



# NGLS BULLETIN

*UN Conference on the World Financial and Economic Crisis and its Impact on Development*

## **UN Conference on the World Financial and Economic Crisis and its Impact on Development Concludes; Adopts Wide-Ranging Outcome Document**

### **Last issue of the NGLS Bulletin**

This seventh issue is the last of the NGLS 'Bulletin' series on the Conference. NGLS will continue providing information on events related to the issues related to the Conference on a regular basis through its various publications.

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### **Supplement on the UNCTAD Public Symposium on "the global economic crisis and development - The Way Forward"**

NGLS has prepared a summary of the public symposium organized by the United Nations Conference on Trade and Development (UNCTAD) on 18-19 May 2009 in Geneva.

The summary can be found as a supplement in the last part of this bulletin or online.

After five days of debate, the United Nations Conference on the world financial crisis concluded on Tuesday, 30 July, with General Assembly President Miguel d'Escoto Brockmann urging delegates to be inspired by the work they had done on the outcome document "and sustain the same sense of urgency and commitment as we translate this bold new framework into effective action".

In his closing remarks, Mr. d'Escoto said the Conference on the World Financial and Economic Crisis and Its Impact on Development, which began 24 June, had focused world attention on a crisis that was gripping everyone around the globe and required urgent steps to solve pressing problems and reform outdated institutions.

The Conference brought together world leaders to assess the worst global economic downturn since the Great Depression and identify emergency and long-term responses to soften its many impacts. On 26 June, delegates adopted a wide-ranging Outcome Document that contained recommendations to fight the global recession and follow-up processes that may open the doors to promoting deeper reforms of the global financial and economic architecture.

The Conference saw the attendance of 60 Member States at the cabinet level and the participation of more than 170 Member States during the plenary sessions, Mr. d'Escoto had earlier noted. He said there was a significant degree of resonance between the many calls and pleas made during the Conference and the decisions and recommendations enveloped in the Outcome Document. For this and many reasons, the final declaration of the Conference met the test of a plan of action suitable for the times. "It is, in short, a historic landmark -- the beginning, not the end, of an important and necessary journey."

Over 200 representatives of civil society organizations from around the globe also attended and participated in the Conference.



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In a statement made on behalf of Secretary-General Ban Ki-moon, Under-Secretary-General for Economic and Social Affairs Sha Zukang said the Member States had used sheer political will to arrive at a consensus document that he termed a "milestone".

The global consensus achieved during the Conference had helped shape a defined role for the United Nations in dealing with the global financial and economic crisis, he said. Furthermore, the Conference had delivered a powerful message to all countries, and the Outcome Document would help contain the effects of the financial crisis as it provided a way forward to improve the global economy's resilience.

Observers' take on the Conference outcome ranged from strong disappointment to cautious optimism on the way forward. Most agreed that it certainly referred to a much more comprehensive reform agenda than the one agreed to at the April G-20 Summit in London. The Outcome Document recognizes that the incoherence of the global economic system needs to be urgently addressed. It stresses "the importance of the United Nations' role in international economic issues," emphasizing that its "universal membership and legitimacy" makes it "well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture." It makes references to issues and recommendations of the "Stiglitz Commission" (see NGLS Bulletin No.1) which presented an advanced report to the

Conference, including on resources and policy space for developing countries to mitigate the crisis, debt restructuring and standstills, reform of the global reserve system and an independent panel of experts on the world economic and financial crisis that would inform "international action, political decision-making" and foster "constructive dialogues and exchanges among policy makers, academics, institutions and civil society." In addition, the UN General Assembly is invited to establish an open-ended working group to follow-up on the issues contained in the Outcome Document. The precise role of the UN in global economic governance reform will likely be hotly debated in the coming months.

At a post-conference civil society meeting on 27 June, many participants stressed the need for effective coordinated strategies among civil society organizations, supportive governments and other actors such as parliamentarians and social movements to ensure effective political mobilization in the Conference follow-up. This would involve synergies with other global systemic issues such as climate change and the on-going global food and jobs crises. It was noted that conference process had helped to "break the silos" between different civil society networks working on debt, finance, trade, development, human rights, decent work, climate change and gender equality, but this process had to intensify in the months and years to come, with more effective media strategies and coordinated political mobilization at the national level.

## Background

The mandate for the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development was decided at the International Conference on Financing for Development in Doha in December 2008 (paragraph 79 of the Doha Declaration A/CONF.212/L.1/Rev.1 – see Go Between 118).

Since that time, the economic crisis has deepened and global economic growth has entered negative territory. It has become well-recognized that

the crisis resulted from an unsustainable growth pattern as well as systemic weaknesses in the global economy.

The Report of the Secretary-General on the World Financial and Economic Crisis and its Impact on Development, prepared for the Conference, estimates that world income per capita could drop by 3.7 per cent in 2009. Unemployment rates are expected to rise to double digits in developed countries and tens of millions in developing countries will become unemployed and hundreds of millions are expected to join the ranks of the working poor, if the right policies to redress the situation are not implemented in time.

The report also projects that some \$3 trillion of external sovereign debt and well over \$1 trillion of external private-sector debt will come due in these countries in 2009.

The World Bank's 22 June report on Global Development Finance expects private capital flows to developing countries to fall to \$363 billion this year, down from a peak of \$1.2 trillion in 2007.

Also, on Friday, 19 June, United Nations food agencies reported that the number of the world's hungry has surpassed 1 billion.

"The most recent increase in hunger is not the consequence of poor global harvests, but is caused by the world economic crisis that has resulted in lower incomes and increased unemployment," Food and Agriculture Organization (FAO) Director-General Jacques Diouf said.

## Opening of the Conference

"At this critical moment, we must all join our efforts to prevent the global crisis, with its myriad faces, from turning into a social, environmental and humanitarian tragedy," the General Assembly President urged at the start of the Conference on the World Financial and Economic Crisis and Its Impact on Development.

He called for a solution to the current turmoil that will not leave "the vast majority of humanity to

their fate," exhorting the representatives from nearly 150 Member States expected to address the three-day gathering to "take decisions that affect us all collectively to the greatest extent possible."

For his part, UN Secretary-General Ban Ki-moon underscored that the current crisis is "not a cause for any one person, nation or group of nations. It is a challenge for us all."

Despite signs of financial stabilization and growth in some pockets of the world, he said that "the real impact of the crisis could stretch for years."

A multi-pronged approach is needed to stem the catastrophe, Mr. Ban said, that incorporates boosting access to education, promoting 'green' growth, helping subsistence farmers and increasing resources to fight diseases such as AIDS and tuberculosis.

"The world institutions created generations ago must be made more accountable, more representative and more effective," he pointed out, voicing regret that reforming financial institutions has divided Member States.

The crisis has revealed the need for a "renewed multilateralism," he said, adding that "challenges are linked. Our solutions must be, too."

### Adoption of the Outcome Document

"We are all in this crisis together. While each country has primary responsibility for its own economic and social development, we will continue to work in solidarity on a vigorous, coordinated and comprehensive global response to the crisis, in accordance with our respective abilities and responsibilities", states the document adopted by political leaders at the Conference.

Hailing the consensus adoption of the document as a first step towards putting the world on a path towards solidarity, stability and sustainability, Mr. d'Escoto said the Assembly – the "G-192" – had now been established as the central forum for the discussion of world financial and economic issues, "a major achievement" in itself. He added that the historic Conference had also called on the Assembly to follow up on the issues raised -- from bolstering the role of the United Nations to strengthening South-South trade and reform of the Bretton Woods



UN Photo

institutions -- through the establishment of an ad hoc open-ended working group that would report to it before the end of its upcoming sixty-fourth session.

Cautioning against complacency, he urged concerted action to tackle other crises hovering in the background, such as global warming, food insecurity, fuel and clean water shortages, and humanitarian emergencies.

The nearly 60-paragraph text (A/CONF.214/3), which will be forwarded to the Assembly for adoption during its current session, expresses world leaders' belief that the crisis, "which began in the world's major financial centres, has spread throughout the global economy [and is] negatively affecting all countries, particularly developing countries, threatening the livelihoods [and] development opportunities of millions of people."

The wide-ranging text stresses that developing countries did not cause the crisis, but were nevertheless being affected by it, and says that their endeavors must be guided by the need to address the human costs: an increase in the already unacceptable number of poor and vulnerable, particularly women and children, who suffer and die of hunger, malnutrition and preventable or curable disease; a rise in unemployment; the reduction in access to education and health services; and the current inadequacy of social protection in many countries.

"Going forward, our response must focus on creating jobs, increasing prosperity, strengthening

## Round Tables

Four Round Tables were held on the impact of the crisis on employment, trade, investment and development, including progress on the world's Millennium Development Goals; action to mitigate the impact of the crisis on development; the role of the United Nations in discussions on reforming international financial architecture; and the United Nations response to the crisis.

Each Round Table was Co-chaired by two high-level government officials and featured a panel of high-level experts representing multilateral institutions and academia. Representatives of civil society participated in the ensuing multi-stakeholder discussions.

To access summaries of each of the four round tables prepared by the UN Department of Public Information, please follow the links below.

**Round Table 1:** The role of the United Nations and its Member States in the ongoing international discussions on reforming and strengthening the international financial and economic system and architecture.

**Round Table 2:** Coordinated and collaborative actions and appropriate measures to mitigate the impact of the crisis on development.

**Round Table 3:** Present and future impacts of the crisis on, inter alia, employment, trade, investment and development goals and the Millennium Development Goals.

**Round Table 4:** Contributions of the United Nations development system in response to the crisis.



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## Civil Society Active at Conference; Voice Unhappiness with Result but Hope for the Future

Over 200 representatives of civil society attended and participated in the UN Conference on the World Financial and Economic Crisis and its Impact on Development. Representatives participated in round table discussions, side events and observed the proceedings. They also organized a Civil Society Forum on the eve of the Conference after which they released a set of 'key recommendations.'

On final assessment, many found the outcome document to be lacking in several key areas but they found hope in that the document affirms a central role for the UN in the ongoing discussion on the global economy in light of the economic crisis.

In a statement on 26 June, the Global Social Economy Group (GSEG), representing more than 200 trade unions, social movements, and non-governmental organizations evaluated the result of the Conference and expressed 'serious disappointment' the official outcome document. "In no way do the results of the Conference measure up to the actions needed to address the scale and depth of the economic meltdown, most evident in the jobs crisis, particularly in developing countries," the statement said.

"The Titanic is sinking and Governments are thinking about the arrangement of the deck chairs," Gemma Adaba, of the International Trade Union Confederation (ITUC), said at a press conference on 26 June. Referring to the analysis and recommendations of the commission led by Nobel Prize-winning economist Joseph Stiglitz, she added: "The way forward is a way of struggle to bridge the gap between the analysis, which shows what needs to be done, and the actions, which were very weak."

She was joined by other GSEG representatives at the press conference, which was organized by the United Nations Non-Governmental Liaison Service. Present were John Foster of the North-South Institute; Magda Lanuza, of the Women's

access to health and education, correcting imbalances, designing and implementing environmentally and socially sustainable development paths and having a strong gender perspective", the document says, adding that the collective response must also strengthen the foundation for a fair, inclusive and sustainable globalization supported by renewed multilateralism. "We are confident that we will emerge from this crisis stronger and more vigorous and more united."

The document also expresses a commitment to help contain the effects of the crisis and improve future global resilience, and improve regulation and monitoring mechanisms. "We stress the urgent need for further reform of the governance of the Bretton Woods institutions, on the basis of a fair and equitable representation of developing countries, in order to increase the credibility and accountability of these institutions."

Citing a consensus on the need to modernize the global financial institutions, the document says such reforms should enhance the perspective, voice and participation of developing countries, including the poorest. It specifically called for inclusive consultations on further reforms to improve the responsiveness of the World Bank. Looking forward to accelerated progress to increase the credibility and accountability of the International Monetary Fund (IMF), "we strongly support completion of the next quota review, which [...] is expected to result in an increase in the quota shares of dynamic economies, particularly in the share of emerging market and developing countries as a whole, to be completed no later than January 2011".

Working Group on Financing for Development; and Vitalice Meja, of the African Forum and Network on Debt and Development.

- DPI Summary of Press Conference
- Webcast

To illustrate their views on the outcome, the GSEG issued a 'scorecard' which assesses the document on seven key issues.

Several other organizations and coalitions have issued assessments of the Conference as well. Please find links to several below:

- GSEG: Representatives Voice Unhappiness with Proposed Solutions to Economic Crisis at United Nations
- GSEG: Civil Society Scorecard
- Women's Working Group Statement on the Outcome
- Bretton Woods Project: Economic crisis: rich countries block reform at UN summit
- Our World is Not for Sale: Rich countries block UN treatment of causes of the global economic crisis
- Eurodad: The UN conference on the financial crisis and development: outcomes and follow-up prospects
- TNI: Mission Unaccomplished?

An archive of civil society statements and activities around the Conference can also be found at: <http://tendays.socialwatch.org/> and [www.ffdnngo.org](http://www.ffdnngo.org)

## Reports and statements from the UN System and Civil Society

**United Nations:** *Report of the Secretary-General on the World Financial and Economic Crisis and its Impact on Development*

The report, released in the lead up to the UN Conference on the World Financial and Economic Crisis, recognizes unsustainable growth pattern and systemic weaknesses in the global economy as being the root cause of the crisis. The report notes that although the crisis did not originate there, developing countries have been the hardest hit through weaker trade, tighter global financing conditions and lower remittances.

**World Bank:** *Global Development Finance Report*

New World Bank analysis of the global economy paints an unprecedented picture: global output falling by 2.9 percent and world trade by nearly 10 percent; accompanied by plummeting private capital flows, likely to decline from \$707 billion in 2008 to an anticipated \$363 billion in 2009.

**UNCTAD:** *Economic Development in Africa Report 2009*

The Economic Development in Africa Report 2009 asserts that integration - when implemented within a broader development strategy that promotes economic and trade diversification, structural changes and technological development - could enhance productive capacities, realize economies of scale and improve competitiveness, serving as a launching pad for effective African participation in the global economy. (See also summary of the 18-19 May UNCTAD symposium on "the global economic crisis and development - the way forward" in the supplement to this Bulletin edition).

**South Centre:** *Policy Response to the Global Financial Crisis: Key Issues for Development Countries*

This new paper, authored by the Centre's Special Economic Advisor, Dr Yilmaz Akyuz, deals with the global financial crisis and developing countries. The first part is on what is needed to support the required policy response in developing countries. The second part is on the required reform to the international financial architecture. A summary of policy conclusions and proposals is at the end.

**OECD-FAO:** *Agricultural Outlook 2009-2018*

Because food is a basic necessity, the agriculture sector is showing more resilience to the global economic crisis than other industries. But the risks could increase if the economic downturn deepens.

**EURODAD:** *Bail-out or blow-out? IMF policy advice and conditions for low-income countries at a time of crisis*

This new report shows that "the IMF is still advising stringent fiscal and monetary policies to low-income countries as well as controversial structural reforms" and argues that "if the [IMF] is to provide funding to poor countries to meet the financial gaps created by the crisis it has to change and it has to do it soon. Reacting poorly and reacting late may mean death and starvation for millions of people in poor countries."

## United Nations Non-Governmental Liaison Service (NGLS)

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# **UNCTAD Public Symposium on “The global economic crisis and development – the way forward”**

## **1. Introduction**

The United Nations Conference on Trade and Development (UNCTAD) held its first public symposium on 18-19 May 2009 in Geneva, at a critical juncture in the build-up to the High-Level UN Conference on the World Financial and Economic Crisis and its Impact on Development. Organized in cooperation with NGLS and other partner organizations, the symposium brought together from different parts of the world more than 360 representatives of civil society, the private sector, labour organizations, academia, parliamentarians, international organizations and UNCTAD Member States. The meeting was structured around the following key topics:

- The global economic crisis - its causes and its multiple impacts, especially on developing countries
- Assessing existing responses to the crisis at international, regional and national levels – limitations and best practices
- Proposals for the way forward - obstacles and opportunities

The Secretary-General of UNCTAD, Dr. Supachai Panitchpakdi, said this forum was intended to “give voice to the voiceless – the innocent bystanders.” He emphasized 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.

The President of UNCTAD’s Trade and Development Board later forwarded the main conclusions of the Symposium to the President of the General Assembly as an input to the preparations of the UN Conference. Many of the key recommendations related to the more difficult negotiation items on the Conference

agenda, notably on reform of the global economic governance system - including the establishment of a Global Economic (Coordination) Council within the purview of the United Nations - and shifting towards a more stable and pro-development international financial architecture, including a new global reserve system (see Box 1).

## **2. Causes of the crisis**

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. The crisis was not simply the result of developments or “misbehaviour” in the corporate and financial sectors but had been in the making for a good 30 years or more. It was rooted in contradictions of the current global development trajectory and development paradigm – such as income inequality, in which the richest 1% of the world population received as much as the entire bottom 57%. This was a major cause of economic instability and crisis, as it led to a deficit of global aggregate demand.

Many participants attributed parts of the causes to “crisis before the crisis” namely the global jobs crisis. Even before the financial and economic crisis hit in 2008 and despite the previous period of relatively high global growth, the global economy had not been capable of generating enough productive employment for the steady rise of entrants into the global labour market. Combined with rising inequalities resulting from stagnant (or declining) real wages in many parts of the world, the global economy depended on the US to act as a “consumer of last resort.” However, since wages were also stagnant if not

declining in real terms for the average US worker, this had to be accompanied by an unsustainable consumer credit bubble which burst on the housing market and precipitated the current crisis.

Global imbalances (between deficit and surplus countries), which were described as part of the underlying causes of the crisis, were said to impose asymmetric adjustments on developing countries (including the build-up of excess

reserves) which in turn contributed to insufficiency of global aggregate demand. It was noted that since the breakdown of the Bretton Woods system in the 1970s, the current system of flexible exchange rates and reliance on the US dollar as the de facto global reserve currency, had proven not only highly unstable and inequitable: its inherent deflationary bias was incompatible with global full employment.

Extract of the section on the “way forward” transmitted by the President of the UNCTAD Board to the President of the General Assembly as inputs to the preparations of the UN Conference:

- Financial/monetary issues
  - Explore a new exchange rate system that would ensure stable real exchange rates that reflect fundamentals;
  - Review the Reserve Currency system and explore the possibility of a system based on Special Drawing Rights (SDR) 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 "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.
  
- Role of the UN
  - 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.

It was noted that in the United States and other developed countries, the financial system contributed about 10% of GDP but 40-to-50% of total profits. Financial capital and financial interests – which had become detached from the interests of the real economy – predominated, and the real economy was increasingly subject to financialization, which prevented long term investments capable of generating decent and sustainable jobs.

Inequality reflected increasing global interdependence, but without effective global institutions to cope. The crisis also called into question the wisdom of economic integration and relentless liberalization, given that the countries most affected were the ones most open and most dependent on external trade. A new economic paradigm and a rethink of globalization were required.

### **3. Multiple Impacts**

Participants elaborated on the numerous and tremendous impacts of the crisis on developing countries. The problem for developing countries was not just how far their per capita income would fall, but how long the recession would last; there were fears of another “lost decade for development”. How much would conditions get worse before they got better? In addition, the crisis might well trigger other sorts of crises, including a worsening of the current food crisis and the eruption of a new debt crisis. An exit strategy was needed that would cover all countries, and especially the weakest and most vulnerable, since everyone would be scrambling to get out and the weakest might get trampled on or not even survive, participants warned.

Inflows of foreign direct investment (FDI) were down worldwide, with developing countries affected the most severely. International trade from developing countries in 2009 would be down by an estimated 7 to 9 %. That decline in trade was more than just declining revenue: it also meant declining output, jobs, productivity, incomes, and increasing

poverty.

Credit, official development assistance (ODA) and other forms of financing had also been cut, especially to developing countries, which were projected to have net capital outflows of \$700 billion this year. Debt sustainability was again a major concern, as developing countries were earning less but paying more. Their foreign reserves were generally depleted; exchange rates were increasingly volatile; and their fiscal pressure on the rise.

The crisis 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. By contrast, stimulus packages and incentives had generally been directed to sectors traditionally dominated by male employees, including the car industry and finance.

### **4. Assessing Existing Responses**

#### **At the national level:**

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), external financing (FDI, remittances, ODA), and also on their space for fiscal expansion/discretionary demand management and the ability of the authorities to use it flexibly. 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 remains unanswered, and could not be tackled in the traditional IMF balance-of-payments framework.

Some concern was raised in the discussion

concerning the implications of the enormous stimulus packages of the developed countries — particularly in light of the “buy American” clause. It was also mentioned that the effect of stimulus packages by more advanced developing countries (such as China and India) might have quite distortionary impacts on the competitiveness of LDCs which are not able to afford similar stimulus measures. It was stated that the best designed fiscal stimulus packages are those that focus on targeted job generation and social protection at the core, but that, unfortunately, direct spending on employment had made up only a minimal share of fiscal stimulus packages.

It was also noted that restoring health to the financial sector has taken longer than expected. The financial sector remained in a critical state in many countries. The limited bank lending taking place was often at high interest rates. It was also emphasized that the recent signs of recovery on the stock markets should not be interpreted as signals of a turn-around. Banks were still facing huge credit gaps that could not be filled by interventions by central banks and multilateral institutions.

#### **At the global level (G-20 Outcome):**

Concerns were expressed as to whether the outcome of the April 2009 G-20 meeting was sufficient to deal with the current crisis in developing countries. Implementation challenges of the G20 outcome identified include: i) the amounts quoted are aspirations and the money is not yet committed by the major players; ii) despite official pronouncements to the contrary, the continued procyclical conditionalities of the IMF in a number of countries continues to “add fuel to the fire;” iii) the IMF is still surrounded by political and economic stigma that makes many countries reluctant to approach it until they are in serious trouble. In addition doubt was expressed as to whether diverting 0.7 % of the stimulus packages to a vulnerability fund would materialize in light of the failure to deliver previous donor commitments.

It was stated that the United Nations system as

a whole was invisible and did not get assigned an important role in the G20 communiqué. The importance of the role of the UN and the need for inclusive international governance was underlined. Participants added that the role of the IMF in the G20 proposal poses a dilemma, as the institution lacks credibility.

Moreover, it remains to be seen how strong the G20’s commitment is to put employment, social protection and labour market issues at the centre of policy responses. It was emphasized that it is important to not only promote recovery but to lay the foundations for a more inclusive and sustainable pattern of growth and globalization in the future.

## **5. The Way Forward**

In looking ahead to the future, it was asserted that it is clear from the current crisis that the financial system is unable to regulate itself. It was pointed out that the present crisis is an opportunity to promote innovative patterns of growth and to re-think and re-balance development agendas, not just to return to policies of the past. In particular, many emphasized the need to find a better balance between domestic demand-led and export-led growth, which implied much more effort at boosting domestic productive capacities for local and regional markets and generating a steady rise in wages and incomes through productive employment generation. There was general agreement on the need for fundamentally new approaches to governing the international financial system.

### *Role of the UN and other actors*

It was highlighted that the current crisis requires a joint global effort. The importance of more inclusive international governance was underlined, notably with respect to the participation of African countries. It was asserted that UNCTAD should go the “extra-mile” to discuss the ethics behind a new world economic governance structure.

If the process is to be inclusive, counter cyclical, equitable, and environmentally-sustainable, there is a need for a more decentralized approach with a stronger coordinating role for the UN and a subordinate role for the IMF and other specialized bodies in dealing with tax, finance and the economy. One participant questioned the capacity of the UN to deal with financial sector reform, but other discussants noted that UNCTAD and the UN system have an important role to play – not so much in “micro-managing reforms” but in “thinking out of the box”, identifying new problems and alternative policy approaches and bringing legitimacy to global economic institutions.

It was suggested that the proposals of the Stiglitz Commission should be taken as the basis of future UN reform. In particular, many participants supported the proposal to establish a Global Economic Coordination Council under the umbrella of the United Nations, as a way to develop a democratic and legitimate alternative to the G-20.

Many speakers stressed the challenges, not only of designing the reforms ahead but also of securing collective action from disparate nation states. They highlighted the positive role that civil society could play in this regard, including:

- Collective civil society pressure can promote multidimensional action;
- Civil society can add a dose of grassroots reality to the so-far largely rhetorical debate.

Parliamentarians also had a critical role to play. It was noted that many parliaments were now in the process of significantly strengthening their oversight capacity on global economic matters.

### *Decentralized Approaches*

There was a clear focus on the need to plug the ‘holes in the buckets’ and monitor actions carefully to make crisis fire fighting more effective. Many speakers noted that there was no ‘one size fits all’ solution; rather, multilateral action had to be ‘localised’ and tailored to meet the particular needs

of each country and region. This could be achieved in part through stronger regional approaches. For example, regional institutions could develop and fund special recovery programmes and plans (e.g., infrastructure and other ‘back to basics’ projects).

### *Policy Space in International Agreements*

Related to this were calls to ensure that countries were accorded sufficient policy space to take necessary stimulus measures, manage currencies and avoid debt traps. Many speakers highlighted the need in international agreements and crisis packages to allow national policy space to fight crises and carry out domestic reforms. This would include unilateral action on Financial Transaction Taxes and capital controls to counter ‘carry trade’ and short-term speculative ‘attacks’. At the same time, it was seen as equally important to ensure that trade and investment agreements did not impede developing country governments’ ability to take countercyclical measures to respond to economic difficulties. Several speakers suggested reviewing the WTO financial services negotiations and commitments and a number of bilateral treaties (existing or still under negotiation, such as EPAs) to ensure they enable effective crisis response and appropriate regulatory measures.

### *Global Financial Architecture Reform*

Many speakers called for reform of the global financial architecture, including the need to reform the exchange rate system in order to underpin macroeconomic stability and avoid debt traps and speculation. This would involve going “back to the basics” – to the rules invented at the 1944 Bretton Woods Conference – in particular, fixed but adjustable exchange rates reflecting fundamentals such as inflation rates. Speakers added that keeping real exchange rates stable would prevent major distortions in international trade and currencies.

In addition, there was now momentum for creating a new global reserve system to help deal with increasingly unsustainable global imbalances. A

new international reserve currency - which could evolve through a greatly expanded and more equitable form of Special Drawing Rights (SDR) allocation - could play a substantial and frequent role in countercyclical policies and help in financial stabilization. (A new global reserve system is a key recommendation of the Stiglitz Commission.)

It was noted that while a growing number of countries support exploring the transition to a new global reserve system, there is still strong resistance by some of the more powerful actors in the global economy, including financial markets. An "evolutionary approach" that would build on and eventually transform the existing SDR system was thus seen as the most politically realistic way forward. A bottom-up approach through regional reserve systems such as the SUCRE (Sistema Unificado de Compensación Regional) recently adopted by a number of Latin American countries could serve as building blocks towards the new system. It was also important to find ways to build broad popular support, which was a major challenge given the complexity of the problem. It was suggested that the new global reserve system could be explained as a sort of "tax" to bring greater equity between surplus and deficit economies (instead of the current system that - with the exception of the United States - places all the adjustment pressure on deficit countries and forces developing countries to build up excess reserves which are diverted from real economy investments).

#### *A Global Jobs Pact*

It was noted that the crisis was causing not only alarming rates of unemployment and new working poor: there were already signs of wage deflation, which was described as even more dangerous than beggar-thy-neighbour devaluations and protectionism. There were possible parallels with widespread wage deflation which contributed to and prolonged the Great Depression in the 1930s. It was noted that in today's crisis, workers around the world were often faced with the dilemma of losing their jobs or accepting a wage cut. This seemed

rational behaviour at the enterprise level. However, if this pattern became generalized, it would become a self-defeating exercise as more jobs would be lost as a result of further contraction of global aggregate demand.

It was thus urgent to take measures to reverse this trend. The ILO, in cooperation with other international organizations, was in the process of developing a Global Jobs Pact. The Pact was since adopted following a three-day ILO Global Jobs Summit that included the following strategies: better coordinated collective bargaining and other policy support measures (such as minimum wage policy) to would help a process whereby wages in all countries would rise in line with productivity growth; much more employment intensive stimulus packages that should also contain the strengthening or introduction of social protection measures; better coordination between national efforts in this regard; respect for workers' fundamental rights at work; and special credit and productive capacity support for SMEs. The Pact also calls for the construction of a "stronger, more globally consistent supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects the savings and pensions of people."

At the Symposium, it was noted that the role of the State as a "lender of last resort" had dramatically returned to the mainstream policy agenda because of the systemic risks posed by a collapse of the banking system. It was urgent to recognize an at least equal role of the State to introduce automatic stabilizers (social protection) and/or act as an "employer of last resort" in the face of the systemic risks posed by a collapse of global aggregate demand.

Other proposals for the way forward discussed at the symposium are summarized in Box 1. Full details and background papers on the Symposium can be found on:  
[www.unctad.org/publicsymposium](http://www.unctad.org/publicsymposium)