility, which, in turn, had exacerbated vulnerabilities stemming from excessive financial risk taking and weak regulatory and supervisory mechanisms. Faced with economic uncertainty, overleveraged banks and households had taken action to reduce their debts and risk exposure, which, in turn, had reduced credit flows and further impeded growth.

7. Developing countries were under increasing economic pressure as a result of weaker demand for their exports, increasingly volatile exchange rates, commodity prices and capital flows, and domestic structural weaknesses. In particular, low-income countries, which had shown considerable resilience during the early years of the crisis, were suffering the impact of slowdowns in developed and some middle-income countries. Many low-income countries had also seen their external balances of payments further deteriorate owing to a combination of lower non-food and higher food prices in world markets.

8. Confidence in the global financial system remained weak. Although monetary expansion in the developed world had initially fostered increased investment in emerging economies, capital flows to emerging markets had dried up as lenders sought to reduce their exposure to risk. Unless confidence in developed countries' financial markets was restored, capital inflows to emerging economies were likely to remain subdued and volatile.

9. Unemployment rates in developed countries, especially in Europe, continued to rise and in Spain and Greece had reached 25 per cent. Moreover, it was likely that official statistics underestimated the scale of that phenomenon, as many unemployed people were no longer registering as job seekers. Approximately 40 per cent of job seekers were classified as long-term unemployed: a far higher figure than in any other recession since the Second World War. Furthermore, it was of grave concern that a high proportion of the jobs being created were very insecure, particularly for young people.

10. Global growth was predicted to reach only 2.3 per cent in 2012, 2.5 per cent in 2013 and 3 per cent in 2014. As a result, developing countries were

expected to achieve much slower poverty reduction over the next few years than they had over the previous decade, and would have far less money available to invest in education, health, basic sanitation and other key areas with a view to achieving their development goals. Large emerging economies had also been affected: economic growth in Brazil had fallen from 7.5 per cent in 2010 to 1.7 per cent in 2012, while in China and India, growth had decreased from 10.4 and 8.9 per cent to 7.7 and 5.5 per cent, respectively, over that same period. Sharp economic slowdowns in those countries were leading to reduced demand for commodities which, in turn, was depressing growth in many low-income countries, many of which, particularly in sub-Saharan Africa and the Sahel, also faced increasing food insecurity as a result of high global food prices and persistent food price volatility. Moreover, even if emerging market economies contracted gradually before stabilizing, it was estimated that China's growth rate would only reach about 8 per cent in 2013-2014. It could fall to 5 per cent or even lower, however, particularly if the growth in fixed investments kept declining and policymakers remained reluctant to engage in further fiscal stimulus as part of their restructuring and rebalancing efforts. That would have a major negative impact on the global economy.

11. Although weaker global demand was exerting strong downward pressure on oil prices, heightened geopolitical risks, particularly in the Middle East, were pushing them up. Oil markets remained tight, with only 2.8 million barrels per day of spare capacity, approximately half of normal spare-capacity levels. Oil prices were expected to remain elevated, with average prices of between US$ 105 and US$ 110 a barrel, and highly volatile over the next two years, further impeding economic recovery.

12. Recent remedial actions by policymakers in developed countries had met with some success: in particular, the European Central Bank had reduced borrowing costs for a number of euro zone countries and was attempting to recapitalize banks without increasing sovereign debts with a view to enabling indebted countries to sever the link between their sovereign debts and the fragility of their financial sectors. Yet doubts remained as to the long-term sustainability of those actions, and there was a considerable risk that the situation would further deteriorate if economic confidence continued to erode. In that connection, stakeholders were concerned that the continuing political impasse that was hampering the adoption of a federal budget in the United States of America, coupled with the ongoing euro zone crisis, could result in further downward adjustments; it was still possible that one or more countries would be forced to leave the euro zone and, if the United States Congress did not soon adopt a federal budget, drastic spending cuts, amounting to 4 per cent of gross domestic product (GDP), would come into effect over the following two years. That would result in a massive contraction in global demand. Furthermore, the stimulus effects of monetary expansion and attempts to enact economic structural reforms were being offset by austerity measures, including tax increases and benefit cuts, that impeded economic recovery. The pace of much-needed regulatory reform remained slow and there were strong disagreements among policymakers as to the direction it should take. There were also doubts as to the capacity of certain countries to enact reforms, particularly as attempts to do so were exacerbating social tensions and adding to economic uncertainty.

13. Although trade deficits and surpluses had narrowed in recent years, largely as a result of slower growth, global imbalances of assets and liabilities were increasing, and, coupled with certain policy decisions, were exacerbating exchange rate volatility. In 2010 and 2011 the currencies of developing countries had appreciated, following expansionist monetary policies in developed countries. However, with the reduction of capital flows as a result of bank deleveraging, those currencies had subsequently depreciated sharply against the dollar. Continuing uncertainty in financial markets made it likely that they would remain highly volatile, making it difficult for developing countries to achieve sustained economic recovery.

14. Much slower economic growth could lead to a double-dip recession with developed countries experiencing negative growth and certain developing countries experiencing growth rates of barely 2 per cent, which, on a per capita basis, would result in zero or even negative growth rates.

15. To break out of the vicious circle, policymakers must avoid focusing on only certain aspects of the crisis, and must address all facets of the economic slowdown. In particular, they should focus less on enacting harsh austerity measures that could prove self-defeating. Fiscal policies and structural reform must be

redesigned to place greater emphasis on promoting employment and avoid undermining economic stability still further. In that regard, there were opportunities to invest in infrastructure and technologies to boost sustainable development, including in the fields of renewable energy and energy efficiency, particularly since many countries enjoyed a range of fiscal policy options as they could borrow money cheaply in world financial markets.

16. Stakeholders must also ensure that there was greater synergy between fiscal policy and monetary stimulus measures, and that monetary stimulus in developed countries did not cause serious negative repercussions on capital flows and exchange-rate volatility in developing countries. That would require greater international coordination with regard to the timing of monetary expansion, and coordinated efforts to avoid systemic risk and excessive risk taking. Stakeholders also needed to consider taking action vis-à-vis major financial markets to reduce capital flow volatility, rather than only relying on capital controls in developing countries.

17. Official development assistance (ODA) had fallen in 2011 and was likely to remain low. To help reduce economic uncertainty and spur growth in developing countries, developed countries must honour their ODA commitments. New ways to finance international development assistance should also be considered, including through international taxation mechanisms, with a view to delinking that assistance from the business cycle and providing developing countries with more predicable aid flows.

18. **Mr. Pauly** (LINK Project Manager, University of Toronto) said that the world faced an unprecedented situation characterized by multiple problems which had accumulated over the past four years, including a significant output gap caused primarily by the deleveraging of the private sector; a long-term downward shift of global potential output; the ongoing fragility of financial markets; and falling growth rates in the emerging markets as the result of spillover from the developed world.

19. Recovering from a financial crisis was not like recovering from a typical business cycle downturn: financial crises were slower, lasted longer and were more volatile. Global growth was well below potential, and would persist at that level a number of years to come: evidence was mounting that little could be done to remedy the situation in the short term. While there were some hopeful signs for the longer term, the immediate future was overshadowed by a deleveraging process which had not yet run its course, a set of monetary policies which were constrained at the lower bound, debt constraints in many countries which precluded the possibility of fiscal expansion, and austerity policies which had proved ineffective in boosting confidence or were too costly politically.

20. The world would remain in a fundamentally slow-growth period until private-sector leveraging had been completed and financial stability had been restored in Europe. Beyond short-term fixes, what was required was a significant move toward deeper integration of at least a subset of European countries, which would take time.

21. While there would no doubt be some resolution in the United States within a year, there was no indication that such a development would add significantly to short-term global growth. The inescapable conclusion, though hard to accept, was that the world faced low growth of 2 to 2.5 per cent for the foreseeable future.

22. **Mr. Burns** (World Bank) said that the economic crisis which had shaken the world in 2008 had profoundly undermined confidence in the way the global economy was managed. However, while he essentially agreed with the lacklustre outlook assessment presented by Mr. Vos, he wished to express a more nuanced view regarding the concept of potential output and how the crisis was affecting developing countries.

23. A number of developments in the past few months justified a more optimistic prognosis. Despite the fact that the turmoil experienced by the global economy in May and June 2012 was similar to the downturns of July 2011 and January 2012, both of which had been followed by a relative easing of tensions and a subsequent relapse, the most recent upswing differed in the extent to which those tensions had receded.

24. Most significantly, credit default swap rates, which represented the cost of insuring against the sovereign debt burdens of individual countries, had fallen dramatically since July 2012 both in high-income economies and in the developing world. For developing countries, those rates were now lower than they had been in January 2010, while in the euro zone

countries they were only 110 basis points higher than they had been before tensions began to emerge.

25. That development could reasonably be ascribed to the cumulative effects of the reforms introduced at the country level and in the euro zone as a whole, as well as to the change in stance by the European Central Bank. As it was precisely the lack of confidence engendered by the European sovereign debt crisis that had unleashed a downward spiral to begin with, the latest situation could well foreshadow positive developments. For the time being that possibility remained a hypothetical one, predicated on continued efforts to raise confidence and on the successful negotiation of the looming fiscal cliff in the United States. However, if momentum could be maintained, a genuine recovery might be in prospect.

26. More impotant from the World Bank's perspective was the impact on developing and emerging economies. In that regard he wished to emphasize the difference between the sustainable long-term economic activity a given country was capable of and the degree to which it had fallen short of that potential.

27. In high-income countries, there had been a clear drop-off in economic activity, resulting in mass unemployment and a production slump. In contrast, developing countries had weathered the worst of the global economic crisis without significant ill effect, having recovered their pre-crisis per-capita income levels within a year and a half.

28. It was notable that 60 per cent of developing economies were within 1 per cent of their potential output, which suggested that existing policy recommendations focusing on demand stimulus were inappropriate. Rather, the real issue for developing countries was how to ensure that the strong growth they had enjoyed between 1995 and 2000 continued; the insistent focus on incremental shifts in the economies of the United States and of European countries had distracted attention from the real issue of long-term structural reforms as the essential precondition for the growth of developing countries.

29. The risk of a severe downturn in developing countries was real, and called for making a greater commitment to long-term structural adjustments while at the same time preparing for a worst-case scenario which could see output in developing countries fall by as much as 4 per cent of GDP, a level last reached in 2008. Therefore, spending priorities should be re-evaluated with a view to preparing for a potential resurgence of the economic crisis, and the international community should take advantage of the current respite in order to rebuild fiscal and monetary buffers as a way to confront any conceivable negative outcome.

30. Part of the reason so many developing countries had successfully weathered the economic and financial crises in 2008 had been their advantageous fiscal situations. In 2007, 40 per cent of developing countries had been operating with a fiscal surplus, while 20 per cent had shown a deficit of 3 per cent of GDP or more. Today those figures were reversed, and much of the developing world would not be in a position to respond as well as it had in 2008.

31. Lastly, the current situation with respect to the food market was not as dire as it had been in 2008. However, certain indicators relative to maize and wheat stocks were cause for concern, as a poor harvest could have a heavy impact on prices and availability.

32. **Mr. Mahmood** (International Labour Organization (ILO)) said that while he agreed with the general assessment that there had been a modest upswing in global economic growth, employment rates had never fully recovered to their pre-crisis levels in either developed or developing economies. Nevertheless, much of the economic turmoil had been centred in the developed economies, in particular in the euro zone, and the structural reforms undertaken in Europe in response had therefore been especially counterproductive, as all of the costs of macroadjustments to the financial and capital markets had been shifted onto the employment market. As a result, the economies of European countries were caught in a negative feedback loop characterized by rising unemployment and weakening demand.

33. It was estimated that an additional 2.5 million jobs would be lost in 2013, largely in the advanced economies of the euro zone, with commensurate downside risks in Asia and sub-Saharan Africa. An estimated 200 million people were unemployed in 2012 worldwide, indicating that 27 million jobs had been lost since the onset of the crisis in 2007. Taking into account the additional job losses caused by shrinking GDPs, some 30 million jobs would have to be created in order to achieve acceptable employment levels and a true recovery from the global economic crisis.

34. Currently, a number of negative feedback loops were actively undermining the recovery of the global economy: households were deleveraging and failing to spend as they sought to recover from lost assets and wages; firms were not spending and were instead hoarding capital; banks were not lending while sitting on large portfolios; and the private sector was not spending, leading to the accumulation of unsustainable public debt and the resulting encouragement of destructive austerity policies.

35. The greatest impact of the lagging household expenditures had been on exports, while the current recovery had resulted in only a 2 per cent increase in consumption. Gross fixed capital formation had yet to recover, while bank lending to insurance corporations, other financial intermediaries and non-finance corporations had dried up. Prior to the crisis the private sector had regularly registered deficits, while the public sector had run surpluses. In the wake of the public bailouts of private sector banks to address the near collapse of financial instructions, it was the public sector which was now running deficits.

36. It was thus clear that austerity policies should address a longer term, and should be more nuanced and sequential. That it had taken the world 20 years to recover from the deficits which followed the Second World War underscored the need for long-term policy prescriptions. Lastly, the issue of policy sequencing was an important consideration, as currently only monetary policy was driving growth while fiscal policy lagged behind.

37. The crisis had demonstrated that transfers rather than cuts were now the typical response, notably in Europe, where it had been recognized that lower wages would be inimical to economic recovery. That lesson should now be carried forward as the world sought to recoup its losses.

38. **Mr. de Alba** (Co-Chair) said that two fundamental lessons had emerged from the discussions thus far, the need for medium- and long-term solutions to the global economic crisis, and the need for better coordination and support by multilateral bodies for national and regional recovery efforts. An unprecedented effort was therefore needed to review and reform the way in which multilateral institutions worked and cooperated.

Interactive dialogue

39. **Ms. Akhtar** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs) said that it was not clear to what extent the world was caught in a spiral of uncertainty, given the protracted nature of the global economic crisis and the context of fiscal austerity, including the limited remedial capacity of monetary policies. In addition, she wondered what impact the crisis was having on developing countries, given the fears of excessive liquidity and macroeconomic complications expressed in emerging markets, which were seen as relatively safe havens with higher yields for capital flows during the crisis.

40. **Mr. Mero** (United Republic of Tanzania) said he wondered how effectively countries were addressing the global economic crisis, and whether there was any hope for a near-term recovery given the general pessimism expressed by the panellists. He likewise wished to know whether the Doha Round of trade negotiations had any hope of success, so that African countries like his own could begin trading on more equal terms.

41. **Mr. Busuttil** (European Union) said that the current emphasis in Europe was on growth and jobs, and that a recently agreed investment package worth 120 billion euros would soon provide a much needed stimulus on those two fronts. While European citizens were being asked to make major sacrifices, they were also being offered a realistic prospect for growth, as well as the assurance that the most vulnerable among them would not suffer unduly. Likewise, it had been agreed that the financial sector would contribute to the economic recovery.

42. While it was generally accepted that no single formula existed for job growth, and that the private sector was the principal job creator, there was considerable room for contributions by the public sector. In that context, he would like to hear more about the recommendations which had been made to address the issue of employment, in particular with respect to redesigning structural policies and the potential for green growth.

43. **Mr. Souissi** (Morocco) asked how the two high-level panels on sustainable energy and on the post-2015 development agenda could contribute to resolving the economic crisis, and whether the critical macroeconomic situation would influence the priorities

of policymakers, which often concentrated on political issues to the exclusion of economic matters.

44. **Ms. Kage** (Germany) said that it would be useful to know what impact the prevailing risks would have on the attainment of the MDGs, and what the prospects were for different groups of developing countries, taking into account the variations between them rather than addressing them as a bloc.

45. **Mr. Vos** (Department of Economic and Social Affairs) said that breaking free of the cycle of uncertainty which the global economy found itself in was perhaps the central problem for policymakers around the world. Attempts to solve it had often resulted in greater uncertainty, as in Europe, where austerity measures undertaken to reduce public debt had deepened the crisis. Policy coherence was needed, rather than piecemeal approaches such as bold monetary measures, buying up bonds or trying to recapitalize the banks. Unless the real economy could be jump-started, uncertainty was unlikely to diminish.

46. With respect to whether or not there had been spillover into developing countries, while there had been increased volatility there was no direct one-to-one relationship involved which could be tied to quantitative easing. In some cases, such easing had led to new spurts as a result of excess liquidity and increased capital flows to developing countries, while at other times greater uncertainty and accelerating deleveraging by banks and firms had encouraged the opposite effect.

47. With respect to whether or not countries would be able to arrive at a common solution to the crisis, the nature of the problem was generally recognized, but solutions were being developed primarily at the national level and without a broader effort to coordinate responses. There should be a greater degree of caution when implementing austerity measures, while structural policies should be aligned with monetary and fiscal policies in a more focused way that addressed the problems of aggregate demand and job creation.

48. In considering the absence of a single approach to job creation, how policies were tailored with macroeconomic policies was important, and in the short term it was vital to avoid weakening the automatic stabilizers. For developing countries, meanwhile, there was a great deal of room to further restructure their economies, which would have benefits in the medium- and longer-term.

49. With respect to ways in which developing and developed countries could work more effectively together, there had been discussions in such forums as the G20 and the Stieglitz Commission of how developing countries with strong reserve positions could help strengthen financial safety nets at the global level. While the initial responses from developed countries had been dismissive, the absence of effective global financial safety nets and the continuing volatility on world markets had induced developing countries to further bolster their reserve positions. It had the negative effect of slowing the global economy further, but it was a net positive in terms of providing developing countries with policy buffers. It was therefore an area in which developed and developing countries could work together in the future to rethink the nature of the global financial safety net.

50. As to the attainment of the MDGs in the face of the global economic crisis, it was self-evident that weak growth would necessarily translate into greater challenges in meeting those goals as the result of lower Government revenues and the spike in food prices in developing countries.

51. **Mr. Mahmood** (International Labour Organization) said that an average GDP growth rate of 5.2 per cent was required in order to address the world's employment gap of 27 to 30 million jobs. It was therefore alarming that, even before the current crisis, the world economy had only achieved average growth of 3.2 per cent. Furthermore, new jobs created were increasingly insecure and young people and women who lost their jobs found it particularly difficult to find employment when job markets recovered. Official statistics underestimated true unemployment rates, as they did not take into account the sharp increase in the number of people who had given up their search for work. Policymakers needed to address those challenges as a matter of priority.

52. **Ms. Dobson** (Project LINK, University of Toronto) said that the European Union seemed to take action to avert further economic distress only at the last possible moment. Furthermore, continued ideological gridlock in the United States Congress would probably make it very difficult for the United States to take timely action to avert the so-called "fiscal cliff": it was likely that no agreement on spending and taxation

would be reached until the last possible moment. She asked whether policymakers had fully taken into consideration the potential negative market reactions to that continued uncertainty, and whether it was only when they faced an impending crisis that they would find the resolve to take difficult budgetary decisions.

53. Raising overall employment rates was unlikely to fully address the growing problem of youth unemployment. Noting that Germany had implemented innovative programmes to promote youth employment, she asked if other countries were taking similar steps to help young people to enter the labour market and gain at least limited work experience.

54. **Mr. Dordunoo** (Project LINK, ClayDord Consult) said that the financial and economic crisis in the developed world might well have had a disproportionate effect on developing world economies because their financial transactions were often denominated in volatile hard currencies. Although the economies of developing countries continued to grow, those countries still relied, first and foremost, on the export of their raw materials to more developed countries; he asked whether further capital investments could help developing countries diversify their economies with a view to raising GDP and promoting development. He also asked whether the economies of exporting countries, particularly in Europe, had been negatively effected by the imposition of fixed exchange rates and whether those exchange rates were not, to a large extent, responsible for rising unemployment.

55. **Mr. Vos** (Department of Economic and Social Affairs) said that, although it was possible that the impending budgetary crisis in the United States would not be resolved, it was more likely that a compromise agreement would be reached and the so-called “fiscal cliff” would be avoided. It was also hoped that ways would be found to ensure that no country would be forced out of the euro zone.

56. He agreed that macroeconomic policies alone were insufficient to effectively combat youth unemployment; labour market, educational and structural policies must also be implemented so that young people found employment and learned skills that could be applied in a rapidly changing working environment. Countries could, for example, provide financial subsidies to firms to encourage them to hire young workers.

57. Developing countries’ economies were growing faster than those of developed countries, in part as a result of the domestic structural reforms that they had implemented over the previous decade. However, the business cycles of developing and developed countries remained closely linked. Many developing countries’ economies were primarily based on raw commodity exports, the prices of which were highly volatile. In order to ensure that they could rely on more predictable income flows, those countries must diversify their economies and shift their economic emphasis to higher-value sectors, including service industries, with a view to sustaining long-term growth. Encouraging industrialization was not, however, the only answer: low-income countries could, for example, achieve significant economic progress by restructuring their agricultural sectors and increasing agricultural production.

58. Although there were disadvantages associated with fixed exchange rates, countries with flexible exchange rates could suffer from excessive currency volatility. States must strike a balance between currency stability and flexibility. To promote exports and spur inclusive development, stable currency exchange rates were, perhaps, even more important than concluding the Doha Round.

59. **Mr. Mahmood** (International Labour Organization) said that the economic and financial crisis had disproportionately affected young people; in Spain and Greece, for example, they constituted almost 50 per cent of job seekers. Member States must take urgent action to combat youth unemployment, and ILO stood ready to assist both advanced economies and developing countries in designing policies to foster job creation for young people.

60. **Mr. Burns** (World Bank) said that fostering economic confidence was critical for developed and developing countries alike. It was possible that the failure of fiscal austerity measures in Europe to re-establish confidence in European economies was due to the fact that those measures had been insufficiently bold and implemented too late. Volatility in financial markets, in part, reflected that lack of confidence, and recent improvements in those markets had not yet strengthened confidence in the real economy: it was therefore critical to maintain policy momentum in Europe in order to further boost economic confidence. In the United States, urgent measures must be taken to avert the “fiscal cliff” so

that confidence in economic recovery was not seriously undermined. It was highly probable that, as the deadline for an agreement drew closer, increasing uncertainty would exert growing negative pressure on the United States financial and real-world economies.

61. Firms and households in developing countries were suffering the negative effects of economic uncertainty in the euro zone and were scaling back investment and expenditure. Lenders were, in fact, increasingly saying that they had cut lending since, because of increased uncertainty, far fewer individuals and businesses were requesting loans.

62. Developing countries' economies had, to a large extent, proven their resilience during the crisis, and those of sub-Saharan Africa, excluding South Africa, had been growing at 6 per cent a year. If those growth rates were sustained, they would sharply reduce poverty rates.

63. Policymakers had been too focused on cyclical economic factors: more emphasis needed to be placed on longer-term trends and on sustaining high growth rates in developing countries. In particular, emphasis needed to be placed on adopting long-term policies to sustain productivity, as high growth rates in the developing world could mitigate many of the knock-on effects of economic crises in advanced economies: if a developing country's economic growth fell from 6 to 4 per cent, that would still be sufficient to reduce poverty, albeit at a slower pace.

The meeting rose at 12.40 p.m.