



**Addressing The Potential Impacts of a Global
Recession**

UN Economic & Social Council - Background Guide

Written by

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Introduction

The global economy is susceptible to cyclical downturns, and a global recession can have far-reaching consequences across countries and sectors. Within the United Nations' Economic and Social Council, it is crucial to anticipate and address the potential impacts of a global recession and work collaboratively with organizations to devise and recommend effective preventative measures and solutions.

The United Nations Conference on Trade and Development believes that a critical call to discussion is necessary as a global recession could be a consequence of political decisions. It is also a matter of political will to come together and discuss how important decisions are from now on to prevent or slow down the effects of a global recession. As stated by Richard Kozul-Wright, the director of UNCTAD's globalization division:

“The real problem facing policy makers is not an inflation crisis caused by too much money chasing too few goods, but a distributional crisis with too many firms paying too high dividends, too many people struggling from paycheck to paycheck and too many governments surviving from bond payment to bond payment,”

Based on past global recessions and economic downturns in a global spectrum, international trade between nations is significantly affected as countries with high inflation rates and scarce resources stop contributing to other nations struggling as much if not more. Protectionist measures, such as tariffs and trade barriers, are employed by some nations to shield domestic industries, hindering the free flow of goods while also tackling the loss of jobs available and demand for resources. Supply chains face disruptions as demand wanes, impacting production and access to raw materials. Volatile currency exchange rates and falling commodity prices add to the complexity.

Developing countries, as they are reliant on exports, are especially vulnerable. Access to trade finance tightens, affecting small businesses. The services sector is also hit, with reduced travel and business activities impacting service exports. Governments must address these challenges, promote open trade, and foster economic recovery and stability in the interconnected global economy. Political stability crashes as public opinion on the economy becomes less promising, leading to protests and calls to action by world citizens in their respective countries. Social instability is also an inevitable consequence. If a global recession inflicts economic decline, loss of income, loss of availability to a job, lack of resources... imagine the bigger scope that developing countries face, when economic incentives by other countries, who commit to NGO's and SDGs, stop contributing in order to allocate those resources domestically.

Background

Global recessions are periods of economic decline that affect countries and regions around the world. They are characterized by a significant contraction in economic activity, including declines in GDP (Gross Domestic Product), increased unemployment rates, and reduced consumer and business spending. Here is a quick overview of some notable global recessions in the past:

Although the United Nations was not yet established at the time of The Great Depression (1929-1930s), it is important to give it credit as it was one of the most severe economic crises in history as it led to excessive speculation, banking failures, and protectionist trade policies. These factors altogether, with the lack of international cooperation and a rise for extremist measures by big powers, the League of Nations lost almost all of its accountability to maintain peace, while governments implemented their own economic stimulus attempting to alleviate the crisis.

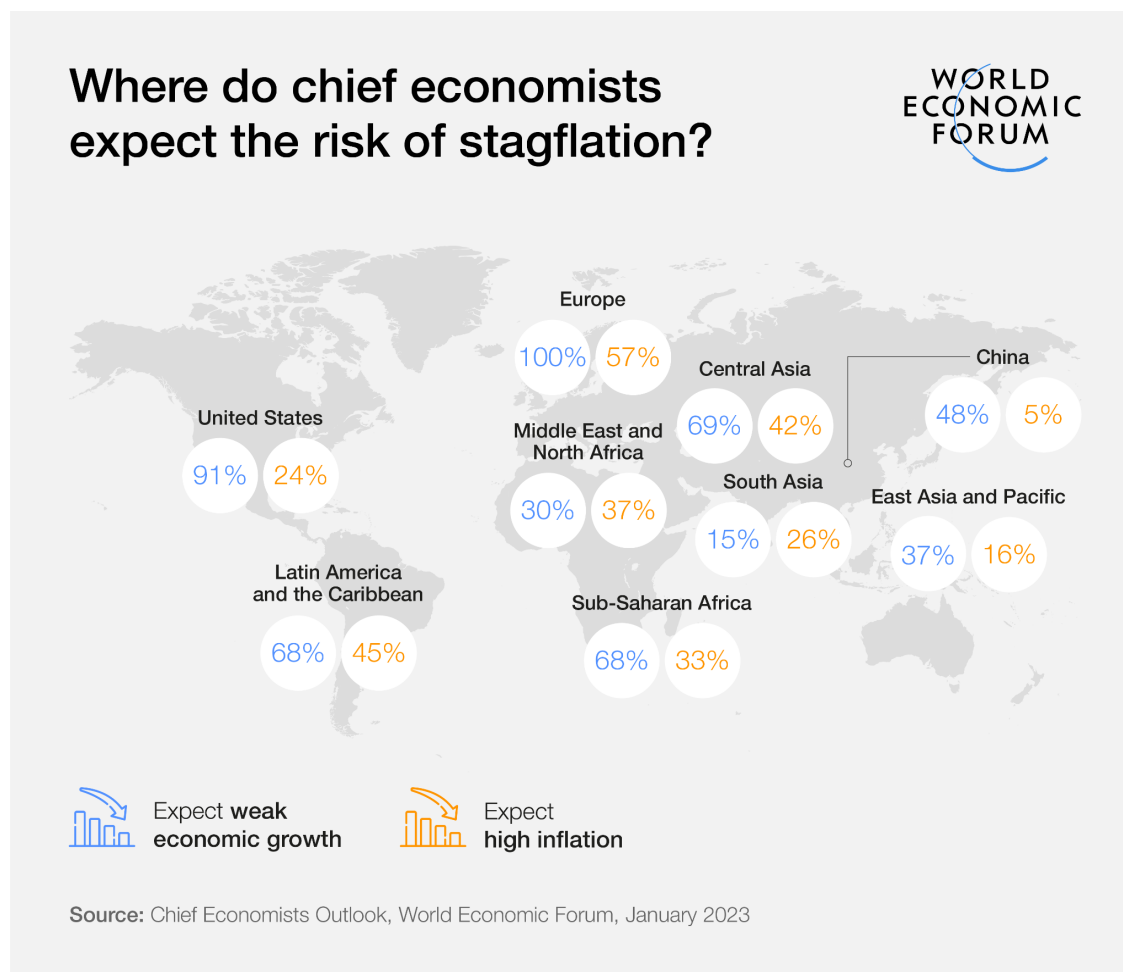
In the 1970s, the oil price increased by OPEC (Organization of Petroleum Exporting

Countries). These high oil prices led to stagflation, a combination of high inflation and stagnant economic growth. The biggest challenge at this time was the way governments attempted to address both inflation and unemployment. Then in the early 1980s recession, high inflation and high interest rates led the U.S Federal Reserve to implement tight monetary policies to combat inflation. These policies contributed to a recession in the early 1980s but eventually helped curb inflation.

The biggest global recession was the Global Financial Crisis (2007-2008). This time period was filled with a severe worldwide economic crisis triggered by the collapse of the U.S. housing market and the subsequent banking crisis. It led to a global credit freeze, causing a severe recession in many countries. Governments and central banks implemented massive stimulus packages and bailouts to stabilize the financial system.

The most recent, being the COVID-19 Pandemic Recession (2020), led to a sudden and a sharp economic downturn as a disease stopped trade almost completely, slowing down the allocation of resources, including food. Lockdowns and restrictions aimed at controlling the virus caused widespread business closures and job losses. Thanks to the contribution and forum provided by the United Nations, and collaboration with NGOs, governments responded with substantial fiscal stimulus measures to support their economies. And although we are still facing the long-term damages that the pandemic unleashed, international commitment and work allowed the economy to recover gradually worldwide.

Still, considering how some developing and less economically stable countries still struggle in healthcare, contribute more to domestic development, ongoing conflict, and commitment to already established Sustainable goals, it is worth investigating more whether these could contribute, in some way, to the possibility of yet another global recession.



Davos, *Recession in 2023? That depends on where you are in the world*, World Economic Forum, January 2023

Past Efforts

The United Nations (UN) has actively dealt with the recessions from 1975, 1982, 1991 and 2009 by providing a platform for member states to coordinate and cooperate on macroeconomic policies. While the UN lacks direct financial resources to intervene in economic matters, it plays a crucial role in facilitating discussions and encouraging collaborative solutions.

During the Great Depression in the 1930s, the United Nations (UN) did not exist, and therefore, no resolutions were passed by the UN to address the economic crisis. Responses to the Great Depression were primarily the responsibility of individual countries and international

organizations like the League of Nations, which faced challenges in coordinating a global response. The UN was established after World War II.

During the oil crisis and stagflation of the 1970s, international organizations like the International Monetary Fund (IMF) and the World Bank provided various forms of economic assistance to member countries. This assistance included financial aid in the form of loans, technical expertise to implement economic reforms, support for debt restructuring, efforts to facilitate international trade, funding for development projects, and research and data analysis to inform policy decisions. The type and extent of assistance varied depending on each country's unique economic situation and needs. The goal was to help countries overcome the economic challenges of the time and achieve stability and growth.

For the Financial crisis that took place from 2007 to 2008, The UN Resolution 2009/5, titled "The global impact of the economic and financial crisis on youth," was adopted by the United Nations in 2009. It aimed to address the impact of the global financial crisis on young people worldwide. The resolution emphasized the need for special attention to youth during times of economic hardship and called for measures to mitigate the negative consequences of the crisis on young individuals, including increased unemployment and limited access to education and training opportunities. It urged member states and the international community to support youth-oriented policies and programs to ensure that young people were not disproportionately affected by the economic downturn.

In reflection of the economic impacts that the COVID-19 pandemic unleashed upon the world, multiple resolutions were passed, some were focused on healthcare and humanitarian aid, but we can see how these blend social and economic welfare, trying to address both as quick as possible, while the pandemic took millions of lives and stability. Some of these are mentioned as

follows: Nations in the field of humanitarian relief, rehabilitation and technical cooperation for development” (document A/76/L.24), “Assistance to the Palestinian people” (document A/76/L.25), “Safety and security of humanitarian personnel and protection of United Nations personnel” (document A/76/L.26), “International cooperation on humanitarian assistance in the field of natural disasters, from relief to development” (document A/76/L.27),

Through economic analysis and reporting, the UN offers insights into the global economic situation and the recession's impacts on various countries. It emphasizes policy coordination, capacity building in developing nations through economic incentives and support to commit to common-good entities and goals set by the United Nations’s delegates, and aligning recovery efforts with the Sustainable Development Goals (SDGs), which ensure inclusive and sustainable economic recovery, through fighting unequal development and poverty, attempts to address world hunger through sustainable development, and trade. Additionally, the UN advocates for multilateralism, promoting trade and investment, and occasionally mobilizes resources to support countries facing severe economic distress. The UN's response to global recessions emphasizes international cooperation and coordinated efforts to address the challenges posed by economic downturns. For the latest information on the UN's actions during recent global recessions, it is advised to refer to official UN sources beyond September 2021.

ECOSOC’s Current Position

While it is still unclear the exact position the Economic and Social Council holds in regards to this topic, the council’s positions and actions regarding potential global economic challenges would depend on the prevailing economic conditions and the views and policies of its

member states at any given time. ECOSOC typically collaborates with various international organizations and entities to monitor and address economic and social issues, including recessions or economic downturns.

Conclusion

Recently, the United Nations has warned of a global recession in hopes to retain inflation rates, especially in economic leaders as the United States and Europe, as media usually refers to the potential of a global recession to be more probable depending on the country.

Again, developing countries are the most threatened when global economic crises are brought up at the table, and big powers like the United States, Russia, France, China, and developing powerful nations like Brazil, must reflect once again whether speculations, military conflict, and domestic welfare may provide more benefit than the cost of a global recession so soon after 2019, which may ultimately affect the United Nations for unsuccessfully addressing global cooperation on the scope of social and economic development.

Addressing the potential impacts of a global recession requires comprehensive and coordinated efforts from all nations. As delegates, your role is to foster dialogue, advocate for effective policies, and work towards sustainable solutions that promote economic recovery, social welfare, and environmental sustainability. Through international cooperation and commitment to shared goals, delegates can contribute significantly to mitigating the effects of a global recession and building a more resilient global economy.