UNCTAD XIII

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

DOHA - QATAR 21–26 APRIL 2012

UNITED NATIONS UNCTAD

ROUND TABLE 1

SUB-THEME I: ENHANCING THE ENABLING ENVIRONMENT AT ALL LEVELS IN SUPPORT OF INCLUSIVE AND SUSTAINABLE DEVELOPMENT

ADDRESSING THE RISKS OF A GLOBAL RECESSION: TOWARDS COMPREHENSIVE, SUPPORTIVE MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

22 APRIL 2012, 10 a.m.–1 p.m.

BACKGROUND

The global financial crisis has revealed governance and economic policy flaws at both national and international levels. In particular, largely unregulated and highly leveraged financial activities have distorted relative prices, remunerations and incentives. Unrestricted financial flows have created an unprecedented boom-and-bust process, which initially affected developed countries before spilling over into developing and transition economies. The failings of the financial sector exacerbated a number of weaknesses in the real economy, including deteriorating competitiveness in some major deficit countries and increasing income concentration compared with the early 1980s, with a marked decline in the share of wages in national income. These long-term structural weaknesses interacted with excessive faith in the financial sector to bring about a widening of national and international imbalances as well as high levels of indebtedness.

Handling the crisis and preventing its contagion require government intervention. The situation will not be fixed by market forces. A comprehensive approach is needed, combining macroeconomic instruments and structural reforms. A reform of national and international financial systems should aim to ensure that these support the needs of the real economy, while improvements in labour markets and social policies are needed to reduce income inequality.

The work of UNCTAD demonstrates that the macroeconomic response needs to encompass monetary, fiscal and incomes policies, with a special focus on the latter two. With the on-going deleveraging process in developed economies, monetary policy alone will not restore private demand. Active incomes policies and fiscal stimuli are needed to reinvigorate domestic demand. It is doubtful that the current drive towards fiscal tightening will achieve fiscal consolidation. Instead, the already weak growth performance is likely to worsen. Without pro-growth measures, the risk of prolonged recession cannot be excluded.

The crisis has also shown that the international monetary and financial system has failed in a number of respects: it has not succeeded in reducing global imbalances; destabilizing capital movements continue, while the exchange rate system is unstable and fails to reflect economic fundamentals. Moreover, the system has exacerbated a deflationary bias by placing all the burden of adjustment on deficit countries without promoting an expansion of demand in surplus countries. The situation calls for a new international financial architecture that would support countercyclical policies. Developing countries should enlarge their policy space through national and regional strategies that allow them to reduce external vulnerability and rely more on domestic and regional markets, as well as on South–South trade.

Commodity markets deserve special attention, given their vital importance for the economies of developing countries, in terms of both exports and imports. The greater involvement of financial investors has altered the functioning of commodity markets and can cause prices to shift significantly from fundamentally justified values. To improve commodity market functioning, there is a need for increased transparency in the physical and derivatives markets, as well as for internationally coordinated tighter regulation of financial investors. Moreover, market surveillance authorities could be mandated to intervene directly in exchange trading on an occasional basis.

International coordination of economic policies enhances their effectiveness. This was evidenced by the coordinated countercyclical policies during the crisis of 2008–2009. However, simultaneous fiscal tightening in most developed economies is presently reinforcing its contractionary effects. The role of the Group of Twenty as a coordinating forum is a positive step towards enhancing global economic governance, provided that its decisions are supportive to growth and job creation. However, it is important to ensure that multilateral economic policy coordination is inclusive and representative, since it affects all countries in our globalized world.

PURPOSE

In this event, centred on the first sub-theme of the Conference agenda, policymakers and economic analysts will discuss the present challenges faced by developed, transition and developing countries in the face of renewed risks of global recession. Panellists will debate ways in which these risks can be prevented in the short run, as well as measures to address the roots of the global financial crisis, which will require structural reforms, particularly in national and international financial systems.

OUTCOME

A thematic summary of the deliberations will be prepared by the UNCTAD secretariat as part of the report of the Conference. The meeting will be webcast with excerpts posted on the UNCTAD website and available to download as podcasts.

ORGANIZATION

Round table 1 is conducted as an interactive dialogue in two parts in which the issues will be examined from the perspective of six panellists before the discussion is opened up to questions and comments by delegates. Each panellist or discussant will be invited to speak for 10 minutes, followed by questions and comments from the audience.

AGENDA

10 a.m.–11.30 a.m.	*Economic challenges and crisis-mitigation strategies in developed, developing and transition economies.* Question-and-answer-session
11.30 a.m.–1 p.m.	*The need for structural reforms: towards a new international financial architecture?* Question-and-answer-session

DOCUMENTS

Issues note to be prepared by UNCTAD secretariat (February 2012)

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