

*Translated from French*

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Sir,

I have the honour to transmit to you herewith the French contribution to the report on global economic governance and development being prepared as a follow-up to the adoption of General Assembly resolution 65/94 entitled “The United Nations in global governance”.

Today, every State Member of the United Nations is deliberating the relevance and urgency of putting in place a governance adapted to the world of the twenty-first century. The existence of global challenges is now recognized, as is the need for effective collective action to respond to them, reflecting the new global realities.

France welcomes the fact that the report is to be “prepared in consultation with Member States”, as called for in the resolution. It is also gratified that the resolution recognizes the contribution of organizations of the United Nations system to making proposals for the reform of global economic governance. It hopes that their crucial input will be reflected in the report.

As current chair of the Group of Twenty (G20) and the Group of Eight (G8) countries, France calls for a pragmatic, inclusive approach to reforming global economic governance.

Mr. SHA Zukang  
Under-Secretary-General,  
Department of Economic and Social Affairs,  
United Nations

In this context, please be assured of France's contribution to the forthcoming debate organized by the President of the General Assembly on 28 June.

Accept, Sir, the assurances of my highest consideration.

[*Signed*] Gérard ARAUD

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## **Report of the Secretary-General on global economic governance and development**

### Contribution of France

#### **1. Context: interdependence, sovereignty and diversity**

Today's world is marked by far-reaching economic, social and political change.

The different successive crises (financial, economic, social, food, energy) of recent years have demonstrated both how interdependent we are and how we cannot ignore the planet's limits and constraints. They have also revealed the formation of new global balances reflecting population changes and economic and social transformations. However, this trend is often accompanied by profound imbalances (tensions on foodstuff markets, pressure on fossil fuel prices, the existence of financial and property bubbles, etc.) that demand that we: (i) take collective, coherent and effective action to promote shared, lasting and balanced growth in order to tackle the challenges facing the world; and (ii) adapt global economic governance to current international problems.

The big stakes are now global, making it essential that we manage to strike a balance between sovereignty and collective action. Global economic governance must also pay particular attention to the poorest and most vulnerable people.

Global economic governance cannot impose one model to fit all countries. It must take account of peoples' universal aspirations, as expressed recently in the revolutions in the Arab world, while also recognizing diversity, particularly cultural diversity.

#### **2. The major challenges and the main shortcomings of global economic governance**

##### **A. The international community faces three major challenges**

The first challenge is security. International peace and security, human rights and the rule of law are key elements for guaranteeing the freedom and protection of individuals and for sustaining long-term economic and social development.

Security also has a substantial economic dimension. First of all, energy security: a country must be able to have access to energy at a reasonable, predictable price. Excessive

volatility of energy prices (such as the fluctuation in the price of a barrel of oil from US\$ 40 to US\$ 140 in a matter of months) obviously undermines growth and development. Secondly, food security: there are still huge numbers of people in the world - nearly a billion in 2011 - suffering from malnutrition. Thirdly, social security: social security systems place a key role in alleviating poverty and guaranteeing economic security by helping people face life's main risks. In only a third of the world's countries, accounting for 28 per cent of its population, are all social risks currently covered. Each year, 100 million people fall below the poverty threshold as a result of "catastrophic risks" (over 40 per cent of household incomes lost through having to pay directly for health care). Lastly, environmental and climate security: the number of people who might have to emigrate or move between now and 2050 as result of environmental degradation or climate change (coastal erosion, flooding, reduced water reserves, decline in agricultural output) is often estimated at 250 million. An effective international system for combating climate change needs to be put in place quickly to prevent the situation from worsening.

The second challenge is development. Globalization and global economic growth have brought about undeniable transformations, but these have been accompanied by growing inequality, threatening their long-term sustainability. Economic growth remains essential for human development, social progress and the attainment of the Millennium Development Goals (MDGs), but it must be shared. To do this, international cooperation is indispensable for sustaining positive change and correcting its adverse effects. It can encourage sustainable, shared growth and efforts to combat poverty and inequality and it can ensure stability and the rule of law while preserving global public assets.

The third challenge is to achieve sustainable development. The growing pressure on global resources and some recent crises such as the food crisis have shed light on the degradation of our natural environment. Globally, desertification affects 3.6 billion hectares, or 25 per cent, of the Earth's land mass and threatens the livelihoods of over a billion people in some 100 countries. Every year, more people die from the effects of contaminated water than from all forms of violence, including war. Species are disappearing at a rate of nearly a thousand times the rate of natural extinction. Efforts to achieve the MDGs are being

undermined by the inability to agree on decisive, coordinated national and multilateral action. This reveals the weakness of our governance structures and the need to adapt our development models and shows the limits of our current approach, which continues to treat symptoms individually rather than their causes and interactions.

## **B. The current system of global economic governance must be adapted to confront these challenges**

Globalization has increased our interdependence, requiring a greater degree of collective action. However, multilateralism faces two major stumbling blocks:

- Unrepresentativeness: the current international system does not adequately reflect twenty-first century realities;
- Ineffectiveness: the international system is becoming increasingly complex and incoherent, often resulting in duplication and fragmentation, and thus incomprehensible to the man in the street.

It has become clear that the system of global economic governance needs to be reformed. The system must be made more representative, more effective and more coherent.

The United Nations and informal groups such as the G20 complement one another. Informal groups may provide political impetus, but they do not take decisions on behalf of all countries. They may permit a rapid response to crisis and they help coordinate macroeconomic policy, but they cannot single-handedly take on the task of reforming global economic governance and they lack the legitimacy to do so.

One of the big stakes in the reform of global economic governance will be to combine the legitimacy of universal institutions, the effectiveness of the G20 and the expertise of the specialized agencies and international financial institutions.

## **3. How are we to improve global economic governance?**

The best approach is to draw on existing expertise, particularly that available within the United Nations. A consensus will be needed to carry out this reform successfully. Five principles should guide collective action in this regard:

- **Effectiveness:** an effective system of global economic governance means, above all, effective action on the part of existing international organizations. In this regard, the governance of some organizations needs to be improved in order to strengthen their capacity to prevent and respond to crises. The recent economic and financial crisis highlighted the need to strengthen the multilateral and bilateral oversight system of the International Monetary Fund (IMF). The universal composition of the United Nations and its ability to take a crosscutting approach to all globalization issues make it a legitimate, irreplaceable protagonist and one of the key players in global economic governance. However, it is often criticized for its ineffectiveness, attributable partly to the difficulty of reaching a consensus among 192 Member States. Its ability to act and to respond effectively to complex economic, social and environmental challenges has been called into question in recent years, especially after the economic and financial crisis, even though the governance of the specialized agencies tends to be more effective since their governing bodies have fewer members.
- **Accountability:** informal groups such as the G20 must be more transparent in their dealings with international organizations, particularly the United Nations. Increased cooperation with these groups will also make the United Nations better able to tackle global challenges. Just as the reports of various organizations of the United Nations system provide input to the work of the G20, the latter can lend support and impetus to the implementation of coordinated strategies in core areas of United Nations activity, such as development.
- **Burden-sharing:** a reformed system of global economic governance must reflect the new global realities. The recent reforms of the IMF and the World Bank show that international institutions can be reformed by giving greater weight and representation to emerging economies. These countries' increased representation must be matched by greater burden-sharing in the international arena.
- **Coherence:** this means improving coordination among the activities of international organizations, starting with the internal coherence of the United Nations system by extending the "United in Action" reform of the operational activities of its funds and programmes, but also the overall coherence of the system by making the work of the United

Nations System Chief Executives Board for Coordination (CEB), which brings together all the specialized agencies and Bretton Woods institutions, more operational and by reporting thereon more transparently and systematically to the Member States. It also means increasing the coherence of international norms, particularly economic and social norms (here, it might be useful to grant the International Labour Organization (ILO) observer status in the World Trade Organization (WTO)) and ensuring universal implementation of the United Nations conventions on economic and social matters.

- **Added value:** the added value of the United Nations resides mainly in its presence in countries that are at war or in crisis and in its operational activities for the benefit of the poorest and least developed States. The continuation of reforms and efforts to ensure the overall coherence of the United Nations system should allow this added value to be preserved and improved.

#### **4. Recommendations**

- Reforming global economic governance should include the application of the 3Cs (coordination, cooperation and coherence) among the United Nations, the international financial institutions, the G20 and the competent regional organizations. The necessary conditions for progress will basically be the improvement of working methods not only among the United Nations, the G20 and the international financial institutions but also within the United Nations system itself by expanding and extending the “United in Action” reform decided on in 2006 in relation to field activities. A new phase should be launched, while ensuring that financial aid flows are maintained.
- The Secretary-General, his Sherpa and his teams must participate systematically in the entire G20 process (meetings of G20 alternates, ministerial meetings, working groups and summits).
- The practice, started by South Korea and continued by the French chair of the G20, of organizing G20 briefings at the United Nations General Assembly should

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be maintained by subsequent chairs, with the support of the United Nations Secretariat and the President of the General Assembly.

- Looking ahead to the Rio+20 Conference in June 2012, sustainable development, one of the pillars of which is economic, represents a challenge to improve coherence and governance that the United Nations must not fail to take up. The conclusions of the Secretary-General's report on global economic governance and development should establish a linkage with this work.
- The reform of international organizations needs to continue (for instance, reform of the Food and Agriculture Organization of the United Nations (FAO) and creation of a food crisis rapid response mechanism) and proposals must be made for improving and developing governance in areas where it is still insufficient (such as environment and water).
- The strengthening of the role of the Economic and Social Council (which the Charter entrusts with coordinating United Nations activities in the economic, social and related fields) as a forum for enhancing the coherence of the United Nations system must be encouraged. In particular, dialogue between the United Nations and the international financial institutions, and also with integrated regional organizations such as the European Union, must be intensified and proposals made for responding effectively to crisis situations.
- Priority must be given to rationalizing the multilateral system in order to avoid duplication of organs and mandates, ensuring that agencies and funds refocus on their core functions.