

Shaping a Fair, Inclusive Sustainable Globalization

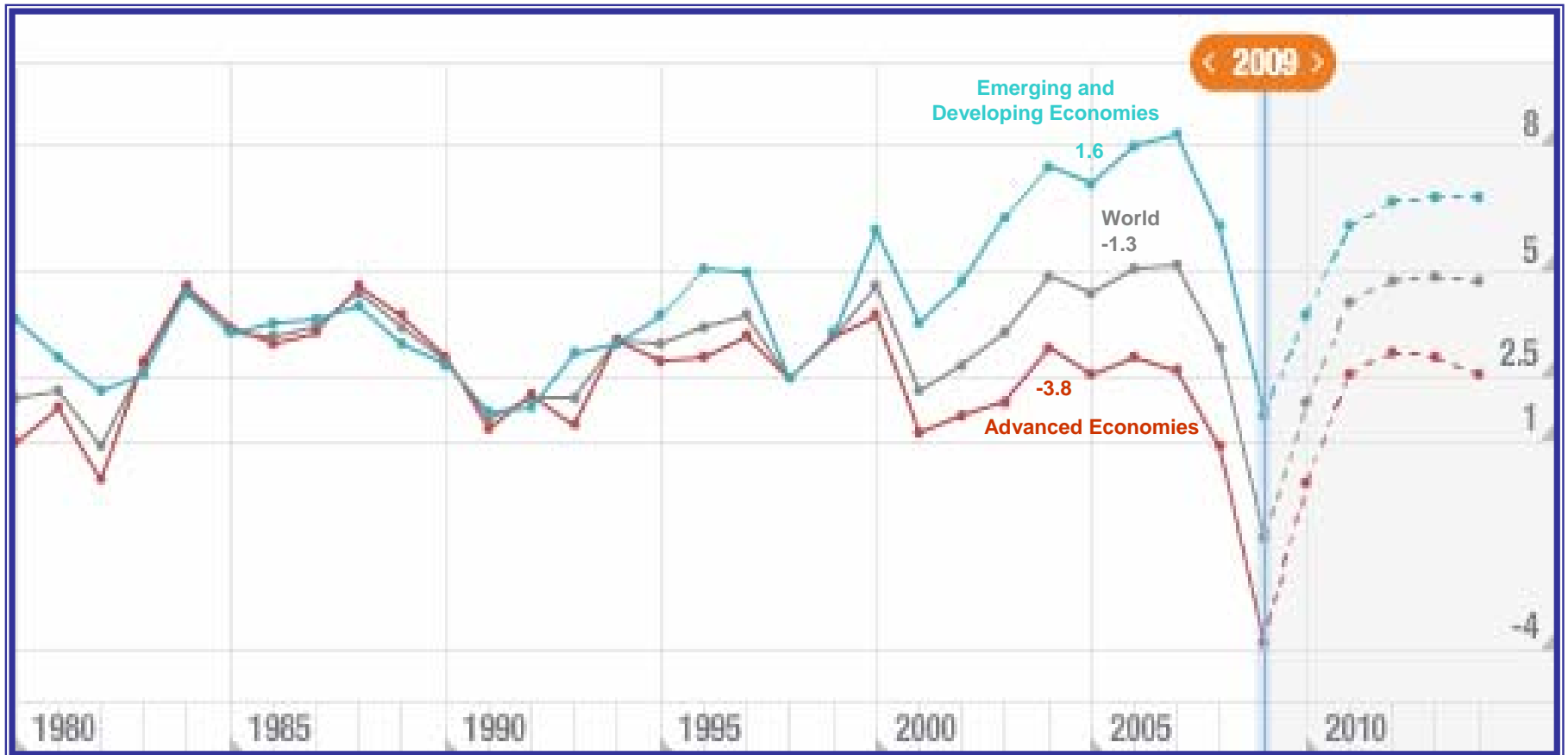
Presentation to the Committee of the Whole
on Crisis Responses.

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IMF Real GDP Growth, 1980-2015



Different Real GDP Growth Estimates for Developing Countries, 2009

IMF April WEO

- Africa 2.0
- Asia 4.8
- Middle East 2.5
- Lat. Am. -1.5

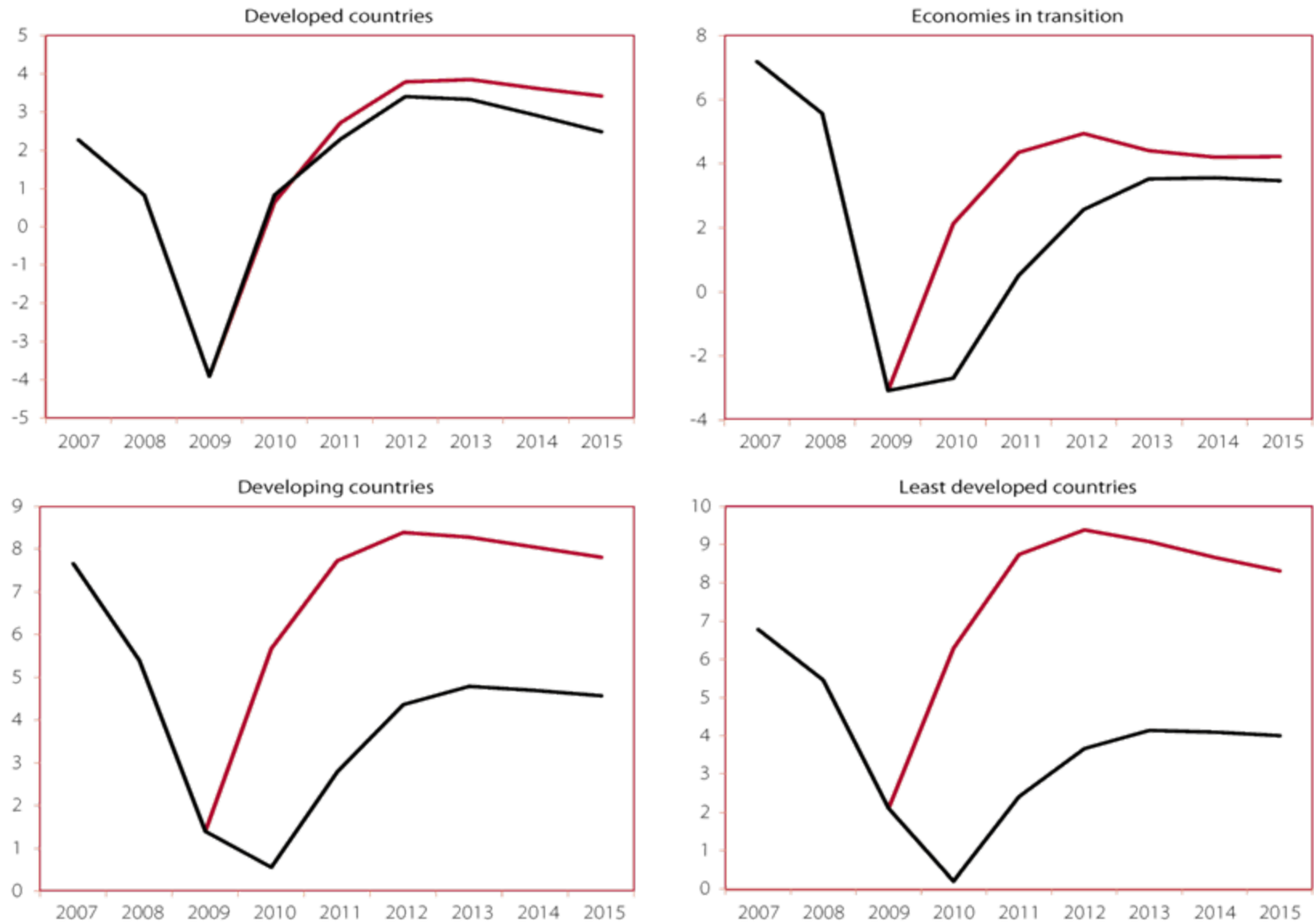
- Sub-Saharan Africa (April 24) 1.6

• UNDESA May WESP

- Africa 0.9
- E. and S.Asia 3.2
- W. Asia -0.7
- Lat. Am. -1.9
- CIS -5.4

- SSA -0.1
- SSA (minus RSA and Nigeria) 1.5

Figure 2
Economic recovery under coordinated and uncoordinated global stimulus, 2009-2015



Source: UN/DESA, based on policy stimulations with the UN Global Policy Model.

Causes of the Financial Crisis

- The crisis is not simply a failure of the financial system (lax financial regulation, misunderstood financial innovations, outrageous financial incentives)
- Rather the crisis is rooted in the contradictions of the current global development trajectory and weaknesses of the current development paradigm

Contradictions and Weaknesses

- ‘Market fundamentalism’
- Radical global interdependence without adequate global institutions (missing institutions; voice/power)
- Methodological nationalism
- Socio-institutional mismatch with emerging new technological paradigm
- Global income inequality

Radical Global Income Inequality

- Richest 1 per cent of people receive as much as poorest 57 per cent (50 million richest receive as much as 2.7 billion poorest) Milanovic (2005)
Worlds Apart
- Poorest 40 per cent of world population receive 5 per cent of world income ('failed states').
- No world middle class. Only 17 per cent of world population between 75 per cent and 125 per cent of world median income and they command only 7 per cent of world income.
- A globalization of expectations without a globalization of opportunity

Chronic Employment Problem/Chronic Credit Squeeze

- In Mali, the new entrants to the labour force were 171,800 in 2005 and they will increase to a peak of 447,800 per annum in 2045, when the annual additional labour force will start to decline.
- In Madagascar, the new entrants to the labour force in 2005 are estimated as 286,200 and their number will increase to 473,400 per annum by 2035, when the additional labour force will begin to decline.

Environmental Limits to Growth

- Increasing resource pressures associated with rising population
- Imperative to mitigate and adapt to climate change. We are now at 387 ppm CO₂

'350 parts per million CO₂ is the maximum amount of carbon in the atmosphere consonant with the planet in which civilization developed and to which life on earth is adapted'

Policy Responses (1)

The underlying challenge for global economic governance is to find effective and fair ways of mitigating and adapting to climate change whilst at the same time reducing global income inequalities and realizing the development aspirations and unrealized human potential of millions of people in developing countries.

Policy Response: (2)

Develop Productive Capacities and Associated Expansion of Productive Employment

- Productive **resources** – natural resources, human resources, financial capital, physical capital.
- Entrepreneurial **capabilities** – core competences; technological capabilities.
- Production **linkages** – exchange of goods and services; flows of information; human and financial resource flows – between sectors and between enterprises.

What does this mean for national policy in LDCs and Africa?

- Priority of structural transformation – both agricultural and industrial policy
- Build new developmental state
- Intensify domestic resource mobilization
- Better balance between domestic and external sources of demand
- Break the chronic credit crunch (financial systems)
- Build knowledge systems to promote technological learning and innovation

Implications for Decent Work Agenda

- From ‘globalization with a human face’ to ‘global sustainable development’ (to 2012)
- Well-being rooted in production not consumption (work and well-being)
- Invest in global employment and labour statistics!!!!

Thank You

For further analysis of the productive capacities approach, see UNCTAD Least Developed Countries Report 2006, at www.unctad.org/ldcr