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Thematic debate on role of United Nations in global governance

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The sixty-sixth session of the United Nations General Assembly that began on 13 September 2011 will consider a report on the UN and global governance, of which economic governance will be the focus.

As part of the preparations, the office of the President of the General Assembly in the United Nations held a thematic debate on 28 June on the role of the UN system in global governance. The debate, which included several prominent policymakers, academics and political representatives, aimed to contribute to discussions on ways to strengthen the multilateral institutional and intergovernmental framework on global governance, particularly global economic governance.

It also aimed to provide inputs to the report focusing on global economic governance and development that has since been prepared by the Secretary-General for the General Assembly. This report was requested by a resolution adopted by the General Assembly in December 2010 on “The United Nations in Global Governance.” The resolution recognizes the need for inclusive, transparent and effective multilateral approaches to manage global challenges, and reaffirms the central role of the UN in ongoing efforts to find common solutions.

The background note to the thematic debate stated that the emphasis on global economic governance in the resolution reflects the high attention given by Member States to the tremendous challenges, the rapid changes and the new actors of today’s global economy. The 2008 global financial and economic crisis highlighted the increasing interdependent nature of the global economy, its effect on almost all

China

An equitable global trading environment also needs to be established. A balanced outcome is needed in the currently stalled Doha round of trade talks, so that the stated objectives of the Doha Round can be achieved. The international community should speed up efforts to build up the resilience of the international financial architecture, and in particular to focus on strengthening the resilience of developing countries against financial risks and volatility.

India made three key points in its intervention to the discussion. First, organizational lethargy begets structural blindspots. India asked, “Why is ECOSOC not addressing the debt crisis and the problems of Greece? ECOSOC could not even address the financial crisis conference. Take a serious look, do a serious appraisal, and see where you want to go with ECOSOC. In the coming days, the UN is going to be tested not only by the political upheavals in the Arab countries but also by the financial meltdown of the Eurozone.”

India said that there is a presumption that the UN is still relevant today. With regard

countries. On that note, Pakistan is committed to achieve the fullest realization toward these goals.”

The **European Union** stated that the UN should be enhanced in the areas of its competence, such as the broad development agenda and the relationships between

Doha Round trade negotiations and Copenhagen climate change negotiations might be unfair and unjustified, but it is real, and it creates a corrosive effect on the entire understanding of what global governance is and what it can achieve.

President Turk said that it also appears that the very conditions that make global governance crucial also make it exceedingly difficult: divergent interests, conflicting incentives and differing values and norms. This is the reality in which the UN has been operating since its inception. Global governance is expected to work without a global government. This makes global governance fundamentally different from the governance exercised at the national level and thus creates two important parameters for any discussion on governance.

He said that for the UN, being global both in its membership and its role in global governance, it is only logical to claim a central role in addressing global challenges and governance. In addition to the much needed responsible behavior of member states, the UN system has to look into its own structure, policies and practices and has to undergo internal reform and develop effective partnerships with other international mechanisms, regional organizations, business communities and civil society groups.

President Turk proposed that the agenda of UN reform as follows: rebalance the Security Council; refocus the General Assembly; recalibrate the ECOSOC; and reinforce the Human Rights Council.

Pascal Lamy, Director General of the WTO, said in his keynote speech that the UN has an incomparable advantage in its universal legitimacy, as it is the only international organization representing the interests of all 192 member states. As such, Lamy said that a greater degree of interaction is required between the UN, the G20 and the specialized agencies of the UN by establishing a “triangle of coherence.”

He stressed that the ECOSOC must be turned into a body that carries the same political prominence as the Security Council. The issues addressed in ECOSOC constitute the “real foundation of peace in a globalized world,” whereas 60 years ago when the UN was founded the concept of security was much narrower. Today there’s a need to expand the notion of security so that it encompasses not only the Security Council but also ECOSOC.

ECOSOC assesses the overall state of the world economy, policy directions, sustainable investment and balance, and ensures coherence and coordination between the various goals of the multilateral bodies. ECOSOC needs to serve as a genuine forum for debating, policy-making, agenda-setting and coordination between various multilateral agencies. Lamy said that “such coordination is essential to achieving today’s goals of multiple levels of interdependence.”

A central point which Lamy highlighted was that of the Financial Stability Board (FSB), whose real name, he said, needs to be changed to something like the ‘World Financial Institution.’ The global financial crisis and recession has made the FSB into a major international institution. “The reality is that its composition of central bankers, financial regulatory institutions, and so on are people who do not ask for visibility, to put it mildly. This is because they have to deal with extremely sensitive issues that have significant market impact, and because most of them are independent

from the normal structures of political power. We have to cope with a new animal that is independent from political instruction but which has a huge bearing on national and world financial systems,” said Lamy, adding that the number one problem with the FSB is that the specific actors within it are not accountable to the larger public.

When asked by member states about the financial transaction tax (FTT), Lamy said that 20 years ago the proposal to establish an FTT would have been highly contentious but now it is a matter of consensus. There is a global recognition of the

She also stated that inequality poses the biggest danger for global growth and development. It is now a globally recognized fact that “equitable and inclusive development provides better chances for long-term, sustainable, and consistent growth,” adding that, “As the crisis was contained by trillions of US dollars, people ask themselves ‘who pays the bill?’ and the answer is taxpayer dollars.”

The exit strategies of other industrialized countries also led to a weakening of financial commitments. In this regard, Heidmarie said that “the global community needs an FTT (financial transaction tax) that answers the hopes of people in developing countries as well as that of people in developed countries. The FTT is an instrument of solidarity.”

On the FSB, Heidmarie agreed with Lamy, saying that the governance structure and composition of the FSB is a certain problem. “There ought to be a call for a structure within the UN where the FSB remits full information and where the issues can be debated among all 192 member states,” she said.

Heidmarie also spoke on the ideal role of the ECOSOC, saying “I always went to the ECOSOC meeting for the discussions, but the problem is of course the lack of participation in ECOSOC at a high level. ECOSOC needs to be given substance on the economic and financial decisions that are taken up by the international financial institutions. ECOSOC should not just rely on economists, but instead give deeper impulse to the debate from non-economic standpoints. Indeed, it should act like a sort of ‘Global Council.’”

Heidmarie concluded her presentation by highlighting three key issues. First, non-governmental organizations (NGOs) are important for coordination and cooperation.

many of them were in sub-Saharan Africa. This is the good news. But it would be simple-minded and naive to think that this growth could be taken for granted. While 83% of the world population resides in the developing world, increasing numbers of newspaper and financial market developments feature only the emerging market economies in issues of commodities, stocks, growth and so on,” said Bhattacharya of the recent global growth trends.

He went on to say that there is an increasing breadth and complexity in the global agenda. When the financial crisis broke out, the G20’s success was very much in the sphere of macroeconomic coordination as the world was facing the challenge of not only confronting threatened growth but also the pervasive challenge of employment, food and climate security issues. The ability of the G20 to address the key global problems, up to date, has been questionable,” said Bhattacharya, “and the G20’s ability to deliver coherence between diverse sovereign states will be a test for global governance.”

With regard to the debate of the UN and the G20, Bhattacharya clarified that he has “long advocated that the G20 needs to have much better and stronger links with the UN because ultimately it is the UN which has the legitimacy to play a central role in global economic governance. However, the UN, as big as it is, cannot do everything. The UN has to ask and debate for itself on the question of what is the strategic agenda

accountable to? The only body that the FSB is accountable to is the G20. There is a problem in this because the body to which the FSB is accountable to ought to be an international body. “Finance is just too important to be excluded to only a few bodies,” said Bhattacharya.

There are several other inadequate governance frameworks in the global economy, ranging from the International Monetary and Financial Committee (IMFC) and informal groupings like the G20, ECOSOC and the UN General Assembly. The UN was very successful in setting out well-defined targets, such as that of the MDGs, and in bringing together diverse constituencies in the Monterrey Process.

However, the UN has been inadequate in responding to the financial crisis. Most importantly, the overall global financial system has been unable to reform itself. When it comes to the issue of reforming the IMF, World Bank and the UN, “the continuing system has not been able to break the logjam on crisis response. The UN has been ineffective in stepping up the crisis response, providing an impetus to reform, and putting one’s money where one’s mouth is.”

To the extent that the G20 is not complementary but rather an existing threat to the UN's governance and legitimacy, the UN could “answer to the G20 in terms of demonstrating coherence, effectiveness and legitimacy.” The G20 is very good on the side of effectiveness, and when it deals with big issues such as commodities and energy, the G20 is also good on coherence, but “we do not want the G20 to shape the entire agenda. I would argue that the challenge is not so much for the G20 but for us outside of the G20,” said Bhattacharya.

Observing that the IMF Executive Board was voting that same day (28 June) for the next IMF managing director Bhattacharya said, “As many of you already know, the process for the selection of the next IMF chief has been extremely flawed because there is a pre-determined nomination. Moreover, there are great inadequacies of merit-based, fair and transparent selection process. While we all talk about governance reform in terms of quotes, voting shares and so on, let me tell you that compared to the reforms in other arenas such as the global economy and financial issues, the reforms in IMF governance have been very modest, with a small ‘m’. We need to push for effective leadership, and for the voices of all countries at the table. Importantly, the voices of some developing countries should not be at the expense of other developing countries.”

Singapore, on behalf of the **Global Governance Group (3G)** group of countries, stated that the 3G welcomes the President of the General Assembly’s initiative to review the existing global economic governance architecture, and would like to make a few comments and suggestions.

First, “the efforts of the G20 during the 2008 financial crisis demonstrated how a group of countries could come together to play an effective role in addressing the global economic crisis.” Key priorities to address the needs of the poor and middle class ought to include employment creation, sustaining small and medium enterprises in developing countries and preventing inflation. Second, the existing system needs reform, particularly that of the Bretton Woods Institutions, and national governments

need to work in tandem with IFIs to devise policies and implement necessary structural reforms.

Third, new complementarities must be forged. “Given its legitimacy, the UN system remains central to the global economic governance structure for achieving sustainable, equitable and inclusive growth. Informal groupings like the G20 can and must develop complementary ways to work with the UN system,” said Singapore.

The 3G recommended greater transparency, inclusiveness and representativeness in the G20’s deliberations, and highlighted the importance of transparency in the interactions between the G20 and the IFIs, especially as the UN system remains solely accountable to Member States. In the medium and long-term, the 3G stated that “nothing less than a concerted effort by all stakeholders in global governance will suffice. A focus must be prioritized on building trust through open and inclusive practices and clear communication. In this regard, the UN with its universal membership is uniquely placed to play a pivotal role in coordinating efforts to tackle global economic challenges and in showing leadership to find pathways for building new complementarities both within the UN system and with new actors.”

The 3G also recommended that the UN should identify the comparative advantages of its system. Singapore illustrated that “an example would be in the case of protectionist trade tendencies in reaction to the daily barrage of gloomy economic

discussions and positions of developing countries on systemic and structural financial and economic issues. As such, recognizing the political and substantive contribution of the Working Group, as well as the far-reaching potential of creating a permanent Panel of Experts, would mark a critical step forward in the evolution of the UN's voice and visibility in global economic governance.

With regard to the strengthening of the ECOSOC, TWN stressed that under its current