

## **ECOSOC panel discussion on “Global Economic Governance”**

**(New York, 8 July 2010)**

### **Informal summary by the Secretariat**

#### **Introduction**

The panel discussion on “Global Economic Governance” was chaired by H.E. Mr. Morten Wetland, Permanent Representative of Norway to the United Nations and Vice-President of ECOSOC. The panelists were Mr. Sha Zukang, Under-Secretary-General for Economic and Social Affairs, United Nations; H.E. Mr. Vanu Gopala Menon, Permanent Representative of Singapore to the United Nations and Mr. Michael Green, Economic Commentator on Global Finance, International Development and Philanthropy. Presentations were followed by an interactive discussion. The chair welcomed Member States and all relevant stakeholders to the discussion. He expressed his particular gratitude to the panellists and highlighted their diverse perspectives. The different vantage points would provide for a range of views on the multifaceted challenges that underlied the concept of global economic governance.

#### **Summary of the presentations by the panellists**

**Mr. Sha Zukang** highlighted the severe impact the food, energy, climate, financial and economic crises had on development. These crises had exposed the weaknesses in the international financial and economic system. Global economic governance needed to reflect the greater economic importance of developing countries, as well as challenges like climate change and new demographic realities. While governments had acted in a spirit of multilateralism in the response to the global crisis, most measures were taken by the Group of 20, a self-selected and informal grouping, where more than one third of the world’s people and 85 per cent of its countries, had no voice. Some maintained that the UN’s inclusive, global membership was an impediment to timely and effective decisions. However, the G20 and the UN could play complementary roles in the ongoing recovery and reform efforts. Legitimacy and effectiveness did not need to be mutually exclusive.

The UN’s inclusiveness and long-standing institutional strengths gave great value to its discussions and negotiated agreements, its operational activities and its research and analysis. The successful outcomes of the International Conference on Financing for Development, as well as the 2009 June crisis conference were some of many examples where the UN had made a contribution towards a more equitable global economic system. In concluding, Mr. Sha raised a few points for reflection such as the possible modalities of engagement between the G20 and the UN, the role of ECOSOC in global economic governance and the idea of establishing a small but representative group on the

basis of constituencies that should meet at the summit level during the annual UN General Assembly session.

**Mr. Vanu Gopala Menon** recalled how the UN sought ways to address the crisis, including through lengthy negotiations which culminated in the Conference on the World Financial and Economic Crisis and its Impact on Development in June last year. The G-20 also simultaneously took on an increasingly active role during this period in catalysing global actions, which ultimately helped avert a global economic depression. Many Member States were concerned that if the G-20 continued to gain legs, this exclusive grouping could challenge and perhaps even undermine the UN. At the same time, its track record in other areas of international economics was mixed. For example, there was a lack of progress in multilateral trade negotiations and new protectionist measures despite declarations to the contrary. More recently, at the Toronto Summit, the G-20 decided to include the issue of development on its agenda. While a few UN members had expressed some concern that the G-20 was straying off the narrow path of banking reform and managing the global financial and economic situation, the speaker considered it important that the G-20 was starting to pay more attention to development. This development may engender a better relationship between the G-20 and the UN.

Since the UN remained, in terms of resources and its broad involvement of stakeholders, best placed to drive the development agenda, the G-20's endeavours in development should build on and complement the UN's existing work on development like the Development Cooperation Forum and Financing for Development discussions. Notwithstanding its intellectual resources, mandate and its global reach, the UN could still be left out in the cold if it did not fulfil its potential to lead. It was in this context that the informal Global Governance Group (3G), of which Singapore was a member, had stressed the necessity for the UN and the Secretary-General to bring substantive contributions, in terms of ideas, to G-20 Summits. The engagement had to be a two-way street, adding value on both sides. In this regard, the UN had made progress in getting its act together, with ECOSOC being tasked last year to consider measures to strengthen the UN's response to the crisis. More reforms were necessary to improve its capacity to better adapt to new global challenges.

**Mr. Michael Green**, noted that the IMF had forecast world growth to rise to 4 ½ percent this year. However, with the withdrawal of stimulus packages around the globe, it was projected to fall slightly in 2010. Moreover, the IMF warned that sovereign and financial sector risks in parts of Europe could pose further challenges for global financial markets. In this connection, the panellist highlighted that economic stimulus measures needed to continue since early withdrawals could jeopardize the fragile global recovery. However, Governments had to keep a watchful eye on inflationary pressures as well. Mr. Green emphasized that new financial regulations should encourage more prudent lending. Yet, he warned that clumsy regulation could impede the efficient allocation of financial resources in the future. International trade faced particular changes through the introduction of new protectionist measures by many countries in the response to the

crisis. The fundamental problem, however, remained the role of the US Dollar as the major reserve currency, which had fuelled global imbalances.

History offered various examples of international efforts, which intended to create a more coherent global reserve system - albeit with limited degrees of success. For example, the International Monetary Conference of 1878 unsuccessfully sought to address the gold shortage, which was widely believed to have contributed to the Long Depression of the 1870s, through the introduction of the bimetallic standard. Since the collapse of the gold standard in 1933, the track record for global economic governance had been even poorer. The introduction of the Bretton Woods system, whose terms were dictated by the US, did not succeed in establishing a permanent negotiated monetary order for currency relations between sovereign states and disintegrated in 1973. Today's world had no ultimate creditor and was inherently unstable. Therefore, Governments needed to overcome inertia and come together to tackle important fundamental reforms that could pave the way for a new global reserve system and more coherent global economic governance. For relevant stakeholders to rally around this cause, the speaker considered it important that the current crisis was not perceived as a morality tale. Creditor and debtor concerns must be equally taken into account. The challenge reached beyond the agenda of the G20 and the UN had an important contribution to make.

### **Summary of the discussion**

Salient features of the interactive discussion include the points summarized below:

- **The role of the G20 and the UN in the development debate.** Some delegates questioned whether the G20 should concern itself with development since the group suffered from a representational deficit, particularly in terms of the participation of the least developed countries, landlocked developing countries, small-island developing states and other countries with special needs. Questions of development should remain the prerogative of the UN system. Other speakers emphasized that the willingness of the G20 to discuss challenges of developing countries was positive and provided a natural platform for engagement between the group and the UN. However, the G20 should take into account the development outcome documents from UN Summits, such as the MDG Summit in September and Rio+20 in 2012.
- **Regulatory implications of the crisis.** Several Member States emphasized that the crisis was also an intellectual crisis that illustrated the flaws of the neoliberal paradigm with its over-reliance on market forces. Reform efforts must find a delicate balance between the promotion and the regulation of market forces. Other delegates agreed that the current reserve system was a critical source for global imbalances. Some delegates suggested to explore the concept of potential Special Drawing Rights in this connection.
- **Flaws in the current international financial system.** Several speakers highlighted that the current global economic system was fragmented, inconsistent

and incoherent. This extended to the national level, where different ministries frequently held different opinions on important economic and financial matters. Therefore, some delegations called for an effective global economic coordination mechanism. While several Member States suggested ECOSOC could fulfill that role, others called for new mechanisms. Moreover, the global economic system was inequitable. Developing countries should have greater voice and participation within the IFIs and other fora.

- **The relationship between the UN and the G20.** There was a convergence of views that no other forum contained the inclusiveness and legitimacy of the UN. The UN system was thus uniquely placed to promote the international development agenda and discuss issues of global economic governance. Political will could turn the UN into a more effective forum in the field of global economic governance, yet, groups like the G20 would likely remain a reality since speedy economic and financial measures were difficult to agree upon and implement within a forum of 192 member countries. Given this reality, many delegates emphasized that the G20 and the UN should move towards complementarity. Member States should explore possible layers of interaction at the Secretariat level and most importantly at the intergovernmental level.
- **Proposals for economic governance reform.** Several concrete proposals were made to strengthen the UN's role in global economic governance. Some delegations highlighted the FfD process as the proper platform for discussions on global economic governance in this connection. Some speakers proposed to enhance the effectiveness of the intergovernmental follow-up process of the UN through the creation of an FfD commission. Others supported the idea of the regular Summit level meeting that was based on regional constituencies at the margins of the General Assembly and which could turn into an integral part of the FfD process. Finally, civil society proposed to convene G20 meetings at UN Headquarters in New York instead of the country that holds the presidency. Members of the Group could designate logistical cost savings for development purposes.