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**Statement
by
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**At
High-Level Policy Dialogue on Current Developments in the World Economy**

New York, 3 July 2012

Distinguished Delegates,
Dear Colleagues,

It is a pleasure to moderate this dialogue on *Promoting productive capacity, employment and decent work to eradicate poverty*.

I want to start by thanking my colleagues from UNCTAD, WTO, IMF and the World Bank for joining us in this high-level dialogue. Your participation today bears testimony to the UN system's commitment to working together on meeting global economic challenges.

As moderator, I would like to share with you my perspectives and raise some issues for discussion.

Nearly four years after the onset of the global financial crisis, economic prospects remain sombre and challenging.

According to the latest UN report on the *World Economic Situation and Prospects Mid-2012*, world gross product is projected to grow by 2.5 per cent in 2012 and 3.1 per cent in 2013, following growth of 2.7 per cent in 2011.

The downside risks for further weakening of global economic conditions remain high.

Four major weaknesses in developed economies continue to feed into each other and conspire against a robust global economic recovery.

First, unemployment remains unacceptably high. It is both a cause and effect of the lack of economic recovery.

Second, banks, firms and households continue to deleverage in attempts to improve their financial balance sheets. Regrettably, this is holding back a normal flow of credit supply, consumption and investment demand.

Third, fiscal austerity measures, taken as a response to rising levels of public debt, are further deterring economic growth.

And fourth, bank exposure to distressed sovereign debt and weak economy is perpetuating financial sector fragility, spurring continued deleveraging.

Faced with weakening external demand and increased global uncertainties, developing countries and economies in transition are projected to see significant economic slowdown in 2012. More concerted and coherent efforts in national and international policy making will therefore be needed to break out of the vicious cycle of continued deleveraging, rising unemployment, fiscal austerity and financial sector fragility.

Recovery of global employment remains the most pressing challenge. Despite moderate improvements in some countries, the slowdown of global growth in 2011 and 2012 has posed new hurdles for employment creation.

Long-term unemployment continues to rise in many countries. Furthermore, youth unemployment increased globally, posing a big challenge.

Some 200 million people are unemployed globally.

We need to create an additional 45 to 50 million jobs annually over the next five years only to return to pre-crisis employment levels. At the present pace and pattern of recovery we are not getting even close to this target. We need far more supportive macroeconomic policies.

Excellencies, distinguished delegates,

Ensuring inclusive and sustainable growth over the coming decades will mean that issues of macroeconomic stability, employment, inequality and sustainability should be an integral part of the post-2015 international development agenda.

If we are to draw lessons from the recent inter-linked crises, we must acknowledge that future growth patterns must be socially inclusive and environmentally sound.

There is no alternative to sustainable development. This is made abundantly clear during the Rio+20 Conference where world leaders reaffirmed their political commitment for sustainable development. But putting the global economy on a path of sustainable development will require massive amounts of both public and private investments.

Finding the necessary resources will be challenging, especially for least developed countries.

Official development assistance is falling well short of what countries need, and commitments to provide more aid remain unfulfilled.

In the midst of difficult financial times, many donor countries have cut back on development assistance. In 2011, aid flows declined in real terms for the first time in many years.

The need for additional and more predictable development financing has led to a search for alternative, innovative sources. The 2012 *World Economic and Social Survey*, which is before the Council, explores the potentials of such proposals.

Distinguished Delegates,

As the financial crisis ebbs and the recovery remains uneven, the cooperative spirit we saw in response to the crisis may fade quickly. The world cannot afford this at this juncture.

To advance a more robust, inclusive and environmentally sound economic recovery, I wish to propose four policy options for your consideration:

First, adjust fiscal policy stances to provide more stimulus in a coordinated manner. Many countries have the necessary space and should use it to the benefit of the world economy at large.

Second, redesign national fiscal and economic policies more broadly, for greener, more sustainable economic growth, as recently agreed at Rio+20.

Third, tackle the root causes of financial market instability by finding greater synergy between monetary and fiscal stimulus and by accelerating regulatory reforms of financial sector.

And fourth, increase financial flows to developing countries, especially those with limited fiscal space and large development needs.

The implementation of these policy options will need to go hand-in-hand. Only by acting in a concerted manner on all these fronts can we avoid another recession, while making a start with a sustainable rebalancing of the world economy.

Everyone stands to gain from this, but only if we do it together.

I thank you for your attention.

With these opening remarks, I wish to invite our panellists to share their perspectives and insights with us.
