



United Nations Conference on Trade and Development

Summary of the discussions at UNCTAD's first Public Symposium "The global economic crisis and development – the way forward"

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Summary of the discussions at UNCTAD's first Public Symposium on "The global economic crisis and development – the way forward"¹

A. Introduction

UNCTAD's first Public Symposium, held 18 and 19 May 2009 in Geneva, highlighted the "human face" of the global economic crisis and provided a platform for civil society organizations to voice their concerns and offer ideas firmly anchored in grassroots realities.

More than 360 representatives from civil society, the private sector, labour organizations, academia and research institutes, as well as parliamentarians and member States, joined UNCTAD, the International Labour Organization (ILO) and the United Nations Department of Economic and Social Affairs (DESA) to discuss the impacts of the crisis, the responses, and ways forward. The meeting was organized in collaboration with the United Nations Non-Governmental Liaison Service (NGLS) and other partner organizations.

The Symposium was chaired by Mr. Dian Triansyah Djani, President of the UNCTAD Trade and Development Board, and was opened by the Secretary-General of UNCTAD, Dr. Supachai Panitchpakdi. In his opening remarks, Ambassador Djani underlined that the Symposium provided a very timely platform for a broad range of stakeholders to share their perspectives on the crisis and possible ways forward. Dr. Supachai emphasized that the forum intended to "give voice to the voiceless – the innocent bystanders". The Secretary-General went on to say that an exit strategy for the crisis was needed for all countries. Real reforms were necessary to avoid going back to the same old cycle of boom and bust.

Keynote speakers at the start of the debate included Mr. Juan Somavia, Director-General of ILO, who said that ILO advocated a Global Jobs Pact to address the global unemployment crisis, notably through employment targeting, establishing a social protection "floor" and ensuring that economic stimulus packages are better coordinated and have a stronger employment component. Mr. Sha Zukang, Under-Secretary-General of DESA, said that the way forward for the United Nations involved action on two fronts: first, better understanding the full effects of the crisis on developing countries and development; and second, contributing to shaping effective policy responses, notably in relation to the need for a "Global New Deal", deep reform of the global financial system and more legitimate and representative institutions of global governance that would *inter alia* ensure greater coherence between the international trading system and the international financial architecture. It was important for donor nations to honour their aid commitments to the developing world, even as they committed huge sums to domestic stimulus measures. Mr. Anders B. Johnsson, Secretary-General of the Inter-Parliamentary Union, said that parliaments had some soul-searching to do regarding why they had not had regulations in place to prevent the financial abuses that had led to the crisis. Many parliaments were now in the process of significantly strengthening their oversight capacity on global economic matters. Mr. Guy Ryder, Secretary-General of the International Trade Union Confederation, said that the mood among trade unionists was one of anger and fear. It was critical to take seriously the danger of social instability. Ms. Céline Charveriat, Head of the Geneva office of Oxfam International, said that, as a result of the crisis, another 55 million–90 million people could be pushed into extreme poverty in 2009, on top of the 130 million–155 million already reduced to that state in 2008, because of soaring food and fuel prices.

The opening of the meeting set the scene for the three plenary sessions.

¹ Summary prepared by the UNCTAD secretariat.

B. Plenary Session 1: The global economic crisis – its causes and its multiple impacts

Urging UNCTAD to enhance its research capacity to better address the crisis, an eminent panel of experts considered the effects of the crisis on developing countries in the areas of trade, investment, food security and jobs. Plenary session 1 was moderated by Mr. Debapriya Bhattacharya, Distinguished Fellow at the Centre for Policy Dialogue in Dhaka, Bangladesh. The panellists included Ms. Nuria Molina, European Network on Debt and Development; Mr. Vicente Yu, South Centre; Mr. Jan Atteslander, Economiesuisse; and Ms. Diana Aguiar, International Gender and Trade Network/Women's Working Group on Financing for Development; Mr. Arjun Karki, LDC Watch; Mr. Manzoor Ahmad, Food and Agriculture Organization; and UNCTAD resource persons.

Participants generally concurred on the multiple long-term causes of the crisis, which included a failure to meet agreed commitments, lack of oversight, structural imbalances in the world's largest economies, macroeconomic imbalances, and other systemic and/or institutional factors. Increasing global interdependence had brought about an increasing inequality that global institutions had been unable to cope with effectively. The crisis also called into question the wisdom of unregulated integration into the global economic and financial system. It was clear that countries that had been affected the most were those that had been the most open and the most dependent on external trade. Participants elaborated on the numerous and tremendous impacts that the crisis had had on developing countries. The crisis, they said, had endangered achievement of the Millennium Development Goals. In the Least Developed Countries (LDCs) especially, it was aggravating both poverty and political crises. Social protection measures were urgently needed, and for that to happen, civil society and trade unions must take action in cooperation with the international community – including the United Nations – to arrest the crisis. Financial commitments made by donors should be honoured.

Inflows of foreign direct investment (FDI) were down worldwide, with developing countries affected the most severely. To turn the crisis into an opportunity, some speakers called on policymakers to encourage domestic investment, which could be enhanced by FDI within the right policy framework. South–South investment and cooperation were especially important, for example to improve agricultural infrastructure in developing countries, as were public–private partnerships. However, in pursuing FDI, developing countries should avoid a “race to the bottom”.

International trade from developing countries in 2009 would be down by an estimated 7 to 9 per cent, according to the World Trade Organization (WTO). To address declining export earnings in developing countries – which were proving most damaging to poorer countries dependent on only one or two commodities – trade should be kept afloat. Export and market diversification should be encouraged, along with enhanced domestic productive capacity and a better balance between domestic demand-led and export-led growth, as part of new strategies to build up the resilience of developing countries' economies to exogenous shocks. Measures were also needed to improve market access, including and in particular through South–South economic cooperation and regional integration; to avoid protectionism; and to increase non-reciprocal preferential market access for developing countries, including LDCs. Trade policies needed to be specifically oriented towards alleviating poverty, mainstreaming gender considerations, and promoting sustainable development. The growing trend towards agricultural subsidies should be arrested, as part of measures to improve agricultural production and productivity to deal with the ongoing food crisis. It was noted that without such measures, low food production and continuing high food prices would have a particularly devastating impact, especially on the net food-importing countries, with the risk of unleashing yet another food crisis.

Debt sustainability was a major concern expressed in the meeting. The external shocks caused by

the crisis have impaired the capabilities of developing countries to earn foreign exchange to service debt, which has been further exacerbated by rising the cost of borrowing. Depreciation of debtor countries' currencies has further increased their debt servicing burdens. In addition, many low income countries currently have reserve holdings of less than 3 months of imports, indicating their weakened ability to service their debt in the face of shocks. As developing countries are earning less but paying more, the danger of entering into another round of debt crises could arise.

As no part of the world is immune to crises, it is imperative to develop a global financial warning system. The contribution of the financial sector to sustainable, inclusive growth with social protection was highly questionable.

A number of speakers stressed the impact of the crisis on employment, on women, and on human rights. The financial crisis had first evolved into an economic recession, then a jobs crisis, and now a social crisis. Remittances were down, and global social instability – along with justifiable anger and fear – was growing. The rights of capital had grown, while the rights of workers were increasingly being disregarded.

The crisis, said some participants, was reinforcing existing inequalities within and between countries, and between the sexes. Women workers in developing countries were particularly vulnerable in such sectors as apparel, agriculture and tourism, where they predominated.

C. Plenary Session 2: Assessing existing responses to the crisis at international, regional and national levels – limitations, perspectives and best practices

Moderated by Mr. Ernesto S. Martínez Gondra, Minister Plenipotentiary and Deputy Permanent Representative of Argentina in Geneva, the panel in plenary session 2 included Ms. Elizabeth Tankeu, African Union, Ethiopia; Mr. José Manuel Salazar-Xirinachs, ILO; Mr. Janwillem C. Acket, Bank Julius Baer; Mr. Rudy de Meyer, 11.11.11; Mr. Peter Wahl, World Economy, Ecology and Development; Mr. Emmanuel Gyekye Tanoh, Third World Network–Africa; Mr. Carlos Benavente (LATINDAD network, Nicaragua) and Mr. Mustafizur Rahman (Centre for Policy Dialogue, Bangladesh).

The impact of the crisis on developing countries had occurred through external shocks and various transmission mechanisms. The crisis was already having a devastating impact on growth and development in Africa, through falls in commodity prices, transfers, trade finance, and investment flows. In the Asia-Pacific region, some LDCs were showing some resilience to the crisis, and were even showing positive growth prospects for the current year. It was noted that the ability of developing countries to mitigate the adverse effects of the crisis was contingent on their level of dependence on external demand (exports) and external financing (FDI, remittances, and official development assistance (ODA)), and also on their space for fiscal expansion/discretionary demand management and the ability of their authorities to use it flexibly. Both in Africa and in the Asia-Pacific region, there was limited policy space to react counter-cyclically to the current crisis. Some countries had responded by implementing large stimulus packages to mitigate the negative consequences of the crisis. It was stated that the best-designed fiscal stimulus packages were those that focused on targeted job-generation and social protection, but that, unfortunately, direct spending on employment had made up only a minimal share of fiscal stimulus packages.

It was noted that the financial sector remained in a critical state in many countries. Capital flows had not been restored to levels compatible with full employment, and the limited bank lending taking place was often at high interest rates. Banks were still facing huge credit gaps that could not be filled by interventions by central banks and multilateral institutions.

Restoring health to the financial system to sustain a private-sector-led recovery was urgent, because the room for discretionary fiscal stimulus had been nearly exhausted in some major developed countries, suggesting that a public-sector-led recovery was not sustainable beyond 2010 for major economies, particularly the United States.

The need for developing countries to engage in counter-cyclical policies was emphasized. However, all sources of financing for developing countries were affected by the crisis, making it hard for fiscal stimulus in those countries to compensate for lost sources of growth. Developing countries simply did not have the capacity to pursue large stimulus packages. It was pointed out that the question of how to finance that drop in fiscal earnings remained unanswered and could not be tackled in the traditional IMF balance-of-payments framework.

A number of participants called upon Governments of developing and emerging-market countries not to wait for Western solutions and stimulus packages, and to implement their own domestic-demand-boosting measures urgently. At the regional level, civil society in Africa was disappointed with the global multilateral response to the crisis. It was stated that the current stimulus packages may not be adequate to address the challenges that African economies face. Africa needed a concerted stimulus package that included elements such as production-boosting measures and technological upgrades. Public investment also played a vital role. On financial regulation issues, Africa needed to be given its policy space to address its current account deficits, with a central role for the State as the regulator.

The need for efficient institutions was stressed. Some concerns were expressed as to whether the G-20 proposal was sufficient to deal with the current crisis in developing countries. It was highlighted that the current crisis required a joint global effort. The importance of more inclusive international governance was underlined, notably with respect to the participation of African countries. If the process was to be inclusive, counter-cyclical, egalitarian, and environmentally friendly, then there was a need for a more decentralized approach with a stronger coordinating role for the United Nations and a subordinate role for the IMF in dealing with tax, finance and the economy.

D. Plenary Session 3: Ways forward

Moderated by Mr. Martin Khor, Executive Director of the South Centre, Geneva, Plenary 3 aimed to identify ways forward, to deal with the crisis. Discussants included Mr. Jomo Kwame Sundaram, Assistant Secretary-General, DESA; Mr. Pedro Páez, member of the Stiglitz Commission and former Ecuadorian Minister of Economic Coordination; Ms. Esperanza Durán, Executive Director, Agency for International Trade Information and Cooperation; Ms. Jacqueline Coté, Head, Geneva Office, International Chamber of Commerce; Ms. Joy Kategekwa, Oxfam International; Mr. Christophe Aguiton, Association for the Taxation of Financial Transactions to Aid Citizens; Ms. Marina Durano, Development Alternatives with Women for a New Era; Ms. Sanya Reid-Smith, Third World Network, Geneva; and Mr. Stephen Pursey, ILO.

Discussions focused on the need for well-coordinated action to ensure sustainability; on trade, which was seen as vital to recovery; on policy space; on reform of the international financial and monetary system; on the reform of international institutions; and on the role of the United Nations.

Ways forward

- Financial/monetary issues
 - Explore a new exchange rate system that would ensure stable real exchange rates that reflected fundamentals
 - Review the reserve currency system and explore the possibility of a system based on special drawing rights to replace the United States dollar as the major reserve medium
 - Develop regional financial/monetary instruments, institutions and coordination mechanisms, drawing on new schemes such as the Bank of the South in Latin America and the Chiang Mai initiative, which offer a “bottom-up” approach and could be the building blocks of a new system
 - Ensure continued credit flows to cover revenue shortfalls, including new IMF loans that do not impose “old” procyclical conditions
 - Allow countries the necessary policy space to impose capital controls and other measures to deflect speculation and ensure stability
 - Strengthen financial regulation to discourage the “carry trade” and ban “short-selling”;
 - Revisit the WTO financial services negotiations and free trade/investment agreements, to review the impact of commitments on effective crisis response.
- Debt
 - Offer a debt moratorium to vulnerable nations affected by crisis-induced exchange rate movements and losses of revenues. Explore the creation of a sovereign debt restructuring mechanism.
- Institutional and corporate governance
 - IMF and Financial Stability Board (FSB) to provide progress reports on reform efforts;
 - Financial institutions to be subject to new, more rigorous regulation;
 - Basel II to explore differentiated guidelines for different sectors and countries.
- Role of civil society
 - Collective action taken by civil society on a variety of fronts, including to monitor IMF “reform”, push timely disbursement of stimulus funds, and discourage unreasonable conditions for developing countries. Also included pressure to make the United Nations less bureaucratic and more responsive and action-oriented.
- Role of the United Nations
 - Development by the United Nations of a strategy to enhance its role and visibility in dealing with the economic crisis. This could build on the United Nations’ convening power and its ability to think outside the box, in order to find inclusive multi-dimensional solutions to the complex economic problems facing the world.
 - Member States to strive to make the Conference at the Highest Level on the World Financial and Economic Crisis and its Impact on Development a landmark event – decision-oriented and actionable – producing a technically robust programme of action and incorporating a follow-up mechanism (e.g. perhaps setting up a working group to report on progress to the General Assembly).
 - Member States to explore further the idea of a United Nations global economic coordination council to monitor the economic and financial situation and to provide effective responses (avoid it turning into just another “coordination club”).
 - There is a need to strengthen United Nations cooperation with the Bretton Woods institutions.