



22 June 2012

Excellency,

We have the honour to enclose herewith a summary of the High-level thematic debate on the “State of the world economy and finance in 2012”, held on 17 and 18 May 2012 at United Nations Headquarters.

In this connection, we should like to thank once again all those who made this event a success. First, we wish to reiterate our gratitude to the Heads of State and Government, Ministers and other senior officials in charge of foreign affairs, finance and economic development for taking the time to come to New York to participate in the debate. We also thank guest keynote speakers, executive heads and senior managers of relevant international agencies and regional development banks, as well as distinguished economists, experts and representatives from civil society, the business sector and academia for their contributions to the rich and illuminating discussions. Last but not least, we express our appreciation to the co-facilitators, Ambassador Daniele Bodini of San Marino and Ambassador Ertuğrul Apakan of Turkey, for their invaluable efforts in support of the event.

At this time, we wish to highlight five key messages emerging from the meeting.

1. The global economy is currently in a precarious situation. The recent economic outlook for some developed countries is characterized by stagnation, while economic growth has decelerated in many countries. Before the crisis of 2008-2009, emerging markets experienced unprecedented growth. As a result, countries benefited from an increasingly integrated and expanded world economy. However, the deficiencies in the global financial architecture and high fiscal deficits in systemically important economies led to speculation, financial strain and eventually the world financial and economic crisis. Sovereign debt crises in important regions has further complicated the global economic situation. Poverty and inequality are on the rise in too many places. Hard-won development gains are under threat. Unemployment, especially among young people, remains at high levels worldwide.

All Permanent Representatives and  
Permanent Observers to the United Nations  
New York


2. The current crisis is of a global nature; therefore remedies also need to have a global dimension. The United Nations, through the universal membership of its General Assembly, has a central role to play in international deliberations on the world economy and sustainable development, with a view to fostering intellectual and political consensus on those matters. The Organization should impart its leadership in promoting inclusive and equitable economic growth, sustainable development and eradication of poverty and hunger. Our deliberations in the General Assembly are aimed at providing recommendations for accelerating recovery from the crisis and bringing the world economy into a better shape in the shortest term possible. To better inform those deliberations and foster coordination between international actors, the United Nations has been striving to reach out to all major groups and stakeholders. Facing current global challenges is a collective endeavour.

3. Pressing economic and financial issues must be urgently addressed in order to achieve a robust, sustained and inclusive global recovery. In doing so, we must maintain open markets and refrain from protectionism. We need to find ways to stimulate economic growth and create jobs while ensuring sustainable development. Economic growth has to be equitable and should benefit current and future generations.

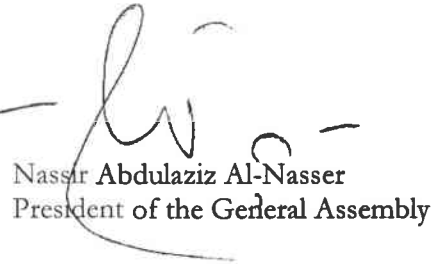
4. The way out from the crisis requires long-term policies. Coordinated and powerful solutions are needed to address global economic and financial challenges. In this context, the international financial system needs to be further reformed. It is imperative to send strong signals to the markets on medium- to long-term fiscal consolidation, leading to debt sustainability. Strengthening economic governance, repairing the banking systems and setting up financial safeguards are among the principal measures to be taken. Moreover, international monetary, financial and trading systems should be made more coherent, representative and consistent. The countries that have fiscal space should avoid premature withdrawal of expansionary fiscal and monetary policies, in order to secure uninterrupted economic recovery.

5. A new growth paradigm envisioning stable economies should prevail, mindful of the fact that fiscal austerity cannot be the sole remedy. The UN Conference on Sustainable Development (Rio+20) is a historic opportunity to establish such a paradigm. We must find ways to stimulate our economies, create decent jobs, provide social protection, especially to the poor and vulnerable. In Rio, the World Leaders should look above and beyond their national concerns, but rather for the common good. Thus, they are expected to define steps towards a better future for all which would be more equitable, more prosperous and more respectful to our planet. Now is also an opportune moment to seek solutions to the worldwide jobs crisis and take decisive actions in order to avoid another global recession.

Please accept, Excellency, the assurances of our highest consideration.



BAN Ki-moon  
Secretary-General



Nassir Abdulaziz Al-Nasser  
President of the General Assembly

**Summary by the President of the General Assembly of the  
High-level thematic debate on the  
“State of the world economy and finance in 2012”  
(New York, 17 and 18 May 2012)**

*Executive summary*

The objective of the meeting, convened jointly by the President of the General Assembly, H.E. Mr. Nassir Abdulaziz Al-Nasser, and the Secretary-General, H.E. Mr. Ban Ki-moon, was to explore ways of improving the overall global economic and financial situation and to discuss its impact on development efforts and social processes. The event was attended by seven Heads of State and Government (Albania, Bosnia and Herzegovina, Gabon, Guyana, Madagascar, Panama and Trinidad and Tobago), the President of the European Commission, one Deputy Prime Minister (Turkey), 15 Ministers (Algeria, Bahrain, Gabon, Guyana, Iran, Kazakhstan, Kyrgyzstan, Lebanon, Liberia, Morocco, Myanmar, Qatar (2), San Marino and Uganda), senior officials of the relevant international agencies and regional development banks, as well as representatives of civil society, the business sector and academia.

The two-day event consisted of plenary sessions, including summit and ministerial segments, and four round tables on: (1) “Combating unemployment, creating jobs (specially for the women and youth) and addressing poverty”; (2) “Reducing debt vulnerability, managing inflation/deflation”; (3) “Limiting commodity price fluctuations, increasing production, trade and investment”; and (4) “Increasing stability, predictability and transparency in the financial sector”. The debate was organized in an informal setting to facilitate an exchange of views among policy makers on the state of the world economy, in order to contribute to ongoing international efforts to achieve a sustained, inclusive and equitable economic recovery, with a particular focus on sustainable development, thereby addressing specifically the needs of the world’s poorest and most vulnerable people.

Key messages from the plenary sessions and round tables are:

*Plenary sessions*

- The world economy and finance are facing pressing challenges that require forceful and internationally coordinated policy responses. It is crucial to foster international consensus on key policies, despite different views among countries. The United Nations can play a central role in promoting inclusive and equitable economic growth and poverty reduction. Both developed and developing countries have been adversely affected in the aftermath of the global financial and economic crisis.
- A new paradigm of growth is needed, based on stable economies, decent jobs and opportunities for all, as well as sustainable development within planetary boundaries. The upcoming UN Conference on Sustainable Development (Rio+20) provides an historic opportunity to establish such a new paradigm.

- The sovereign debt crisis, in particular in the euro zone, represents a serious downward risk for global economic recovery. The crisis needs to be contained and resolved, including through credible medium- to long-term fiscal consolidation, leading to debt sustainability. However, countries should not prematurely withdraw from providing necessary fiscal stimulus.
- Persisting global economic and financial imbalances can be a source of instability and should be addressed in a coordinated manner. It is important, however, to maintain open markets and refrain from protectionism, which would undercut future prosperity.
- Appropriate frameworks of global economic governance should be in place to take global economic and financial decisions in an effective and inclusive manner. To this end, participation of developing countries in these mechanisms should be strengthened.
- The international economic and financial system requires further reforms, in order to be conducive for development. One important area is financial regulation aimed at creating a level playing field.
- Excessive speculation and volatility in commodity markets remain a serious concern, in particular in the developing world. Appropriate regulatory mechanisms and trade modalities to address this challenge should be considered.
- Long-term policies to achieve sustainable growth should focus, in particular, on enhancing productive investments, job creation, infrastructure, education and health. National development strategies should be tailored to specific conditions in each country.
- Donor countries should refrain from cutting development aid flows. Predictable and sustainable aid for development is in the interest of improving the global economic situation, including that of donor economies.

*Round table 1: "Combating unemployment, creating jobs (specially for the women and youth) and addressing poverty"*

- The crisis and the subsequent sluggish recovery have had especially severe impact on vulnerable sections of society, including the youth, women and children. Governments that have adequate space should avoid premature withdrawal of expansionary fiscal and monetary policies, in order to boost economic growth.
- The high levels of unemployment, including youth unemployment, are especially worrying. Unemployment can lead to social instability, particularly in fragile states. A global partnership in the fight against unemployment, with the collaboration of all institutional stakeholders, could help tackle these challenges.
- Measures to stimulate growth and employment must be complemented by strengthened social policies that focus on improving access to public services, health and education, while addressing inequalities in income distribution. Models of economic growth should be reviewed to take greater account of social and environmental goals.
- National efforts to reduce poverty and unemployment need to be accompanied by measures at the international level. Donor countries should provide adequate levels of development assistance and honor their aid commitments.
- The international financial architecture needs reform towards a greater representation for developing countries in decision-making and norm-setting bodies.
- There is a need for a proper follow up to the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development, including an objective assessment of the progress made towards the implementation of its outcome document.

- Democratic institution-building is important for economic progress since democracy helps to communicate the priorities of people through election feedback.
- The international community must collaborate to effectively prevent illicit capital flows and enable the strengthening of tax administrations across the world.
- There is also a need to maximize the developmental impact of international trade and effectively address emerging challenges pertaining to food security, energy and climate change.

*Round table 2: “Reducing debt vulnerability, managing inflation/deflation”*

- The sovereign debt issue is becoming critical in the current situation of global financial instability. The social cost of debt crises should be recognised and the political will to solve them should be fostered at the relevant international platforms.
- Proper processes and rules of the game should be put in place to allow for debt crisis resolutions that minimize the costs for all stakeholders. Procedures for debt restructuring and temporary standstills should be envisaged.
- A more transparent and accountable international credit rating system should be structured so as to conduct sovereign risk assessment based on transparent and objective parameters. The international early warning system should be improved, including oversight over credit rating agencies and better statistical resources.
- Macroeconomic policies should not focus exclusively on inflation targeting and also consider other pro-growth measures on an equal footing. Alongside anchoring inflation, a stable real exchange rate could also be one of the explicit targets of macroeconomic policy.
- While balancing the budget is important, Governments have an essential role to play in terms of regulation and promoting solidarity solutions to economic and social problems such as inequality, access to education and health care.
- A responsible approach to fiscal policy, as well as more equitable tax systems, including controlling tax havens, is fundamental to enhance economic and political stability.
- Restoring some of the sound regulations adopted after the Great Depression is important, since the financial sector, if left to its own devices, will not be able to self-regulate.
- The financial regulatory system has to be adapted to the fast information technology driven nature of modern banking.

*Round table 3: “Limiting commodity price fluctuations, increasing production, trade and investment”*

- There remains considerable uncertainty in global financial markets. Asset and commodity prices, risk spreads, capital flows and exchange rates remain highly susceptible to sudden swings with devastating consequences for growth and employment.
- Countries should refrain from trade protectionism. There are concerns that high unemployment and high levels of debt could lead to more protectionism in the future.
- The full implementation of previous multilateral trade commitments, especially duty free and quota free access to markets for all LDC products, is important.
- It is crucial to reduce vulnerability to external shocks through greater investment in trade capacity and economic diversification. In this context, the international community should support developing countries in mitigating the effects of the crisis.
- The full implementation of the Istanbul Programme of Action for LDCs is crucial. Aid for Trade and special trade facilitation measures are particularly important for land-locked

developing countries.

- Efforts to reduce the price volatility of food and commodity products could include greater regulation and related measures to restrain excessive speculation, as well as policies to ensure greater market transparency and appropriate information sharing.
- Challenges pertaining to food security need to be urgently addressed. Greater investment and development assistance should be channeled to agriculture, including infrastructure, irrigation and research and development to improve seeds. Restrictions on the export of food items should be avoided.
- Countries should strive to improve their business environment, including promoting transparency, fair and effective legal and regulatory systems. Effective reforms could help insulate countries from volatile international economic developments. Regional integration in promoting investment and trade remains important.

*Round table 4: "Increasing stability, predictability and transparency in the financial sector"*

- Global financial stability continues to be adversely affected by a number of factors, including the sovereign debt crisis in the euro zone and persisting global imbalances. Coherent policy solutions at the international level are required to restore stability and confidence in the financial system.
- Main factors leading to the financial crisis were failures in risk management, regulatory oversight and corporate governance. Moreover, banks built up excessive risks and leverage in their balance sheets.
- Good and efficient regulation of financial sectors is needed in order to return to sustainable and responsible markets. It is essential that the financial sector facilitate the transfer of financial resources to the real economy and that financial institutions act in the best interest of their clients. In this context, compensation schemes for financial executives that favour short-term profits should be reviewed.
- Making sure that banks and non-bank financial institutions hold adequate capital could protect stakeholders against extreme losses and strengthen the crisis resilience of the financial sector.
- Implementing the Basel III agreement is important for improving international financial regulation. However, regulatory efforts need to be intensified with regard to systemically important financial institutions and the shadow banking system. Regulation should also tackle fraud in the financial system, as well as should be coordinated and made consistent among national regulators.
- Better surveillance of the financial sector will contribute to financial stability and sustainable growth.

## **I. Opening session.<sup>1</sup>**

1. The opening session featured introductory remarks by the two co-Chairs of the debate, the President of the General Assembly and the Secretary-General of the United Nations, followed by addresses by four guest keynote speakers, a summit segment, a ministerial segment, a report on UNCTAD XIII, a message from the President of ECOSOC and a statement on behalf of a group of countries (CELAC).

### *Introductory remarks by the co-Chairs*

2. The President of the General Assembly, H.E. Mr. Nassir Abdulaziz Al-Nasser, welcomed participants and extended his gratitude to the high-level representatives and panelists participating in the meeting. He also commended the Secretary-General for his leadership and guidance and expressed his appreciation to the co-facilitators of the event, Ambassador Daniele Bodini of San Marino and Ambassador Ertugrul Apakan of Turkey. The speaker emphasized that the global economy was at a critical juncture. Pressing economic and financial issues were to be tackled in order to achieve a robust, sustained and inclusive global recovery. In the aftermath of the crisis, there had been a significant adverse impact on both developed and developing countries. Moreover, the vulnerable sections of society in all countries had been hardest hit by the economic downturn.

3. The President recalled that Member States had adopted various approaches to improve economic conditions in their respective countries. The over-arching priority, however, had to be to implement an effective and globally coordinated policy for sustained growth and development. The United Nations had a central role to play in international deliberations on the world economy and sustainable development. He called on the participants in the four round tables to identify and propose specific policy measures to address the ongoing challenges. An urgent task was to address unemployment worldwide, in particular youth unemployment. Debt sustainability remained a concern in a number of countries. The effective promotion of production, investment and trade required a wide range of efforts at all levels. The international financial system needed to be further reformed and strengthened. The speaker stressed that the debate would provide important input into various related UN processes, including the UN Conference on Sustainable Development, to be held in June 2012 in Rio de Janeiro, Brazil, the Financing for Development follow-up process, the discussions on global economic governance, and the future of the MDGs.

4. The Secretary-General, H.E. Mr. Ban Ki-moon, called for a new paradigm of growth based on stable economies, decent jobs and opportunities for all, and sustainable development within planetary boundaries. Since the financial and economic crisis had begun, 200 million people had lost jobs and income. Poverty and inequality were on the rise in too many places. Hard-won development gains were under threat. That showed that the old model was broken, and that a new model for dynamic growth was needed. Growth had to be equitable and should benefit current and future generations.

---

<sup>1</sup> All statements and presentations delivered and/or distributed at the meeting will be posted on the website of the President of the General Assembly (<http://www.un.org/en/ga/president/66/Issues/worldfinancialcrisis/wfec.shtml>).



5. The Secretary-General underscored that the Rio+20 Conference was a historic opportunity to establish such a new paradigm. Twenty years ago, the Earth Summit had laid out a roadmap for sustainable development, which had not been followed. Significant threats had emerged, such as a more fragile environment, a rapidly warming world, growing scarcities of natural resources, and an increasing number of people in need of food, energy, water and decent jobs. At Rio, the international community would need to agree on a process to establish Sustainable Development Goals that would lay the foundations for dynamic economic growth, respect for the planet and social equity. Turning to the current economic situation, the speaker outlined six areas that would be crucial to make a sustainable recovery from the crisis: (i) global markets that worked for people; (ii) taming volatile food and energy prices; (iii) increasing resilience of countries to financial shocks; (iv) more stable and better regulated financial sectors; (v) greater financial inclusion; and (vi) refraining from cutting development aid in the process of fiscal consolidation.

*Presentations by guest keynote speakers*

6. Four guest keynote speakers addressed the General Assembly in the opening session: H.E. Mr. Jose Manuel Barroso, President of the European Commission; H.E. Mr. Ali Babacan, Deputy Prime Minister of the Republic of Turkey; Mr. Paul Volcker, former Chairman of the United States Federal Reserve; and Mr. Joseph Stiglitz, Professor at Columbia University.

7. Mr. Barroso emphasized the representativeness of the United Nations and its role in international economic and social cooperation. The economic crisis had a global nature; therefore the remedies also needed to have a global dimension. In Europe, much had been done in the last two years to overcome economic and financial problems. The relevant measures included repairing the banking system, strengthening economic governance, setting up financial firewalls, and providing solidarity among EU Members. In addition, structural reforms were being promoted, such as reforms for competitiveness and addressing internal imbalances. Also in Europe, the key concern remained economic growth, which could be achieved through fiscal consolidation, structural reforms and targeted investment. The speaker expressed confidence that the EU, in spite of all difficulties, was making good progress in laying the foundations for economic recovery and sustainable growth.

8. The speaker stressed that the Euro was the product of a project of peace, rather than a mere monetary construction. Therefore, EU Member States as well as all European institutions would do whatever was necessary to overcome the current challenges. At the same time, the work inside had not distracted the EU from a broader world vision and from addressing extreme poverty in the world. The EU and its Member States remained the largest provider of ODA. The EU would also actively work towards a successful Rio+20 Conference. It was important to achieve sustainable and inclusive growth at the global level at the service of all citizens.

9. Mr. Babacan underscored that the United Nations had a leadership role in promoting inclusive and equitable economic growth, sustainable development and eradication of poverty and hunger. The global crisis had had adverse impacts on development in many countries. It had also affected employment and household incomes. Youth unemployment exceeded 50 per cent in some advanced economies. The recovery from the crisis was slow and downside risks persisted.

The way out from the crisis required long-term policies. It was imperative to send strong signals to the markets on medium- to long-term fiscal consolidation, in particular in the euro zone. However, countries that had the space should not prematurely withdraw from expansionary fiscal and monetary policies. Another key objective was strengthening the financial sector. Moreover, international monetary, financial and trading policies should be made more coherent and consistent. Collective action to improve the global partnership for development remained crucial.

10. According to the speaker, Turkey had experienced significant progress in economic development, particularly over the last decade. The country had aimed to eliminate extreme poverty, enhance gender equality, protect the environment and improve education and health services for all within a human-centered approach. Due to timely structural reforms, Turkey had entered the period 2008-2009 with strong public finances and a strong banking sector. Employment and income distribution had continued to improve despite the crisis. Also, policies to enhance health care and education had been successfully implemented. The speaker identified job creation as the most important element to reduce poverty on a sustainable basis. To this end, reforming labour markets and improving the quality of labour skills were essential.

11. Mr. Volcker noted that the current state of the world economy and finance deserved the attention of Governments. Before the crisis, emerging markets had experienced unprecedented growth, benefitting from an increasingly integrated world economy. However, the unimpeded build-up of global imbalances and high fiscal deficits in important countries had led to speculation, financial strain and eventually a deep recession. The situation was further complicated by the sovereign debt crisis in Europe. The fiscal outlook as well as growing political divisiveness presented significant threats. In his view, the United Nations could help foster intellectual and political consensus, despite its lack of executive authority on those matters.

12. According to the speaker, the need to maintain open markets was one possible area of consensus, in particular with respect to trade, finance and intangibles. Retreating from open markets would undercut prospects for future prosperity. It was also important to achieve consistency of regulatory approaches in finance across the globe, such as those on bank capital requirements and accounting standards. It was crucial to realize that every nation shared responsibility in pursuing such international reforms.

13. Mr. Stiglitz highlighted that the outlook for the economies in Europe and the United States was characterized by slow growth or stagnation. Unemployment, especially among young people, remained at high levels worldwide. Fiscal austerity would not be an effective measure to remedy that situation and to boost recovery. In Europe, structural reforms were necessary, but they needed to be properly designed and well timed in order not to exacerbate the situation. The key problem was a lack of aggregate demand. Thus far, the policy measures taken were inadequate to improve global economic performance. Markets were still not well utilizing the human, physical and natural resources available.

14. The speaker referred to the outcome document of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development, as well as to the report of the Commission of Experts of the President of the UN General Assembly on Reforms of the

International Monetary and Financial System. He argued that the world economy would have been in a better shape if the recommendations from those documents had been followed more resolutely. For instance, international efforts had not gone far enough in making the financial sector safer and more stable. Global imbalances as well as inequalities within and across countries were major issues of concern. Collective action at the global level was needed to overcome those challenges. It was also important to have in place appropriate mechanisms of global economic cooperation. In this regard, the speaker recalled the proposal to set up a Global Economic Coordination Council, supported by an International Panel of Experts.

### *Summit segment*

15. Five Heads of State and Government spoke in the summit segment: H.E. Mr. Donald Ramotar, President of the Cooperative Republic of Guyana; H.E. Mr. Bamir Topi, President of the Republic of Albania; H.E. Mr. Ricardo Martinelli, President of the Republic of Panama; H.E. Mr. Nebojsa Radmanovic, Member of the Presidency of Bosnia and Herzegovina; and H.E. Mr. Guy Nzouba-Ndama, President of the National Assembly of the Gabonese Republic.

16. The President of Guyana, speaking on behalf of the Caribbean Community (CARICOM), stressed that the UN had an obligation to ensure that the global response to the current economic challenges was inclusive, effective and sustained. Three years after the 2009 UN conference, the outworking of the crisis was still work in progress. The world economy remained vulnerable, and the fragilities facilitating the financial and economic crisis had not been adequately addressed. Developing countries continued to bear a high cost for a crisis that had not been of their own making. The thematic debate could therefore lead to more concerted actions by the UN in follow-up to the 2009 UN conference.

17. The speaker underscored that policy responses needed to address the impact of the crisis on developing countries. Adverse effects on development had included cuts to social programmes, reductions in ODA, FDI and international trade, higher levels of indebtedness, and a major job loss. CARICOM economies had also been significantly impacted, in particular by contracting tourism and collapsing export prices. Against that backdrop, action by the international community had not been commensurate with the scale of the crisis. It was imperative that the international community carved effective solutions, which took into account the needs of small vulnerable states. CARICOM called for special consideration of debt relief measures for small heavily indebted middle-income countries and for an enhanced collaboration on international tax matters. Moreover, developed countries had to recognize that cutting aid to developing countries would eventually endanger their own prospects.

18. The President of Albania pointed out that the global economic crisis was a major issue of concern for the international community. The crisis had exposed weaknesses of economic theories and policies. In today's world, production networks were internationalized and trade liberalization had led to the removal of commercial barriers. The development of capital markets had caused fluctuations causing the current crisis. Against that backdrop, the policy actions to address the crisis also had to be international. Regulation was one area that needed to be addressed. It was also necessary to fight against fraud and corruption. He called on the

international community to refrain from protectionism, as it was a prescription for stagnation. It was important to realize that policy decisions taken today would affect prosperity tomorrow.

19. The speaker stated that Albania had undergone major political and economic changes over the last two decades. The transition towards a market economy had resulted in economic growth and improvements in the well-being of citizens. Foreign investment had increased and the country's infrastructure had been upgraded. In addition, health and education systems had been improved, and media and civil society networks had been enhanced. As a result of those positive transformations, Albania had become a factor of peace and stability in the region.

20. The President of Panama stressed that the economic crisis had been caused by incorrect risk assessments, the lack of discipline in macroeconomic policies, and weaknesses of prudential frameworks. Currently, the global economic outlook was characterized by lower growth forecasts in many advanced and emerging economies and a projected recession in Europe. It was crucial for Europe to respond to its sovereign debt situation and to prevent spillovers to other parts of the world economy. Developing countries had already experienced a significant loss in household wealth, which was among the worst damage caused by the crisis.

21. According to the speaker, it was critical to devise policies that stroke a balance between fiscal discipline, social programmes and robust growth. Assisting the unemployed was a priority issue in that regard. It was also important to boost confidence and credibility in the financial sector. Emerging economies needed to adopt policies that prevented adverse spillover effects from advanced economies. For Panama, the development of regional integration would generate significant benefits. Latin America was experiencing sustained economic growth today. It had reduced inequalities among population groups and provided citizens with real opportunities for progress. The decisions taken in Europe would therefore be closely watched.

22. Mr. Radmanovic highlighted the economic situation in Bosnia and Herzegovina. The country's economic relations were geared towards other countries in the region and the EU countries. Bosnia and Herzegovina had been affected by the global crisis, in particular by increasing unemployment, which amounted to over 25 per cent, an external trade deficit, a low level of FDI, and growing public deficits. Bosnia and Herzegovina was one of the poorest countries in the region and in Europe, which was a serious challenge to efforts aimed at overcoming the crisis. In a post-conflict region, this also jeopardized political stability. However, the overall level of public and private sector debt still remained relatively low in Bosnia and Herzegovina and other countries in the region.

23. The speaker emphasized that political and economic support, especially from the EU, could contribute to further stabilize the regional economies. Primarily, a higher level of FDI and enhanced access to credit and grant resources were necessary to finance key investments. Production capacities in the real economy needed to be rebuilt. Politically, progress in the process of EU integration was crucial. At the global level, the speaker expressed the view that a new, fairer and balanced model of the world economy would emerge as a result of various trends. The previous model had contributed to the occurrence of the global economic crisis.

24. Mr. Nzouba-Ndama (Gabon) pointed out that the world economy was marked by a paradox. Since the 2009 crisis, it had seemed to initiate an upswing, while at the same time going through periods of significant turbulences. A weak recovery and high unemployment were additional risk factors. Growth rate in Sub-Saharan Africa had slightly increased and had reached almost 5 per cent. However, Africa remained confronted with food insecurity, youth unemployment and environmental degradation. In several countries, the MDGs would not be achieved.

25. The speaker stressed that the current debate was an opportunity to discuss means to generate sustainable growth that benefitted all, in particular young people and women. More solidarity between rich and poor countries was necessary, but also a renewed role of the State in promoting new sectoral and industrial approaches at the national level. In addition, partnerships between the public and private sectors were important to improve conditions for investment and production. It was the objective of Gabon to become an emerging economy by the year 2025, based on the three pillars of a green, industrial and service economy. However, the issue of financial speculation and commodity price volatility remained a serious concern. Therefore, it was necessary to seek new trade modalities and establish regulatory mechanisms for commodity prices.

#### *Ministerial segment*

26. In the ministerial segment, the General Assembly heard statements of eleven speakers: H.E. Dr. Khaled bin Mohammad al-Attiyah, Minister of State for Foreign Affairs of the State of Qatar; H.E. Ms. Antonella Mularoni, Secretary of State for Foreign and Political Affairs of the Republic of San Marino; H.E. Mr. Abdelhamid Temmar, Minister of Prospective and Statistics of the Republic of Algeria; H.E. Mr. Bakhytzhan Sagintayev, Minister of Economic Development and Trade of the Republic of Kazakhstan; H.E. Dr. Mashiur Rahman, Economic Advisor to the Prime Minister of Bangladesh; H.E. Dr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of the Republic of India; H.E. Mr. Seyed Shamsuddin Hosseini, Minister of Finance and Economic Affairs of the Islamic Republic of Iran; H.E. Mr. Ruslan A. Kazakbaev, Minister of Foreign Affairs of the Kyrgyz Republic; H.E. Ms. Maria Kiwanuka, Minister of Finance, Planning and Economic Development of the Republic of Uganda; H.E. Mr. Augustine Kpehe Ngafuan, Minister of Foreign Affairs of the Republic of Liberia; and H.E. Mr. Nizar Barka, Minister of Economy and Finance of the Kingdom of Morocco.

27. Dr. al-Attiyah (Qatar) underscored that the dire current global economic situation required the attention of the international community. Major economies were plagued with economic slowdown. In addition, many countries were facing worsening sovereign debt problems and international financial markets were experiencing continuous volatility. The global crisis had had adverse effects on development, in particular through increased unemployment and poverty. However, Qatar had been able to navigate safely through the global crisis. It was now necessary to work together to create a mutually beneficial international environment for sustainable development. To that end, it was imperative that developed countries fulfilled their international obligations. The international community should also promote closer cooperation to reform the global economic, trade and financial system.

28. Ms. Mularoni (San Marino) noted that the financial and economic crisis was far from over. Despite many efforts, a coordinated strategy for the way out of the crisis was yet to be found. The meeting would give all countries a unique opportunity to exchange new ideas on that matter. Indeed, most countries did not have the possibility to participate in the decision-making process on global financial and economic issues. However, the result of those decisions affected all States. Policy strategies had to focus on creating employment, curtailing commodity price speculation, financing SMEs, and promoting sustainable growth. Efforts also had to be made to pursue a policy of fiscal discipline. She called for a better monitoring of worldwide financial activities. San Marino had been encouraged by the crisis to step up its engagement in international fiscal and tax cooperation, as evidenced by the signing and ratification of more than 35 Double Taxation and Tax Information Exchange Agreements since 2009.

29. Mr. Temmar (Algeria) noted the present unfavorable environment for development. Progress in developing countries had been eroded by the crisis. International institutions had been insufficiently able to mitigate the impact of the crisis. Developing countries continued to face poverty, food insecurity, external debt burdens, and high unemployment. The crisis had exposed the ineffectiveness of international financial regulation. However, efforts to improve the regulatory system had not been fruitful, for instance with regard to hedge funds. The decrease in ODA flows was in contrast to the needs of developing countries. Excessive financialization and speculation in food commodities needed to be addressed. Appropriate multilateral measures included improving the international trading system and the finalizing the WTO Doha round. The speaker also called for an appropriate follow-up to the 2009 UN conference and the full implementation of all international commitments in the social and economic area.

30. Mr. Sagintayev (Kazakhstan) pointed to slightly improved prospects for the world economy due to higher growth in the United States and measures taken in Europe. However, the recovery still faced significant risks, such as the instability in the euro zone, increasing unemployment and social tensions. The situation in developed countries affected developing nations through trading and financial channels. Kazakhstan ranked among the most rapidly developing economies of the world. However, the crisis had also highlighted the vulnerabilities of the national economy, such as a lack of diversification, which would be addressed by the Government's economic strategy. In order to advance discussions on global solutions, the President of Kazakhstan had proposed new formats, such as the G-GLOBAL, an electronic communication platform, and the Astana Economic Forum (sixth meeting to take place from 23-24 May 2013).

31. Dr. Rahman (Bangladesh) welcomed the event as a step towards commencing a follow-up process to the 2009 UN conference. The difficulties in the world economy had negative ramifications on countries like Bangladesh, including through the contraction of exports, the loss of remittances from abroad, and balance of payments pressures. LDCs had been bearing the hardest brunt of the crisis. The global downturn had demonstrated how closely interconnected the world economy was. The multilateral financial institutions therefore needed to enhance their capacity to recognize early the problems faced by their members. Those institutions also needed to become more democratic and accountable and enhance the effectiveness of communication.

32. Dr. Ahluwalia (India) pointed out that the crisis had interrupted a period of broad-based growth in developing countries. Amidst persisting problems, there was little consensus on how to move forward, for instance on fiscal policy. Austerity policies were indeed not showing results in terms of growth and employment creation. Moreover, the world lacked institutions of global economic governance that could bring about the needed policy coordination. In addition, industrialized countries had to ensure the sustainability of their high levels of consumption. For developing countries, growth remained essential to increase living standards. India had experienced considerable growth, but would also need the help of a supportive global environment. Reforming the international financial system, addressing the sovereign debt crisis in Europe and further improving the participation of developing countries in the BWIs were important steps in that regard.

33. Mr. Hosseini (Iran) stressed that the debate was a valuable opportunity to discuss the main economic challenges the world was facing, and expressed the hope that the meeting would initiate a follow-up process to the 2009 UN conference. The crisis had revealed substantial shortcomings in the global economic and financial system. In particular, there were distortions stemming from financial globalization and the dominance of one or two currencies. The institutions of global economic governance lacked the necessary legitimacy and efficiency. Despite national, regional and international efforts, the crisis lingered on. Global cooperation was necessary to overcome the current challenges. In particular, it was required to review the basic economic model, diversify global reserve and transaction currencies, carry out better surveillance of monetary policies and debt of major economies, realign institutions such as the World Bank and the IMF, and create a supportive global environment for business.

34. Mr. Kazakbaev (Kyrgyzstan) emphasized that the global economy was confronted with many difficulties. The gap between poor and rich countries had widened through the crisis. Investment and trade activities were unevenly distributed. Kyrgyzstan had experienced an increase in poverty and political and social instability over the last few years. Among the measures taken by the Government were enhancing transport infrastructure and deepening regional and international integration. The importance of water management in the region was also stressed. At the global level, an unsustainable financial system and substantial public debt levels needed to be addressed. The speaker called for paying attention to the specific needs and vulnerabilities of mountainous and land-locked states.

35. Ms. Kiwanuka (Uganda) noted that many countries were still grappling with the adverse impacts of the crisis. The global economic outlook remained very uncertain. As a consequence, demand for products from developing countries, the fulfillment of development aid commitments and access to financing might be negatively affected. It was therefore necessary to take urgent action to avoid a recurrence of the crisis. The governance structure of the international financial institutions needed to be ambitiously reformed. The international financial system needed to be strengthened and imbalances in the international trading system removed. Moreover, specific strategies had to be tailored at the country level. To this end, the Government of Uganda had set out a sustainable recovery plan.

36. Mr. Ngafuan (Liberia) expressed his hope that the debate would lead to more concrete actions to address the present challenges of the world economy, which were undermining

development. Despite the global economic turmoil, however, Sub-Saharan Africa was experiencing economic growth. It was now the time to reduce poverty, develop the infrastructure and provide economic opportunities for young people. In Liberia, measures were taken to promote domestic consumption, private sector growth and trade with neighboring countries. The cut-back in aid was very troubling for Liberia and would affect the country in areas such as education, health, infrastructure and post-conflict recovery. On the whole, however, there was also an opportunity for Africa to attract investors. The speaker called on developed countries to do their best in continuing their dedication towards stability and development in Africa.

37. Mr. Barka (Morocco) identified the sovereign debt crisis in Europe as a major risk of global economic setback. In the current situation, there was a need to intensify efforts to spur growth and employment. In particular, it was necessary to strike a balance between budget consolidation and kick-starting economic recovery. Moving towards a green economy and the growth of the IT sector provided new ways of creating employment. In addition, reformed global governance structures should have a pre-emptive dimension and focus on growth, investment and social cohesion. Moreover, it was important in the Arab region that the demands of people were being met.

#### *Report on UNCTAD XIII*

38. H.E. Mr. Hamad bin Abd al-Aziz al-Kawari, Minister of Culture of the State of Qatar and President of the 13th Session of the United Nations Conference on Trade and Development (UNCTAD XIII), provided a report on the outcome of UNCTAD XIII, held in Doha, Qatar, 21-26 April 2012. The theme of the conference was “Development-centered globalization: Towards inclusive and sustainable growth and development”. The World Investment Forum (20-23 April 2012), dedicated to investment in sustainable development, had been part of the event. UNCTAD XIII had also featured a high-level event on women in development. The outcomes of the high-level segment and round tables would be at the centre of the future work of UNCTAD. Despite difficult negotiations, the Conference adopted a declaration and a programme of action, a major achievement demonstrating a spirit of global partnership.

#### *Message from the President of the Economic and Social Council (ECOSOC)*

39. The Vice-President of ECOSOC, H.E. Mr. Desra Percaya, Permanent Representative of Indonesia to the United Nations, delivered a message from the President of ECOSOC, H.E. Mr. Milos Koterec (Slovakia). The speaker emphasized the need to continue to devise forceful, internationally coordinated policies that placed the world economy on the path of growth and sustainable development. It was incumbent on all participants to foster consensus on key policies, despite differences of views. Promoting growth and productive employment was at the core of ECOSOC’s current work programme. Pertinent issues had been addressed at the Special High-level meeting of ECOSOC with the BWIs, WTO and UNCTAD in March 2012 and at the recent ECOSOC Youth Forum. The upcoming substantive session of ECOSOC, including the Annual Ministerial Review, would also provide an opportunity to put a spotlight on policies to promote sustainable and inclusive growth and job creation.

#### *Statements by groups of countries*



40. H.E. Mr. Octavio Errazuriz, Permanent Representative of Chile to the United Nations, made a statement on behalf of the Community of Latin-American and Caribbean States (CELAC). According to the speaker, CELAC supported the thematic debate in the context of the follow-up to the 2009 UN conference and in compliance with GA resolution 65/313. The financial and economic crisis particularly affected developing countries. It was important to advance the discussion on measures to address the effects of the crisis, in particular with regard to global economic and financial imbalances, systemic failures, and reforms of the international financial system and regulation. Measures taken by several governments, including stimulus and bail-out programmes, had demonstrated the ability of the international community to raise vast amounts of resources. The speaker urged developed countries that had not yet done so to fulfill their ODA commitments to developing countries. The decrease in ODA in 2011 represented an issue of deep concern. The speaker underscored that the UN was the legitimate forum for international cooperation for development.

## **II. Round table 1: “Combating unemployment, creating jobs (specially for the women and youth) and addressing poverty”**

41. Round table 1 was co-chaired by H.E. Mr. Augustine Kpehe Ngafuan, Minister of Foreign Affairs of the Republic of Liberia, H.E. Mr. Abdelhamid Temmar, Minister of Prospective and Statistics of the Republic of Algeria, and H.E. Mr. Mashiur Rahman, Economic Affairs Advisor to the Prime-Minister of Bangladesh. Keynote speakers were: Mr. Ahmad Mohamed Ali Al-Madani, President, Islamic Development Bank; Mr. Haruhiko Kuroda, President, Asia Development Bank; Mr. Rintaro Tamaki, Deputy Secretary-General, OECD; Mr. Poona Wignajara, Chairman, South Asian Perspectives Network Association; and Mr. Stephen B. Young, Global Executive Director, Caux Round Table.

42. In his opening remarks, Mr. Ngafuan (Liberia) emphasized that the global economy still reeled from the world financial and economic crisis. According to World Bank figures, the euro zone crisis had reduced the growth rate in Africa by 1.3 per cent. Unemployment was perhaps the direst consequence of the crisis. More than 200 million people were unemployed worldwide, with women and youth disproportionately affected. Unemployment did not only exacerbate poverty but could also create pent up frustration challenging political stability, especially in post-conflict and fragile states. Youth unemployment remained the greatest threat to peace in Liberia and its neighboring countries.

43. Mr. Temmar (Algeria) highlighted the importance of an active approach towards fighting unemployment. Government policies were important to help with job creation. Mobility was also an important factor that had to be tackled. Social cohesion was a fundamental prerequisite for growth. However, economic growth had not always been accompanied by sufficient employment growth. Government policies could encourage the private sector to hire. In that context, Algeria had helped new companies through tax policies and training and also assisted entrepreneurs through capacity building and microfinance.

44. Mr. Rahman (Bangladesh) emphasized that employment was not only a means of income but fulfilled an important social function. Unemployment led to alienation and could cause social

unrest. While technology had made enormous progress over the last decades and improved living standards, that progress had further reduced the need for labour-intensive production processes and thus may have contributed to unemployment. He also emphasized the importance of culture and religious belief for work ethics and employment generation. Moreover, democratic institution-building was important for economic progress since democracy helped to communicate the priorities of people through election feedback.

#### *Presentations by keynote speakers*

45. Mr. Al-Madani highlighted that the Islamic Development Bank was a development finance institution composed of 56 member countries, with a volume of cumulative financing that stood at \$80 billion. The speaker considered unemployment from three perspectives: (i) the perennial principles governing socio-economic activity; (ii) the lessons drawn from financial and economic crises and their repercussions; and (iii) the projected trends and development of unemployment economics. Socio-economic activity was characterized by constant change. Today's world could not be seen through the lenses of yesterday's world. Consequently, the development and business models that led to the job market crisis and unemployment should be changed. Lessons learned from the crises included supply-side implications with regard to the necessity to promote entrepreneurship rather than confining oneself to scouting for jobs.

46. With regard to the demand-side, investment into the real economy and setting guidelines that limit speculative financial transactions could promote productive work and job creation. There was a need to bridge supply and demand through the sustainable movement of persons, knowledge, goods and services. The trends of the world economy revealed the need to promote entrepreneurship, raise the level of education to keep pace with the development of technology, boost international cooperation and increase mutual trust among peoples. Finally, the speaker expressed his appreciation for the ILO's Global Jobs Pact, and called for a global partnership in the fight against unemployment led by multilateral development institutions.

47. Mr. Kuroda was cautiously optimistic of the economic prospects for developing Asia. Developing countries had been responsible for more than half the world's economic growth since the crisis. According to the Asian Economic Outlook, the growth forecast for developing Asia (6.9 per cent in 2012) was slightly lower than in previous years but more sustainable in the long term. Downside risks for Asian economies included potential spillovers from the euro zone, volatile commodity prices and the political destabilization in oil-producing countries. On the positive side, Asian economies were now more resilient to external shocks than a decade ago, due to low external debt, high foreign reserves and low non-performing loan ratios. Moreover, there was a shift towards greater domestic demand for the region's larger economy.

48. However, Asia remained home to 2/3 of the world's poor. Inequality had widened in many countries and progress towards the MDGs had been mixed. According to the AsDB, market oriented reforms favoured skilled over unskilled and urban over rural workers. The speaker proposed a set of policy measures to tackle high unemployment among unskilled and rural population segments. Policy makers needed to employ policies to decrease inequalities through better targeted social spending. They should also introduce measures towards more regional balances through fiscal transfer to poorer areas in order to improve basic services.

Moreover, policies to promote the structural transformation from agriculture to the service sector, eliminate market distortions, as well support for SMEs, infrastructure and education would help create productive jobs and move economies towards development-oriented growth.

49. Mr. Tamaki highlighted that the prospects for the global economy looked a little brighter in 2012 compared to 2011. However, euro zone turbulences had contributed to global economic uncertainty. Overall, the avoidance of excessive fiscal consolidation had helped to prevent a sharper recession. In emerging economies, there was a cyclical upswing under way since monetary conditions had been eased. However, the severity of the euro zone crisis had threatened social cohesion in some member countries. Future fiscal consolidation should minimize the negative impact on global growth. The speaker highlighted the need to reduce inefficiencies such as inadequate tax administrations, tax loopholes and illicit capital flows. These policies should have priority over excessive cuts in essential services.

50. To combat unemployment, economic growth was critical, particularly in countries with high unemployment rates, including South Africa, Spain and the US. The speaker highlighted the importance of accommodative monetary policies since the room for further stimulus was limited. Effective counseling, job search assistance, temporary hiring subsidies or high-school class-based learning combined with apprenticeships were effective complements to long-term structural reforms to boost growth and tackle inefficiencies. Moreover, gender equality was fundamental, especially in science, technology, engineering and mathematics. Policy makers could help create conducive environments that would promote attitude changes and encourage women to enter these professions. The speaker concluded that after three years into the recovery from the global recession, promoting reforms that help create decent jobs and productive employments remained a key policy priority for the OECD, which had a long standing record in the provision of effective assistance in that context.

51. Mr. Wignaraja recalled the history of the United Nations, which was born out of the ashes of World War II to replace the League of Nations. Concomitantly, two well-resourced international financial institutions were set up in Bretton Woods, the World Bank and the IMF. He highlighted the work of the Independent South Asian Commission on Poverty Alleviation, which was founded in 1991 to provide a conceptual framework for poverty alleviation through social mobilization and empowerment in South Asia. Reports of that Commission highlighted that, given the sheer number of the poor in South Asia, governments would not be able to survive unless they seriously addressed poverty through timely and comprehensive measures. In that context, the speaker criticized the MDGs and argued that the target of halving, between 1990 and 2015, the proportion of people whose income is less than \$1 a day, was not sufficient.

52. He highlighted that South Asian culture was characterized by high propensities to save, especially by women and collective savings schemes. Moreover, history had shown the importance of values as evidenced by Germany's rise after World War II, which the speaker attributed to a greater degree to Protestant work ethics than the Marshall Plan. Consequently, culture and the values it embedded were a significant determinant of economic growth and progress. He further emphasized the need for sustainable development and security. The challenge was to forge productive linkages among these different concepts. He concluded by

criticizing the current application of microcredit and warned that it should only be given to poor people who had savings.

53. Mr. Young highlighted the need to formulate a common thought foundation for a change paradigm for the global economy. The United Nations must speak on responsibility, values and culture. He called for a new partnership between the private and public sectors based on mutual responsibilities. While the private sector had largely caused the recent crisis, the speaker stressed the important obligations of the State to forge an environment that rewarded and encouraged the private sector to create economic value and promote development. In that context, he referred to Article 55 of the UN Charter, which called for “the promotion of higher standards of living, full employment, and conditions of economic and social progress and development”.

54. The speaker recalled the 2002 Monterrey Consensus, particularly its paragraphs 10-12, which emphasized the importance for governments to promote an enabling domestic environment for mobilizing domestic resources, good governance and appropriate policy and regulatory frameworks, while improving income growth and distribution, raising productivity, empowering women and protecting labour rights and the environment. The speaker also emphasized the need to prevent illicit financial flows and to promote a new convention on international financial standards. Moreover, there was a need to introduce corporate social responsibility and introduce the Volcker Rule, which would ban proprietary trading for commercial banks.

#### *Discussion*

55. During the discussion, many participants emphasized the precarious state of the world economy. It was pointed out that the crisis, and the subsequent sluggish recovery, had impacted especially severely on vulnerable sections of society, including the youth, women and children. It was also argued by some delegations that the policy response to the crisis had been unsatisfactory. There were calls on Governments to avoid premature austerity measures and to implement responsible macroeconomic and structural policies that would serve to boost economic growth. The need for enhanced international economic cooperation, including fiscal coordination, was emphasized.

56. There was particular concern regarding the high levels of unemployment, and underemployment, in many countries. The high levels of youth unemployment were noted to be especially worrying. It was emphasized that unemployment can lead to social instability, particularly in fragile states. There were calls to forge a global intergovernmental partnership in the fight against unemployment, with the collaboration of all institutional stakeholders.

57. Several speakers called on policy makers to put in place measures to generate higher levels of employment. Such measures could include targeted hiring subsidies and the provision of training and credit to encourage entrepreneurship and support of SMEs. There were also references to the need to develop entrepreneurial skills among women and to have targeted programmes to encourage youth employment. Some speakers argued that these supply-side measures should be accompanied by demand-side expansionary measures, including investments

in infrastructure projects. It was also emphasized that the required measures for job-creation varied between countries and needed to be specific to individual economies.

58. Some participants stressed that measures to stimulate growth and employment must be complemented by strengthened social policies focused on improving access to public services, health and education, and addressing inequalities in income distribution. According to one delegation, there should be a combined focus on employment, poverty reduction and social inclusion. Some speakers referred to the need to review existing models of economic growth, to take greater account of employment, social and environmental goals. It was pointed out that the forthcoming UN Conference on Sustainable Development (Rio+20) provided a unique opportunity to set out the foundations for a new model of economic development.

59. Several delegations asserted that national efforts to reduce poverty and unemployment needed to be accompanied by measures at the international level. In that regard, the need for adequate levels of development assistance and the need for donors to honour their aid commitments were stressed. Some speakers called for a reformed international financial architecture, with a greater representation for developing countries in decision-making bodies. Reference was also made to the benefits of strengthening regional cooperation, including regional and sub-regional integration.

60. There was discussion on the role of history and culture in influencing economic performance. Some participants emphasized the importance of these factors in determining economic behavior in some regions, such as, for example, a tendency to save more and to defer consumption. One speaker, however, remarked that historical influences and cultural behavior tend to evolve over time and their importance, when framing policies, should not be overplayed. It was also stated that appropriate institutional development can also set in place a culture that was in line with a country's development goals. With regard to culture, there were also calls for more research by international institutions on the Islamic system of banking.

61. There was a call for a proper follow-up process to the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development, including an objective assessment of the progress made towards fulfilling the different commitments contained in its outcome document. Among other things, the need to maximize the developmental impact of international trade was asserted, and there were also calls on the international community to effectively address emerging challenges pertaining to food security, energy and climate change.

### **III. Round table 2: “Reducing debt vulnerability, managing inflation/deflation”**

62. Round table 2 was co-chaired by H.E. Mr. Montek Singh Ahluwalia, Deputy Chairman of Planning Commission of the Republic of India, H.E. Mr. Nizar Barka, Minister of Economy and Finance of the Kingdom of Morocco, and H.E. Mr. Ashni Singh, Minister of Finance of the Republic of Guyana. Keynote speakers were: Dr. Supachai Panitchpakdi, Secretary-General of UNCTAD; Professor Dato' Dr. Zaleha Kamaruddin, Rector, International Islamic University of Malaysia; Senator Alan K. Simpson (Ret.), Co-Chairman of the United States National Commission on Fiscal Responsibility and Reform (2010); Mr. Daniel Mitchell, Senior Fellow, Cato Institute; and Professor Jeffrey Sachs, Columbia University.

63. Mr. Barka (Morocco) recalled that it had been difficult to find solutions to the global economic crisis, further complicated by significant financial instability, price volatility and geopolitical crises. Although counter-cyclical policies would help the recovery, most countries had to deal with reduced fiscal space. He highlighted the successful management of debt in Africa, and in Morocco in particular, which had allowed countries to devote more resources towards progress on the MDGs. The international community had an important role to play in endeavors such as the Deauville partnership. The initiative, launched to support the MENA region, provided budgetary support and balance of payments financing, among other related measures.

64. Mr. Singh (Guyana) emphasized the magnitude of the current crisis, which had affected even large and widely diversified economies. It was proven difficult to restart growth under high capital flows volatility, increased fiscal burdens and continued commodity price volatility. He emphasized that Caribbean countries were among the most severely indebted in the world and could not muster sufficient fiscal resources for counter-cyclical policies. Their lack of economic diversification, as well as unpredictable oil prices, and unfavorable commodity prices, had negatively affected their external balances. Due to their size, they did not represent a systemic threat, yet they were affected disproportionately by imported challenges. In that context, he called for a new development paradigm for small economies.

#### *Presentations by keynote speakers*

65. Mr. Supachai emphasized the need to fight deflation, and not inflation in the current state of the global economy. In effect, developing countries reduced inflation to single digits in the last decade. Global economic growth was stalled and the share of wages continued to be limited. He mentioned three lessons from the Icelandic crisis. First, it was very difficult to have a Pan-European market without a Pan-European regulatory system. Second, policies needed to focus more on the financial system as a whole, instead of individual institutions. Third, the regulatory system had to be adapted to the fast IT-driven nature of modern banking.

66. Although the aggregate trends of total debt in developing countries were favorable, vulnerability seemed to have grown. In effect, 94 developing countries had a current account deficit and in 65 cases the deficit was higher than 5 per cent of GDP. In the case of LDCs, at least three were in debt distress, while 11 were at high risk of debt distress. The debt issues in advanced economies would affect developing countries through lower demand, as well as lower assistance. The speaker called for systemic solutions for those issues. First, macroeconomic policies should move away from inflation targeting, towards more pro-growth measures. Second, the Principles of Responsible Lending and Borrowing should be implemented. Third, procedures for debt restructuring and temporary standstills should be envisaged. Fourth, the early warning system should be improved, including oversight over credit rating agencies. Finally, instead of using exchange rates to anchor inflation, a stable real exchange rate should be the target to attain.

67. Ms. Kamaruddin offered the Islamic perspective on the global economic situation. In her view, a major source of the current international financial disturbances was the excessive monetary expansion, relative to the growth of the real economy. Those developments were due

to the policies of quantitative easing and bail-outs practiced in developed countries. In particular, excessive supply of US dollars led to dollar depreciation and higher inflationary pressures, fuelling commodity and food prices globally. One way of stopping that dangerous trend would be to restore the Gold Standard, introducing selective price controls and encouraging community currencies domestically.

68. According to the speaker, the ongoing crisis of capitalism was not amenable to the usual market solutions based on traditional ways of thinking, but could be successfully countered by practical measures based on Islamic values and Sharia principles. For instance, in tackling the debt vulnerability issue, one should consider forgiving interest payments as recommended in the Koran. Even the Vatican acknowledged the usefulness of that fundamental tenet of Islamic banking. Further actions could include government assistance, debt relief and subsidies, especially to agricultural businesses through government banks, and providing food stamps to the vulnerable sections of the population. In the end, what matters for economic policies would be the people's welfare.

69. Mr. Simpson emphasized the importance of responsible fiscal policies for the health of any economy, citing examples from the US budgetary process. He highlighted the need to address the costs of defense, as well as entitlement such as Medicare, Medicaid and social security. He recalled the report entitled "The moment of truth", to which he had contributed and which delineated the problems and solutions for the excessive indebtedness of the United States. The speaker further mentioned that the defense budget of the US was as big as that of the 14 biggest countries, including China and Russia, combined.

70. The speaker recalled that social security had started in the 1930s, when life expectancy was 62 years. Nowadays it is 76 years. However, the lack of adjustment of entitlements to the new lifespan made them unsustainable. Moreover, they were intended to be an income supplement, not a retirement plan. Regarding health care costs, he highlighted the lack of limits on doctor's fees, as well as the spread of preexisting conditions such as diabetes. He warned about the dangers of keeping deficit and debt untouched, as eventually creditors would want higher interest rates to compensate for higher risks.

71. Mr. Mitchell stated that the prevailing discussion on austerity versus growth was based on a false premise and stressed that the more important factor was the government size relative to the economy as a whole. The golden rule should be to avoid faster growth of government scope, relative the private sector, which, if unchecked, inevitably resulted in unsustainable fiscal imbalances and debt vulnerabilities. In his view, the policies of easy money and fiscal stimulus had been ineffective in dealing with the crisis, having served as its main cause in the first place. In a similar vein, promoting a fiscal union in the euro zone would be a mistake since it would only make the problem bigger and prevented important adjustments.

72. According to Mr. Mitchell, a larger government share always led to misallocation and countries should focus instead on curbing the government's role in the economy and encouraging private sector activities, through promoting the rule of law and capital accumulation. The increasing burden of demographic changes over the coming decade in most developed countries made such a strategy even more critical. Developing countries should, therefore, not emulate

high-tax developed economies such as the Scandinavian countries, but strive to become rich before assuming welfare state obligations.

73. Mr. Sachs emphasized that even if the behavior of the banking sector and the fiscal sector were interrelated and at the roots of the financial crisis, they were different. In cases such as Greece, excessive government indebtedness was the trigger, but in many others, such as Ireland, Iceland and the United States, it was the private sector that ignited the crisis. The lack of financial regulation and excessive liquidity generated a boom and a bust that is still threatening global economic growth. The financial sector, if left to its own devices, was subject to perverse incentives. Restoring some of the sound regulations adopted after the Great Depression was important, despite the strength of the lobbying by the financial sector. He stated that the source of the ongoing fiscal problems in Europe was rooted in the financial and banking sectors and that without resolving it, by recapitalizing the banks, a further credit squeeze would worsen the crisis. He warned that the bank run starting in Greece was likely to spread to other countries. The current slow-motion downward spiral could accelerate out of control, as there was no Europe-wide lender of last resort.

74. In contrast to the previous speaker, Mr. Sachs emphasized that, while balancing the budget was important, the government was a productive part of a healthy society and played an essential role in terms of regulation and promoting solidarity solutions to economic and social problems such as inequality, access to education and health care. In his view, another background to the current profound instability was the supply constraint of the finite physical world, be it climate change, energy or food. Governments had an important role to play to promote sustainable development through the effective mobilization of domestic resources and the taming of capital flight to tax havens. He highlighted that despite high corporate profits, inequality in the USA was at its highest level since the Great Depression, with almost 50 per cent of American households in the low income category, and lacking in inter-generational upward mobility. He concluded by stating that investing in future generations was the best economic policy for any country.

### *Discussion*

75. During the discussion, many participants highlighted that the UN was the legitimate and representative forum to discuss debt issues, particularly in a situation of instability like the current one. It was also pointed out that issues in domestic and external sovereign debt needed to be resolved and proper processes and rules of the game should be in place to allow for debt crisis resolutions that minimized the costs for all stakeholders. The social costs of debt crises should be acknowledged and the political will to solve them should be fostered at the UN.

76. Some speakers emphasized that developing countries and LDCs were severely affected by poverty and significant inflationary pressures coming from oil and food prices. Their populations demand entitlements and subsidies and governments had to balance this with fiscal control necessary to maintain access to international capital markets. There was a call for global coordination to solve the crisis. Faced with the complexities of the current situation, another delegation asked for guidance with regard to priorities for actions, regulatory frameworks and rules to avoid a catastrophic global crisis scenario.



77. One speaker referred to the recent report of the Secretary-General on "External debt sustainability and development" (A/66/164), which showed improvements in debt ratios and large current account surpluses, in contrast to the updated figures presented by some speakers. With regard to credit ratings, concern was expressed about the incentives ratings gave to countries to focus on short-term interests of investors instead of long-term development needs. One speaker noted that regulation of credit rating agencies was in progress in some countries.

78. Several participants questioned the impact of austerity on future generations and on the economic prosperity of countries in the long run, as investments in sectors such as education were reduced. Several speakers also mentioned the need for financial regulation, as well as more equitable tax systems to enhance economic and political stability. Credit rating agencies should be supervised and statistics should be improved to enhance early warning systems.

79. The case of the Scandinavian countries was discussed further as an example to follow, in which society's needs and solidarity came before individual gain, with a responsible approach to fiscal policy. This policy allowed every child to have a real chance in terms of education, health care and general well-being. There was a call to reassess the balance of public and private interest towards more equalitarian societies.

#### **IV. Round table 3: "Limiting commodity price fluctuations, increasing production, trade and investment"**

80. Round Table 3 was co-chaired by H.E. Ms. Maria Kiwanuka, Minister of Finance, Planning and Economic Development of Uganda, and H.E. Mr. Luc Oyoubi, Minister of the Economy, Employment and Sustainable Development of Gabon. The meeting featured remarks by H.E. Mr. Andry Nirina Rajoelina, President of the Transition of the Republic of Madagascar, and keynote presentations by: Mrs. Valentine Rugwabiza, Deputy Director-General, World Trade Organization; Mr. Otaviano Canuto, Vice-President for Poverty Reduction, World Bank; Dr. Yilmaz Akyüz, Chief Economist, South Centre; and Ms. Gillian Tett, Chief of the New York Office, Financial Times.

81. In her opening remarks, Ms. Kiwanuka emphasized that developing countries had suffered from the world financial and economic crisis through declines in export revenues remittances, trade finance and official flows. For Uganda, export earnings and remittances had stagnated since 2009 and the current account deficit had grown from 6 per cent in 2008-2009 to 13 per cent of GDP this fiscal year. Those developments were not unique to Uganda but were present in many other developing economies.

#### *Presentations by keynote speakers*

82. Mr. Rajoelina (Madagascar) highlighted that the international community looked at the future through the lens of Rio+20. Indeed, the inclusive and universal nature of the UN made it the most suitable forum to fully explore global solutions to global problems without ignoring the challenges of the most vulnerable countries. The emergence of the crisis had led to financial destabilization, with the poor segments of the population, in particular women and youth, hit the

hardest. Although Madagascar was in a transitional period, it had taken brave action to promote economic recovery. The Government had demonstrated political courage in its efforts to curb inflation, limit government expenditure, maintain low debt ratios and implement tax reform.

83. Future priorities for the Government included greater agricultural production to ensure food security, support for renewable energies (given the potential of hydroelectric power generation in the country) and promoting the tertiary sector (service industry, ICT) through the establishment of various training and capacity-building programmes. The speaker called for international support through private investment and donor assistance. More than ever, there was a need for comprehensive and mutually beneficial international cooperation to safeguard resources for future generations.

84. Mrs. Rugwabiza (WTO) spoke on the state of world trade. The transmission belts between supply and demand of world trade had a large impact on commodity price fluctuations and it was important to explore how world trade could be turned into a more development-friendly global system. Trade had lifted hundreds of millions of people out of poverty. World trade had undergone tremendous changes within the last decade. She highlighted that the share of developed countries in merchandise exports had changed from 2/3 in 2000 to 50 per cent in 2010. She highlighted that while developing countries had increase their share in world trade, trade growth had decelerated last year to 3.7 per cent average from 6 per cent over the last 15 years. The current situation could further deteriorate through protectionist pressures and there were recent slippages towards protectionism. The speaker expressed concern that high unemployment and high levels of debt could lead to more protectionism in the future.

85. The speaker emphasized the importance of maintaining integrity of multilateral trade rules. Protectionism, while still low in response to the crisis, had recently been on the rise. In that context, it was crucial to improve rules against protectionism and respect the margin left to members to legally use trade-restrictive measures. Uncertainty at the multilateral level had also led to greater reluctance to implement reforms at the domestic level. Greater multilateral cooperation was therefore necessary. She further called for the full implementation of previous commitments, especially duty-free and quota-free access to markets for LDC products. Moreover, it was important to reduce vulnerability to external shocks, especially in Sub-Saharan Africa through greater investment in trade capacity. Countries could reduce non-tariff barriers unilaterally. The speaker warned that the multiplicity of regional free-trade agreements could potentially further exclude low-income countries and LDCs from multilateral trade. She further highlighted that the nature of trade barriers had moved from tariff towards non-tariff measures. Consequently, more work was needed to make sophisticated non-trade barriers more transparent.

86. Mr. Canuto (World Bank) highlighted the impact of government policy interventions on commodity price fluctuations. While interventions may have positive aspects, there were those that may aggravate the volatility of commodity prices. Despite trade liberalization since the 1980s, world commodity markets, especially those for agricultural products, remained highly distorted. Not all distortions could be blamed on market failure; rather some of them were due to policies. With the emergence of the multipolar global economy, with sustained differential growth rates in many developing economies and increasing competition for natural resources, higher prices and higher volatility had encouraged the use of export barriers. Those restrictions

may increase further in the future since emerging markets would continue to experience higher economic growth rates and higher demand for food and raw materials.

87. Interventions in the agricultural sector had remained large in developed countries. However, they had declined sharply in developing countries since the 1990s, which reflected the shift from commodity exports towards greater reliance on manufactured products. Governments had also intervened in other markets for natural resources characterized by high levels of concentration, imperfect competition and market power. Other policies that affected commodity prices included border measures (such as import duties and export taxes and subsidies) quantitative restrictions, (including quotas, license, export restrictions and bans) and competition policies (including anti-cartel enforcement, parallel imports or antitrust exemptions for private export cartels and public monopolies, such as state trading). In the event of a crisis, Governments used many of these policies to insulate themselves from external shocks. Those policies would cause global commodity prices to rise further, which would particularly hurt the poor through higher food prices. In that context, the speaker favored a ban on export quotas, a binding commitment on export taxes and equivalent disciplines on export cartels.

88. Mr. Akyüz highlighted that global economic conditions continued to have a strong bearing on production, trade and investment in developing economies. In this respect, the current landscape was not very encouraging. There was considerable uncertainty in global financial markets. Asset and commodity prices, risk spreads, capital flows and exchange rates were highly susceptible to sudden swings with devastating consequences for growth and employment. While there was little certainty with regard to the extent of instability caused by commodity speculators, and whether they created autonomous movements independent of real supply and demand shocks, evidence showed the destabilizing impact of derivative trading.

89. The crisis posed difficult policy challenges for developed countries. However, there had been shortcomings in the policy response. First, there was a failure to maintain adequate demand by reconciling the need for short-term fiscal stimulus with a credible programme for long-term consolidation, leading to a return to self-defeating fiscal orthodoxy and austerity in the euro zone, UK and even the US. Second, public interventions had failed to alleviate the debt overhang and deleveraging and retrenchment at the expense of employment and growth. Third, there was a need to increase voice and participation of developing countries in the Bretton Woods institutions through further quota reform. Developing economies could implement a range of measures to strengthen their own fundamentals and reduce dependence on foreign markets, capital and commodities. However, the international community needed to support developing countries through decisive and coordinated action to address the causes and mitigate the impact of the world financial and economic crisis, as called for in the 2009 Conference.

90. Ms. Tett emphasized that the commodity sector was the place where the financial sector collided with the man and woman on the street, since prices had a direct impact on the lives of people. Commodity markets had undergone a wave of financialization in recent years. Markets had become deep and active in terms of trading in cash commodities and synthetic trading, i.e. derivatives. Information flows linked markets more effectively than ever before. Moreover, commodities had become an asset class and wealthy investors and institutional investors like

mutual funds and pension funds invested into them at a large scale and traded them in tandem with stocks, shares and bonds.

91. The financialization of commodity markets had mixed effects. On the negative side, financialization could distort prices and create overreactions. Moreover, market squeezes and manipulations may happen with cartels and imperfect price information. There was the possibility for flash crashes since markets were not always robust. The agriculture sector had seen greater volatility than other markets. On the positive side, financialization had led to deeper markets and had helped match demand with supply more effectively. Feedback signals had helped markets work well. For example, higher prices in the wheat markets had led to greater supply and lower prices within recent years. Moreover, the growth of hedging techniques had created more opportunities to cope with risk. Markets worked most effectively where prices were free and transparent. Free, fair and democratic markets were the ultimate goal to strive for.

### *Discussion*

92. During the discussion, several participants referred to the vulnerabilities of LDCs, small-island developing states (SIDS) and land-locked developing countries. The importance of implementing the Istanbul Programme of Action for LDCs was emphasized. One speaker pointed out that measures to facilitate trade – such as improving the movement of goods across borders and having effective transit procedures – would serve to help land-locked countries. Trade with land-locked countries would also benefit from regional integration projects, such as building cross-national infrastructure systems.

93. There were calls for measures to address challenges pertaining to food security. It was suggested that greater investment and development assistance should be channeled to agriculture, including in infrastructure, irrigation and research and development to improve seeds. It was also asserted that countries should refrain from banning/restricting the export of food items, which had in the past contributed to food security problems. One speaker suggested that the international community should reach an agreement that prohibits such measures.

94. Some delegations stressed the need for efforts to reduce the price volatility of food and commodity-related products through greater regulation and related-measures to restrain speculation. There were also calls for policies to ensure greater market transparency and appropriate sharing of information on food and commodity-related products.

95. There was some discussion regarding the pros and cons of the increased financialization of commodity markets. Some participants argued that financial markets could contribute to better risk-management and an efficient price discovery process. While measures should be in place to limit abuse, in general the focus should be on implementing measures that would enable markets to work better – such as, for example, increasing transparency. Other speakers countered by arguing that markets were never perfect and that regulation was essential in order to curb excess speculation. One delegation called for measures to limit price fluctuations beyond a certain threshold.

96. There were calls on countries to refrain from trade protectionism, especially in the area of agriculture. Concern was expressed about the new restrictions on trade that had been imposed by some countries during the past few years. There were also calls for a balanced multilateral trading system to the benefit of all countries. Some participants emphasized the need to arrive at a successful conclusion of the Doha round with a balanced, ambitious, comprehensive and development-oriented outcome. There was also a call for an ‘early harvest’ for LDCs in the Doha round.

97. Reference was made to the conditions and policies necessary for encouraging both domestic and foreign investment in developing countries. There were calls for an enabling business environment, through promoting transparency, ensuring a fair and effective legal and regulatory system, as well as a stable political climate. Regarding the macroeconomic environment, it was argued that effective reforms could help insulate countries from volatile international economic developments. The important role of regional integration in promoting investment and trade was also emphasized.

98. One delegation called on the international community to reinforce development institutions and increase development resources with a view to achieving the MDGs. Reference was also made to the need to improve the existing system of global economic governance, in order to facilitate the enhanced cooperation and coordination among countries required to effectively respond to global challenges. It was argued that the United Nations should play a larger role in global economic governance. The need to increase the representation and voice of developing countries was also stated. In particular, a delegation asserted that Africa’s voice needed to be heard more in global debates, especially in the G20.

99. There was a call for the implementation of the outcome of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development. Among other things, delegations referred to the need to develop renewable energies and urged the international community to support the WTO in its endeavours.

#### **V. Round table 4: “Increasing stability, predictability and transparency in the financial sector”**

100. Round table 4 was chaired by H.E. Mr. Nicolas Nahas, Minister of Economy and Trade of Lebanon. Opening statements were made by H.E. Ms. Kamla Persad-Bissessar, Prime Minister of the Republic of Trinidad and Tobago, and H.E. Mr. Wunna Maung Lwin, Minister of Foreign Affairs of Myanmar. Keynote speakers were: Mr. Abdallah bin Saud Al Thani, Governor, Qatar Central Bank; Mr. Jean-Pierre Diserens, Secretary-General, Convention of Independent Financial Advisors (CIFA); Mr. R. Seetharaman, CEO, Doha Bank Group; Dr. Hani Findakly, Clinton Group Inc.; and Professor William Black, University of Missouri-Kansas City.

101. In her opening statement, Ms. Persad-Bissessar (Trinidad and Tobago) underscored that the meeting took place at a time when global economic recovery was overshadowed by multiple downside risks. In the Caribbean, countries were focusing on endogenous growth within the region. The Government of Trinidad and Tobago remained steadfast in addressing financial vulnerabilities and promoting growth and diversification. It was also implementing policies to

promote innovation, entrepreneurial activities and develop human capital. Globally, a new economic paradigm needed to be forged that took into account the views of developing countries. It was also important to strengthen financial regulation. In addition, the stark reality of unemployment required aggressive and sustained action.

102. Mr. Lwin (Myanmar) stressed that it was high time for the international community to cope with the financial and economic crisis with a stronger global effort. The UN played a vital role in finding common solutions in economic and social cooperation. In Myanmar, the new Government had been undertaking far-reaching reforms since it had taken office. In order to combat unemployment and poverty, the Government was attempting to attract foreign investors and support SMEs. Many governments had lifted or suspended sanctions in recognition of the reform process. The speaker called upon all countries concerned to remove all restrictions as soon as possible.

103. Mr. Nahas (Lebanon) referred to the Deauville partnership that had been launched by the G-8 in 2011 to support Arab countries in transition. The initiative helped consolidate political change. The involvement of additional donors in the partnership would be welcome. The speaker emphasized that the financial and economic crisis affected many countries that were key players of the global economy. The crisis highlighted insufficient regulation and transparency of the global financial system. It was time to draw lessons from the crisis and to restructure market rules in order to build a more stable future.

#### *Presentations by keynote speakers*

104. Mr. Al Thani referred to the IMF's Global Financial Stability Report of September 2011, which had cautioned about the risks of increased global financial instability. Therefore, there was a need to arrive at coherent policy solutions at the international level to deal with the sovereign debt crisis in advanced economies, in particular in the euro zone, despite important measures already taken by European leaders and the European Central Bank. Contagion of sovereign risks to other countries had to be prevented. Moreover, it was crucial to strengthen financial sectors, complete regulatory reforms and address global economic imbalances.

105. The speaker shared some features of the Qatari experience in facing the global economic crisis. The policy measures taken were in line with recommendations to enhance financial stability, such as those put forward by the IMF. The Government had been early aware of the repercussions of the crisis and had enhanced the ability of banks to finance development, for instance by contributing to bank capital, purchasing bank assets, periodically testing the banks' resilience and assessing systemic risks. In addition, it aimed at improving information and trading systems on financial markets as well as transparency and governance of financial institutions. Qatar was also working to implement the Basel III accord by 2013 and cooperated with the IMF on financial sector assessment. The measures taken had contributed to gradually regaining the confidence of investors and to the recovery of the financial sector in Qatar.

106. Mr. Diserens informed that the Convention of Independent Financial Advisors (CIFA) represented about 70 associations of independent financial advisors worldwide and was an NGO that had consultative status with ECOSOC. The specific feature of independent financial

advisors was that they were not part of large financial institutions. Such systemically important financial institutions were generally considered “too big too fail” and had evolved into huge hedge funds that did not generate added value. It had been the genuine function of banks to intermediate between savers and investors and, in this process, to be cautious about risk-taking. However, since the 1990s, there had been a trend to replace bankers by traders and the long-term interest of clients by short-term profit making. Therefore, systemically important financial institutions needed to be restructured. In addition, the functioning of the financial system was seriously hampered by the lack of investors’ confidence in sovereign debt.

107. The speaker pointed out that in order to return to sustainable and responsible markets, there was a need for a good and efficient regulation. For instance, while the fight against money laundering was very important, the extent of money laundering had multiplied despite the creation of the Financial Action Task Force (FATF), the introduction of which had been costly for investors. On the whole, the objective was to ensure that the financial sector transferred liquid funds to the real economy and that financial institutions acted in the best interest of their clients. Rewards of financial actors should be measured in terms of their contribution to real economic growth. Hence, the entire financial system needed to be rethought and restructured to regain trust, values and jobs. The last International CIFA Forum, held in Monaco in April 2012, had arrived at a number of pertinent conclusions in that regard.

108. Mr. Seetharaman emphasized that financial regulation had not been able to identify the build-up of risk in the financial system prior to the crisis. Consequently, key areas for regulatory action were widening the scope of regulation, enhancing market discipline, closing information gaps and strengthening liquidity provision. Regulation had to be expanded to also include economy-wide risks and financial innovation. Market discipline could be strengthened by addressing risk assessment mechanisms, such as through rating agencies, bank capital standards and compensation schemes. More information and transparency was needed in the valuation of complex financial instruments. In addition, central banks should enhance their frameworks for systemic liquidity provision. At the macroeconomic level, the alignment of fiscal and monetary policies and the regulation of international capital flows were important issues.

109. The speaker underscored that it was also crucial for countries to integrate the principles of sustainable development into their policies in order to reverse the loss of environmental resources. The financial sector could contribute to sustainable development, for instance through carbon trading and green banking. This would also contribute to achieving MDG 7 on ensuring environmental sustainability. In Qatar, environmental development was considered as one of the pillars of the national strategy. In the region, the economies of the Gulf Cooperation Council were experiencing strong growth and were promoting economic development and stability through long-term strategic plans.

110. Dr. Findakly focused on regulatory and legislative actions relating to the financial system in the United States. The recent trading losses incurred by a major financial institution had illustrated the complexity of regulating modern financial markets. According to the Financial Crisis Inquiry Commission of the US Congress, main factors leading to the financial crisis were failures in risk management, regulatory oversight and corporate governance. Furthermore, it had been concluded that banks had taken excessive risks and built up high leverage in their balance

sheets. Rating agencies had failed to properly identify and disclose relevant risks of securities. The speaker argued that some of these features might have been driven by the compensation structure of financial institutions, which rewarded short-term profits. The formal financial system as a whole was too concentrated and oversized in relation to GDP. In addition, a very large unregulated shadow banking system had emerged.

111. The speaker outlined various legislative and regulatory models that had been adopted in different legislations in response to the financial crisis. One option was to develop regulation addressing systemically important financial institutions. Another approach was to ring-fence commercial banking from securities trading and investment banking. According to the speaker, the best approach was probably introducing high capital requirements for banks that would protect stakeholders against extreme cases. That model had been pursued in Switzerland. Moreover, large banks needed to be broken up through an anti-trust approach, which would also benefit the consumer. Constraints on risky investments and proprietary trading should be introduced. Globally, it was crucial to coordinate regulation among national regulators and to address macroeconomic imbalances.

112. Mr. Black pointed to the existence of widespread fraud in the financial system, in particular in the form of so-called control fraud, where CEOs and executives used financial institutions as vehicles for fraud. As a result, financial institutions had become friable. There were several examples of policies related to financial deregulation that had led to waves of fraud in the financial system. Contrary to neoclassical theories, markets were not able to detect and constrain the extent of fraud by way of self-regulation. Underlying economic theories and assumptions on the behaviour of actors in financial markets therefore had to be flawed. Those theories were also falsified by findings of white collar criminology.

113. The speaker stressed that fraud in the financial system could undermine other institutions, such as auditors and law firms, and cause damage to the entire economic system. Waves of fraud led to companies engaging in transactions that facilitated accounting fraud, which contributed to economic stagnation and crises. According to the speaker, there had been ample warnings about the extent of fraud prior to the crisis. An epidemic of mortgage fraud had been detected as early as 2004. Nevertheless, mortgage loans had continued to increase significantly in the run-up to the crisis. Eventually, the collapse of the fraud bubble had caused systemic economic damage. The high incidence of fraud, according to the speaker, was also related to executive compensation practices.

### *Discussion*

114. In the ensuing discussion, many delegations shared the view that there was an urgent need for globally coordinated improvements in financial regulations. Financial markets were highly interconnected; therefore it was necessary to move towards a level playing field in financial regulation. There was progress relating to the Basel III accord and in regulating OTC derivatives. Areas that required further progress was the regulation of the shadow banking system and of insurance companies. Better surveillance of the financial sector would also contribute to more stability and growth.



115. Several developing countries called for increasing their voice and participation in international economic decision-making and norm-setting and for more democratic governance structures of the international financial institutions. One delegation referred to the financial and economic crisis as a moral and ethical crisis. It was therefore crucial to revive values of solidarity, trust and working for the common good to prevent such crises.

## **VI. Closing session**

116. The President of the General Assembly, in his concluding remarks, thanked all participants for a very productive and interactive thematic debate. The speeches, presentations and discussions served to advance the dialogue on the policies necessary to stimulate the global economy and advance economic development across the world. The President highlighted some central messages that emerged from the roundtable discussions. Round table 1 emphasized that full and productive employment, and decent work for all was essential. Unemployment, especially youth unemployment, remained exceptionally high, particularly in countries facing sovereign debt problems. In that context, policy packages were needed to realize decent work and promote nationally designed social protection floors. Round table 2 highlighted that the world financial and economic crisis had caused a sharp increase of the debt ratios in many countries. While there was a need for credible fiscal consolidation and government debt reduction in the long run, countries should avoid excessive austerity measures that may hinder economic recovery. Moreover, multilateral frameworks to assess debt sustainability and early warning signals of debt distress needed to be improved. Independent debt work-out mechanisms could help prevent future crises as well.

117. Speakers and discussants in round table 3 emphasized that Governments should create an enabling business environment to encourage both domestic and foreign investment. Technical assistance by donors could play an important role in that regard. It was also important to avoid trade protectionism and to reach a successful conclusion of the Doha round of multilateral trade negotiations, with a balanced, ambitious, comprehensive and development-oriented outcome. Moreover, there was a need to urgently address the root causes and problems created by excessive commodity price volatility, including through greater economic diversification and the promotion of transparency and market information at all levels. Round table 4 highlighted the need to continue the work to make the financial sector safer and more stable, and to put it back on the path of serving the real economy and shared development goals. In this ongoing process, it was crucial that the concerns of developing countries were duly taken into account. The President highlighted that the discussions served as a significant contribution to the follow-up process of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development. He further concluded that the meeting should provide an important substantive input into the UN Conference on Sustainable Development (Rio+20), the Financing for Development Follow-up process, the discussions on global economic governance, the MDGs and the post-2015 development agenda.

118. The Secretary General referred to the rich and illuminating discussions held during the high-level thematic debate. He stressed that the key challenge was to take the best of the insights and ideas and turn them into real-life action to improve people's lives and prospects. He expressed his deep concern about the slow recovery of the global economy and the possibility of

another worldwide recession. If that happened, it may be even more devastating since there were less resources and fiscal capacity to respond. Furthermore, many countries were reeling under heavy debt burdens while others faced political uncertainties. The Secretary-General expressed particular concern about the potential impact on governments' commitment to sustainable development. Rather than kick-start the global economy with slash-and-burn policies, the international community should build and act on a long-term vision of sustainable development, which reduced debt burdens, consolidated development gains and generated new dynamism and growth.

119. Moreover, it was important to listen to people on the streets to move forward in a sustainable and inclusive way. The Chair's summary of the discussions would be an important input to feed into the upcoming summits – G-20 in Los Cabos and Rio+20 in Rio de Janeiro. The tests the international community faced should be taken as a cue to strengthen its resolve and to think outside the box. The shared goal was to galvanize global support for a transformative agenda for change. In that context, Rio provided a great chance to set in motion a conceptual revolution in creating balanced, dynamic growth for future generations.

120. Finally, the Secretary-General expressed his gratitude to the many Heads of State and Government and ministers for taking time to come to New York to participate. He further thanked those many economists and specialists who have contributed to a very rich discussion, as well as the facilitators, Ambassador Daniele Bodini of San Marino and Ambassador Ertugrul Apakan of Turkey, for their role in making the high-level thematic debate a success.