Topic 2: Combating Global Recession In Developing Countries

The deceleration of the global economy in recent years is not unexpected, given the countless challenges that the world has encountered over the past decade. We're now facing the second recession of the decade for the first time in 80 years. (World Bank Group, 2022) As stated by the International Monetary Fund, there is no official overarching definition of recession. For practical uses, analysts will define it as "Two consecutive quarters of decline in a country's real (inflation-adjusted) gross domestic product (GDP)—the value of all goods and services a country produces " (Ayan Kose & Claessens 2022). This definition does have its issues. A focus on GDP can be seen as restraining, and utilizing a wider range of economic activity could result in more accurate representations of economic circumstances (Ayan Kose & Claessens 2022).

IMF data reveals that the three largest economies of the world US, China, and EU show signs of stagnation with developing countries taking an even greater hit (Forbes Contributors 2023). It is estimated that nearly 1/3rd of the world will be going through a recession by 2023 (Forbes Contributors 2023), whereas the GDP levels in developing nations have dropped 6% since before COVID-19 (The World Bank, 2022). This financial fragility compounded with consistent disasters like the pandemic has contributed massively to this downward trend. While this economic downturn has affected economies from around the globe, it is undeniable that developing countries and least developed countries (LDCs) have suffered the brunt of the impact. The United Nations defines a LDC as "Low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets" (ECSOC 2023).

Over the next two years, it is estimated that per capita income growth in developing nations will only grow by 2.8% (World Bank Group, 2022). In sub-Saharan Africa, where 60% of the world's extremely poor reside, it is only expected to grow by 1.2%, a percentage that is nearly guaranteed to raise poverty rates (World Bank Group 2022). Additionally, net capital flows of developing countries have dipped into the negatives with the steady deterioration of economic conditions (UNCTAD, 2022).

Context and International Situation

The least developed nations saw their economies drastically impacted in 2020. Gains made in the past regarding poverty have severely backslid, there has been a massive increase in food insecurity, and already fragile healthcare systems had their resources redirected from urgent treatments and forms of life-saving care (UN OHRLLS 2022). The effects of the disruption of education are not yet known and are likely to have a long-term impact on these countries' development. While many developed economies utilized their fiscal safety nets to help manage the pandemics' massive economic effects and were able to enact and enforce supportive health measures (UN OHRLLS 2022). Less developed countries struggled due to much more limiting economic conditions. These included supply chain and logistic challenges, weak resilience capacity and inconsistent global support (UN OHRLLS 2022).. For these nations, ensuring timely access to vaccines was almost impossible. Even before the outbreak of the COVID-19 pandemic, it was estimated that nearly 30 percent of the population in the least developed countries would remain in extreme poverty by 2030 (UN OHRLLS 2022).

It is important to consider all of the factors that contribute to these LDCs being disproportionately impacted. We know advanced economies are more likely to have the resources and regulations to balance the effects of a recession. Another reason for this is the lack of foreign investment in developing countries, especially post-COVID-19. Subdued investment is often associated with weak productivity and lessened GDP growth, which subsequently dampens economic prospects for development (The World Bank, 2022). Without investment development, it is virtually impossible for countries to further their own economic development. During times of inflation, investors are much more likely to invest in a perceived large, stable economy like the United States than in a developing nation (Forbes Contributors 2023). As federal interest rates rise, government bonds become a more attractive investment opportunity, driving up the value of the $USD (Forbes Contributors 2023).

While this is certainly favourable for the United States government and working citizens, developing nations are only pushed even further behind the starting line, sharply decreasing the value of their currency in the global market. The subdued investment phenomenon can also be used to explain the rising global debt crisis observed in many developing nations. Currently, there are 46 nations severely exposed to extreme economic shocks with another 48 seriously exposed (UNCTAD, 2022). Many of these are countries that owe massive debts to states with advanced economies, and the global recession is only proliferating those debts. Already, developing nations struggle to pay off national debts, aggravating the state of poverty within the state due to the country's capital being used to pay off debt rather than investment in infrastructure and social spending. The recession raising the value of stronger currencies such as the $USD make it exponentially harder for lesser developed countries to pay off their debts as they have to earn more of their currency to pay off the same amount (Forbes Contributors 2023).

Rights and Responsibilities

The promotion of the sustainable development agenda is primarily carried out by the United Nations ECOSOC committee, which serves as the forum for global discussions, negotiations, and implementation of policies (ECOSOC 2016). In 2015, resolution 70/1 was passed by the UN

States Members, which included the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) to be achieved by ECOSOC member states by 2030 (ECOSOC 2016). The primary goal of the SDGs is to promote sustainable development, particularly in the least developed nations, by addressing issues such as poverty eradication, women's empowerment, environmental protection, and overall improvement of human well-being (ECOSOC 2016).

Now, faced with a recession, the ability to follow through on the SDGs by 2030 has been called into question. Your charge at this conference will be to find ways to fast-track the SDGs and meet them by the goal date. Faced with a plethora of issues such as subdued investment as well as the growing inequalities COVID-19 exposed, you'll need to find creative ways to utilize ECOSOC and its members to combat the effects of the global recession in developing nations.

Questions to Consider

1. What actions can be done to encourage foreign investment in developing countries and LDCs during times of high inflation?
2. How can the UN and ECOSOC build frameworks to protect developing countries from the disproportionate impacts of a global recession?
3. What are past actions the UN, ECOSOC, and UNCTAD have taken to aid developing nations in their debt crisis?
4. How can policymakers of small states promote sustainable growth and economic diversification to mitigate the risks of an economic downturn?

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Further Reading

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