5^{th} session of the Open Working Group (OWG) on Sustainable Development Goals (SDGs)

November 25-27, New York

Remarks by Ambassador Masood Khan, Permanent Representative of Pakistan on behalf of Troika (India, Pakistan and Sri Lanka) Macro-Economic Policy Questions

Co-Chairs,

I have the honour to deliver these remarks on behalf of India, Sri Lanka and my own delegation, Pakistan.

We align ourselves with the remarks made by the Permanent Representative of Fiji, H.E. Mr. Perter Thomson, on behalf of the Group of 77 and China.

We express deep gratitude to Professor Jagdish Bhagwati, and Mr. Li Yong, Director General (UNIDO) for a lively debate and exchange of views on the Macro-Economic policy questions including international trade, international financial system and external debt sustainability.

We also thank the Technical Support Team (TST) for preparing informative notes that capture the state of play on these issues as well as forward looking messages.

Co-Chairs,

The distinguished panelists have outlined a definitive case for the key role of economic growth and industrialization in poverty reduction, other social outcomes and sustainable development.

There is little doubt that economic growth matters, as Professor Bhagwati has said authoritatively. Our MDGs' experience substantiates that emphasis on social outcomes without economic growth only stunts *growth patterns* and does not lead to the desired outcomes in poverty eradication.

Evidence and experience gathered from some developing economies, including India and China, clearly demonstrate that higher growth, when accompanied with inclusive policies, has a positive impact on poverty reduction.

The economic dimension must therefore be captured in the form of dedicated and equal number of goals as part of the SDGs. We must place equal emphasis on policies and actions leading to acceleration of economic growth at the national, regional and international levels.

To this end, we believe that Co-Chairs' conclusions from this session should underline the following elements:

First, the post-2015 Development Agenda should be first and foremost about economic development and economic transformation in the developing countries. It must therefore help assist countries in enhancing productive capacity, generating employment, increasing per capita income, and augmenting resource endowments of the poor; while improving social and environmental outcomes.

Second, we must place economic growth as a pre-requisite for poverty reduction as part of the SDGs. We recognize that economic growth *alone* is not sufficient for reducing poverty, enhancing economic inclusivity, and sharing prosperity. At the same time, without economic growth we cannot hope to achieve meaningful reduction in poverty or enhance equitable economic gains. We should therefore explore stand-alone targets for economic growth in developing countries.

Third, the SDGs must place high emphasis on industrialization. As the Director General of UNIDO very rightly said, job creation in *high productivity sectors* and *improvements in wages* have a *pull-effec*t on other sectors and services.

In addition, industrialization is a potent agent transfer of technology, technological production and knowledge-based innovation. Industrialization cannot be pursued without addressing issues such as enhanced FDI, technology transfer, intellectual property rights, better market access for developing countries and investments in productive capacities and infrastructure.

Fourth, the SDGs within the post-2015 Agenda must be inspirational and should seek to encourage removal of developed world's bias in the international trading regime, and investment rules.

Continuous reform of the international trading regime to provide a level playing field to developing countries, dismantling of the agricultural subsidies in the developed countries, and enhancing non-agricultural market access is needed for achieving the Sustainable Development Goals.

Fifth, post-2015 Development agenda should not impose pre-designed strategies or frameworks. Policy space of the developing countries to pursue inclusive growth must be fully preserved. Countries must shape their own targets and strategies under the relevant inspirational goals.

Sixth, full and productive employment needs to be identified as a key policy objective

Finally, creation of the infrastructure must be identified as a stand-alone objective and promoted through relevant national and international policy instruments.

Co-Chairs,

There has been considerable discussion on what countries could do at the national level to sustain economic growth and improve its macro-economic policies.

Notwithstanding the importance of the primary responsibility of countries towards their development, the post-2015 Development Agenda should draw significant lessons from the indifferent implementation of MDG 8 on Global Partnership, and must equally emphasize policy actions at the international level.

In our view, international actions are critically important for allowing a vast majority of developing countries to realize much-needed economic growth. A revamped and broadened global partnership for development would be critical in order to create a development-friendly global economic environment.

Reform and better regulation of the international financial system, removal of restrictions to transfer of technologies, and reform of the global economic governance, including the Bretton Woods Institutions, to give more voice to the developing countries are important objectives to ensure rapid, sustained and inclusive growth.

It would be useful to explore this area through a study by Technical Support Team with a view to crafting necessary indicators and targets under the SDGs.

In concrete terms, some additional areas of cooperation should include labor migration, investment, and explore ways and means for enhanced development finance. Empirical evidence suggests that these types of *cross-border flows* significantly improve global **welfare** mainly by relocating labor and capital to where they are most productive and sustain economic growth in the developing countries.

Co-Chairs,

Recent reviews and empirical estimates suggest that the elimination of all barriers to international migration could generate considerable economic gains. Even a partial removal of these barriers could produce large benefits for the world economy. Migration flows leading to net emigration rates of 7 per cent and 10 per cent in poor regions would create global efficiency gains worth about $7 trillion and $15 trillion, respectively. Some studies have indicated that even small increase in migration would yield between $0.3 trillion and $1.6 trillion.

Similarly, in the case of the Foreign Direct Investment (FDI), income earned by multinationals could help provide much needed support to economic growth in the developing countries.

UNCTAD has estimated that FDI in developing countries grew from $238 billion in 2005 to $555 billion in 2011. In 2011, about $214 billion were retained in developing countries (49 per cent of FDI earnings), while a slightly higher value was repatriated.

A global partnership that promotes greater retention of FDI profits could generate significant resources for host countries. For instance, a 10 per cent increase in FDI income retention could generate about $22 billion of new investments in developing countries.

Finally, this revamped global partnership must emphasize on issuing new SDRs and allocating them to developing countries.

Such an approach would not only reduce developing world's immediate need to accumulate foreign-exchange reserves for self- insurance but also release considerable resources for development.

Alternatively, SDR holdings of reserve-rich countries could be used as securities to leverage additional development finance in international capital markets for use in the developing world. As UN-DESA in 2012 pointed out, a global issuance of SDR 150 to 250 billion per year coupled with an increase in the *developing countries' allocation share* from 42 per cent to 67 per cent would generate about $160-$270 billion. Moreover, the estimated $100 billion of 'idle' SDRs could be used to back the issuance of $1 trillion in bonds (for example Green Climate Fund)

Co-Chairs,

In conclusion, we are of the view that the sustained and higher economic growth targets must be embedded into all sustainable development goals and strongly supported by a revamped global partnership for development.

I thank you Co-Chairs.