



**DEVELOPMENT  
AND GLOBALIZATION:**  
Facts and Figures **2012**



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## Foreword

*We have witnessed a remarkable shift in economic trends over the past years. Issues such as current account imbalances, misaligned exchange rates, volatile capital flows and the financialization of commodity markets resulted in a severe crisis that affected all countries. As debate continues to rage about the relevant monetary, fiscal and income policies to address the continuing fallout from the crisis, the international community is falling short on delivering solutions to the long-standing challenges of poverty, food security, debt burden and climate change.*

*A lesson learned over the past few years is that the only way the world can hope to recover from recession is by ensuring a predictable financial system in line with the rules-based multilateral trading system that strives to meet long-term development goals. That is why UNCTAD is calling for urgent measures to strengthen the shift in the economic paradigm for global governance from a finance-centred one to development-centred one.*

*This 2012 edition of Development and Globalization: Facts and Figures highlights the latest available statistics depicting the current state of the world economy, with expert comments on their empirical implications. We have focused on pivotal themes that best illustrate the interface of trade and related economic development issues, in particular macroeconomic and financial indicators, as well as those relevant to policymaking in the area of fiscal and incomes policy. Those researchers and policymakers seeking a better understanding of the factors underlying the global slowdown will find the empirical information they need to better appreciate how unrestrained globalization and excessive financialization have overwhelmed the real economy over the past decades.*

*This quadrennial publication caters to specialists and the general public. Well-designed statistical graphs and tables, and a glossary of the main economic and statistical concepts offer our broad readership practical tools for a better understanding of development trends and their evolution over time.*



Supachai Panitchpakdi  
Secretary-General of UNCTAD



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## Overview

This pdf document is derived from the web version (<http://dgff.unctad.org/>) of the 2012 edition of the 'Development and Globalization: Fact and Figures' which includes more statistical charts and tables as well as dynamic motion charts that illustrate in an innovative way key findings.

## CHAPTER 1

### GLOBALIZATION AND THE SHIFTING BALANCE IN THE WORLD ECONOMY



Economically, globalization means closer integration of national economies through trade and financial flows as well as cross-border migration of people. As national economies “open up” and lower their external barriers, they become more exposed – and more vulnerable – to global forces and influences.

With the long-run globalizing trend well established since the end of the Second World War, the pace of globalization accelerated over the past 25 years, resulting in unprecedented levels of economic integration and interdependence in the world, surpassing the pre-First World War peak. After reaching a tentative culmination with the global boom of 2003–2007, globalization reared its ugly head and the world economy ushered in the most severe global economic crisis since the Great Depression – from which recovery remains fragile and incomplete.

## CHAPTER 2

### GLOBAL IMBALANCES, CRISIS, AND THE LACK OF GLOBAL GOVERNANCE



The era of accelerated globalization that preceded the global crisis saw rising imbalances in international trade and financial flows that starkly contradicted traditional development theory and the conventional wisdom of policymaking of that very era. Seemingly paradoxical capital flows and imbalances were part of the build-up of financial fragilities at the core of global finance in key developed countries that provided the precondition for the global crisis of 2008–2009.

The global crisis had a severe impact on global economic activity, incomes and employment; though more lastingly so in key developed countries than in many developing countries. The legacies of the crisis are posing difficult challenges to designing short-run policies suited for sustaining the global recovery. Unbalanced competitiveness positions provide the background to financial stresses that continue to plague parts of the developed world today, especially in the euro area.

While briefly shrinking during the global crisis, global imbalances in trade and financial flows and their underlying systemic causes have not gone away. Global imbalances are a symptom of existing systemic governance shortcomings. They can only be properly addressed by global governance reform and proper international policy coordination.

## CHAPTER 3

### DEVELOPMENT CHALLENGES AND POLICIES TO OVERCOME THE CRISIS



This chapter discusses the role of macroeconomic policies to mitigate the effects of the crisis and to reinvigorate economic growth, while reducing unemployment and inequality, and putting the global economy on a sustainable growth path. In that vein, it takes a closer look at the monetary, fiscal and income policies regarding some of the challenges currently faced by both developed and developing nations.

Interest rates have been reduced to provide an incentive to spend and to stimulate the economy. However, monetary policy alone has proven insufficient to put the economy back on track. Fiscal policy, in turn, had been stimulative, but with the collapse of revenues and the increase in public debt, an early turn towards austerity has reduced the chances of a healthy recovery. Incomes policy would be an important complement to stimulative macroeconomic policies. Developing countries also have to cope with volatile commodity prices and pressures to reduced policy space. Last but not least, no recovery could be sustainable without financial re-regulation.

## CHAPTER 4

### LONG-STANDING CHALLENGES



The relation between the ongoing globalization process and its associated policies is an important element in the evaluation of the progress towards the Millennium Development Goals (MDGs), which has been uneven by countries, regions and goals. While poverty and educational and gender attainment goals have seen significant progress, the other targets, i.e. reduction in child mortality, improvement of maternal health, reducing major diseases, attaining environmental sustainability and improving the conditions for development in particular finance and debt reduction, have seen less marked progress. This has called into question some of the policy proposals that have been used in order to reach the MDGs. Further, hunger reduction, one of the Goals, has been affected by the recent global economic crisis. Food insecurity has increased after the global economic crisis, fundamentally as the result of higher and more volatile prices for food and agricultural commodities. Financial regulation, in the aftermath of the crisis, and increased official development assistance (ODA) flows, and further debt relief for developing countries are also necessary to meet the MDGs deadline in 2015.

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