The impact of the financial and economic crisis on global development: What’s the envisaged (leadership) role for Europe?

Roundtable, 10 March 2009

For months, the financial and economic crisis is dominating the news and governments are fiercely searching for proper action plans to handle the crisis. At the roundtable on 10 March 2009, more than 120 participants were discussing the role of Europe in the context of the crisis. Prof. Dr. Dirk Messner, Deutsches Institut für Entwicklungspolitik/ German Development Institute, Dr. Sebastian Paust, Internationale Weiterbildung und Entwicklung gGmbH/ Capacity Building International, and Prof. Dr. h.c. Christa Randzio-Plath, Verband Entwicklungspolitik deutscher Nichtregierungsorganisationen/ German Association of Development NGOs, were the discussants. The roundtable was chaired by Andreas Becker, Deutsche Welle.

Prof. Dr. Dirk Messner mentioned that, in addition to the financial crisis, the climate crisis and the food crisis need to be addressed as well. Market stagnations are more serious in developing countries than in industrial countries. A climate- and resource-sensitive world economy is therefore essential. Messner mentioned four issues that explain the relevance of Europe: (1.) 60% of investments in developing countries derive from the EU; (2.) Europe has got the leading role in regard of climate protection technologies such as renewable energies and energy efficient technologies; (3.) Europe’s experiences of multinational cooperation; (4.) its experiences of transnational cooperation.

Dr. Sebastian Paust emphasized that the economic crisis is more serious in Asia than in industrial countries. Massive export declines and the loss of direct investments are the consequence. There is also a loss of revenue, as many Asians abroad loose their jobs and reduce remittances. As a consequence, there is a massive increase of poverty, a loss of values and rising skepticism towards the philosophies and development concepts of industrial countries.

Prof. Dr. h.c. Christa Randzio-Plath referred to the Asian crisis in 1997. No lessons were learned. The market is not best suited to deal with the economic crisis. Nation states should have a leadership role when it comes to market regulation. Moreover, the United Nations should find a system which serves mankind.

No proper surveillance authority has existed yet. Messner emphasized: “All supervisory bodies in the past failed”. Randzio-Plath criticized that the EU is known for its enthusiasm for regulations, but does barely regulate its financial market. All discussants agreed that Europe will be more relevant as soon as the EU is speaking with one voice.

Despite the economic crisis, will the Millennium Development Goals (MDGs) be achieved by 2015? All discussants agreed: Abandoning the MDGs would be a declaration of bankruptcy and a humanitarian catastrophe and the political stability in many countries would be endangered. However, there is no
consensus on strategies and institutions that could deal with the economic crisis. The audience raised questions, too: Which recommendation should be given to developing countries and which institution should they trust? Paust thinks that the loss of credit cannot be managed through development policies. The United Nations are also not a proper addressee. He thinks that the G20 together with the international banking system are the best alternative. The social and ecologic market economy of Europe should serve as a role model. In contrast to that, Randzio-Plath advocates a world economic council for social and economic issues and postulates reflection about new institutions. Messner said that establishing a world economic council requires the amendment of the UN Charta and that it takes too long to establish new institutions. “The financial order needs to be discussed among the G20”, Messner said. The United Nations are not able to deal with the current problems, a reform of the United Nations is needed and this reform needs to be initiated and be pushed by the G20.

At the very end, Andreas Becker asked for examples of what could have been made better. The answers were diverse: Randzio-Plath: “More multilateralism”, Messner: “Better listening, not taking oneself too important, not being paternalistic and talking turkey.” Paust: “More good governance”.

All discussants agreed that the economic crisis also raises the chance for changing the existing economic structures.

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