

## Informal Summary

### 2011 Economic and Social Council High-Level Segment

**Follow-up to the International Conference on Financing for Development**  
*Panel discussion on “Global economic governance and development: Enhancing coherence and consistency of the international monetary, financial and trading systems”*

**Monday, 11 July 2011**

**03:00 p.m. – 6:00 p.m.**

**Chair: H.E. Mr. Abulkalam Abdul Momen (Bangladesh), Vice-President of the Economic and Social Council**

#### **Panellists:**

**Mr. Sha Zukang, Under-Secretary-General for Economic and Social Affairs (moderator)**

**Mr. Petko Draganov, Deputy Secretary-General, United Nations Conference on Trade and Development**

**Mr. Christian Masset, Director-General of Global Affairs, Development and Partnerships, Ministry of Foreign and European Affairs, France**

**Mr. Andrew Cornford, Counsellor, Observatoire de la Finance, Geneva**

#### **Key messages:**

- **The developing countries, particularly the LDCs, need more voice and representation in financial organizations.**
- **Increased cooperation between the G20 and ECOSOC seems more viable than integrating G20 into ECOSOC or creating a new institution to address the reforms needed in global economic governance.**
- **ECOSOC needs to be strengthened, become more efficient, have the capacity to respond faster to international crises and be able to deliver results to maintain legitimacy.**
- **International organizations must adapt to the realities of today’s global arena, keep up-to-speed with transformations that occur in markets and have increased inter-agency policy coherence.**

In his opening statement, **H.E. Mr. Abulkalam Abdul Momen (Bangladesh), Vice-President of the Economic and Social Council**, stated that the topic of global economic governance is increasingly important in financing for development. He highlighted some of the issues raised at the March 2010 special high-level meeting:

1. The recent crises revealed structural flaws in the current system of global governance. Globalization has created interdependence, and the current system of

- governance, based on individual states, must adapt. The need for greater cooperation and interactions between organizations was emphasized.
2. The UN system is uniquely placed to promote and discuss issues of economic governance. While the UN's inclusiveness provides legitimate decisions, it must be more effective and able to take speedier decisions.
  3. There is need for system wide coherence, strengthening current mechanisms and potentially new ones, such as a constituency based global economic coordination council.
  4. Many participants reiterated the need to enhance the voice of LDCs, and developing countries in general, in the Bretton Woods institutions.
  5. The G20's role in the response to the crisis was recognized, but their ability to resolve large structural imbalances was questioned. Lack of representation of developing countries, and LDCs, is worrisome.
  6. Attention was given to the important role that regional cooperation can play in strengthening global economic governance, particularly in ensuring more effective participation of smaller, less empowered states.

**Mr. Sha Zukang**, Under-Secretary-General for Economic and Social Affairs, in opening the debate, stated that global economic governance is at the centre of attention, particularly, in terms of ways to make it better. The world is still on a fragile path to recovery, and the MDGs were set back by this global shock and high energy and food prices. He highlighted the increased frequency and severity of natural disasters. The existing system of global economic governance was put in place more than 60 years ago, and many argue that it has not kept pace with new global trends, since it does not reflect adequately the participation of developing nations, and has many times led to inefficiency and lacked coherence and consistency. Furthermore, current institutional arrangements have been unable to tackle global economic imbalances and financial fragility, advance multilateral trade, protect LDCs from commodity price volatility, adopt common policies towards climate change, and others. He warned that informal groupings cannot always address problems of the absence of multilateral agreements, and pointed out that the G20 has replaced the G8 as the major forum of economic development. He called for the need to focus on four major issues, for which political will is essential:

1. The UN must play a stronger role in global economic governance, since it remains the only truly universal and multilateral forum which gives it legitimacy. In this sense, a representative body within the UN, must enhance coherence across the UN system and perform an effective policy-making role. This could be a new entity, or a stronger version of an existing one like ECOSOC.
2. The imbalances in voice and representation in the Breton Woods institutions and other related bodies must be addressed.
3. Regional arrangements should be better incorporated into the framework of global governance. They can better address regional needs and demands, and can provide representation, voice and ownership.
4. The G20 needs a better, institutionalized relationship with the established multilateral systems. The G20 and the UN must play a complementary role, using their comparative advantages.

Mr. Sha asked the panellists to keep in mind the following questions:

1. Which are the most effective ways to strengthen coherence, coordination and consistency of the existing system of global economic governance? Are new structures the answer?
2. What measures should be put in place to enhance the efficient functioning of the UN?
3. How can regional arrangements be better incorporated into the framework of global governance?
4. What kind of modalities for engagement should there be between the UN and the G20?

**Mr. Petko Draganov**, Deputy Secretary-General of UNCTAD, began by stating that despite the efforts made by developing nations to increase their integration into the world economy, rapid growth in income has occurred in relatively few cases. He added that the fundamental issue of global economic governance is the modality of integration of developing countries. He stated that UNCTAD is concerned with the inconsistency between the rules of the multilateral trading system, and the weakly regulated financial and monetary systems. He added that an international trading system that generates greater volumes of trade without equal increases in income hurts local communities and highlights the importance of technology transfer as part of a more favourable system. He pointed out that access to predictable, stable and long-term sources of funding remains a problem in LDCs, and warned that although the UN holds legitimacy, a post-crisis return to business as usual could imply marginalization of the UN. To address this, he stated that the UN needs to enhance its role in global economic governance.

**Mr. Christian Masset**, Director-General of Global Affairs, Development and Partnerships of the Ministry of Foreign and European Affairs of France, spoke from France's position as president of the G8 and G20. He said that France has added to the G20 agenda the need to address medium and long-term problems, such as reform of the international monetary system, price volatility and issues of development and social dimension of globalization. He said France values cooperation between the G20 and the UN, and that a better global economic governance system needs to find a balance between economic interdependence and national sovereignty. He highlighted the importance of shared but differentiated responsibility, adding that informal groups, such as the G20, can do nothing alone, since they lack the political legitimacy of international organizations. He stated that renewed multilateralism means a combination of informal groups and international organizations, but these organizations need to provide results. In his view, the guiding principles to achieve this are:

1. Effectiveness, which includes transparency and the capacity to better anticipate crises.
2. Inclusiveness, which means bringing on board other states, the academic world and civil society.
3. Increased responsibilities.
4. Consistency across international organizations, international standards and legal orders.

He highlighted that sustainable growth includes three pillars: economic, social and environmental; but in terms of governance, these pillars did not have the same strength (environmental is below social, which is below economic). He concluded by stating that organizations need to have a more progressive approach, addressing development in a broader context.

**Mr. Andrew Cornford**, Counsellor, Observatoire de la Finance, Geneva, began by stating that the major lessons learned from the crisis that the UN can address are those related to the consequences and implications of increased integration of the economic system. He stated that the Financial Stability Board still isn't inclusive enough, and added that the crisis exposed the actual and potential weaknesses of the current capitals standards, such as the inadequate capacity to assess risk, the little attention to systemic risk, and excessive regulatory discretion. He added that the financial crisis started as a liquidity crisis, and in this sense the Basel liquidity standards should complement other measures and standards to avoid systemic risk. In his view, at the aggregate level, banks should be able to introduce Basel 3 with no problem.

In regards to commodity markets, he highlighted that volatility in grain prices has historically been associated with political and social unrest, which makes the proper functioning of the market essential. Additionally, he stated that technology is driving transformation in markets for commodities and securities, and makes it possible to avoid extreme volatility by giving different actors access to broader and timelier information. He noted that systemically important financial institutions (those that are too big to fail) are a source of controversy and their costs should be distributed. In what concerns WTO, he stated that FTAs must be revisited given their implications for developing countries, and must be closely monitored by the UN. He pointed out that financial reforms are still in flux, and that filling gaps of data and addressing conflicts of interest in risk assessing organizations, are natural subjects on the agenda.

### **Questions and Answers**

The delegate of **Venezuela** began by stating that the major economies have vested interests in having a reduced group of countries make the largest decisions, and that the G20 could be a part of ECOSOC. She added the need to strengthen the voice of developing countries in multilateral financial organizations, based on geographical proportionality, and that there must be provisions for debt relief for small countries. She stressed the importance of financial reform that increases control over speculative flows, and the need for a new international financial system that is not based on the dollar.

The delegate of **Bangladesh** asked Mr. Draganov to provide information as to how soon Doha will be concluded, and whether it would aim to protect the interests of LDCs. He stated the need for a stronger presence of LDCs in the Breton Woods Institutions, and added Bangladesh's appreciation to the presidency of G20 for reaching out to the LDC4 conference. In this respect, he asked Mr. Masset if the G20 will be able to deliver the IPoA provisions to LDCs.

The delegate of **Brazil** stated that the legitimacy of multilateral institutions is in a difficult situation, because a strong, unified message is required to address a crisis that is multidimensional. He highlighted the need to explore ways to strengthen relationships between ECOSOC, WTO and UNCTAD, and proposed that both of these institutions participate in the spring meeting in New York, while also having the President of ECOSOC participate in WTO and UNCTAD meetings. He also spoke about the need to reform the IMF and the importance of strengthening cooperation to address food security issues by strengthening regulation. He highlighted that increasing production capacity in the most vulnerable countries is key.

The delegate of **Indonesia** pointed out that whether a new global structure is needed is not the question. The focus should be on how to strengthen the current system without marginalizing parts that already exist, and highlighted the importance of including emerging players. He stated that ECOSOC should be the interface for coordination of global economic governance, and that interaction between the G20 and the UN should be enhanced, either at ECOSOC's spring meeting or on a more regular basis. He pointed out that national and regional issues can lead to global issues, but not all problems should be addressed at the global level. Moreover, regional organisations can help find regional solutions to global problems.

The delegate from **Mexico** focused on the relationship between ECOSOC and the G20. He underscored that the G20 is an informal process, and not an international organization. It is not a decision-making forum, but a forum of discussion that had significant impact after the financial crisis. He highlighted that the members of the G20 are also members of the UN, and have commitments in terms of economic development and stated that Mexico, as the next president of the G20, looks forward to an increased interaction between the G20 and the UN. He stated that the legitimacy and universality of the UN must not be questioned by the existence of the G20, and the latter's capacity to act on concrete issues should be made use of. He asked the panellists to address how ECOSOC's role can be enhanced in the discussion and formulation of economic policy, and how it may be reformed to have a faster response capacity.

The delegate of **Ecuador** lamented that the debate was focused on the relationship between ECOSOC and the G20, while in their view it should focus on deeper issues of reform of international financial and economic institutions. He reminded the panel that the G20 is a forum, and must not replace formal multilateralism. Ecuador recognizes the right of all countries to group, but believes that this does not replace the principles of representativeness and legitimacy. He said the creation of a global economic council that strengthens coherence should be under the UN, and asked if it would not be more feasible to bring the G20's agreements to the UN to reach consensus by multilateralism.

The delegate of **Germany** stated their support for multilateralism, but noted that some countries feel a greater sense of urgency to seek regional or bilateral solutions. He asked the panellists to speak about the role that the UN could have in helping to bring these regional solutions into the broader multilateral system.

**Mr. Masset** responded by stressing that the G20 is an informal group which wishes to stay that way, and makes no claims to deal with things on everyone's behalf. He reminded that it was formed to deal with the crisis, and this format was taken because it existed since the Asian crisis. He stated that, because these are important economies, dialogue with multilateral institutions is important, but stated that the G20 does not wish to be institutionalized. He stated the importance that G20 gives to achieving results, which is why it does not put things on the agenda unless results are attainable. He also highlighted that the G20 cannot act on its own, which is why resources were given to the IMF and the World Bank. He stressed the importance of strengthening specialized agencies and having the Breton Woods institutions work in closer coordination. In addressing issues of trade and the Doha round, he stressed that negotiations take place at the WTO, and it is here that solutions have to be found, but the G20 is ready to play its role once this is done. Regarding the role of ECOSOC, he noted the importance of its universal nature and suggested that it can look at the G20's agenda and decide if it wants to address the same issues. He said ECOSOC's strength lies in its capability of delivering messages and bringing to attention issues that have not been touched upon enough. He proposed the establishment of more high level segments to have greater impact, and added that the G20 does not think the time is right to have an economic security council.

**Mr. Draganov**, noted that the Doha round, like any multilateral negotiation, is complicated and requires perseverance. He added that it is important to have success by the end of this year for LDCs. He said UNCTAD's role is to protect the interest of LDCs and the most vulnerable countries, but he highlighted that it is in their own hands to negotiate. On the topic of reforming current institutions or creating a new one, he believes the former is the best option. He highlighted that, while the general thought about the UN is that it is inefficient and archaic, it is what its members make it.

**Mr. Cornford**, speaking of regional agreements, noted that they are usually set up to solve problems of the member countries, which means that they are not meant to be universalized. Nevertheless, he stated the importance of having the UN monitor the processes that take place within regional bodies. He pointed out the importance of transparency in commodity markets, and of monitoring what large financial institutions are doing.

**In his closing remarks, Mr. Sha Zukang** highlighted that G20 members are also members of UN, noting that what is particular about the G20 is that its decisions affect small economies. He stated that increased interaction between the UN and the G20 was inevitable, and raised the proposal made by Ms. Angela Merkel immediately after the crisis to create an economic development council. He ended by stating that building on existing institutions does not mean that new ones cannot be created, and stressed the need to "think outside the box".