



Second Committee Special Event

**Panel discussion on “Impact of the Financial Crisis on
Employment, Migration, Trade and Debt”**

**Thursday, 29 October 2009
3:00 p.m. – 6:00 p.m.
Conference Room 4**

Provisional Programme

3:00 p.m. **Opening Session**

Welcome Remarks by **H.E. Ambassador Park In-kook**, Chairperson of
the Second Committee of the United Nations General Assembly

3.05 p.m. **Panel Discussion**

Panelists:

Mr. Juan Somavia, Director-General, International Labour Organization

Ms. Laura Thompson, Deputy Director-General, International
Organization for Migration

Mr. Supachai Panitchpakdi, Secretary-General, United Nations
Conference on Trade and Development

[Ms. Alicia Bárcena](#), Executive Secretary, United Nations Economic
Commission for Latin America and the Caribbean

Mr. Andrew Steer, Director General for Policy and Research,
Department for International Development (DFID), United Kingdom

4:45 p.m. **Interactive Discussion**



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Concept Note

The effects of the global economic crisis have been transmitted to developing countries through a variety of channels, including collapsing trade, volatile commodity prices, capital flow reversal and increased borrowing costs, declining migrant remittances and stress on official development assistance. The resultant economic slowdown and higher unemployment and underemployment threaten to seriously undermine recent economic and social gains in many developing countries. While the global economy shows tentative signs of recovery, substantial uncertainty remains and unemployment continues to rise globally.

Persisting higher unemployment and underemployment rates may be expected to generate further setbacks in poverty reduction, the fight against hunger and creating employment on the basis of decent work. There is an urgent need to strengthen social protection in developing and developed countries, particularly for the most vulnerable. Most countries will need to achieve strong growth acceleration during the period 2011-2015 to offset the loss of jobs. In this context, the Global Jobs Pact provides an internationally agreed set of policy options designed to reduce the time lag between economic recovery and employment recovery and is a call for coordinated worldwide action.

With rising unemployment, remittance flows to developing countries, which tended to be counter-cyclical, are at risk and have declined. The adverse impact on small countries, both middle- and low-income countries, is particularly strong as remittances can account for more than 20 per cent of GDP. Many host countries have tightened immigration controls and introduced tougher requirements for migrant workers. There are few new international measures addressing the issue of migrant rights in this environment.

The collapse in world trade from the end of 2008 to early 2009 owing to falling global demand was compounded by a decline in the supply of trade finance. At the same time, an increasing number of countries have resorted to protectionism in an attempt to block imports in the downturn. The sharpest declines in trade have been observed in major manufactured goods exporters in Asia. Drastic declines in commodity prices have compounded the adverse impact on developing countries dependent on primary exports.

The successful conclusion of the Doha Round in 2010 is imperative for trade to fulfill its role as an engine of development.

With developing country external payments and fiscal balances under stress, debt levels of Heavily Indebted Poor Countries (HIPC), including those that have benefited from debt relief initiatives, are rising quickly. A number of debt relief measures have been proposed, including suggestions for a debt moratorium for low income countries at no cost or a one-time special allocation of special drawing rights for low income countries to meet their financing shortfall. The G-20, at its summit in London, and the Development Committee at its last meeting called for improving the flexibility of the Debt Sustainability Framework of the Bretton Woods institutions. IMF is reviewing its policy on debt limits to allow more flexible borrowing strategies while ensuring debt sustainability. Many middle-income countries are also facing difficulties in rolling over their external debt. For these countries, urgent progress is needed to establish more predictable, rules-based and equitable international mechanisms and revisiting the initiative to establish a sovereign debt resolution mechanism would seem to be timely.

All developing regions are experiencing enormous challenges emanating from the crisis, while the type of impacts and their degree vary from region to region. What is common to the various regions is that countries are coming together to devise concerted solutions that are suitable to their circumstances and conditions. Many of the lessons learned by some regions from previous crises have increased their resilience to the current one, but much remains to be done. The five UN Regional Commissions are supporting Member States in the organization of regional Summit and Ministerial meetings in the different regions to address the financial and economic crisis, food security and climate change.

Possible questions for consideration

What are the strategies for spurring employment growth in the current incipient international economic recovery? How can international cooperation be enhanced to move the Decent Work Agenda forward?

How can coordinated measures be devised and agreed to protect the rights of migrant workers and their opportunities to work in host countries?

How can the current rebound in international trade be sustained? What measures are key to enable developing countries to benefit from strengthening world trade?

What are some viable initiatives to help indebted developing countries avoid and resolve debt distress in the current international environment?

What are some of the key lessons learned and policies taken in the developing regions in addressing the impact of the crisis?

What should the international community do to ensure predictable and sufficient official development assistance and enhance policy coherence to meet developing countries' increased expenditure on social protection as well as investment in development?

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SUMMARY

Opening of the meeting

1. The meeting was opened by H.E. Mr. Park In-kook, Chairperson of the Second Committee. Ambassador Park welcomed the speakers and the delegates to the panel discussion. He also made introductory remarks that highlighted the key impact of the financial crisis on employment, migration, trade and debt and posed a number of possible questions for consideration. The concept note of the panel discussion and panelist presentations, where available, can be accessed at www.un.org/esa/ffd.

Panel presentations

2. The panelists were: Mr. Juan Somavia, Director-General, International Labour Organization (ILO); Ms. Laura Thompson, Deputy Director-General, International Organization for Migration (IOM); Mr. Supachai Panitchpakdi, Secretary-General, United Nations Conference on Trade and Development (UNCTAD); Ms. Alicia Bárcena, Executive Secretary, Economic Commission for Latin America and Caribbean (ECLAC); and Mr. Andrew Steer, Director General for Policy and Research, Department for International Development (DFID), United Kingdom.

3. **Mr. Somavia** referred to the sharp increase in unemployment resulting from the present crisis, and expressed concern about an expected jobless recovery. He argued that this should be countered with resources and innovative policies to encourage productive investment and job creation, similar to what was done to stabilize the financial sector. In this regard, he referred to the ILO's Global Jobs Pact initiative, which aims to generate a job-intensive recovery based on ILO's Decent Work agenda and strong social protection systems. This initiative has received strong support from the main international and regional country groups. At a broader level, Mr. Somavia emphasized the need for countries, and the global economy at large, to move towards a balanced and more sustainable growth pattern. This would firstly imply ensuring a basic social protection floor to cover the entire population. At the same time, it would be necessary to have development cooperation to assist poorer countries to achieve this. In addition, according to Mr. Somavia, governments should attempt to increase the job intensity of growth. This is complex and difficult but nevertheless possible if social, economical and political views are integrated. Furthermore, an income-based process of demand needs to be created, which would require policy makers to rectify the decline that has been taking place in the proportion of GDP that is taken up by wages by maintaining a consistency between productivity growth and wage growth. Finally, according to Mr. Somavia, policy makers should concentrate on promoting investments in the real economy, which is critical for longer-term development.

4. **Ms. Thompson** highlighted five major effects of the crisis on migration. First, the current crisis has become an employment crisis for migrants, with several countries reporting higher unemployment rates within the foreign-born population. Second, rising unemployment has had a negative effect on the flow of remittances which in turn can increase poverty and inequality in countries of origin. Third, as a result of the crisis, there is likely to be an increase in the number of migrant workers who move into irregular forms of employment in the shadow economy. Fourth, the calls to reduce migration into destination countries tend to be based on the false perception that “migrants take jobs”, when in fact the majority of migrants create economic activity and jobs. Fifth, there is a tendency during crises for governments to encourage the return of migrants. Ms. Thompson proposed a number of policy responses: (i) awareness should be raised in destination countries about the valuable contributions made by migrants; (ii) policy makers should step up work towards lowering the transaction costs of remittances; and (iii) migrants who are forced by the crisis to return home should be provided assistance by their countries of origin. Ms. Thompson also pointed to the need to strengthen international cooperation in the area of international migration and development to address the challenges brought about by the crisis on migration and on migrants. She concluded by emphasizing that migration is here to stay and is an essential component of today’s globalized world.

5. **Mr. Supachai** pointed out that a purely financial crisis had been transformed into a larger economic crisis. At the same time, the recovery so far has been a purely financial one, with little rebound seen as yet in the real economy; as illustrated by the high levels of unemployment in many economies. These impacts are all the more severe in developing countries where social safety nets have not been established, which ideally need to be in place before a crisis takes place. Mr. Supachai also argued that a link should be established between the financial recovery and the real economy through governments ensuring that the funds that have been channeled into the financial sector are in turn intermediated into productive investments. He also called for the promotion of labor-intensive investments and supported the setting up of a multilateral framework for migration policy. On the issue of international trade, Mr. Supachai called for a successful conclusion of the Doha Round and emphasized the importance of meeting Least Developed Economies’ (LDCs) request for an early harvest of concessions for LDCs in the Doha Round. He expressed concern that the crisis is leading to an increase in the debt burdens of many developing countries, especially LDCs. He outlined proposals to counter this, including a temporary official debt moratorium, capacity building in debt management systems and the establishment of a multilateral mechanism to deal with sovereign debt accruing to the private sector. Mr. Supachai also emphasized the importance of having early warning systems on the impact of shocks on the most vulnerable and, in this respect, commended the establishment of a United Nations system-wide Global Impact and Vulnerability Alert System (GIVAS).

6. **Ms. Bárcena** spoke about the impact of the financial crisis on Latin America and the Caribbean (LAC) and the region’s responses to the crisis. She pointed out that the crisis hit the region after a number of years of positive economic performance and significant poverty reduction. The evidence points to the importance of increased social expenditures as well as strategic labor policies, in addition to demographic change, in achieving poverty reduction. Although the LAC region as a whole has been negatively affected in terms of the significant fall in FDI, remittances and tourism income as well as external demand, the extent of the impact felt by individual countries has differed. In particular, Ms. Bárcena highlighted the vulnerability of

migrants and the poorest segments of the society. She also pointed out that the capacity to respond to the crisis has been different among countries and that the space to finance countercyclical policies has shrunk because of the threat of the emergence of the twin deficits in the external and fiscal accounts. Reviewing the performance of the region between 1990 and 2007, Ms. Bárcena emphasized the ineffectiveness of "trickle down" policies on poverty reduction and the economic growth. She pointed out the urgency of the region changing to a path of economic growth that is consistent with its social needs which, among other things, requires a macroeconomic policy that contributes to increasing the investment rate as well as equality. At the same time, each country's circumstances and goals should be taken into account. In conclusion, Ms. Bárcena enunciated a new role for the state that included a long-term vision and planning, a new fiscal policy and social covenant, the ensuring of inclusive development through diffusion of technology and innovation and the fostering of a green economy.

7. **Mr. Steer** referred to the longer-term impact of job losses, where the next generation may be affected through the interruption to children's education and a decline in nutrition levels. While some data exist on these broader impacts, there is a need for a more coherent framework that would assist policy makers. Mr. Steer also commended the UN on the establishment of the GIVAS initiative and expressed support for the Global Jobs Pact, with a focus on fragile states. He referred to three imperatives for policy makers across the world given the difficult financial environment and the need to rebuild better after the crisis. First, developed countries need to meet their commitments – made at summits such as Monterrey and Gleneagles – to provide adequate finance for development. In addition, funds for poverty reduction should not be used for climate change purposes. Second, countries should resist protectionism, ensure trade finance for developing countries and upgrade transport in developing countries. In this regard, Mr. Steer pointed out that it is especially important to assist LDCs in developing their capacity to engage in international trade through Aid for Trade. Finally, Mr. Steer stressed that poorer households need to be protected from economic fluctuations and, in this regard, the time has come for a major adoption of a social protection floor around the world.

Interactive discussion

8. Following the panel presentations, an interactive discussion took place between the panelists and delegations. A number of points were made, including the following:

- It was pointed out that the decline in remittances, as a result of the crisis, has hit some developing countries especially hard. In this context, there was discussion of the policy measures that may mitigate this. One of the panelists stressed the need to encourage remittances through lowering the transaction costs associated with them. Another useful response would be to establish mechanisms that encourage the productive use of these remittances.
- The broader question was also raised relating to the treatment of migrant workers, especially in the context of the current crisis. It was pointed out that the outcome document of the Conference on the World Financial and Economic Crisis and Its Impact on Development contained a paragraph that committed to resisting the unfair and discriminatory treatment of migrant workers and the imposition of unreasonable

restrictions on labor migration. In this context, the need for a multilateral migration framework was emphasized and a call was made on the UN to intensify work on supporting the most vulnerable segments of society, including migrants. It was also pointed out that the upcoming Global Forum on Migration and Development in Athens would be discussing the linkage between migration and development and possible multilateral cooperation in this area.

- One delegate pointed to the challenges involved in making labor-intensive growth compatible with globalization, especially since companies around the world have been forced to cut fixed costs, including those that are employment-related, in order to become internationally competitive. In reply, a panelist explained that while the present model of globalization may not be compatible with labor-intensive growth, it is possible to have a different global development paradigm, with a change in the distribution of value added in favor of labor that is consistent with this objective. In this vein, he noted that the G20 Pittsburgh Summit Communique referred to the need to build “inclusive labor markets” for a new balanced growth.
- A question was asked as to how developed country governments can, during a time of recession, persuade their populations about the importance of keeping their international commitments on development assistance. In this regard, a panelist stressed the need for governments to emphasize the increasing interdependencies and commonalities between countries in a globalized world while, at the same time, demonstrating positive results accruing from their development assistance programs.
- Other points made during the discussion included the assertion by a delegation that decent employment should be considered for inclusion as an MDG and the assertion that the ILO’s decent work agenda is very much alive and, in the context of the crisis, has become metamorphosed into the Global Jobs Pact.