

INTERVENTION ON POLICY COHERENCE

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Mr. Chairman-

The Minister of Foreign Trade and Development of Finland gave an account this morning of the decline of integral economic, social and ecological approach proposed in Rio 92 on Environment and Development and in subsequent international commitments to reduce poverty and to enable sustainable development. Subsequently, environment has been hived off from development and split into several categories, as well as trade and investment from development. In this process initiatives parallel to the United Nations have played an increasing role as demonstrated by the bilateralization of trade talks and the attempt to impose accords outside the Bali road map process in climate change. The United Nations has been weakened as result. This has not facilitated consensus as the stalemates in trade and climate change attest. It has also obscured some basic realities :

- 1) The bottom line needs to be addressed: according to the United Nations Department on Economic and Social Affairs (UNDESA), net capital outflow from the South to the North in the two recession years of 2008 and 2009 is US\$1.5 trillion between the two.
- 2) Economic recovery with job creation in developing countries will not come through globalization through transnational corporations that generally destroys national employment but rather through micro, small and medium enterprise development where most of the jobs reside in most every country, support to national agriculture for food security and finally the development of alternative energy.
- 3) It is not true that there was no warning of the Great Recession, UNDESA and UNCTAD gave ample warnings over a period of years. UNCTAD found that the financial services sector has ceased to provide financial and risk management services at a reasonable cost to its clients and the economy to become a center of accumulation through deregulation and the development of diverse derivatives. Its share of global corporate profits rose from an average of 8% in the 1980's to 40% in 2008.
- 4) Now UNDESA and its director, Mr. Sha Zukhang, are to be congratulated for its excellent World Social and Economic Report for 2010 that posits that anticyclical monetary and fiscal policies are essential for recovery with job creation, agricultural development and climate change mitigation and adaptation.
 - a. Unfortunately the global policy matrix in this year of 2010 is shifting to a pro-cyclical austerity mode that increases the risk of a two dip recession with a deep second dip. In Latin America this produces a sense of déjà vu because in the 1980's it was decided by the economic powers that be that there would not be an investment bank crisis due to massive petro bond debt but rather a Latin American Sovereign Debt crisis. This led to the lost decade in which the aggregate Latin America GDP per capita lost 1.9% in the course of the entire decade with devastating effects on health, education, poverty, women and

children. This historical experience should be taken into account in the current context.

- 5) Finally, UNDESA proposes concrete proposals for external cooperation that we hope will be considered in depth in the afternoon session.

That you very much Mr. Chairman.