United Nations

TD/B/59/L.1/Add.1

United Nations Conference on Trade and Development

Distr.: Limited
24 September 2012

Original: English

Trade and Development Board
Fifty-ninth session
Geneva, 17–28 September 2012

Draft report of the Trade and Development Board on its fifty-ninth session

Held at the Palais des Nations, Geneva, from 17 to 28 September 2011

Contents

GE.12-51637

Please recycle

President's summary

Interdependence: Coordinating stimulus for global growth

1. Under this item, the Board reviewed the vulnerable state of the world economy and the continuing challenges towards achieving a more effective approach to stimulus co-ordination. The interdependence of today's globalized world was apparent not only in the start and spread of the crisis but also in the experience of recovery. The world economy was slowing down and faced serious risks of a more significant deceleration. The human effects of rising unemployment and continued crisis were extremely high, and the experience of developing countries that had undergone crises in recent decades pointed to the risk not only of a "lost decade", but rather that of a "lost generation". It was a matter of concern that current efforts to stimulate the economy in most developed economies had been ineffective and even counterproductive. Ill-suited austerity policies and the effect of rising income inequality were further stalling potential demand. Developing economies had been the engine of growth since 2006 but they could not continue to carry the burden of global recovery.

2. The eurozone area was a particular concern because of its weight in the global economy and its continued importance as a market for many developing economies, despite efforts to rely more on domestic and regional markets.

3. Regarding policy implications, the debate focused on six main issues:

(a) Many countries' high public debt gross domestic product ratios were a consequence of the crisis, not its reason. Efforts to consolidate debt through fiscal austerity were misguided, threatening to provoke further instability and downturn. The main problem in the global economy was a deficit of demand; fiscal restraint and labour market reforms aggravated it;

(b) Efforts to increase demand were undermined by high levels of income inequality. Income redistribution and supportive policies were necessary, especially in the surplus developed countries. Better income distribution would also help developing or transition economies that were relying more than in previous years on domestic and regional markets, as it would widen those markets and help support sustained and inclusive growth;

(c) The problems experienced in the eurozone reflected that the euro could not play simultaneously the role of international and domestic currency. The crisis in the periphery countries could be addressed by various measures, including a Marshall-type plan to raise productivity in those countries, a rebalancing of the German economy, debt forgiveness, restructuring finance by establishing European rather than national banks, and income and wealth re-distribution. The lack of such policies could lead to the break-up of the euro;

(d) International trade rules needed to be reformed in order to follow the guiding principles of fair trade, capacity-building, balanced rules and good governance. The trend whereby aggressive trade liberalization was promoted through the global value chain arguments was not beneficial for developing countries and should be rethought. There was a need to launch a reform of the international financial system, and to make it more democratic and less vulnerable to exchange rate volatility.

(e) There also was a need for a more human-impact-oriented and less narrowly market-oriented analysis of world economic problems, and for the design and promotion of stimulus efforts. Conventional models focusing narrowly on profits failed to incorporate the human aspect and it was time to consider the human rights perspective of labour markets, production and trade;

(f) The political will and coordination that was present at the outset of the crisis had lost momentum. Countries should realize once more that they were “all in the same boat”. The United Nations could be an important focal point for recovery efforts, as it provided an inclusive voice where all countries, including small ones, could participate.

4. Other points raised during the discussion were how efforts to increase demand could be reconciled with green production and consumption, and how developing countries would still benefit by continuing their efforts towards regional financial and monetary integration, despite the current problems experienced in the eurozone.