- New Directions for the International Monetary System, gathered in new publication

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The full publication is available for download at http://www.coc.org/node/6753

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The report from the workshop, published as part of the official report from the symposium, is reproduced below.

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59. This session focused on reform of the international monetary system. Centre of Concern presented the outcomes of a high-level seminar held in 2010, which had identified a contemporary form of the "Triffin dilemma" (the problems of using a national currency as a global reserve asset) as key to the issues affecting the monetary system today. Other issues reflecting the need for reform included the absence of adequate mechanisms for adjustment of imbalances and the recessionary bias in the adjustment process, the volatility of currencies, the limited capacity of the system to ensure provision of liquidity in times of crisis, the limited opportunities for diversification of reserve assets, and the lack of mechanisms for policy coordination.

60. Proposals for better coordination included the establishment of a Global Economic Council under the United Nations. In both cases, the processes would ensure a constituency-based system. One of the challenges for better coordination was how to ensure that developing countries maintained appropriate levels of policy space to pursue catch-up growth. With regard to capital flows, the proliferation of capital management techniques (including capital controls and prudential regulation) was seen by some as a good response to the problem of volatile flows. Others pointed to the need for these to be rationalized through some multilateral framework - although where such a framework could acceptably be housed remained unclear. With regard to Special Drawing Rights (SDRs), there was a need for a mechanism to increase demand or provide liquidity, as well as to diversify reserves and broaden the benefits of reserve creation.

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were legitimate, whereas the current Article 6 guaranteed that right to all IMF members, including as a permanent feature of a country's policy toolbox.

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Deze informatie komt van Aldo Caliari van het Center of Concern. Ik sluit af met zijn informatie (waaruit ik er dus twee hierboven heb uitgelicht) en zijn gegevens en hoe je je kunt opgeven voor hun listserv.

Groet,

Ted

To: Organizations addressing Trade-Finance Linkages

1) G20 Development Plan, target of trade recommendations by CSOs

2) Fiscal policy and trade flows, examined in Latin America policy roundtable

3) New Directions for the International Monetary System, gathered in new publication

4) Unfinished business of 1944 Bretton Woods taken up at Geneva Symposium

5) G20 derivatives oversight commitments likely "ineffectual"

6) World Bank finalizes Trade Strategy

7) New evidence contests impacts of BITs on foreign direct investment

8) Aid for Trade on the Ground -ICTSD Study

1) G20 Development Plan, target of trade recommendations by CSOs

Recommendations for G20 Leaders on Trade and finance linkages are the subject of a new brief written by the International Working Group on Trade-Finance Linkages- Steering Committee. The paper, prepared in advance of the G20 Summit to be held November in Cannes (France), is titled "Trade-Finance Linkages -An Assessment of Selected Issues on G20 Summit Agenda."

It covers three selected areas; I. The G20 Development Action Plan, II. Trade, investment and the G20's approach to regulation of commodity derivatives markets, III. Trade and the G20's approach to the international monetary system.

On the G20 Development Action Plan, the statement addresses questions of process, criticizing the closed process by which the Working Group operated. "Without the engagement of developing country governments and citizens, ownership - the basis for sound development - will be impossible," it says. In terms of content, it addresses matters of trade, private investment, mobilization of domestic resources and infrastructure.

On the G20's approach to the regulation of commodity derivatives markets, the paper emphasizes the connection between such markets and trade and investment in developing countries, many of which are still commodity dependent. It states "the price swings and distortions resulting from deregulation in commodity markets - through trade and financial liberalization as well as reserve depletion - negatively affect the capacity of developing countries to prosper, due to their exposure to boom and bust cycles that inhibit investment and productive upgrading strategies."

On the reform of the monetary system, the paper deplores that while the G20 seems to recognize the urgency of boosting job-creation, it does not recognize that the key factor required to succeed in this endeavor is the reform of the international monetary system that, nowadays, does not allow adjustment mechanisms that are non-contractionary.

Full paper can be read (both in English and Spanish) at https://www.coc.org/rbw/trade-finance-linkages-demands-g20-leaders-meeting-cannes-october-2011

2) Fiscal policy and trade flows, examined in Latin America policy roundtable

The link between 'Fiscal policy and trade flows' was addressed at the recently-held Latin American Roundtable "Fiscal policy, growth and inequality." The event was co-organized by Tax Justice Network, LATINDADD, the Hemispheric Working Group on Trade -Finance Linkages, Christian Aid, Poder Ciudadano and Instituto Centroamericano de Estudios Fiscales, and held last September in Lima, Peru.

The seminar brought together civil society organizations, officials from Latin American country governments and intergovernmental organizations and academics for a dialogue to promote progressive fiscal reforms in the region.

With the reforms of the 1980s and 90s, several countries in the region have dramatically increased exports. Yet, the growth in exports failed to translate into increased capital formation and its equitable distribution while, in some cases, actually leading to a more regressive distribution. A session devoted to the issue of Fiscal policy and trade flows debated the role that fiscal policies were called to play in re-establishing a nexus between trade and its contributions to the national economy, as well as strategies for developing a productive profile with greater value added, biased to industrial and more diversified production.

"Fiscal policy has a direct role to play in achieving a more progressive distribution by taxing at highest rates those with the highest incomes. But we should also think strategically about its indirect role. Fiscal policy can be conceived as a tool to develop a productive structure that, in itself, distributes its gains in a more progressive way," said Aldo Caliari, of Center of Concern.

In a world of mobile capital flows, financial factors have become a much more determinant factor for the direction and composition of trade, a fact that could be witnessed in the growing relevance of the net factor payments item for the size of the current account. But leaving capital flows to their own device is not going to lead investment to the sectors more prone to reduce inequality or with more progressive productive profiles.

"History teaches us that the countries that were able to improve distribution and the standards of living of their people on a sustained basis were not those that stayed on commodity production, but those that moved into products with more processing and greater knowledge and technology content," stated

Martin Abeles, of the Economic Commission for Latin America and the Caribbean. "In this context," he said, "tools to counteract the impacts that extreme price fluctuations in the international commodity markets have, when channeled into the economies in the region, become crucial." He gave examples of fiscal policy utilization to stabilize the prices of import or exports in a number of Latin American countries with important shares of commodities in their exports.

Mr Medina Bermejo, from the tax administration in Guatemala, spoke of another great challenge in ensuring trade benefited the national economy: the underdeveloped legislation on transfer pricing, which limits the fiscal pressure on the foreign companies exporting from countries in the region. He said that, in addition, companies were exporting more than 10 per cent of GDP out of the region under regimes of export promotion. "This means such companies pay no taxes on such exports," he said.

Fiscal policy has an important role to play in ensuring that trade contributes to development and the reduction of inequality. In this regard, it was proposed that an agenda to explore should include the use of fiscal and tax policies to:

-- achieve a more progressive productive profile, including influencing the relative profitability of exports.

--perceive a fair share of the segment of transnational activities performed in the country (avoiding transfer mispricing)

--capture a fair share of natural resource extraction

--influencing companies skills, knowledge and local purchasing practices (through a well-thought incentives policy)

--achieve a progressive distribution of export income.

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5) G20 derivatives oversight commitments likely "ineffectual"

In a piece written last summer, Steve Suppan from Institute for Agriculture and Trade Policy raises doubts about the likelihood of effective oversight recommendations by the Group of 20 (G-20) financial ministers for the Heads of State summit in November in France.

Abstract: The financial services industry opposition to financial and commodity market reform, supported by some elements of the U.S. government, raises doubt about the likelihood of effective oversight recommendations by the Group of 20 (G-20) financial ministers for the Heads of State summit in November in France. This overview focuses on two regulatory issues that affect commodity markets directly: aggregate limits to the numbers of contracts that can be held by one entity during a trading period ("position limits") and proposed exemptions to 'pushing' over-the-counter (OTC, i.e., unregulated, bilateral) derivatives trades on to regulated exchanges. The recent decision of the U.S. Department of Treasury to exempt OTC foreign exchange derivatives from the Dodd-Frank requirements is briefly mentioned, insofar as that exemption may have consequences for the physical and futures market commodity trades that are often denominated in U.S. dollars. Furthermore, analytic differences among the intergovernmental agencies advising the G-20 financial ministers may result in ineffectual commitments to address commodity price volatility. The second part of this input paper surveys some impediments to strong G-20 commitments on commodity market regulation.

Full article can be downloaded at http://www.iatp.org/documents/some-impediments-tofulfilling-g-20-economic-governance-commitments-with-examples-of-us-op

6) World Bank finalizes Trade Strategy

After the consultations carried out last year, the World Bank has now issued its Trade Strategy. This is the first time the Bank issues a formal strategy to guide its trade activities. The strategy, "Leveraging Trade for Development and Inclusive Growth" is intended to run through a decade (2011-2021) and is available at http://siteresources.worldbank.org/TRADE/Resources/WBGTradeStrategyJune10.pdf

If you want to read comments that the International Working Group on Trade-Finance Linkages had developed and sent to World Bank staff and all members of the Board on this matter, during the consultation process, please visit https://www.coc.org/node/6614

7) New evidence contests impacts of BITs on foreign direct investment

Two new research pieces have come up with evidence to support the contention that investment treaties are a negligible factor in business decisions to open establishments in a country.

The idea that, by entering into onerous bilateral investment treaties (BITs), governments improve their chances at attracting FDI is largely controverted in the literature. But the interesting aspect in these two pieces is the novelty in their methodology to make the assessment -which still leads them to the same conclusion that FDI is largely unaffected by the signing of such treaties.

In "Do Bilateral Investment Treaties Promote Foreign Direct Investment? Some Hints from Alternative Evidence," Jason Yackee, of the University of Wisconsin, explains that the question of whether BITs have an impact on FDI is usually approached with a standard research design: the number of BITs is regressed against country-level FDI flow data. The results, he says, are inconsistent, ranging from those that show massive positive impacts, to those that show negative ones. Given how inconclusive these results are, he makes the case for alternative data and alternative methodologies to reach a better understanding. He attempts three in his paper. First, he argues that if investment treaties are important elements in the foreign investment decision-making process because they protect against the risk of adverse politically-motivated action, one would expect companies that make a business out of gauging such risks, will incorporate the presence or absence of treaties into their evaluations. Second, he makes a small e-mail survey asking providers of political risk investment insurance to describe the extent to which investment treaties enter into their underwriting decisions. Third, he does a mail-based survey asking general counsel in large U.S.-based corporations whether investment treaties influence their companies' decisions to invest. The results of all three lines of inquiry provide only weak evidence that BITs meaningfully influence FDI decisions.

In a WTO Working Paper "Do Trade and Investment Agreements Lead to More FDI?

Accounting for Key Provisions Inside the Black Box," the authors also point to the ambiguous results of the literature on the impacts of BITs. But they attribute this claim to the fact that most of the earlier studies treat BITs and RTAs as "black boxes," that is, they typically ignore the diversity of clauses and legal innovations that make trade and investment treaties different. In order to overcome this shortfall, their approach is to look into specific clauses on investor-state dispute settlement and pre-establishment national treatment, and their impact on bilateral FDI flows between 1978 and 2004. They find strong evidence that existence and coverage of National Treatment provisions in the pre-establishment phase has significant positive impacts, whereas Investor-State Dispute Settlement provisions "appear to play a minor role."

To read the full papers visit https://www.coc.org/rbw/new-evidence-contests-impacts-bits-foreign-direct-investment-september-2011

8) Aid for Trade on the Ground -ICTSD Study

The International Center for Trade and Sustainable Development has released a report assessing the impact of Aid or Trade (AfT) programs on a local, "on the ground" level. "Aid for Trade on the Ground: Early Findings from Country Studies" compiles results from studies in 6 countries diverse economically, politically, and geographically, that have implemented AfT programs: Nepal, Malawi, Cambodia, Peru, Jamaica and Mauritius. Because AfT programs are as diverse as the nations they serve, a country specific study is necessary to judge effectiveness of aid programs in each country.

ICTSD studies were conducted with a bottom up approach in each country, conducted by local independent researchers trained in ICTSD workshops with members from the public and private sector to create a holistic view of the project.

The initial reports from the 6 pilot studies show mixed results. Firstly, commitments of AfT funding in most countries are predictable and generally increasing without adversely affecting funding in other sectors. AfT funding has mostly invested in infrastructure to facilitate trade; however trade development has been severely limited by insufficient human resources. A main recommendation of the study's findings suggests diverting more funds for human capacity building to ensure funds can be sustainably employed to expand trade. Similarly, sustaining projects is hindered by the inability of governments to continue projects first implemented with donor funds.

Governments that have claimed ownership of AfT agendas and have explicitly addressed program sustainability in their development budgets have seen the most growth in trade and export capacities. Mauritius and Cambodia for example have diversified in the sugar and rice sectors respectively contributing to overall increase in FDI flows. In some countries however there is a disconnect; development programs are not translating to trade growth. When countries are aligned and coordinate their agendas and expertise there is the most promise of growth. Similarly, donor coordination prevents redundancies while enhancing coordination and expertise. South-South coordination has proved especially helpful in many case study nations.

Thus, the degree of trade growth in export capacities is varied. According to the reports, "Some countries have a stronger need to develop ownership, while some need AfT for private sector development and local capacity building; others may benefit through economic diversification. In this regard, the alignment between the donor and partner country to assess the true development requirements plays a vital role."

Download full study at http://ictsd.org/downloads/2011/07/info_note_v30indf

Aldo Caliari
Director
Rethinking Bretton Woods Project
Center of Concern

Van: Third World Network [twnet@po.jaring.my]
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Aan: Third World Network-2
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www.twnside.org.sg

Thematic debate on role of United Nations in global governance

By Bhumika Muchhala (TWN), New York

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 countries and the inter-linkages between the different economic policy spheres such as trade, investment, capital and financial products and employment.

The note highlighted the emergence of many types of informal groupings, gatherings and international cooperation such as the G8, G20, G24, and regional organizations, and that these increasingly influence the current global economic governance. There was a lively exchange on the G20 during the debate.

Keynote speakers were the President of Slovenia and the Director of the World Trade Organisation (WTO).

Ambassador Joseph Deiss, President of the General Assembly, said in his opening remarks that to ensure the relevance of the UN into 2025 and beyond, the lessons of the past 60 years had to be learned and the requisite reforms undertaken. "We must dare to be flexible and innovative in order to ensure that working methods are efficient," he said. In that, however, it was equally essential to accept that "we cannot have it all".

Global responses for the common good would necessitate concessions, and the world community must see beyond national positions to the common good. In that regard, the fight against climate change was the best example, he said. Efficiency did not always bestow legitimacy, and legitimacy is the sole preserve of the General Assembly with its principle of “one State, one voice.”

Ambassador Deiss said that the G20 is at a critical stage in global strategic leadership. The French presidency of the Group had proposed several critical subjects, including global economic imbalances, agricultural prices, food security, development, employment and social protection floors. Longer-term questions included whether the G20’s system of successive one-year presidencies was compatible with a strategic vision and whether it could ensure coherence.

Noting that economist Dani Rodrik, in his last work on globalization, had described the tensions between the sovereign State, democracy and globalization as the political “trilemma” of the global economy, Ambassador Deiss stressed the need to “square the circle” in the June interactive discussion.

On behalf of the **Group of 77 (G77) and China, Argentina** delivered a statement reaffirming that the UN is the organization that has the legitimacy and that therefore must play the central role in global economic governance and development and related issues, particularly in the context of the deep social impact of the global financial and economic crises, as well as the challenges posed by climate change and the loss of biodiversity.

The G77 said that in the UN Charter, the specific role of the UN includes achieving "international cooperation in solving international problems of an economic, social, cultural or humanitarian character" and "harmonizing the actions of Nations in the attainment of common ends.” In view of its charter, the UN is the only global body with universal membership and unquestioned legitimacy.

A strengthened UN framework for enhancing coordination and complementarity should be at the centre of efforts to bridge gaps, build consensus and arrive at effective solutions in the areas of trade, aid, poverty, sustainable development (including climate change). The G77 reiterated the need for mechanisms to ensure increased cooperation and exchanges between the UN and the international financial institutions.

The G77 believes that a strong and stable UN mechanism could be established to ensure a coherent approach in the economic sphere, such as that concerning financial markets, macroeconomic policies and capital flows. There is a visible and widely recognized need for a more coherent and effective response of the UN on issues related to global economic governance. In that regard, an appropriate follow-up mechanism should be established within the UN to bridge the gap between policymaking and implementations of commitments in that area.

The G77 further highlights the urgent need for a substantive and comprehensive reform of the international economic and financial system and architecture, including policies, mandates, scope and governance.

China made an intervention stating that it believes that global economic governance should reflect the changes in the global landscape in the various areas of social, economic and human development. These changes should encompass three main areas.

China stated that “the first issue is that of representation. It is important to ensure the broad participation of all member states, especially to developing countries so they can play a greater role. Second, equality should be cemented in agenda-setting and participation should be done on an equal footing. And third, effectiveness must be secured by chanelling efforts toward problem-solving and empty talk should be avoided. With regard to the issue of development, the goal should be to enable the large number of developing countries to attain development from a macro-perspective.”

China made three specific proposals. First, the UN should continue to play the central role in development by promoting development from a macro and strategic perspective. Second, international organizations like the IMF and World Bank should increase their developmental function, especially for the Least Developed Countries and for development financing. And third, the G20 should give priority to developing countries and promote a global development agenda with stronger political impetus and with stronger guarantee.

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.

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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 to Libya, the Security Council could not produce a consensus view. “If action on a ceasefire in Libya cannot be achieved in terms of our own Security Council resolution, then Mr. President we have a crisis on our hands and we have to address that crisis.” We had the African Union come to us and say ‘we have a roadmap,’ but the Security Council should be supporting the African Union to back that up.

The second point is that of the reform dilemma. India said that “the G20 emerged as a response to the crisis. It is neither good nor bad. It is a product of its times. What did we in the UN do? We griped and complained about the G20, saying it's not accountable or inclusive or fair. We did not however come up with a competent response that would demonstrate the value-add of the UN and the sort of effective response measures that the UN could generate with its vast range of expertise.”

Third, India said that “denial is not a government response.” Out of the 192 member countries of the UN, 48 are least developed. “If you look at small island countries as well, you'll find that 90 out of 192 countries are in this category of least developed countries (LDCs) and small islands. To this extent, South-South cooperation will take some time in order to bridge the gap between the flows from the South versus the North.”

In conclusion, India posited that “whether the UN will remain valid in 2025, or even appreciated, is questionable. Today’s market perception of the UN is at its worst. UN special envoys are not being allowed into the relevant country it is addressing because it is viewed as wanting to go into a conflict situation and be able to get things done. In order to be relevant into the future, the UN needs drastic and serious change.”

Pakistan stated that unpredictability and uncertainty are the only two words that can describe the global economy today. Any reform will require working together in a cooperative spirit to reconfigure the economic and financial implications of our institutional processes. Pakistan said that “the challenge is to reassert the role of the UN and to make all international institutions inclusive and transparent. This will require the united efforts of all member states backed by the will of developing 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 development, security, conflict and country fragility. Global economic governance needs to be viewed in conjunction with global social and environmental governance. A holistic view of global sustainable development is necessary, especially in view of the upcoming Rio+20 conference.

The EU stated that it "strongly believes the UN's relevance in global economic governance will be measures against its ability to effectively cooperate with new and evolving groups of economic and development actors." In many instances, the UN's ability to move from broad consensus to operational policy-making and coordinated delivery of measures on the ground "have been hampered by outdated debates reflective of a North-South logic which no longer defines international relations. This severely restricts the capacity of the UN to play its full governance role," said the EU.

The EU went on to say that current "negotiation rhetoric" at the UN no longer reflects reality and thus hinders the search for truly multilateral solutions while drawing UN deliberations "towards the lowest common denominator." The EU asserted that this logic doesn't just undermine the UN's effectiveness, it also puts the UN's credibility at stake. The proliferation of parallel processes and repetitive resolutions needs to be contained in order to restore and enhance the value of the UN in expressing the "view of the international community." In order to better use the UN's convening power, member states should explore alternative paths for discussion, which may be more useful for consensual policy-making than resorting to the lengthy drafting of resolutions.

The EU, in conclusion, stated that the UN does provide a crucial platform for its membership to engage in consensual policy-making and policy implementation. The UN system as a whole embodies a wealth of expertise that can inform and promote global economic discussions, and at the same time, this expertise is of great relevance to the field level through global UN country teams. In this sense, the UN remains a key provider of global public goods.

The challenge today is to secure and enhance this role of the UN and to make sure the UN retains its full relevance into the future. The UN is still the only global organization with the legitimacy and broad spectrum of tools needed to tackle the threats and challenges of the day. It is up to member states to strengthen the UN so that it can deliver in times of need. The EU believes in the UN's capacity to meet this challenge and the willingness of the UN's membership to provide its full backing in this successful outcome.

The **President of the Republic of Slovenia, Danilo Turk**, a keynote speaker highlighted the Global Risks report of 2011, produced by the World Economic Forum, which identified two major global risks the global community needs to address urgently. They are that of economic disparity and that of the global governance failure. President Turk said that it is disturbing that difficulties in global governance are described as a "failure." The perception of failure created by the 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 notion that the global capitalist market system is volatile and that this involves risks that are of a systemic nature which need to be addressed because unless done so the weakest countries will always suffer. Although an enormous amount of work has been done on the problem of financial volatility and risks, this work is not always recognized politically. "That is why we still have this sort of stalling, a circularity and a lack of focus. This results in "empty-talk" and a "constipation of the system" which "knows roughly what should be done but just cannot get it done because the political energy is not there," said Lamy.

Lamy called the three poles of the UN system, the G20 and the specialized agencies (of Bretton Woods Institutions and the WTO) a "triangle of coherence." The 3G group of countries, led by Singapore, Qatar, Switzerland and several other countries that are not in the G20 are advocating in its various statements for better coordination within this "triangle of coherence." Lamy said that the beginnings of such coherence are seen in how the UN Secretariat is participating in the G20 alongside other institutions like the WTO. The UN agencies are also invited to contribute to special reports, such as the FAO report on food security. These collaborations are seen as positive, as they align global governance structures that were inherited from the post-World War II period with today's growing interdependence.

"The assets of the UN system are undervalued and underexploited," said Lamy, adding that "global institutions need to be held more accountable to its partners and users, and in this respect the UN can play a remarkable role, as seen by the MDG summit where the UN conducted a successful peer review." In this way, the UN can enhance institutional processes of global accountability and decision-making. The UN can help ensure that the global debate is, for example, not about more liberalization but about better liberalization.

Panelist **Heidemarie Wieczorek-Zeul**, member of the **Federal Parliament of Germany** and former Federal Minister for Economic Cooperation and Development in Germany, said that the UN needs to take a leadership role in shaping the post-crisis model of good global governance.

"An international panel of experts on systemic reforms has been called for before and is being called for now at this current juncture. Such an experts panel would make it possible for the UN to not lose influence in light of the G20's force. UN governance will prioritize a pluralistic and independent process in which all national states would have a stake. Such a governance process should be careful to not repeat what has always been done. The reform of ECOSOC is central to UN governance, and the question is how to do it and what will all member states agree to that is politically feasible," said Heidemarie.

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, Heidemarie 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, Heidemarie 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.

Heidemarie 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.’”

Heidemarie concluded her presentation by highlighting three key issues. First, non-governmental organizations (NGOs) are important for coordination and cooperation. Outside voices have to take part. Second, it will be important to tackle inequality on the global level from multiple sources, ranging from tax evasion to aid, climate change and development finance. There is a fundamental sense of a split proliferating within our global society and this is a problem we can and have to tackle together. Third, the financial system must be forced to return to its original aim and task, that of serving economic progress and ecological and economic initiatives.

Heidemarie illustrated the interconnectedness of global issues, saying that “we will always be under the pressure of financial decisions that influence the shape of all other policies if this deep change is not addressed. Questions of climate change need to be connected to other questions of preventing global warming from becoming uncontrollable. Subsequent global conflicts will then spill forth from this. The global community needs to remember that the fight against poverty cannot be waged with the wrong energy and technology.”

Panelist **Amar Bhattacharya**, Director of the **Group of 24 (G24)** secretariat, addressed the issue of economic governance from the perspective of developing countries and that of global arrangements.

“Since the mid-1990s developing countries have been growing more than 2.5 times faster than the developed countries. This is not a story about China and India alone. In the period before and after the financial crisis, growth in the developing world is quite widespread and robust. Ninety countries were growing by more than 5% and 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 for the UN system at large? The UN can be a critical voice for reform and inclusion, and it can assess existing proposals. A very important role for the UN has to be played by ECOSOC, and the transformation of ECOSOC into a true globally recognized 'Council' is a key for the solution."

"We also need to raise the bar. We need to think about the MDGs beyond 2015 and what that means is recalibrating the MDGs. It is not only a question of saying progress as usual, but also how can we do better. There are three areas right now where there exist huge opportunities and challenges on the development side. One, that of the infrastructure financing gap of $1 trillion dollars, second, that of agriculture and third that of climate. The three are very intimately linked. A complete revamping of the development system as it exists today and a recycling of global savings, which are no longer North to South savings but rather South to North, need to be reconfigured in order to finance development."

On the key issues surrounding financial regulation Bhattacharya stressed that "the devil is in the detail, and depending on how one looks at the detail the cup is either half full or half empty." Commodity market developments are causing an array of spillovers in energy and agriculture. The complexity of today's development agenda is best mirrored in the Seoul Development Consensus, where there is no convergence with that agenda and other institutional forums and structures. The global institutional response in filling the liquidity and credit gap is quite ad hoc. Over 300 global programs have been put in place over the last decade.

Bhattacharya said that "the FSB represents the kind of unaccountable and opaque governance system that has typified the governance problem. Its representation is much less democratic than the organizations we generally complain about, such as the IMF, and on top of it the FSB has an overwhelming impact on the world despite its undemocratic governance." The real question to be asked is, to whom is the FSB 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 directo 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 news. Recent reports by the WTO, OECD and UNCTAD highlight that many key economies have increased their use of export restrictions, particularly in food products, metals and precious minerals. The G20 should fulfill its commitment to guard against protectionist policies, while the UN system can also put out the word to resist protectionism and refocus on economic growth and the crucial task of lifting millions out of poverty."

A representative of the **Third World Network (TWN),** the only civil society organisation invited to make an intervention, stated that the UN does not need to prove or argue that it has competency in addressing global economic affairs in response to the recent financial and economic crisis. Member states have already produced and adopted by consensus an invaluable document which was the outcome of the World Financial and Economic Crisis and Its Impact on Development, which occurred two years ago on in June 2009.

This document focused specifically on the development impacts of the financial crisis and the most urgent concerns of most developing countries. By doing so the UN defined its distinct value-add from various other formal and informal multilateral groupings that did not make development its center focus in its analyses in response to the crisis. The comprehensive and bold Outcome Document of the June 2009 conference on the financial and economic crisis is a first step in the democratization of global economic governance in both substance and process. As such, effectiveness should not be defined solely through the lens of speed and ease in decision-making, it should also reflect a democratic process, the diversity of views and inclusivity of participants as principles of truly legitimate decision-making.

TWN said that creating an ad hoc Finance Working Group in the General Assembly is significant because it democratizes the political discussion and contributes to the 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 mandate and jurisdiction ECOSOC is not given the ability to fulfill the principle objective of the Financing for Development initiative in the UN, which is to "address systemic issues by enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development." One option to reformulate ECOSOC is to authorize the body to function at the level of the General Assembly and the Security Council, as an 'Economic Security Council,' for example. At this level, ECOSOC could be accorded the ability to take binding decisions in the areas of activity of specialized multilateral agencies. This decision-making should then be firmly rooted in an accountable, inclusive and informed process.+