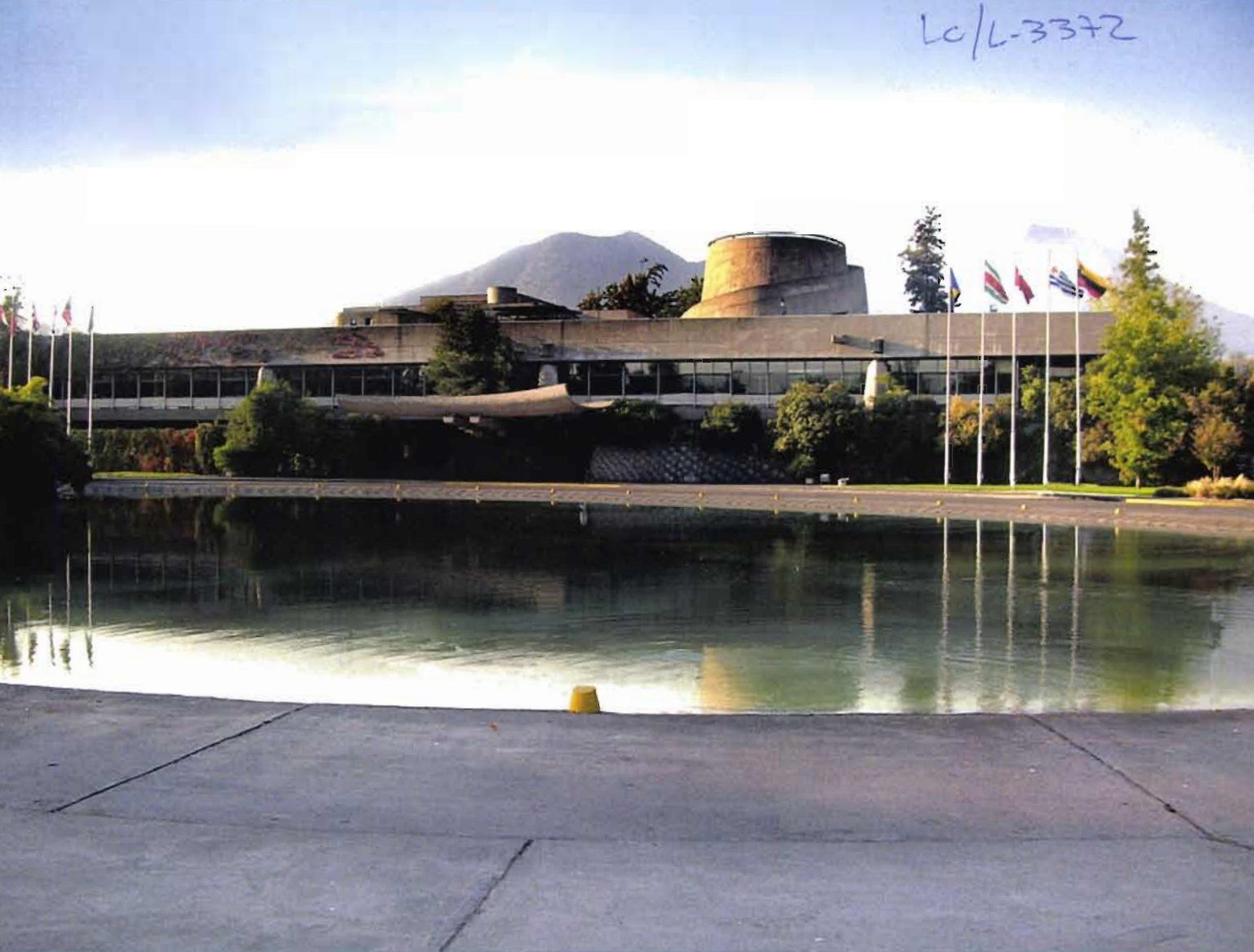


LC/L-3372



Regional seminar

The United Nations in global governance

A Latin American and Caribbean perspective

Santiago, 8 and 9 August 2011



Ministerio de
Relaciones
Exteriores

Gobierno de Chile



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UNITED NATIONS



Alicia Bárcena
Executive Secretary

Antonio Prado
Deputy Executive Secretary

Ricardo Pérez
Chief
Documents and Publications Division

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FOREWORD

In the past few decades the structure of global governance has evolved a great deal in terms of the number and nature of international institutions and other schemes addressing a wide range of global issues. Nevertheless, much remains to be done. The imperfect coordination and piecemeal nature of the global response to the financial and economic crisis of 2008 and to the challenges of climate change are reminders that we have yet to find governance mechanisms that are both effective and legitimate. Furthermore, this crisis has also shown us that global economic and financial governance and sustainable development are very closely related and should be integrated in a consistent, transparent and fair framework.

As the primary universal forum of nations, the United Nations should lead the way in garnering the necessary political will and policy coordination to improve the global system, preserve genuine multilateralism and guarantee the provision of global public goods, including global peace and stability, control of pandemic diseases, environmental sustainability, and global economic, social and financial stability. One key challenge in this regard is to balance the need for inclusiveness and efficiency so that solutions to the problems the world faces today can be truly effective and sustainable.

We should take stock of the current range of international institutions and forums and their functions in global governance, and think about ways in which these separate roles can be better integrated to address multifaceted global problems. Moreover, just as the concept of global governance is not confined solely to economic and financial matters, global governance actions and mechanisms are not confined to the global level: we must also consider the broader complex of multilateral institutions and processes addressing global, regional, subregional or transregional governance (geography-specific) and those addressing environmental, trade, international security and peacekeeping governance, among others (issue-specific). We must accept this complexity, bearing in mind that global governance is functionally decentralized with a variety of groups and mechanisms, all linked in different ways to the United Nations.

The Government of Chile has played an important role in keeping this debate on the agenda and in supporting the role of the United Nations. Chile and Singapore were the main drivers behind General Assembly resolution 65/94 of 8 December 2011, “The United Nations in global governance”, which placed the discussion of global governance formally on the agenda of the sixty-sixth session of the General Assembly.

As a regional follow-up event to resolution 65/94, the Ministry of Foreign Affairs of Chile and the Economic Commission for Latin America and the Caribbean organized a regional seminar on the theme “The United Nations in global governance”, with the aim of providing the countries of Latin America and the Caribbean with an opportunity to discuss these issues in depth.

Following the insightful and fruitful discussions which took place during the seminar, we resolved to make this compilation of the presentations given at the event, which we trust may be useful for policymakers and other important stakeholders.

Alicia Bárcena
Executive Secretary
Economic Commission for Latin America
and the Caribbean

Alfredo Moreno
Minister for Foreign Affairs
Government of Chile

OPENING SESSION

- Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)
- H.E. Alfredo Moreno, Minister of Foreign Affairs of Chile
- H.E. Joseph Deiss, President of the sixty-fifth session of the United Nations General Assembly

ALICIA BÁRCENA*

Your Excellencies, Alfredo Moreno, Minister for Foreign Affairs of Chile, Joseph Deiss, President of the sixty-fifth session of the United Nations General Assembly, Lourdes Aranda, Undersecretary of Foreign Affairs of Mexico, Lila Rodríguez, Undersecretary of Foreign Affairs of Ecuador, Jorge Valero, Deputy Minister of Foreign Affairs and Permanent Representative of the Bolivarian Republic of Venezuela to the United Nations, Jorge Argüello, Permanent Representative of Argentina to the United Nations and Chair of the Group of 77 and China, and Octavio Errázuriz, Permanent Representative of Chile to the United Nations, who has been instrumental in the organization of this event.

I would like to extend greetings to several colleagues today, including of course, Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Colin Granderson, Assistant Secretary-General, Foreign and Community Relations of the Caribbean Community, and my esteemed predecessors, former Executive Secretaries of the Commission, Gert Rosenthal, Permanent Representative of Guatemala to the United Nations and José Antonio Ocampo, Director of Economic and Political Development at the School of International and Public Affairs at Columbia University.

A warm welcome to the ambassadors to the Government of Chile present here today and to my colleagues from the Commission and from the United Nations funds, programmes and specialized agencies.

Friends,

The topic we will be discussing here today is becoming increasingly important. We live in a globalized society which faces us with the urgent need to redefine power relations among States and between States and emerging actors, especially civil society, and between both of these —State and citizens— and the actions of business, especially transnational corporations.

We are invited at this seminar to think upon the role of the United Nations at what is a critical time for humanity. We have said at the Commission that this is not an era of changes, but truly a change of era. The United Nations was founded in the mid-twentieth century, when industrial society was restructuring in

* Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC).

the aftermath of a time of war, conflict and geopolitical dominances with global implications. The world was organized around two blocs headed by the United States and the Soviet Union.

The twentieth century as we knew it did not really end in 2000, but in 1989 with the fall of the Berlin wall. That landmark event redefined the political and economic landscape of the planet. It occurred, moreover, amid the consolidation of a new productive paradigm based on the acceleration of science and technology, the gradual globalization of markets and communications and the steepening of competition as a result of the combined effect of all of these.

Change has come at a dizzying pace. A single generation has lived through massive technological transformation, a variety of political conformations and a shift in the nature of conflicts —from being basically between countries to being within countries along more sectarian and ethnic lines.

The world and its societies are very different from the 1940s, when the United Nations was founded. And today we are living in a world divided between economy and politics, between the market and the State, immersed in a globalization with greatly increased interdependence, accelerating scientific change, and massive social and technical progress. Yet vast asymmetries persist and societies are growing increasingly fragmented. At one extreme are elites connected with global networks and at the other, huge masses excluded from modernity.

In the course of its more than 60 years, the institutional structure of the United Nations has grown up around what are today its three pillars of action. For us here at the Commission, perhaps the most interesting is the human rights pillar, because the Universal Declaration of Human Rights recognizes the universality of these rights in the achievement of equality. This is the key step forward, inasmuch as the Declaration generated a multilateral consensus on the construction of a citizenship which bore certain rights. At that time the rights in question were political, economic, social and cultural rights, and today we count the right to a healthy environment too. We consider these accords of the utmost importance in progressing towards equality, because they are the cornerstone of the normative framework for building social covenants that can then be translated into opportunities for the world's most disadvantaged.

The second pillar of action for the United Nations is peace and security. Dag Hammarskjöld established peacekeeping operations in 1956 and later, realizing the need for timely action in response to crisis, he coined the term "preventive diplomacy". This art was taken up again by Kofi Annan in 1997, who practised it for 10 years in a form that came to be known as "quiet diplomacy".

The third pillar is development. But at the Commission we believe that development is not well enough understood at the level of the United Nations, because it is thought of as a mechanism, a process that concerns only developing countries. But we see development as being relevant to all countries, because what we are talking about are development patterns. And the Commission really did engender its own thinking about development and argued, moreover, that development is fundamentally a national interest, because, from the outside, countries are not necessarily interested a priori in other countries' development. Here, the United Nations steered the normative course of the international community in the field of development, with a series of global summits starting in the 1990s. That decade was when the great covenants were forged on sustainable development, women and development, population, migration, social development and employment, and education. The 1990s culminated in the Millennium Declaration and the international consensus for moving towards the achievement of the Millennium Development Goals.

But the great outstanding issue is how to consolidate the role of the United Nations, and more specifically its Secretariat, in a way that is internationally independent and impartial. This means that Member States need to open broader forums and channels of participation in such key organs as the Security Council. And it also means consolidating financing through assessed contributions, a kind of financing that is compulsory and fair, because voluntary financing is a financing that is biased towards the agendas of the countries that put that financing up.

I believe therefore that the effectiveness of the United Nations depends, without a doubt, on factors recently discussed with the Chair: a functioning institutional framework, regional and international processes that facilitate that framework, and key factors such as decentralized financial cooperation.

But I think that the most important question today is: what kind of governance does our world require? I believe that the United Nations needs reform and needs to respond to a world that is no longer organized along the lines of States. The world today is structured around global networks: networks for production, trade and multinational companies, and information and communications technology networks, which have seeped into every corner of our lives. These have played a pivotal role in detaching the national political arena in which States can take action from the arena in which productivity is generated and profits are made.

Despite this, the State has a vital role to play, today more than ever. I should in fact say *States*, since cooperation is fundamental and the United Nations needs to focus at an international level on ensuring the provision of global public goods and crafting strategic roadmaps to guide future development patterns. The purpose is to transition from unrestrained financial capitalism—which is in any case reaching the point of self-destruction—to a coalition of societies capable of committing to joint progress based on the real economy, engendering production advances and more diverse and plural societies.

Mr. Chair, we salute your and the Government of Chile's initiative, endorsed so firmly by the Minister for Foreign Affairs of Chile, for us to launch discussions on this subject. Increasingly, the public is better informed and more interested in participating and in pressing for the United Nations to become an organization that manages globalization in the public's interest, for the people, in accordance with the principle of universality and not solely for private interests.

Not only must this new world architecture successfully restore the balance between macroeconomic stability, the supply of resources and the means for fostering economic development; it must also put forth a new global development agenda with the value of equality at its core, around which fairer, more inclusive societies may be built and which, moreover, sets out the legitimacy of these processes in a real and effective multilateral framework—that is, increasingly robust multilateralism.

The United Nations represents ethical values and humanity's aspirations, and we must not fail in this regard. Which mechanisms of the United Nations need close examination? The Security Council, without a doubt, and I know that you, Mr. Chair, have particularly stressed this point and I am sure that you will tell us more about the way you see the reform of the Security Council. However, for those of us working in development, our main interest lies in increasing the powers of the Economic and Social Council, so that it has a far stronger and broader mandate to create the conditions for dialogue and policymaking within academia and the international organizations, and so that it has the authority to convene the Bretton Woods institutions, as in 2002 at the International Conference on Financing for Development, when it convened the World Bank, the World Trade Organization and the International Monetary Fund.

Debates that take place outside the United Nations must be brought back into the fold. In this regard, we feel that the regional economic commissions and specifically this Commission must be and are prepared to contribute to thinking in the region and to foster political dialogue that brings knowledge and analysis. The region is mature, and it is convinced that the time for equality has come. The region is in no doubt as to the gaps to close and the trails to open.

Furthermore, as discussed with the Minister for Foreign Affairs of Chile, the region is far more mature, because it has been capable of setting up its own forums for cooperation and integration, such as the Union of South American Nations, the Central American Integration System, the Community of Latin American and Caribbean States, the Rio Group and the Caribbean Community. Moreover, the United Nations is now invited to these forums, which represents a major political shift, given that the United Nations was always the convening body in the past. Now, the countries themselves, or rather the Heads of State and Government, convene the meetings, and depending on the technical skills of the United Nations bodies, we may or may not be invited to support these intergovernmental processes. We do not automatically have the right to be there, we have to earn our place: I believe this to be a remarkable political turnaround in the region. I am delighted that the Economic Commission for Latin America and the Caribbean is participating in this magnificent process; as President Deiss so rightly said, and I would agree, here we see a European-style political phenomenon in which the subsidiarity principle is being applied every day. In other words, where no other authority is functioning, the Union of South American Nations and the Southern Common Market step in and perhaps at that level of subsidiarity they are able to function and therefore may continue to do so. The same applies to the Central American Integration System. The Community of Latin American and Caribbean States may represent another major forum, and there is also the enlarged Rio Group which will handle other matters. And, of course, we must not forget the Ibero-American Summits of Heads of State and Government, which are also very important forums. My point is that the United Nations needs to pay close attention to developments, because it may lose its relevance.

I would like to conclude with five points I believe we need to consider:

1. Governance of the United Nations requires a critical look at the Security Council. There must be greater participation from countries that have demonstrated their commitment to political and military stability in various parts of the world.
2. The development agenda must look beyond the donor-beneficiary relationship and include more participation from middle-income countries and emerging economies.
3. Regional integration processes must be consolidated. Regionalism is increasingly making itself felt within the globalization process. Globalization, which previously took place through international organizations, now has a national or regional presence: we receive global messages in the region and in individual countries, but organizations such as ours and the new regional forums belong to countries, and we transmit their position upwards to the rest of world, which is extremely important.
4. I believe it is vital to reposition the State-market-society equation through social covenants that include networks of citizens, principal actors and the main business operators, and to develop clear national and regional visions as to where we wish to go. I think it is clear we want to become a more productive region, with greater productive convergence. We do not want to shift back towards primary production focused solely on the export of natural resources. Our goal is to go beyond this, forging ahead towards an innovative production fabric.

5. And, finally, it is imperative that the new architecture for inclusive global governance based on universality and multilateralism afford due attention to the emerging challenges. Along these lines, this region will host the Group of Twenty meeting next year. I would also like to inform you that the Government of Mexico has invited this Commission to assist in organizing the summit. There was considerable disagreement initially over whether the relevant body was the United Nations or the Group of Twenty. Once again, I think that, pursuant to the subsidiarity principle, the Group should focus on finding solutions to today's urgent problem of financial governance and not engage in other matters which correspond more to the United Nations as a whole, such as climate change and social development. The fact that Argentina currently chairs the Group of 77; the fact that subregional and regional integration mechanisms in Latin America have gradually been formed and consolidated; the fact that Chile will host the Summit of Heads of State and Government from Latin America and the Caribbean and from the European Union next year, and that it will now chair the Rio Group and soon also the Community of Latin American and Caribbean States—I believe that all these elements are helping to build a regional climate of trust, an environment conducive to the convergence of economic policies which we must capitalize on from a strategic point of view. Today we are ready as a region, Mr. Chair, to make a substantial contribution to this dialogue, to this discussion, and we stand ready to put our organization's full capacity at the disposal of this new global development agenda and the reform of the global architecture.

I think we are also ready to enter into a more in-depth discussion. I am therefore pleased that we have Mr. Sundaram and Mr. Ocampo with us, because I am certain that the next panel is going to talk to us about the need to reform international reserve systems that are purely dollar-denominated. We have reflected upon that topic in this Commission and have discussed the need for the financial institutions to support countries such as those of the region which are participating so broadly and which have weathered the crisis so much better than developed countries. Though we must not be over-optimistic, because amid growing interdependence and uncertainties we cannot afford to be complacent.

I think we are ready for clarity and for a critical awareness of how to close gaps and open new paths and trails. Our discussions here in the Commission indicate that this is not a matter of cycles and particular junctures; this is a time of building social and human progress and now is the time to do it.

Mr. Chair and Minister Moreno, I would like to thank you for choosing the Economic Commission for Latin America and the Caribbean to host these talks. I am delighted to welcome you here today and invite everyone present to listen to your thoughts.

H.E. ALFREDO MORENO*

It is a great pleasure for me to inaugurate this seminar devoted to the role of the United Nations in global governance, hosted by the Ministry of Foreign Affairs of Chile together with the Economic Commission for Latin America and the Caribbean (ECLAC).

We are honoured by the visit and participation of the President of the General Assembly of the United Nations, Joseph Deiss. His support is particularly appreciated because the issue of the central role of the United Nations in global governance has been one of his priorities and will certainly be one of his legacies as President of the General Assembly.

We could not have chosen a more appropriate and welcoming venue to hold this event than ECLAC headquarters, a traditional forum to reflect on regional public policy and the foremost topics on the global agenda. We thank its Executive Secretary, Ms. Alicia Bárcena, for her enthusiastic support in helping to build for the Latin America and Caribbean region its own vision of the role that the United Nations should play in this age of globalization.

Today we will devote ourselves to re-thinking global governance and its relation with the development of our peoples. To this end, we have invited distinguished panelists whose intellectual prestige and academic and political representativeness ensure a rigorous and clever analysis. I welcome them and I thank them for their presence here today.

Mr. President, we live in a globalized and interdependent world, with challenges that our nations cannot resolve in isolation, whether it be for development problems, safety of persons or the fight against global hunger and poverty.

We have inclusive and legitimate international schemes, institutions and mechanisms for global governance, primarily those of the United Nations. On the economic and financial front, together with its General Assembly and the Economic and Social Council, there are UN actors such as funds and programs, particularly UNDP, WFP and UNICEF. These programs are complemented by specialized agencies, such as the International Labour Organization, the World Health Organization and the Food and

* Minister of Foreign Affairs of Chile.

Agriculture Organization, as well as the World Bank and the International Monetary Fund, and other global institutions such as the World Trade Organization.

Certainly, we also have significant regional players and institutional mechanisms as ECLAC itself, among regional economic commissions, the regional mechanisms for economic integration and cooperation such as the Union of South American Nations, the Central American Integration System, the Caribbean Community and the Andean Development Corporation, as well as the regional development banks and funds.

However, as we already know, in the face of the current economic crisis the most significant decisions and actions have not emerged from these inclusive mechanisms and forums. We have witnessed collective and multilateral responses, but these have come from other players, such as the G-20, which brings together major economic powers and emerging economies.

Mr. President, the purpose of this seminar is to address this phenomenon of selective multilateralism in its various dimensions, from a constructive and analytical perspective.

Some see this trend to resort to restricted integration mechanisms —the so-called G's— as a threat to universal institutions and hence a step backwards for democracy at the international level. Others interpret it as an effective complement, by engaging in the solution of global problems those players who can make an effective contribution in each case or specific situation.

This trend can also be seen as a loss of relevance of current structures in global economic governance and the need to make efforts to adjust collective institutions and mechanisms of the international economic order to the realities of today's world.

In this setting we need to consider the reform of the United Nations as well as changes to the Bretton Woods institutions in order to make them more responsive and democratic. We also need to consider other measures such as reforming the international financial architecture and establishing a Security Council for Sustainable Development within the United Nations, among other initiatives.

We are indeed dealing with an issue of utmost importance for all the countries in our region committed to the principles of the United Nations and multilateralism. In this sense, we hope that this event will allow to assess in a constructive spirit the general phenomenon of global governance, with a special attention to the central role of the United Nations system.

When analyzing global economic governance, we must consider the various global and regional players, identify shortcomings and gaps that may exist and discuss possible reforms that could be implemented to achieve an international economic system that will favour sustainable development on a global scale.

We need to create institutional mechanisms for the global economic order taking into account the interests of all nations, without thereby undermining the ability to take timely and effective action.

It is also important to study the various kinds of complementarity between the different players running the world economy, whether we are speaking of global players or of regional or sectoral players and groups. In this respect, the relationship between the G-20 and the United Nations is a case worth examining.

Likewise, we need to underscore the regional and sub-regional dimensions in global governance, particularly as it relates to the global economic order.

We hope to provide through this seminar valuable input for the report that the General Assembly has requested to the Secretary-General on global economic governance and development, in the context of resolution 65/94 on “The United Nations in global governance.”

I conclude by reiterating Chile’s commitment to multilateralism, the United Nations, and regional cooperation in this topical and timely issue of global governance in all its dimensions.

Thank you very much.

H.E. JOSEPH DEISS*

GLOBAL GOVERNANCE AT THE BEGINNING OF THE TWENTY-FIRST CENTURY: WHAT IS THE ROLE OF THE UNITED NATIONS?'

It is a great pleasure to be with you today to address a topic which has been at the core of the sixty-fifth session of the General Assembly: the role of the United Nations in global governance. I appreciate in particular the opportunity to deliver here in Chile what is probably one of my last speeches on this topic in my capacity as President of the General Assembly. Chile was instrumental in the adoption of the resolution on the United Nations and global governance, which was sponsored by some 100 Member States and adopted unanimously in December 2010. That resolution will allow the work of the Assembly on this topic to continue beyond the sixty-fifth session. I thank the Executive Secretary of the Economic Commission for Latin America and the Caribbean and the Minister for Foreign Affairs of Chile for organizing this seminar and for inviting me.

It seems to me that the time is ripe to speak about global governance, for at least three reasons.

First, in the globalized world of the early twenty-first century, problems cross borders without asking for passports. It is no longer possible to ignore what is happening abroad. The economic and financial crisis, which started in the United States of America and then spread to the entire world, is a striking example of the speed with which problems take on international proportions. Another, tragic example is the earthquake and tsunami that hit Japan and the related risk of a nuclear catastrophe. That risk led many countries worldwide to reconsider their energy policy and the use of nuclear power plants, but it also revealed the need to address the issue of nuclear safety collectively. The Secretary-General thus decided to convene a meeting on the issue during the upcoming general debate of the General Assembly, on 22 September in New York.

* President of the sixty-fifth session of the United Nations General Assembly.

There are many other pressing global challenges, such as poverty reduction, environmental issues, migration, pandemics and global terrorism. These challenges have to be addressed through global decision-making and global action, that is, through global governance.

Let me clarify that global governance is not the same thing as global government. We are not heading towards establishing a world government. Global governance is a way of organizing decision-making in a Westphalian world of sovereign entities with national parliaments. Furthermore, global governance should be based on the principle of subsidiarity. Problems that can be addressed at the local, national or regional level should be addressed at these levels. This is a rule that has long been applied in federalist states.

Second, a shift is taking place in the world demographic, political and economic balance. By 2050, the world population is projected to reach 9.1 billion, up from 6.4 billion today, with most of the increase occurring in developing countries. At the same time, new markets are emerging, as has been made clear by the economic and financial crisis of 2008/09 and the recovery now under way. China, Brazil and the emerging markets in general are faring much better than more mature economies. Suffice it to mention here the rather disappointing economic data recently released for the United States and the debt crisis now prevailing in the euro zone. A significant structural change is also taking place. Multilateral corporations from Brazil, the Russian Federation, India and China (the BRIC countries) are increasingly competing with, as well as acquiring, companies from countries of the Organization for Economic Cooperation and Development (OECD). South-South trade and investment flows, as well as South-South cooperation, are growing at an impressive pace. The global governance system has to take better account of these trends.

Third, the global governance landscape is becoming more fragmented and more complex. Traditional multilateral institutions, such as the United Nations and the Bretton Woods institutions, have come under increasing criticism for not being efficient and representative enough.

In response, new actors such as the Group of 20 and other ad hoc informal groups have emerged. The economic and financial crisis has highlighted the importance of a rapid and coordinated response, which the Group of 20 has—at least in the immediate aftermath of the crisis—effectively delivered.

There is a risk here that the United Nations may be marginalized. One need only recall that when the Heads of State and Government of the Group of 20 members met in Pittsburgh, United States, on 24 and 25 September 2009, to work out a collective response to the economic and financial crisis, the general debate was still under way at the United Nations in New York!

While we must acknowledge that these smaller groupings can act efficiently, their inclusiveness and legitimacy on the other hand is questionable. We have to find the best possible articulation of expertise, leadership and legitimacy, and do so in a setting of coherence.

I am convinced that the United Nations and its General Assembly have a central role to play in capturing the complexity of this new world and shaping a global governance structure that is efficient, open and representative.

Among the actors in global governance at the start of the twenty-first century, the United Nations can boast unique comparative advantages. First and foremost, and despite its critics, the United Nations has served us well since its creation. The organization has undoubtedly contributed to making the world a better place.

The main conclusion of the latest Human Development Report is that most people today are healthier, live longer, are more educated and have more access to goods and services. Even in countries facing adverse economic conditions, people's health and education have greatly improved. Furthermore, in 2008 the number of deaths due to conflicts between States was the lowest ever.

The contribution of the United Nations to strengthening international law and, thus, to bringing peace to the world is undeniable. The adoption of the Universal Declaration of Human Rights in 1948 was a landmark decision that sowed the seeds for tangible advances to be made in human rights worldwide. In 2005, the adoption of a resolution including the "responsibility to protect" marked another significant step. The potential of this instrument to protect individuals and fight impunity in cases of genocide, war crimes, crimes against humanity and ethnic cleansing still need to be fully operationalized, and lessons from implementation have to be drawn. In this regard, the adoption of Security Council resolution 1973 (2011) on the Libyan Arab Jamahiriya marks a clear recognition by the international community of the responsibility to protect.

Responsibility to protect is one of the seminal ideas and concepts that the United Nations has contributed to developing and promoting over the past 60 years and that holds potential for changing the world.

The value of the United Nations lies also in other essential assets, such as its unique legitimacy. The United Nations is a charter-based organization, with purposes and principles, membership and organs, and a budget that are clearly defined. The United Nations offers a stable institutional framework to Member States. Any matters within the scope of the Charter may be discussed by the General Assembly. This contrasts with the "summit-based" or "issue-based" nature of other country groupings and with the discretion and arbitrariness that drive such groupings' membership. For instance, what are the criteria for the presidency to invite non-member States of the Group of 20 to participate in a Group of 20 summit?

With its 193 Member States, the General Assembly is a near-universal body and reflects the full diversity of situations and interests at stake. It is there to promote the rights of every woman and man on our planet. With its system of "one country, one vote", it ensures that even the smallest voices are heard. As an operational entity, the United Nations system, with its various specialized agencies, programmes and bodies, has the expertise and the field presence to serve as the central element of the global governance landscape.

I am pleased that the topic of global governance, which I proposed for the general debate of the General Assembly last September in New York, has found significant resonance in the statements of the Member States. The adoption by consensus of the aforementioned resolution of the General Assembly, in December, as well as this seminar are clear evidence of the interest in this topic.

We must find concrete ways to ensure that the United Nations fulfils its central role in the global governance system and thus averts being marginalized. There are several aspects to consider in this regard.

First, a strong United Nations requires a decisive effort to revitalize the General Assembly, reform the Security Council and review the work of the Human Rights Council.

In order to make progress on these issues during the sixty-fifth session of the General Assembly, I designated or reconfirmed facilitators to lead the ad hoc group on revitalization of the General Assembly as well as facilitators to lead the negotiation processes on the reform of the Security Council and the review of the Human Rights Council.

Yet, the pace of progress and the success of these reforms do not depend on me. The Member States are in the driver's seat; and while I can create the conditions conducive to progress, it is up to the Member States to find common ground and forge a consensus. Therefore, I am especially pleased that the review of the work of the Human Rights Council was successfully completed with its formal adoption by the General Assembly on 17 June 2011.

A second aspect is the strengthening of the economic bodies of the United Nations, and I am thinking here in particular of the Economic and Social Council. The adoption of General Assembly resolution 61/16 on strengthening the Council is a first step. This year, with the able support of Ambassador Errázuriz, Permanent Representative of Chile to the United Nations, I conducted a review of the implementation of that resolution and made a number of recommendations. I have already encouraged all Member States to consider those resolutions and to take the action needed to implement them. I also addressed the topic of the reform of the Council during the opening session of the High-level Segment of the Council in Geneva on 4 July. It seems to me that deeper reforms of the Council are indeed needed to prevent its marginalization by the Group of 20. The Council held its substantive session during the entire month of July without addressing the current economic turmoil on the international financial markets. It is necessary to reset priorities and refocus the mandate of the Council, which currently spans too many issues, ranging from cultural and educational cooperation to human rights. When addressing education for instance—as was the case during the substantive session this year—the Council should essentially focus on economic aspects, such as how to ensure that skills match up with the requirements of the labour market. It is important that, in shaping multilateral diplomacy, ministries of foreign affairs interact with experts from finance, economic affairs and other sector ministries to bring more technical substance to the debate. The annual meeting of the Bretton Woods institutions with the Council is an instrument for interaction and consultation whose potential must be better exploited.

Third, as I have stressed, new actors have emerged and they play a useful role. We thus have to find the appropriate mechanisms for communication, consultation and cooperation between the United Nations and these other actors in global governance. These mechanisms will have to encompass non-governmental actors from the private sector, civil society, and academic bodies and think tanks, which are playing an increasing role in shaping today's global world.

I organized, as a first concrete step, informal discussions of the General Assembly before and after the Group of 20 summit held in Seoul to give all Member States the opportunity to express their views, whether or not they had been invited to participate in the Seoul meeting. I am pleased that the building of bridges between the United Nations and the Group of 20 has been continuing this year with the French Presidency of the Group. In February, the Minister of Food, Agriculture and Fisheries of France, Bruno Le Maire, participated in an informal plenary meeting of the General Assembly to inform the Member States about the priorities of the French Presidency of the Group of 20 in agricultural matters. In June, the Minister of Labour of France, Xavier Bertrand, briefed the General Assembly on the Group's priorities in social protection and employment. As the Group's summit in Cannes is still several weeks away, there will be other opportunities for substantive interaction between the United Nations and the Group in order for all the Member States to give their views on the agenda of the summit. Mr. Le Maire will be in New York on 29 August for a debriefing on the Group of 20 agriculture ministerial meeting that took place in June. To enhance the accountability and legitimacy of the Group of 20, it will be important to have a post-summit meeting based on the model of the one we had after the Seoul summit. It is encouraging that Mexico, which will hold the next presidency of the Group of 20, has already announced its willingness to continue building bridges.

The experience so far with these informal debates has showed that, for discussion to be meaningful, it is key to strengthen delegates' expertise in economic issues in particular. Ultimately, a more formal mechanism will be needed to ensure that the outcomes of these meetings are fully integrated into the work of the Group of 20. This could be done by assigning the Secretary-General a more formal mandate when participating in the Group's meetings or by strengthening the role of the Chair of the Economic and Social Council.

That being said, it seems to me that the Group of 20 stands at a critical juncture. The Seoul summit in November 2010 delivered concrete outcomes in some areas, such as the modernization of the International Monetary Fund and the strengthening of the financial regulatory framework. This is welcome. But let me repeat that to enjoy full legitimacy, these decisions must ultimately be endorsed by the appropriate international bodies.

On other important issues raised in Seoul, less tangible results have been achieved. The outcomes of the Group of 20 ministerial meetings held so far in 2011, in particular the Group's meetings of finance ministers in Paris and in Washington, have not produced major breakthroughs in the priorities of the French Presidency. Similarly, the Group of 20 has been silent on the recent discussions on the United States debt ceiling and on the euro zone debt crisis—which have far-reaching consequences for the world economy. This reveals the hard fact that the resolve to act collectively depends very much on how risks are perceived. Even smaller groups of countries encounter constraints in forging consensus when the threat of an imminent crisis appears to be diminishing. Divergences and tensions tend to be more visible, and coordinated decision-making becomes more difficult.

By contrast, the Nagoya summit on biodiversity and the Cancun summit on climate change are two recent, positive achievements of United Nations multilateral diplomacy, showing that consultation and negotiation at each stage of the process are also key for success. My hope is that the outcome of the upcoming seventeenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, to be held in Durban, South Africa, will confirm this trend.

The resolute handling of the suspension of the membership rights of the Libyan Arab Jamahiriya in the Human Rights Council by the Council and the General Assembly is a further example, and it proves that even though the United Nations machinery might be burdensome and rusty, when there is political willingness to make the best use of the instrument, breakthroughs are possible.

The Group of 8 and Group of 20 summit form of diplomacy is probably not the final state of the governance system for the twenty-first century. What does appear certain is that this system will encompass all three poles—expertise, leadership and legitimacy. But the entities belonging to each pole and the relations between these poles are elements yet to be worked out, as is the best way to ensure coherence in decision-making.

As I said, I am convinced that legitimacy mainly rests with the United Nations and its General Assembly. But what about the role of the Security Council with regard to legitimacy and leadership? And what about the Economic and Social Council?

And what about leadership and the Group of 20? Will the Group evolve beyond being the "premier forum for our international economic cooperation" as it itself proclaimed at the September 2009 summit and succeed in expanding its agenda to development and governance issues? Will it evolve from being a "crisis committee" to assert itself as a "leading committee"? The Group of 20 possesses strong assets for a global leadership that usefully complements and articulates with the United Nations. The

Group convenes at the level of Heads of State, thus enabling a cross-sectoral view of problems —an important feature for capturing the true nature of today's global challenges and increasing coherence in policymaking.

The Group of 20 is in a position to provide the necessary stimulus to trigger action in times of crisis. But it does not have the legitimate traction to overcome the competition among specialized institutions, such as the World Bank, the International Monetary Fund, the International Labour Organization, the United Nations Conference on Trade and Development and the United Nations Development Programme, to mention just some of the international bodies addressing economic and social issues; such competition may at times hamper decision-making. Only the General Assembly, with its broad mandate, has the means to supervise the work of the specialized agencies in order to foster coherence.

With regard to these specialized institutions, where solutions have to be worked out and implemented, to what extent are their governance arrangements representative? What about the overlaps and the gaps between their mandates at the sector level?

Many questions are still pending an answer. To reflect on the architecture and the functioning of the global governance system, I convened an informal debate at the General Assembly on 28 June in New York. We adopted a visionary stance, looking at what was needed to ensure the relevance of the United Nations to a horizon of 2025. I believe that we had a good discussion, which will feed usefully into the report on global governance that the Secretary-General is preparing for the sixty-sixth session of the Assembly.

Ladies and gentlemen: today and tomorrow, you will have the opportunity to further address the many questions that I have raised here about global governance. This is an important occasion to address these issues from the perspective of the western hemisphere and to consider the contribution of the region to global governance. I thank you for your attention and I look forward to hearing your views on this very topical issue.

FIRST PANEL

MULTILATERALISM, THE UNITED NATIONS AND GLOBAL GOVERNANCE

- Ambassador Eduardo Gálvez, Deputy Permanent Representative of Chile to the United Nations
- Ambassador Jorge Argüello, Permanent Representative of Argentina to the United Nations and Chair of the Group of 77 and China
- Ambassador Gert Rosenthal, Permanent Representative of Guatemala to the United Nations
- Ambassador Jorge Valero, Deputy Minister and Permanent Representative of the Bolivarian Republic of Venezuela to the United Nations
- Jomo Kwame Sundaram, Assistant Secretary-General on Economic Development, Department of Economic and Social Affairs of the United Nations

AMBASSADOR EDUARDO GÁLVEZ*

I would like to begin by briefly introducing the seminar's objectives and structure, the various panels, resolution 65/94 and this panel, which is entitled, "Multilateralism, the United Nations and global governance."

First of all, however, permit me to introduce the panellists. Ambassador Jorge Argüello is an attorney and currently the Permanent Representative of Argentina to the United Nations. He is former chairman of Argentina's Foreign Relations Commission and Malvinas Parliamentary Observatory. From 2000 to 2003 he was a Deputy of the Autonomous City of Buenos Aires. Among his other international responsibilities, he serves as Chair of the Group of 77 and China. He is a thus leader of the grouping of developing countries.

Ambassador Gert Rosenthal is a man of this House and of the United Nations. He is a career diplomat and headed the United Nations Economic Commission for Latin America and the Caribbean from 1988 to 1997. He has chaired the United Nations Economic and Social Council and facilitated many resolutions and chaired many committees within the United Nations Organization. He also worked on the Follow-up Commission of the Guatemala Peace Accords. He has headed Guatemala's Secretariat for Economic Planning and has authored countless publications on economic development between 1960 and 2000. From 2006 to 2008, he served as Minister for Foreign Affairs of Guatemala.

Ambassador Jorge Valero is a Deputy Minister and Permanent Representative of the Bolivarian Republic of Venezuela to the United Nations. We also know him as Ambassador to the Organization of American States (OAS) where I had the pleasure of working with him. He was president of the Latin American Parliament Social Debt Commission. He has a master's degree in Latin American studies from the University College in London and has held other posts that time is too short to mention. Welcome, Ambassador Valero.

Jomo Kwame Sundaram is an economist and Assistant Secretary-General on Economic Development for the Department of Economic and Social Affairs of the United Nations. For those of us who are diplomats in New York, he is *the* reference on economic matters in the Department of Economic

* Deputy Permanent Representative of Chile to the United Nations.

and Social Affairs. He was professor of applied economics at the University of Malaya, in Malaysia. He was director of the Social Analysis Institute and is a prolific writer on economic subjects. Mr. Sundaram's connection to the discussions in this seminar is that he has served as a Sous-Sherpa to the Secretary-General in at least a few meetings of the Group of 20. He is clearly an eminent expert in his field and we thank him for making the long journey from Malaysia to be with us today.

What are the objectives of this seminar? The objective is actually a simple one. This seminar is an activity of the Latin American and Caribbean region pursuant to United Nations General Assembly resolution 65/94. For those unfamiliar with the machinery of the United Nations, the number 65 means it was adopted at the sixty-fifth session of the General Assembly. The number 94 indicates the order in which the resolution was adopted in the plenary session.

We have also adapted the seminar so as to take advantage of the visit by the President of the sixty-fifth session of the General Assembly, since President Deiss made this issue one of his main lines of action. The topic of global governance did not take root this year, however, but has some antecedents. For those of us who have been in the United Nations, this process dates back to the systemic issues addressed at the Monterrey Conference on Financing for Development, in which a number of those present in this room participated. So this is really a continuation of a long process that has been ongoing since 2002, and which we continue to try to push forward.

How is the seminar designed? First, we have this panel on multilateralism, the United Nations and global governance. Here we look at global governance from a more political, overarching perspective. Global governance is not limited to economic issues, but also includes political ones. We may mention the Security Council, environmental governance, and other areas to which global governance is pertinent. The resolution calls on us to look at global governance in a broader sense, not necessarily limited to the economic sphere.

The second panel is, in many ways, the heart of this seminar, as it will focus primarily on global economic governance. The second panel is more specific, but the discussion will be started off in this first panel. The issue of global economic governance, as we understand it in the United Nations and in what we have heard from President Deiss, has much to do with the relationship between the United Nations and the Group of 20. In fact, the issue came to the fore again with the creation of the Group of 20.

The idea of the third panel is to conclude with a regional perspective. It is important not only for us to share our reflections on global economic governance, but also on how the regional level fits into appropriate global economic governance of networks of institutions.

What does the resolution say? In your folders you will find the text of resolution 65/94, so I will keep this brief. This resolution was negotiated over three months, from October to December. It was brokered by Chile and Singapore from within the Global Governance Group, a group of about 30 small and medium-sized countries. But it was introduced by Chile and Singapore, not by the Global Governance Group.

The sole object of the resolution was to place the issue in the General Assembly. It seemed absurd that global governance was being discussed everywhere except in the United Nations. So the idea was to raise the issue at the plenary session; in other words, not as an item for the Second Committee, but rather giving it due importance. The ground was also prepared for identifying possible decisions at the following session, starting with a report requested from the Secretary-General.

Without going into detail, certain important points in the negotiations gave the resolution its overall content and balance. One point in particular is that the resolution refers to the United Nations system, not the United Nations. When we speak of global governance from the multilateral point of view, the United Nations is not only the Economic and Social Council and the General Assembly, but also the various funds and programmes, the United Nations Environment Programme, the International Labour Organization, and to some extent the International Monetary Fund and World Bank, which are linked to and part of the system. The only body not linked in some way is the World Trade Organization, simply because it is not part of the system, though for practical purposes, when we speak of inclusive multilateralism we are speaking also of the World Trade Organization.

Some balancing was involved. Some countries know that reference was made in the General Assembly to one of the paragraphs, which provided an avenue to reach an agreement not to vote on the resolution. The use of the word "system" was heavily debated, because some obviously wanted to limit the language to include only the General Assembly, but this compromise was found and the resolution ultimately attracted 101 co-sponsors. The value of the co-sponsors was really more for negotiation purposes, to dissuade those who wanted to push for a vote, by showing that there was a large majority in favour.

My last point in connection with the resolution is what it asks of the Secretary-General: to talk about global economic governance and development. In other words, the development perspective entered into the negotiations via countries from both North and South, for whom the United Nations' discussion of the topic made it a priority from the perspective of development, and not simply a matter of global economic governance. The word "development" was introduced by the Group of 77, specifically by Morocco, but it was agreed to very quickly by countries of the North, who had no issue with the United Nations being the key venue. And there were other discussions about monetary and financial matters.

Finally, the last part of the resolution indicates that we will discuss matters related to global economic governance now, without prejudice to the focus of possible future debates on this issue to be determined by the Assembly. In plain language, this means that resolution 65/94 does not limit the Assembly to economic governance but that, in the future, it might also address global governance in relation to peace, security or the environment. That was an agreement that came out of negotiations with Egypt, with Ambassador Abdelaziz who was very clear.

So, that is somewhat of a deconstruction of what went into this resolution. To avoid further explanations, I have brought what is called a "concept note", which Chile and Singapore prepared when we were lobbying countries to support the resolution. This is the document we used during the month prior to the tabling of the resolution to explain to people what we were trying to do.

The final thing I would like to say has to do with this particular panel: Multilateralism, the United Nations and global governance. I had prepared a small introductory note which I had meant to speak from, but realized it was too long so it is included in your folders. It reflects what we had in mind for this panel.

The first item is the title. When we refer to multilateralism we are saying that, given the serious problems we face with global governance —problems that cannot be resolved without collective action—the fact that we are or need to be multilateralists does not say much. That was the first thing I tried to put across in the document. The issue is what we understand multilateralism to mean. Richard Haass, President of the Council on Foreign Relations, explains this very well in his article, "The Case for Messy Multilateralism".

There are many types of multilateralism: classic multilateralism, which is universal, democratic and inclusive. The United Nations is an example of this, as is the World Trade Organization. In other spheres we find another type of multilateralism that is based on rules, charters, institutions and procedures, as President Deiss has mentioned. But inclusive multilateralism has been sidelined in some issues, which is why the matter needs reflection. Inclusive multilateralism has been bypassed owing to a variety of circumstances, the most important of which is perhaps the fact that when the economic crisis broke out it was not the Bretton Woods institutions nor the United Nations that responded—but rather the Group of 20. A good thing that it did, indeed, but nevertheless a fact that should give us pause.

In my paper I underscore that in many areas of global governance the United Nations is not alone in its lack of success. It appears that the outcomes of the Doha Round, after 10 years, will be quite meagre. On environmental issues, the sixteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 16) in Cancún achieved some progress, but the fifteenth session in Copenhagen had failed to gain any ground at all.

This type of multilateralism in which everyone is present and has the right to speak and express an opinion, where everyone tries to be democratic, is running into difficulties. And these problems stand in contrast to the outcomes of the variety of multilateralism we might call “clubs” or “multilateralism of the elite”, the narrower sort. I am not making judgements here about its appropriateness, but simply stating the facts. This situation creates tension between the legitimacy of the inclusive multilateral bodies and—often—the effectiveness of groups limited to the major players. Obviously, this does not mean that the classic, universal multilateral entities are always inefficient. I believe Professor Ocampo, in some of his articles, has demonstrated that at times the United Nations and other multilateral bodies have been very efficient. Examples of this are the United Nations summits and conferences, such as the Conference on Financing for Development. And sometimes the narrower groups are not very efficient.

Then again, these smaller, more restrictive groups cannot necessarily be said to lack legitimacy. I have listened many times to certain members of the Group of 20, especially India and others, and they have a point when they argue that the Group represents 80% of output or 75% of the population. It is not, therefore, a clear-cut issue of who has legitimacy and who does not. There is more than one way to see legitimacy. In some circumstances the Group of 20 or some other group may be quite legitimate. And this is the question to be addressed here today: what road do we take—how can we unite the legitimacy of representing all interests with the effectiveness demonstrated by the Group of 20? There are probably some ideas and suggestions on how to achieve this, and if we are capable of reaching the consensus we need, then the General Assembly could take some steps, possibly by reconfiguring the Council, to unite these two elements.

The key point in my paper is that the current situation in the United Nations cannot be sidestepped. Things are not working as they should be, and we need to be proactive and build on what we have already. If what we are seeing today is “à la carte” multilateralism, rather than classic multilateralism along the lines of the United Nations Charter, then there is a risk of forming “coalitions of the willing”. That expression is a little tainted because it was coined in reference to the war in Iraq, but in itself I don’t believe it is necessarily a bad thing: in some circumstances what we need is delivery. We need to resolve people’s problems and global issues. Nothing will be gained if by refusing to take any measures except through an inclusive body, we end up doing nothing. Unfortunately, inclusive bodies are sometimes—albeit not often—forced to stop the entire machinery owing to the need to achieve unanimous consensus. There must be a better way to achieve inclusiveness yet avoid such stalemates.

I would like to close by saying that we trust this event will provide a useful reflection for the Secretary-General and for his report. The Assistant Secretary-General on Economic Development will be able to help us with this, as he is responsible for that part of the document. I trust that the reflections accumulated here through tomorrow will help us move forward constructively to build an alliance of multilateral bodies that is both inclusive and effective. This is what is required if the United Nations is to solve the global problems of today's world.

AMBASSADOR JORGE ARGÜELLO*

If the great Plato were to visit our era for a moment, and were to recall his metaphor whereby government is like the art of carefully steering into port a ship surrounded by traps, he would have no difficulty in foreseeing a twenty-first century full of choppy water, the type of ocean that demands commitment from all available crew members: the strong and the small, from the most weathered sailors to the most vulnerable cabin boy; but all of them.

That ocean of problems, challenges and opportunities which is our world has already ceased to be a group of seven seas, all of them more or less unique and isolated, and is now one large sea of humanity which includes and connects everything. As Joseph Deiss, President of the General Assembly of the United Nations, recently pointed out during its sixty-fifth session, in this globalized world, problems cross borders without showing a passport.

How can we fail to see that poverty reduction, environmental stewardship, migratory flows, the demographic explosion and pandemic diseases are all parts of a whole? All are challenges which require decisions to be made and global actions to be undertaken. In other words, we must move from the ancient *kuberno*, piloting the ship of an ideal Republic, to that global governance.

Global governance is not the same as a “global government” or a “world government” which would deprive our countries —sovereign entities with executive authorities and freely-elected parliaments— of the right to decide. This distinction is important if it is accepted that what is involved in *governance*, once the elected government has taken office, is its ability to coordinate with other parts of civil society, particularly groups which economically speaking are more influential, dynamic and powerful, and in a context of global interdependence with no possibility of going back.

It was a deficit in that governance, especially in the economic field, which was so abruptly revealed by the grave financial crisis unleashed in the most developed countries in 2008, standing out against an overall background different from that which had prevailed throughout the twentieth century. Basically, global markets boosted by a huge technological revolution, boldly skipping over conventional controls and regulations, stymied the architecture which had been designed by the Bretton

* Permanent Representative of Argentina to the United Nations and Chair of the Group of 77 and China.

Woods institutions and which was founded upon institutions such as the International Monetary Fund and the World Bank.

As attempts are made to achieve the aforementioned governance, the latest crisis has given to structures which are flexible but ultimately limited, such as the Group of 20 (of which Argentina is also a member), a legitimacy which has often been at the expense of the United Nations itself, although the latter is the most advanced example of representativeness and leadership that humanity has ever seen, having been born of the tragic experience of war and the desire for peaceful development.

Now that the worst of this short-term crisis has passed, the question is what the world must do in future to ensure that the efficiency and leadership required in the new global context should also, and above all, respect the representativeness that all peoples deserve, be they large or small members of our ship's crew in these stormy times.

Can bodies consisting of an arbitrarily-chosen elite be the sole guarantors of the efficiency demanded by these times of crisis? Is worldwide democratic participation always to be sacrificed in the search for swift results? Can there be a third way?

The origin of the dilemma

It may be said that the post-war processes that began in 1919 and 1945 established systems of international security which already, in some fashion, incorporated the idea of a form of global governance, at least in a strictly political sense. The goal at that time was to regulate, or at least limit, the individual power of States in order to avert tragic imbalances, based on a particular status quo. This was reflected in the Security Council, with its privileges and the veto powers of the victorious Powers.

Nonetheless, another "old photograph" —in the words of President Fernández of Argentina— from the album of that era, worn and sepia-coloured, depicts the anachronistic economic and financial order and its multilateral bodies: essentially, the Bretton Woods institutions, with the International Monetary Fund at the head, under the control of economic powers with qualified votes, the Dollar Standard at the helm and trade rules also imposed by the central States.

This rapid globalization has been dealing the cards unequally, as on other occasions, except that economic growth now seems to have taken over the role which formerly belonged to political power, and this is happening at a rate which leaves national and international institutions behind: there is a widening gap between economic and political globalization.

Any form of governance, as European experts have correctly pointed out, must also take account of other characteristics of the new political, economic and social situation. One of these is the almost complete end to conflicts between States, although there are still disputes such as the situation in the Middle East: war is the result of the failure of politics, not its continuation by other means; the disappearance of one of the two Cold-War superpowers and the rise of new actors such as China, India and the Southern Common Market (MERCOSUR); the progress of democracy as a form of political organization; growing environmental awareness, the demographic explosion and the technological revolution which has affected the economy, social life and forms of political activity (from the election of President Obama to the uprising in Egypt).

This quick review of the situation leads to the conclusion, in general terms, that even despite the tragic attacks on New York in 2001, the world may be globally more secure and peaceful than it was at various times in the twentieth century.

It is also an approach which draws attention to other issues which had hitherto been absent from the worldwide agenda, the most important of which is the need for financial regulation. "Old truths have been relearned", as President Franklin D. Roosevelt remarked at the end of the first great Wall Street crisis in 1929: "We have always known that heedless self-interest was bad morals. We know now that it is bad economics." Those remarks could equally well have been made in 2011.

Some 80 years later, with the stagnant multilateral institutions inherited from Bretton Woods, with United Nations bodies such as the Economic and Social Council underestimated as regulators of equitable development and with a parallel financial system uncontrolled and overexcited by the potential of technology, what has become clear is that a new architecture is needed, with thorough consideration of the alternatives offered by global governance at the start of the twenty-first century.

The crisis also brought opportunities. One of these was the chance to recognize once and for all that poverty, employment, trade, multilateral credit policy, currency relations and the entire financial system are not separate areas for evaluation or action, but part of a network which requires global governance and concerted action. For example, patent regimes and public health have been connected for some time, but now, with the world population approaching 7 billion, the issue is unavoidable.

The collapse brought about since 2008 by speculation in unregulated funds and mortgages has given rise to some alternative measures in response to the climate of crisis. The most obvious of these were the economic and financial measures coordinated in the Group of 20, a grouping which many see as a definitive source of "fast and efficient" international leadership, apparently in contrast with the United Nations, an organization badly in need of administrative reform, but which has unrivalled legitimacy.

The alternatives

The financial and economic world underestimated the cracks and faults in the global system, beginning with the International Monetary Fund itself, the body responsible for promoting stability. The voting disparity in favour of the developed countries in the Fund and other international credit organizations reflected a structure which was not participatory enough for such an influential institution, and it was far removed from genuine multilateralism.

The International Monetary Fund minutely supervised many countries' balance of payments and fiscal deficit, but allowed an investment banking system to exist in which financial derivatives were unsupervised and which was still less likely to promote healthy growth in the economies. Argentina has much to tell about its status—fortunately in the past—as the "guinea-pig of the Washington Consensus."

Against that background, the structure of the Group of 20 somehow suggested a breadth in the establishment of an alternative economic governance amid global crisis, in comparison, for example, with the Group of 8 most developed countries. Although Argentina is part of the Group of 20, that does not prevent consideration of the need to modify global systems of participation, representation and decision-making in worldwide organizations.

The picture of the establishment, at the post-war San Francisco Conference, of the Charter of the United Nations and of its Security Council, of key importance to political and security governance up to the present, has now changed. Contrasts such as that of technological progress which enables us to communicate instantaneously from one side of the planet to the other for an affordable price, on the one hand, with social inequalities which still doom part of humanity to live in extreme poverty, on the other hand, demand that all multilateral institutions should be redesigned.

Despite the major reforms still pending, the United Nations remains, even for its greatest critics, the supranational body *par excellence*, not only for debate but also for decision-making and taking action to ensure the best possible economic governance, going beyond the stereotype of a purely humanitarian body or a provider of assistance to developing countries through the Food and Agriculture Organization of the United Nations and the United Nations Development Programme, although those activities are equally important in preserving peace and security.

The representativeness of the United Nations gives it a degree of legitimacy which none of the “G” bodies can attain. It is the most inclusive and transparent international organization we know of, the one which can provide real and respected leadership on issues of global governance, particularly in the economic field. It now needs to continue its fight to overcome administrative deficiencies which make it appear to lack functionality and efficiency compared with bodies such as the Group of 20.

The unrepresentative nature of the mainstays of the system which threatened to collapse in 2008-2009 was the fundamental cause of the problem of global economic governance; it will not provide the solution.

Group of 20 plus the United Nations

It will not be easy. The first condition for good governance at the global level will be to achieve coherence throughout the multilateral system. The International Monetary Fund approached this by promoting procyclical economic policies in many countries, to the extent of producing a severe impact on the very employment conditions upheld by the International Labour Organization. The core of that coherence requires broader respect for social and economic rights and for human rights more broadly.

As if that were not enough, powers which have become much stronger since the post-war period, such as the United States, have made it clear that they are not willing to recognize that the United Nations has the expertise and the mandate to become a suitable forum or to guide discussions on matters such as reform of the international financial architecture. For the United States and some other countries, the current financial institutions, such as the International Monetary Fund, have their own governmental structure and enjoy the privileges of the majority partners, privileges which must be respected.

This resistance is not surprising, since the strength of the developing countries resides in true multilateralism and in the United Nations, to deal with the challenges of a new global governance which no longer accepts a base rate system such as that of the International Monetary Fund, which gives more decision-making power the richer the country is; this is contrary to the inclusiveness and legitimacy that international organizations must show in the present day.

In the future, in broad terms, a compass for the new global governance can be found in the Millennium Development Goals, which are one of the greatest recent contributions of the United Nations and a comprehensive guide for the objectives and policies of the interrelated United Nations bodies which are striving throughout the world for rapid, equitable and sustainable economic and social development.

The traditional Economic and Social Council of the United Nations currently lacks binding decision-making power beyond the organization itself but, given its experience and transparency, it could become a good supervisor for the current multilateral credit institutions. The radical reform of the Bretton Woods institutions and the system of international trade must comply with new rules for stability and growth, adopted by consensus.

Argentina, as a developing country which supports multilateralism, is working and will continue to work within the Group of 20 and the Group of 77 and China, convinced that the actions of this limited group should complement those of the United Nations in such a way as to combine their expertise and capabilities.

Some even propose that the Group of 20 should be incorporated into the United Nations, to give it legitimacy and ensure that its member States which are developing countries will continue to have a key role in economic and social governance, rather than being summoned only when an emergency threatens. These countries can begin to define, for the first time, a shared vision of the entire global economy and of a financial architecture which will contribute to development, instead of being restricted to reacting to the proposals of the major Powers.

Clearly, the opportunity may be lost if major outstanding issues are locked inside groups that have no legitimacy or political mandate. The United Nations, therefore, must play a suitably pivotal role in global governance, in accordance with the purposes and principles of its Charter and the recurring need to steer the ship of humanity, even in the most violent storms.

AMBASSADOR GERT ROSENTHAL*

I

I thank the Government of Chile and the Economic Commission for Latin America and the Caribbean (ECLAC) for having invited me to this event. For me, coming back to ECLAC is like coming home, and it is a somewhat nostalgic experience to participate in a gathering in this hall, so full of personal memories.

The subject that brings us here is a very broad and general one that can be approached in many ways. As far as multilateralism is concerned, Latin America and the Caribbean have a long and rich experience in addressing common problems in a joint manner, especially in the economic sphere. We have created multiple institutions, most of them subregional in scope. We have also repeatedly affirmed our commitment to multilateralism, and the majority of our ministries of foreign affairs are organized in a way that separates multilateral diplomacy from bilateral diplomacy. We also tend to recognize that in today's world almost every domestic matter has transnational ramifications.

II

But this seminar, like this first panel, clearly revolves around the **United Nations**. The presence of the President of the General Assembly and of various permanent representatives and officials and former officials of the United Nations Secretariat suggests that the theme of our debates will be more focused if we place it within a context shaped by the following four parameters.

First is the recognition that the United Nations has not adapted rapidly enough to the changing circumstances of the world and to the phenomenon of globalization. The most obvious example of this is the composition of the Security Council, but there are many others that illustrate the gap between the speed with which global events evolve and the slowness with which the Organization responds.

* Permanent Representative of Guatemala to the United Nations.

Second is the variety of ways in which the United Nations interacts with other multilateral bodies, some formal, as in the case of the Bretton Woods institutions, and others informal, notably the Group of 20. In many instances, these interactions are complementary or even cooperative; in others, they constitute sources of tension or confrontation; and in still others there is simply no interaction. Our emphasis here will be on the links between the United Nations and other international institutions, including regional institutions.

Third, and closely related to the previous point, there is a quest to introduce a certain hierarchy and coherence in the system of multilateral institutions, under the logic that they all belong to their member States and in consequence should act in a responsible manner, mutually supporting each other and avoiding overlap and duplication in the execution of their respective mandates. Those who put forth this argument tend to place the United Nations at the top of an international multilateral order, owing to its universality and the undeniably noble character of the aims, goals and principles of its Charter. But others question the need for coherence in an international governance system, preferring a decentralized model, in which, to paraphrase Chairman Mao, a thousand roses can bloom. In other words, the emphasis in such a model would be on coherence within the United Nations itself and between it and the rest of the constellation of international and regional institutions.

Fourth and last, the sudden appearance in global governance of new, informal organizations that lack a founding treaty or a secretariat of their own, but that respond to a specific need (following the dictum that function precedes form), and that also tend to encroach on the domain of other, formal entities. An oft-cited example is the Group of 20 (which actually comprises 22 countries), an organization that has been viewed with a degree of hostility by some Governments because of its exclusionary and fortuitous nature, and with a certain benevolence by others, which pragmatically accept its existence, but call for the coordination of its actions with those of the universal organizations, especially the United Nations. Another informal grouping of countries that holds this view (to which Guatemala belongs) is the Global Governance Group, or 3G, which emphasizes transparency, the more or less participatory nature of institutions and the way in which formal and informal groupings interact.

In the time remaining, I would like to make some remarks on each of these four parameters.

III

First, some thoughts on the United Nations itself: I would say that the Charter that emerged from the San Francisco Conference was an imperfect document from the outset, and its flaws have been magnified with the passing of time. Paradoxically, some stem directly from the Organization's strengths. For example, with its universal character —unquestionably an asset— comes the difficulty of reaching consensus among 193 Member States —142 more than the original 51 members of the Organization. Moreover, the decision-making process within the Security Council, though indisputably anti-democratic, is the price to be paid to ensure that the major powers almost always act within the framework of the Organization, not outside it (the unilateral decision of the United States to invade Iraq in 2003 was an exception).

Other imperfections originate from the inevitable lag that exists between changes in the real world and the capacity of an intergovernmental institution and its secretariat to adapt to those changes. As I said earlier, the clearest example of this is the composition of the Security Council, which continues to reflect the structure of power in the world as it was in 1945. Other negative constants that have been criticized repeatedly are the relative weakness of the General Assembly with respect to the Security Council (a deliberate weakness built into the Charter by its framers) and the relative irrelevance of the Economic and Social Council as its mandate was defined (not deliberate). Although some reforms have

been implemented in the last decade, such as the creation of the Human Rights Council and the Peacebuilding Commission, they have not always lived up to expectations.

However, the central points I wish to highlight do not revolve around the flaws and weaknesses of the United Nations, but rather the contrary.

- The first thing I would say is that, with all its shortcomings, the Charter is a very valuable asset, inspired by historic events which made its signing possible. This feat could probably not be reproduced today. Therefore, I believe that it is better to build on what we have and reform the Charter in incremental and secure steps, rather than trying to start over, which would probably not be possible under current conditions.
- Second, by focusing on the Organization's defects, we tend to underestimate and even to lose sight of its impressive achievements with regard to decolonization, maintenance of peace, provision of humanitarian assistance, generation of ideas that impact the international agenda and promotion of development and cooperation—and of its value simply as a meeting place for humanity. I could substantiate this affirmation with numerous examples, but will not do so owing to time constraints.
- Third, we have a tendency to ask more of the Organization than it can realistically do. It has the capacity to convene heads of State and ministers of foreign affairs, for instance, but it does not generally have this capacity when it comes to ministers of finance, who normally come together in forums other than the United Nations. Further, the decision-making process in a collective gathering of 193 members is slow and complicated. I therefore believe that, rather than insisting that the United Nations be at the top of the international governance system on all matters, we should let the United Nations devote itself to what it does best—i.e. the areas of activity in which it has comparative advantages—and focus on improving mechanisms for coordination with other multilateral entities in those areas in which they have a greater capacity to address transnational issues.

IV

This brings me directly to the second parameter: the variety of ways in which the United Nations can interact with other multilateral entities. As you will recall, Chapter VIII of the Charter provides expressly for cooperation with regional organizations in matters relating to the maintenance of peace. In practice, in the case of Latin America and the Caribbean, during the first forty years of its existence the United Nations preferred to take a back seat to the Organization of American States (OAS) in preventing political tensions, except in cases relating to border or territorial disputes submitted to the International Court of Justice (an integral part of the United Nations system). This pattern changed somewhat in the 1990s, when the Organization took a more active role in addressing the Central American conflicts, but it has always worked in coordination and consultation with the OAS.

In the sphere of economic and social cooperation, Articles 57 and 63 of the Charter expressly envisage links with “specialized agencies, established by intergovernmental agreement”, including the Bretton Woods institutions. The manner in which these articles are drafted, however, does not place the United Nations in a position of hierarchical superiority over other agencies, but rather characterizes the relationship between them in terms of coordination and cooperation, with the precise nature of the relationships to be established by means of an agreement with the Economic and Social Council (Article 63), a weak organ whose relationship with the General Assembly is somewhat ambiguous.

In practice, a broad web of relationships with intergovernmental institutions has been established through different modalities. One is through invitation by the General Assembly to such institutions to participate in its work as observers; another is through ad hoc agreements between the Secretariat—particularly the regional commissions—and intergovernmental institutions to carry out specific activities in a joint manner.

In summary, there is no impediment for the United Nations to establish links with other multilateral entities, either in the political realm or in the economic and social sphere. However, whether this leads, on its own, to a rational distribution of labour or to higher levels of coherence is questionable.

V

The third parameter refers to the introduction of a sense of hierarchy and coherence in the multilateral institutional framework. The question of coherence is addressed in Article 63 of the Charter, which provides that the Economic and Social Council “may coordinate the activities of the specialized agencies through consultation with and recommendations to such agencies”. This mandate, which is rather ambiguous and more indicative than normative, has not always been followed, even within the United Nations, much less within specialized agencies that have their own systems of governance, as is the case of the World Bank, the International Monetary Fund and the World Trade Organization (which takes pride in reminding us that it does not belong to the United Nations system). Within the United Nations, despite numerous rhetorical commitments to avoid overlap and duplication in the work of the different administrative units, and despite the establishment of several concrete mechanisms aimed at achieving that goal (the United Nations System Chief Executives Board for Coordination, the Senior Management Group, and the United Nations Development Group, for example), one is left with the impression that each of these units has its own agenda and work programme. The same can be said of the relationship between the World Bank and the United Nations: despite some specific instances of collaboration (a recent example is the Bank’s *World Development Report* of this year, which deals with conflict, security and development), in general each institution works under its own rules and guidelines. The one major exception to this general affirmation can be found in the field, although only in some countries, where the concept of “One UN” seems to be taking hold.

In summary, the main point I want to underline is that those who dream of placing the United Nations at the pinnacle of a hierarchy of multilateral institutions—its universality and its impartiality being the source of its leadership—must realize that such a scenario is only that: a dream. As important as our Organization appears to us, the other multilateral institutions, with their own systems of governance and their own constituencies, generally do not acknowledge its leadership and sometimes even reject it.

VI

This leads me to the fourth and final parameter: the relationship between the United Nations and the informal multilateral arrangements created to address specific topics. The phenomenon that has generated the most discussion in recent years is the Group of 20, created in 1999 by the ministers of finance of the principal economies of the world—developed and developing—to deal with the Asian financial crisis of 1997–1998 and then reinvented to address the economic and financial crisis of 2008–2009. The Group, which serves as a mechanism for coordination and consultation to mitigate the effects of the crisis and restore the capacity for growth, will meet for the sixth time at the head-of-State level next November in France. Its exclusivity is both an asset and a liability: an asset because the Group’s small size facilitates decision-making, but also a liability because the exclusion of some 170 countries generates varying

degrees of resentment. Perhaps the biggest complaint levelled against the Group has to do with the selection of the countries that have been allowed to join this exclusive club and the restriction of its membership to 20. The fact that the members are self-designated rather than being selected on the basis of formal criteria is an additional irritant.

It was criticisms of this type that led to a debate in the General Assembly during its sixty-third session, a debate that is ongoing. Some countries are not even willing to recognize the Group's existence in resolutions of the General Assembly. Nevertheless, it must be admitted that the Group of 20 is much more representative than the Group of 7 or the Group of 8, and that its response to the crisis has been effective, first by avoiding a damaging currency war of the beggar-thy-neighbour type, which would unquestionably have made matters much worse, and second by adopting a package of measures designed to reverse the crisis and facilitate economic recovery.

It could even be argued that this forum could be the embryo of a long-held aspiration to create a body akin to the Security Council in the economic and social sphere, bringing together heads of State and Government of a limited number of countries, preferably through election rather than self-designation, which could offer guidance to a reformed United Nations system, including the United Nations per se, the World Bank, the International Monetary Fund and the World Trade Organization. A forum of this type, which would be more representative and legitimate than the current Group of 20, could indeed introduce into the multilateral system a greater level of coherence than it enjoys at present.

VII

In conclusion, the web of multilateral institutions is ample, diverse, and growing. It includes binational, subregional, regional, interregional and global organizations and specialized agencies. Some are Charter-based; others have emerged informally to address specific situations. Although the United Nations is the multilateral forum par excellence, given its universal character, the scope and diversity of its purposes and functions and the lofty values that inspire its Charter, the Organization does not necessarily preside over a coherent and holistic multilateral system, as some would wish. But this does not in any way diminish its relevance and potential to act in its own right and to offer support and legitimacy to decisions adopted in other multilateral settings. It is for this reason that this seminar is important. It offers a forum for addressing a broad agenda that will enable us first to explore how to adapt the United Nations to the new demands of the twenty-first century and second to clarify, at least at the global level, "who does what" among the main multilateral entities. If we wish to take an additional step, we should look again at the idea of creating a forum at the level of heads of State and Government that would supersede the Group of 20 and serve as a coordinating entity for the main global institutions.

AMBASSADOR JORGE VALERO*

A system in crisis

Capitalism is experiencing a crisis which demonstrates its harmful and perverse consequences in all areas of world society.

The economy is dominated by cyber-gamblers who have succeeded —as if by some magic art, and thanks to the docility of governments— in making their toxic assets grow to over US\$ 650 trillion, equivalent to 10 times the amount of total world GDP.

Politics, instead of serving the people's well-being, is being subordinated to casino economics.

The dreadful consequences of the current crisis of capitalism include growing poverty and inequality, the destruction of the natural environment, and the resulting deterioration in the quality of life for the planet's human inhabitants.

Governance or ungovernability?

The concept of "governance" appeared in political literature following the establishment in July 1973 of the Tripartite Commission, for the purpose of giving political and theoretical status to neoliberalism.

David Rockefeller, one of the Commission's leaders, said that the purpose was to replace the national self-determination which had existed for centuries with the sovereign rule of an elite of international technicians and financiers.

* Deputy Minister of Foreign Affairs and Permanent Representative of the Bolivarian Republic of Venezuela to the United Nations.

Since the 1980s, a wave of neoconservatism has sought to systematically dismantle the social State which had been achieved through hard-fought historical struggles and major sacrifices by European workers in the twentieth century. Draconian fiscal adjustment plans were imposed on the developing countries, increasing poverty, hunger and inequality.

Following the failure in the autumn of 2008 of Lehman Brothers and other financial empires in the United States, the world was struck by an economic and financial crisis hatched in the most obscure meanders of unbridled capitalism.

The proclamation of governance

It seems that the legitimacy of a government no longer derives from the consent of a country's population, but from the authority of international organizations which take upon themselves, *motu proprio*, to ensure the so-called "global governance". Legitimacy is judged from outside, and the scope for self-determination and the political independence of the State is disappearing.

Imperialists and neoliberals, in seeking to remove the legitimacy of sovereignty, the major political institution of the post-war period, deny the fundamental principles upon which the Charter of the United Nations was founded.

The Bretton Woods institutions, the banking magnates and the politicians who serve them impose the totalitarian rule of the market, not only on the developing countries, but also on the developed countries of Europe, as we are currently seeing.

Global governance of a humanist nature requires the existence of an inclusive, transparent and effective international system. True multilateralism must be based on sovereign equality for all States.

Worldwide "good governance" and the United Nations

The various main bodies of the United Nations need to be democratized. The General Assembly should be strengthened in the exercise of the authority given to it by the Charter of the United Nations. These issues have been discussed for almost 20 years, but nothing has yet been achieved.

The tendency of the Security Council to involve itself in matters which are outside its remit must be reversed. The strengthening of the United Nations will be possible when the purposes and principles of its Charter are fully respected and the resolutions of the General Assembly are complied with.

The Bolivarian Republic of Venezuela supports the expansion of the permanent and non-permanent membership of the Security Council, incorporating African, Latin American and Caribbean countries. It is vitally important that the Council should become balanced and representative, taking into account geographical, political and cultural realities in the developing world.

The veto, an obsolete and undemocratic mechanism which contradicts the principle of the sovereign equality of States, should be abolished.

Towards true multilateralism

Multilateralism means democratizing international relations, the participation and impact of peoples and of sovereign States in decision-making mechanisms relating to major international issues.

Capitalism has created a society which has no shortage of deceivers, those who argue that the community of nations determines the policies which guide the world community, whereas the truth is that multilateral bodies are manipulated by those who have a monopoly on political and economic power on the worldwide scale.

Systematic violations of the Charter of the United Nations are a threat to world peace and security. Imperial powers apply double standards and manipulate Security Council resolutions, as is currently occurring in cases such as Afghanistan, the Islamic Republic of Iran and the Libyan Arab Jamahiriya.

Cynically claiming that they are protecting civilians, they continue to bomb and murder hundreds of Libyan civilians. I take this opportunity to demand once again, in the name of the Bolivarian Government of Hugo Chávez, the end of NATO bombing in the Libyan Arab Jamahiriya, respect for the unity and territorial integrity of our brother country of the South, and an immediate ceasefire. These are *sine qua non* conditions for a peaceful end to the Libyan conflict.

Guided by the spirit of a new, revived multilateralism, we must find novel and innovative solutions to the challenges currently facing humanity. Inequality and poverty, the threat of weapons of mass destruction, climate change and the destruction of the natural environment are all pending issues.

These challenges can be dealt with efficiently only if we tackle both their structural and their short-term causes: the existence of a worldwide, consumption-oriented, selfish and predatory system, based on commercialization of humanity and of the natural environment. A radical change is therefore needed in the global balance of power, currently characterized by the exercise of violence, exploitation and domination.

Recent history shows that unilateral actions carried out on the margins of international law do not solve conflicts, but worsen them. One troubling example is Iraq, which has suffered an illegal invasion leading to over a million deaths.

A decadent system

When people are driven by the desire to accumulate wealth and are totally unscrupulous, they soon veer close to criminality and it is a miracle if they avoid it. In our time, such a “miracle” has occurred. The consequences of disastrous neoliberal policies are obvious:

- Every year, 11 million children die because of poverty; 17,000 are dying every day (Secretary-General of the United Nations).
- 1.02 billion people lack access to basic food requirements (UNDP).
- 2.8 billion people live in poverty, with less than US\$ 2 a day (World Bank).
- Just 1% of the world's population owns over 40% of its wealth, and the top 10% controls 85% (World Institute for Development Economics Research (WIDER)).
- Following the economic crisis of 2008, worldwide youth unemployment rose to 13%; over 81 million young people were jobless.

Time for solidarity

Will humanity be able to overcome those destructive tendencies and create a society which will be more democratic, equitable, pluralistic and compatible with the preservation of life and nature? We think it will. It is possible to construct a world on a human scale.

To enable humanity to enjoy its fundamental rights and achieve its emancipation, we must break open the cramped stalls of market fundamentalism and open up the generous meadows of solidarity.

Today, fortunately, we are seeing a rebirth of solidarity. Never had criticism of market tyranny and the excesses of capitalism been as loud and abundant as it is today. The crisis even broke out in the very heart of the imperial power, the United States.

The peoples of the world demand more and better democracy at the local and global levels. They are dreaming of a future society based on collective solidarity, reflecting the ideals, principles and fundamental human values which have inspired great deeds in the history of humanity.

Let us defend the cause of human rights and the social victories achieved during the last century.

Let us fight to construct democratic societies with social justice and inclusiveness.

Let us stamp out poverty and overcome inequalities.

The name that the Venezuelan people give to this beautiful humanist alternative is Bolivarian socialism. Fraternal countries may call it what they will. On our continent, as the Economic Commission for Latin America and the Caribbean (ECLAC) has stated, it is time for equality.

History is full of curiosities. While Europe marches towards the destruction of the Welfare State and the social progress achieved in the past, it seems that in Latin America and the Caribbean we are taking a different course.

Paradoxically, European countries are applying the most orthodox neoliberal ideas and severe adjustment policies, resulting in major calamities and social injustice. On our continent, however, ECLAC has noted that neoliberal policies are increasingly being abandoned, and equality is once again seen as an intrinsic value in the development we are seeking.

It is auspicious that our continent is seeing the appearance of a new form of multilateralism, with important manifestations in the Bolivarian Alliance for the Peoples of Our America —Peoples' Trade Agreement (ALBA-TCP) and the Union of South American Nations (UNASUR). The next objective will be the establishment of the Community of Latin American and Caribbean States in the Bolivarian Republic of Venezuela, in the framework of the bicentennial of our independence.

JOMO KWAME SUNDARAM*

What we have experienced in recent years has been a major global financial and economic crisis that has exposed many flawed elements and problems in the system. But we do not seem to have been able to learn quickly from the crisis in order to reform the system and bring about the needed, internationally coordinated initiatives to address the roots of this crisis.

What we have seen, instead, has been an elevation of the Group of 20, created to bring together finance ministers after the 1997/98 Asian crisis and in existence for almost a decade before the present crisis. The Group's membership was selected by the United States Treasury Secretary at the time, Larry Summers, with the Finance Minister of Canada, Paul Martin, serving as the first chair. The Group of 20 met at the leaders' level for the first time in November 2008 and undoubtedly played a very important role in addressing the crisis—particularly in limiting protectionist responses and coordinating fiscal and monetary stimuli—but there has been little significant progress since 2009.

We should contrast this with the situation in 1944. The President of the General Assembly has reminded us of the significance of the establishment of the United Nations in 1945. Even before that, however, United States President Franklin D. Roosevelt sensed the need to recognize the failure of the League of Nations in ensuring a sustainable peace after the First World War and the need to establish an international monetary and financial system to avoid a repetition of the great stock market crash of 1929 and the depression that followed through the 1930s, leading to the outbreak of the Second World War.

He therefore insisted on the organization of the United Nations Monetary and Financial Conference, held at Bretton Woods, New Hampshire, in the United States, in mid-1944—before the end of the war—even though at this time British Prime Minister Winston Churchill opposed it, favouring instead a bilateral arrangement between the United States of America and the United Kingdom of Great Britain and Northern Ireland to address the problems of the international monetary and financial system. Forty-four countries participated in the Bretton Woods meeting, which lasted almost a month; of the 44, 28 were developing countries, including 17 Latin American countries. The creation of the International Monetary Fund (IMF), the World Bank and the intended International Trade Organization (ITO) was thus

* Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs of the United Nations Secretariat.

conceived as part of the post-war, inclusive, multilateral United Nations system from the very outset. Thus, the Bretton Woods project was not just to create the conditions for international monetary and financial stability but also to establish the conditions for sustaining growth, job creation, post-war reconstruction and post-colonial development, as reflected by the official name of the World Bank.

Turning to the more recent period, the last three decades or so have been characterized by what we now commonly term “globalization”, often associated with economic liberalization. Globalization is often associated with trade integration but, in fact, financial integration has been far more significant. Over this period of global financial integration, there has been a significant transfer of financial resources from developing countries to developed countries. Nobel laureate Robert Lucas’s paradox refers to this apparent flow of capital “uphill”, which runs contrary to the orthodox economic theory’s prediction of capital flowing from capital-rich to capital-poor economies. About half of these flows have gone to the United States, with developing countries receiving less than a quarter of these capital inflows during the period.

Also, despite (or perhaps because of) such greater financial integration, actual real investments have not increased proportionately—in fact, they have declined slightly during this period— notwithstanding much greater cross-border financial flows. Thus, contrary to the claim that more financial globalization would help developing countries in various ways, capital flows were not from the capital-rich to the capital-poor, but in the opposite direction. In addition, the cost of funds did not decline and, although some sources of volatility and instability might have been diminished, new sources have been introduced, to the detriment of international macroeconomic stability.

After almost a decade of relative decline, following the Asian, Russian and Turkish crises, IMF responses have become important once again, mainly because of the significant infusion of funds into the organization subsequent to the April 2009 London summit of the Group of 20. Also, a degree of analytical economic policy reconsideration—often attributed to the leadership of Dominique Strauss-Kahn and Olivier Blanchard—has led to some important shifts in policy thinking at the Fund in recent years.

There are a number of reform priorities that need to be addressed, such as the problems of the de facto reserve currency system in place, which have been conducive to the global imbalances that have characterized the system in the post-war period. For the past four decades, we have been living with what the late Professor Robert Triffin referred to as a “non-system”. Moreover, the considerable deregulation and liberalization during the recent period require significant but appropriate new regulation as well as other, more creative institutional responses. There is also now a much greater recognition of the urgent need for capital controls or—to use the terminology favoured by IMF now—capital flow management measures. Unfortunately, key policymakers continue to be haunted by the fear of being associated with capital controls although over 140 countries now have such measures in place.

There are, of course, new issues which were not part of the original Bretton Woods arrangements that also need to be addressed. For example, it is important that we conceive systems of international finance that are much more developmental than has been the case so far. In addition, a strong commitment to financial inclusion at the national and international levels needs to be incorporated into the design of financial systems at both levels. There is also, as we know from the Monterrey financing for development conference held in 2002, a strong need for far greater policy coherence, which unfortunately is very lacking.

An important initiative of the President of the sixty-third session of the General Assembly, Father Miguel d’Escoto of Nicaragua, was the establishment of a commission chaired by Professor Stiglitz of Columbia University. That commission recommended a number of major policy reforms as well as new

institutions, including a global economic coordination council, an international debt restructuring tribunal, an international debt commission, an intergovernmental commission on tax cooperation and new international reserve currency arrangements.

Unfortunately, these recommendations —because they came at the end of his presidency— have not been seriously discussed at the General Assembly, although it is very important that they be seriously considered. Colleagues at IMF have informed me that more than 95 per cent of the recommendations of the Stiglitz commission had been endorsed by staff who had studied the document. But these recommendations will not go anywhere unless the political processes ensure that the necessary mechanisms to address them are established.

At the June 2009 United Nations crisis conference convened by the President of the sixty-third session of the General Assembly, a number of issues came up besides those emerging from the Stiglitz commission report and the Secretary-General's report, most of which have not received the attention and follow-up they deserve. There has been little discussion about establishing a global economic council despite widespread recognition of the need for one. Meanwhile, no additional resources have been made available for United Nations efforts to provide and strengthen its modest macroeconomic advisory capacity for governments seeking a "second opinion" to Washington's. There has also been little done to implement the Secretary-General's proposed Global Green New Deal to accelerate economic and employment recovery while promoting sustainable development. The Global Green New Deal was conceived to stimulate growth and jobs while enhancing economic development, climate change mitigation and adaptation as well as food security.

Work has been ongoing for some time on debt sustainability, but it needs to be strengthened. Aside from the initiatives of countries such as Argentina, there has not been enough support for these efforts. Part of the reason for that is the fear that support for debt restructuring is likely to be perceived by powerful market influences as motivated by those likely to most need such debt workouts. The urgent need for progress on this issue is, ironically, now more broadly appreciated because of the recent sovereign debt crises in Europe and in other rich and middle-income countries.

Related to this is the need for far greater international tax cooperation, which would enhance governments' fiscal capacities significantly.

We have already recognized how important the Group of 20 initiatives in 2009 were. The April 2009 London summit was a major turning point in a number of ways. The Group's early initiatives were largely development-friendly, and there is little about which developing countries have complained. However, many reforms have been inadequate and remain largely unfinished. So, the criticism is mainly one of omission than of commission, which is a significant advance over the previous status quo.

Among the three issues which need to be addressed is the recent (from 2010) turn to fiscal austerity, which has reversed and undermined economic recovery efforts. Contrary to the claims made by those who advocated this shift to fiscal austerity, recent market turmoil suggests that markets are hardly reassured by the prospect of protracted stagnation. This reversal essentially condemns the world economy to growth well below potential in the months —if not years— to come.

In addition, a re-emergence of global imbalances may occur as a result of the deindustrialization of some developed economies, although the depreciation of their currencies has made their exports much more competitive than they have been for some time. Yet, despite the significant exchange rate shifts and lesser global imbalances of recent years, exchange rate issues continue to dominate the Group of 20 and

other forums. (Even *The Economist* magazine recently suggested that exchange rate misalignments are greatly exaggerated).

While the French presidency has raised many issues for discussion in 2011, including systemic issues, little actual reform or other progress is expected, partly because those issues have not been sufficiently addressed. Of course, they are not easy issues to deal with, but they clearly need to be addressed.

Furthermore, the Group of 20 successes have been double-edged to some extent. For example, the Basel III accord raised capital requirements, but raising capital requirements is not conducive to investment in the real sector and, hence, to development. Thus far, the widespread perception is that the Group of 20 has not come to grips with the challenge of the “shadow banking” system, which is generally perceived to be at the root of the recent financial crisis. Ensuring mutual surveillance through the Group’s mutual assessment process—which is, after all, essentially an ad hoc mechanism as opposed to the one of IMF—is another important challenge.

The President of the General Assembly has reminded us of the marginalization of the United Nations by the Group of 20. As he noted, in September 2009, on the second day of the general debate, the Group of 20 leaders left New York to meet in Pittsburgh! Thus, the advent and success of the Group of 20 meetings at the leaders’ level as from November 2008 pose a real challenge for inclusive multilateralism—which is what the United Nations system, including the Bretton Woods institutions, basically represents.

We can already see strong frustration and resistance. For example, in the Bretton Woods institutions, where Europe is overrepresented, three or four of the smaller European countries have been complaining bitterly about how irrelevant the International Monetary and Financial Committee (IMFC) and Development Committee meetings have become inasmuch as most key decisions are made by the Group of 20 on the day preceding the IMFC meeting (and are sometimes wrapped up at breakfast just before the meeting).

This frustration, expressed by the smaller European countries, is actually felt by the vast majority of developing countries, who are not even at the table during board of governors meetings. This is a major challenge to which the United Nations system as a whole, including the Bretton Woods institutions, needs to respond.

Developing countries, especially those aspiring to become emerging market economies, feel constrained in addressing the issue of capital account management. It is something considered and discussed away from the glare of media attention for fear of being considered deviant and not protective of property rights and free markets. The fact of the matter is that over 140 of the 185 members of IMF have capital controls of one sort or another, including the United States.

The question of capital controls should not be kept hidden in the shadows of international macro-financial management. Indeed, article 6, section 3, of the IMF Articles of Agreement guarantees the sovereign right to manage the capital account. In Asia, there is some curiosity about why Latin American and African countries, including some of the biggest developing countries, have not done more to exercise this right to capital account management in the face of the appreciation of their currencies and their consequent loss of competitiveness. Some observers argue that this right has been undermined by the Financial Services Agreement of the World Trade Organization’s General Agreement on Trade in Services, suggesting a lack of coherence among international institutions and regulations.

Two of the nine Group of 20 development initiatives should be of special interest to developing countries. First, although official Japanese estimates of annual infrastructure financing needs in Asia exceed US\$ 700 billion, the actual funding provided by the Asian Development Bank is somewhat less than 5 per cent of this amount, as the Bank relies mainly on official financing. The corresponding financing needs for Latin America and Africa are similarly unmet. However, a number of initiatives in infrastructure financing in Europe and Latin America can contribute to the debate. In addition to the European Investment Bank, the Andean Development Corporation (now the Development Bank of Latin America) has been able to mobilize private capital for infrastructure financing in very important ways.

In Pittsburgh, the Group of 20 leaders committed to strong, sustained and balanced growth. This essentially provides the basis for making a very strong case for consistently countercyclical policies, institutions, instruments and mechanisms, including financial and social safety nets. Stiglitz, Ocampo, Spiegel and Nayyar have all argued for a consistent and even-handed commitment to macroeconomic stability, that is, a move away from the typical focus on fighting inflation.

The French presidency during 2011 has raised a number of issues in useful and important ways, although the Group of 20 is unlikely to advance the reform agenda on these difficult matters. In raising international monetary system reform, the question of more frequent special drawing right (SDR) emissions has come up—to serve as an alternative reserve currency, to increase liquidity and to finance development and climate change-related efforts, among other possible objectives. It has also raised the issues of commodity price volatility, food and energy security, and innovative financing, including cross-border currency transactions as well as financial transactions taxes. With the Mexican presidency in 2012, Latin America should enjoy greater influence and be in a position to express its concerns.

How will the United Nations respond to these developments and rise to the challenge of strengthening inclusive multilateralism in these new times? The idea of an economic security council at the United Nations has been raised again. Ambassador Rosenthal and Professor Ocampo have long contributed to the discussion on reform of the Economic and Social Council, although one must note the growing scepticism that such reform would bring about the needed boost.

The General Committee of the General Assembly could meet annually at the leaders' level, perhaps for a full day, before the general debate of the General Committee begins each September. This would help to achieve the kind of representativeness referred to earlier, again without requiring any change to the Charter. Moreover, the idea of convening the General Committee can be implemented without changing the Charter—not unlike the idea of establishing the proposed 27-member global leaders' forum (L27).

The membership of the Economic and Social Council currently includes 54 member States, with two from each constituency. The basic idea of the L27 global leaders' forum would be to have one government leader from each constituency. At least 17 or 18 of the current Group of 20 members would probably be in the forum, so the likelihood of large countries not being there is not a real problem. At the same time, such a forum would enable other countries to participate through their respective constituencies, which would elect them and to which they would be held accountable, as in the Bretton Woods institutions.

Lastly, there is currently a great deal of discussion about what may come out of the United Nations Conference on Sustainable Development (Rio+20) processes. The Rio+20 processes have raised two issues. First is the notion of a green economy, which continues to remain controversial, especially outside Europe. The second is the question of governance of sustainable development. While

some European States favour establishing a world environment organization, there is probably greater support for a sustainable development council. One obvious question arising here is the likely relationship between a sustainable development council and the Economic and Social Council. These are all real possibilities. A sustainable development council could ensure that economic development, social progress and environmental sustainability would be considered and addressed together. This is something which, of course, is familiar to many in Latin America and which the process leading up to Rio+20 in mid-2012 offers.

SECOND PANEL

THE ROLE OF THE UNITED NATIONS, THE BRETTON WOODS INSTITUTIONS AND THE GROUP OF 20 IN GLOBAL ECONOMIC GOVERNANCE

- Ambassador Lourdes Aranda, Undersecretary of Foreign Affairs of Mexico
- Cyrille Pierre, Deputy Director, Global Economy and Development Strategies Directorate of the Ministry of Foreign and European Affairs of France
- Guilherme de Aguiar Patriota, Special Adviser, Foreign Policy Unit, Office of the President of Brazil
- Ambassador Luis Manuel Piantini, Permanent Representative of the Dominican Republic to the World Trade Organization
- Elliott Harris, Special Representative of the International Monetary Fund to the United Nations
- José Antonio Ocampo, Director of Economic and Political Development, School of International and Public Affairs, Columbia University (New York)

AMBASSADOR LOURDES ARANDA *

Good afternoon. I am honoured to be here with you today to exchange our views on issues of the highest importance for global governance.

First of all, I would like to thank the Ministry of Foreign Affairs of Chile and the Economic Commission for Latin America and the Caribbean (ECLAC) for the invitation to participate in this important forum.

The subject of today's meeting is extremely important for the international community. The Group of 20 (G20) has been established as an innovative response to some of the most pressing challenges related to global financial governance. It is an informal, flexible and constantly evolving forum.

My presentation today will focus on a number of perspectives and viewpoints regarding:

- The role of the G20 in global governance, its achievements and the main challenges it faces.
- The links between the G20 and other actors, particularly the United Nations and the Bretton Woods institutions.
- Mexico's Presidency of the G20 in 2012.

Summit meetings of the Group of 20

As you know, the first summit meeting of the G20 took place in November 2008 in Washington, D.C., in response to the most serious economic and financial crisis since 1929.

The crisis had an unusual characteristic: its negative impact was felt immediately and profoundly in almost all the countries of the world, particularly among the members of the Group. To mention a few figures, IMF statistics show that the financial crisis produced a 2.2% contraction in world GDP, and the number of unemployed people worldwide rose by 34 million over its 2007 level to a record level of 212 million (IMF, World Economic Outlook Database 2011).

* Undersecretary of Foreign Affairs of Mexico.

Given the magnitude of the crisis, since the first G20 Summit in (November 2008) the Heads of State and Government were able to easily identify the macroeconomic policy measures that needed to be implemented co-ordinately as well as the reforms to be undertaken in order to deal with the crisis and contain spill over effects.

One of the most notable actions taken by the G20 has been the implementation of a strong package of fiscal and monetary stimulus, which prevented the economic and financial emergency from becoming a deeper and more prolonged recession, averting the collapse in worldwide demand and the loss of millions of jobs.

This unprecedented level of macroeconomic cooperation reflected, on the one hand, the urgent need for the emerging economies to participate in the construction of global solutions to complex international economic problems. On the other hand, it made evident the need for flexible and innovative forms of cooperation to tackle problems requiring a collective response.

One of the advantages of the Group of 20 Summit is its notable capacity for fostering agreements. As this forum provides for direct dialogue among the Heads of State and Government of the principal developed and developing economies, it favours consensus in the benefit of global economic stability.

A vitally important contribution of the Group of 20 is its Framework for Strong, Sustainable and Balanced Growth and its Mutual Assessment Process. This Framework involves long-term cooperation between the advanced and emerging economies for policy coordination in order to:

- Prevent and rectify the global imbalances which led to the crisis;
- Promote sustainable and balanced growth;
- Accelerate job creation; and
- Reduce risks for global economic stability.

A major advantage of the Framework is that it allows emerging and developed economies to set objectives and monitor the implementation of agreements in areas which could scarcely be approached even a few years ago, such as exchange-rate flexibility and trade imbalances. This may seem quite natural today, but it is a very recent development aimed at reducing the imbalances which helped to trigger the crisis.

The Group of 20 has also brokered important agreements in the area of banking reform, with specific timetables for implementation. The Financial Stability Board (FSB) was created in response to the need for a body that could monitor capitalization and liquidity standards and risk levels in the world's main financial centres in order to avert new banking-sector crises.

A vital role has also been played by the Group in reforming the World Bank and the International Monetary Fund (IMF) so that these institutions better reflect the ongoing changes in the world economy; have sufficient resources to assist countries experiencing economic difficulties; and improve their administrative structures. These reforms have been highly significant for the emerging economies, as their representation and accessibility of resources have been improved.

The G20 has, in addition, helped to strengthen global financial safety nets in order to protect the emerging economies from sudden capital outflows. This was one of the major achievements of the latest Summit, held in Seoul.

The participation of the Group of 20 in global governance has raised a number of questions as to what its role will be once the crisis has begun to abate and about its relationship with other organizations. The ability of the Group to foster agreements will be vitally important for promoting an improved framework for international economic cooperation, with explicit rules, that can be in the interest of all actors in the international community.

Relationship of the Group of 20 with the United Nations, international financial institutions and other actors

Given the broad impact of G20 decisions on other countries and actors, at the last G20 Summit Leaders decided to undertake consultation activities in a more meaningful and systematic way, on the basis of the relationships between the Group and international financial institutions (IFIs), the United Nations, regional organizations, civil society and the academia.

There is a widespread misconception regarding the nature of the Group of 20, its functions, the comparative advantages between it and the United Nations and the strategic relationship between the two institutions.

As I suggested previously, the fact that the G20 meets at the Leaders level gives the group strong political capital, fostering agreements and facilitating collective action. For example, during the financial crisis, the Secretary-General of the United Nations called on the Group to put together a US\$ 1 trillion stimulus package to prevent instability in the smaller economies (Bruce Jones, Stanley Foundation; 2010). The Group responded positively and promoted the adoption of appropriate measures.

The collaboration of the Group of 20 with the United Nations has also been important in setting out a clearer picture of the social cost of the financial crisis, as well as in establishing monitoring mechanisms. In the area of development, the synergy between the two institutions will be essential for the advancement of the Seoul Development Action Plan aimed at fulfilling the MDGs.

This is why it is important for the Group of 20 to open spaces for effective consultation and communication with the United Nations. For the Group's "Sherpas" process, the General Assembly of the United Nations has been an important forum for holding consultations and listening to the viewpoints of Member States which are not part of the Group. The aim is to create connections and synergies between the different organizations, rather than overlapping agendas.

Similarly, the G20 process has developed on the basis of a close collaboration with IFIs. These organizations have provided the Group with the operational and human-resources to identify the condition of the world economy, its risks, and the actions to be taken co-ordinately in various countries to achieve stability.

This is particularly true of IMF in the development of the Framework for Strong, Sustainable and Balanced Growth, the main macroeconomic cooperation instrument of the Group of 20.

Challenges facing the Group of 20

Risks to the world economy

Given the new risks now facing the world economy, the leadership of the G20, in collaboration with the Bretton Woods institutions and the United Nations, will be crucially important to deal with those risks effectively.

The developments related to the sustainability of sovereign debt in Europe and the United States throughout 2011 have caused considerable nervousness in the markets, given the potential contagion effect leading to another global crisis. Actions undertaken by financial authorities in some of the most prominent advanced economies proved limited to dispel fears of a new debt crisis, causing a sharp fall in the main stock markets. Several analyses suggest that the world economy faces a new crisis of confidence in which the countries' financial authorities have lost credibility.

There has also been mounting pressure from overheating in a number of emerging and developing economies, together with rising inflation and credit growth. As for the financial sector, despite the advances of the Financial Stability Board, the sector's recovery has been very slow, and a major effort is needed to ensure that the new standards are fully applied in different areas of jurisdiction.

Clearly, the complex economic and financial situation demands firm decisions and actions from the G20. Commitment and *esprit de corps* must be kept. Given its role in worldwide economic stability, the Group bears great responsibility to the international community. In this work, coordination and joint efforts with multilateral institutions will be vitally important.

Mexico 2012

In 2012, Mexico will chair the Group of 20 Summit, the seventh meeting to be held in less than four years. I believe that this will be a good opportunity to assess what this group of countries has achieved and to decide its course for the future.

We are currently examining the specific areas in which the Mexican chairmanship of the Group will be able to offer value added which will be of interest to emerging and developed countries. Some subject areas which have been considered for Mexico's chairmanship are commodity price volatility and food security, the green agenda and challenges for economic growth.

The efforts of the G20 need to be channelled towards fulfilling the commitments which brought it into being at the Leaders level. Priority should be given to specific follow-up in economic and financial areas such as:

- The Framework for Strong, Sustainable and Balanced Growth;
- Financial supervision and regulation;
- Reform of the international monetary system; and
- Reform of international financial institutions.

Mexico also aims to continue moving forward with the Group of 20 Action Plan on Development.

We are somewhat concerned by the growth of the Group of 20 agenda; this will increase the difficulty of follow-up and, above all, of compliance with existing agreements. Our goal is to conduct a

careful analysis of all the agreements adopted and identify areas where there has been little progress, in order to establish clear targets and specific timetables.

Mexico will continue the extended dialogue and deepen it, both with non-member countries of the Group and with a variety of sectors of society, such as non-governmental organizations, research centres and businesses.

We are also studying a new format that could improve discussions among Leaders; a frank dialogue without preconceived ideas. We believe that this can contribute to a better understanding and further progress on the economic and financial agenda, while giving the Leaders a broader margin to assess trends and issues of global relevance.

In sum, our main goal will be work towards strengthening the Group of 20 in order to:

- Effectively deal with the challenges on the agenda;
- Conduct an updated review of agreements previously entered into;
- Accelerate worldwide economic recovery and thereby contribute to employment and to the well-being of people throughout the world;
- Contribute value added to the worldwide process of governance through specific goals, and strengthen synergies with other organizations in subject areas which warrant it.

CYRILLE PIERRE*

Madam Executive Secretary, distinguished Ambassadors, ladies and gentlemen,

The questions I have been asked are quite daunting, and it will not be easy to answer them in just a few minutes. I see my statement in this forum as part of my Government's long-term efforts to ensure that the United Nations is not only informed of, but also associated with the activities of the Group of 20. This is a very important dimension for us; as you know, France feels very strongly about multilateralism and the United Nations, and we particularly appreciate the work of the Economic Commission for Latin America and the Caribbean, especially as a testing ground for ideas. I will therefore attempt to answer your questions, bearing in mind that this meeting is taking place a few weeks before three major events: the beginning of the sixty-sixth session of the General Assembly of the United Nations, the Annual Meetings of the World Bank Group and the International Monetary Fund, and the Group of 20 Summit which will be held in Cannes on 3-4 November this year.

In response to the questions prepared for this panel, I will discuss four issues. First, the importance of relations between the United Nations and the Group of 20, and more generally the issue of global governance. Second, the meaning of global governance. Third, possible measures to strengthen relations between the United Nations and the Group of 20. Lastly, the potential contribution of the Group to improving global governance.

How important is the question of global governance?

There have been 42 financial and monetary crises since the 1970s. The Asian crisis was one such, of course, and the most recent, which broke out in 2008, has demonstrated the significance and seriousness of their consequences. It should be borne in mind that other kinds of crises underlie these financial ones: for example, the food and energy crises of 2007-2008. Beyond that lies a more general problem, that of worldwide economic imbalances in areas such as the balance of payments and foreign-exchange reserves, lack of equilibrium between savings and consumption in some countries, problems of indebtedness, and also another issue which is vitally important, that of volatility in the value of assets,

* Deputy Director, Global Economy and Development Strategies Directorate of the Ministry of Foreign and European Affairs of France.

often disconnected from the economic fundamentals, volatility which ultimately creates a situation of worldwide economic and social insecurity. What conclusions are we to draw from these elements, these multiplying financial crises, imbalances, and growing volatility? I believe they hold two main lessons for us. As many others have mentioned this morning, the first of these lessons is interdependence. Economic interdependence has never been as great as it is today, so that no country or sector will be spared the shock waves from an economic disturbance in one country. No country can now see itself as an island protected from worldwide economic phenomena. The strange thing is that, just as our world is becoming more and more interdependent, we are living with economic governance founded upon intangible national sovereignty, a system where equal States jealously protect their sovereignty and independence. The major problem is therefore how, in a world characterized by the sovereignty of States, we can deal with interdependence. This interdependence is not only economic and financial; it is also a matter of global issues including the scarcity of resources, environmental problems, climate change, the crisis of biodiversity, and health-related emergencies. We should also be aware that this interdependence now has another dimension: the interdependence of political systems with the desire for freedom and political participation which is at work in the Arab world, boosted by the fluidity of information flows.

The second lesson to be learnt is the fact that we are faced with serious structural imbalances, which are not becoming any smaller. Some are central to the activities of the Group of 20: balance-of-payments disequilibria between States. To mention a well-known statistic, surpluses and deficits on current trade balances have doubled in the past 10 years and now total US\$ 2.5 trillion. As for imbalances linked to the accumulation of foreign-exchange reserves, the countries which are accumulating such reserves have seen them rise from 4% of GDP to 20% in a few years. These are macroeconomic imbalances. But there are imbalances in other areas too, such as food supply and demand, which are affected by demographic changes, evolving consumption patterns, new balances between food and energy needs and the impact of climate change; at the same time, we have to provide food for a world population which will soon reach 9 billion and agricultural output will need to be 70% higher by 2050. There are also social imbalances, with the issue of the redistribution of the benefits of growth, worsening inequality between and within countries, and these social problems have very real consequences which must be addressed.

Given this interdependence and these imbalances, three questions must be answered in relation to global governance:

- How can international cooperation be strengthened in the interest of strong expansion to create quality jobs and balanced growth which will be sustainable in all respects, economically, socially and ecologically?
- Second, given the rapid transmission of shocks, how can the capacity to anticipate and react swiftly to crises be strengthened? Timing is vitally important: we need to anticipate crises, but also react to them very rapidly.
- Third, a question concerning global governance, how should we adapt our “Westphalian” institutions, as another speaker put it this morning? Our international institutions date back to the end of the second world war, and we must adapt them to the new realities of the twenty-first century, to an interdependent world in which the balance of economic power can change very swiftly. This concerns the issue of countries’ representation and their “say” in international institutions, as well as the issue of adapting our financing model for development and the funding of international solidarity, but this subject will be discussed in another seminar held under the auspices of the Economic Commission for Latin America and the Caribbean, so I shall not explore it any further today.

Second, what is meant by global economic governance?

I think this subject should be examined in depth. It was stated this morning that global economic governance must not be confused with global economic government. Three aspects of global economic governance should be distinguished: the legislative, executive and administrative functions. The legislative function belongs to States, since it relates to the enactment of universally binding rules and standards. The executive function is the conduct of economic, budgetary and monetary policies; and the administrative function relates to the preparation of decisions and the expert capacity to provide decision makers with the necessary support for implementation.

It is clear who carries out these three functions at the national level, but things are done in different ways at the international level. There is no doubt that the legislative function belongs to the United Nations; legitimate international law comes under the United Nations and that is not in dispute. The administrative function is widely exercised by the secretariats of international organizations, which provide expert analysis, prepare reports and discussions and help with the implementation of decisions. The Group of 20, indeed, functions on the basis of the work of the United Nations and international organizations. It invents nothing. The difference lies in the executive function. So long as there is no "world government", an eventuality which seems both unlikely and undesirable, the executive function is the responsibility of States. This is where coordination of States' actions by groups such as the Group of 20 is so important; global governance is all the more effective when States are able to coordinate their actions, implement cooperative and concerted strategies and harmonize their political agendas. To do so is in the interest of all. I wish to emphasize, therefore, since it must not be misunderstood: the components of global governance include certain functions, such as the executive function I have just been describing, in which a body such as the Group of 20 can play a useful role.

To return to the role of the Group of 20, I think we need to avoid certain erroneous ideas. For example, the Group is not a global economic government, but an informal economic cooperation forum whose job is to manage interdependence. Nor is it just 20 countries, in fact. If you look at who is seated at the Group of 20 table, there are close to 35 actors present at the Summit. Nor is it just a meeting, with nothing happening beforehand or afterwards. As you know, it involves a whole preparatory process which also includes United Nations bodies and requires accountability, dialogue and transparency. The process is as inclusive as possible. Turning to another received idea, much reference has been made this morning to the legitimacy of the Group of 20. The issue of legitimacy, however, would arise mostly if the Group of 20 had a legislative role. It seems to me that, since the Group has no legislative function and hands down no universal rules, it is more a matter of representativeness than of legitimacy. Is the Group of 20 representative? Does its composition reflect our world's new realities, its new economic balance of power, its various continents? Does its composition promote effectiveness and rapid reaction? This is the important question, and with two thirds of the world's population and 85% of world GDP, I believe the Group of 20 fulfils that condition of representativeness. Another received idea: I heard it said this morning that the Group of 20 has overextended its agenda and is now competing with the United Nations. Allow me to emphasize a few points. Does the Group's agenda include issues and priorities which conflict with the objectives of the United Nations? Can this be argued reasonably? I believe not. Were the agenda of the Group of 20 completely different from that of the United Nations, with contradictory priorities, then questions might arise. The Group of 20 works for increased international cooperation on focused and transparent priorities, because the first duty of the chairmanship is to ensure a certain continuity in its decisions and in the face of worldwide public opinion. Its priorities include financial regulation; rebalancing of the economic growth model, which entails reducing global inequalities; the evolution of the international monetary system; and dealing with the excessive volatility of the prices of agricultural and other commodities. Since these priorities concern all of humanity, I do not believe the

Group of 20 can be said to have unreasonable or irrelevant priorities. In opinion polls taken in a large number of countries, when citizens are asked what their priorities are, these are the subjects which arise time and again: worldwide economic insecurity, volatility, growth and employment.

To sum up before turning to the subject of the United Nations: I believe that, as was mentioned earlier today, the Group of 20 has on the whole proven to be effective in dealing with emergencies, as in 2008-2009. Madam Executive Secretary, you have said that the greatest question is whether it is now able to deal with structural questions such as the underlying causes of economic and financial crises. This is a very important point, as is the matter of whether, at a time when growth is strong in some countries and much weaker in others, the Group of 20 will be able to keep the momentum it showed in 2008-2009 and retain that sense of collective interest which has been behind its success to date. These questions are of key importance for multilateralism.

The third major issue is how relations between the Group of 20 and the United Nations can be strengthened

This morning we heard questions on the legitimacy of the Group of 20 and on the danger that it might compete with the United Nations, and these are perfectly legitimate inquiries. Nonetheless, certain points need to be emphasized. First, all the member countries of the Group of 20 are, obviously, also Member States of the United Nations, so there is no reason why there should be any conflict between what is done within the Group of 20 and what is done at the United Nations. Also, between the worldwide organization with 193 Member States and the country level there are many intermediate groups which build consensus and help to strengthen political will and effectiveness in decision-making; the Group of 20 is one of those groups, but there are others, such as the Meetings of Heads of State and Government of Brazil, Russian Federation, India and China, and regional groups of States. I think it is healthy, in the interest of lively, effective and diverse multilateralism that between the worldwide organization and individual States there should be a variety of informal bodies to build consensus at the regional level on the basis of cultural, political and geographical affinity. This is perfectly healthy, and I believe it actually contributes to the effectiveness of global governance.

Second, it should be recalled that the Secretary-General of the United Nations is invited to the Group of 20 Summit, as the Assistant Secretary-General on Economic Development pointed out this morning. The United Nations is associated with the entire Group of 20 process. There is dialogue with the General Assembly and also with the regional economic commissions, which is what I am doing today. As for the French chairmanship of the Group, we have taken care to conduct an exercise in transparency, involvement and accountability, all of which are very important for the future.

On cooperation between the Group of 20 and the United Nations, I would like to give you a concrete example concerning the role of international organizations. Development is an important subject for the Group of 20; as you know, there are now almost 350 multilateral organizations which are eligible for official development assistance. One of the Group's concrete goals, together with United Nations bodies working in the area of development, is to improve coherence and promote genuine dialogue and joint efforts with organizations such as the Organization for Economic Cooperation and Development, the United Nations Conference on Trade and Development and the United Nations Development Programme. This is a practical contribution to improving global governance.

As for the involvement of countries which are not members of the Group of 20, as I mentioned earlier, it is not a matter of 20 countries with power and 173 with no voice. That would be disastrous, and it is not the case. A number of countries are traditionally invited to meetings of the Group of 20,

frequently representing wider groups or regional bodies. One such example is Singapore, for the Global Governance Group mentioned earlier, the African Union and the Gulf Cooperation Council. For Group of 20 seminars, invitations are extended on an ad-hoc basis to a number of countries which are not members of the Group but which have a particular role or view in relation to various subjects.

Madam Chairperson, I shall end with a few words concerning ways in which the Group of 20 could contribute pragmatically to improving global governance

The first point is that an appropriate way has to be found to combine the different forms of global governance we have discussed this morning. There are some organizations whose value added is founded upon legitimacy; for others, it is based on effectiveness. For others still, it is the quality of leadership. What is important is not to contrast these types of bodies but to enable them to work well together, each with its value added. Responsibility is the overall watchword which must take us beyond our differences. Faced with the serious crises we have witnessed, faced with volatility and scarcity of commodities, faced with economic difficulties, I believe that it is our pragmatic responsibility to overcome differences and ensure that those organizations work together.

The second point relates to the pragmatic approach to improving global governance. The watchword is coherence, which has already been mentioned several times in this forum, and I believe it to be vitally important. What is coherence? Consistency between standards, be they economic, social or environmental. It is problematic that we currently see insufficient coherence between the various normative approaches, between organizations such as the International Labour Organization, the World Trade Organization and the International Monetary Fund. Then there must be coherence among institutions, which have so far failed to communicate sufficiently with each other or to take sufficient account of each other's measures. Coherence is also needed in the timing of measures implemented; this is highly important for global governance to be credible.

A third way in which the Group of 20 can help to improve global governance is the concept of shared responsibilities. This requires defining a true principle of subsidiarity between what is done at the global and regional levels, but it also means a redistribution of roles in future worldwide public policies, and also in terms of the rights and responsibilities of various actors: we must no longer be content with the image of a planet divided between the countries of the Organization for Economic Cooperation and Development, with their specific duties and responsibilities, and the rest of the world. It is time to review our understanding of the financing of solidarity and global public goods.

Fourth point: the involvement of civil society and the general public is essential. States can no longer engage in secretive diplomacy in closed spaces, without the awareness of the public and without the involvement, in one way or another, of businesses, trade unions and citizens.

I shall paraphrase a great French thinker, Raymond Aron, who referred to the first world war, saying that "war is impossible and peace is improbable". In relation to today's discussions and the issue of global governance, I would say that a Big Bang is unlikely but keeping the status quo is impossible.

Thank you.

GUILHERME DE AGUIAR PATRIOTA*

I thank the Government of Chile and the Economic Commission for Latin America and the Caribbean for the invitation to participate in this seminar. I will give a personal reflection on Brazil's concerns surrounding this topic.

In addition to a technical analysis of the Group of 20, the United Nations agenda and the operations of the Bretton Woods institutions, we must take a look at the underlying causes of changes that are rapidly taking place in the contemporary world.

First, the political consensus that surrounded the creation of the United Nations is eroding. That consensus reflected the worldview of the victors of the Second World War. It has been stated in this meeting that the excessive sovereignty of the States is a problem for the United Nations because it hinders agreements on important current issues. It has been mentioned that we are living in a period of interdependence among States, which carries the implicit notion of equality among them. But, in my judgement, the international problem of the post-war world is not one of excessive sovereignty or of equality among States. Rather, the opposite is true. Asymmetries among countries, which are markedly manifested in the United Nations Security Council (though not exclusively there), which is composed of fifteen members, of whom five are permanent and have the right to veto any decision concerning the use of force in the world, and to impose financial, trade and economic sanctions.

The United Nations system was conceived on the premise that States have unequal power. There is no true interdependence. The nuclear powers have stronger rights than others. Why is that so? It is so in order to maintain a world order that protects their interests, be they geopolitical, security, access to minerals and energy, monetary dominance or market access for their companies and investors.

But the consensus for maintaining this unequal system is increasingly tenuous, with the United Nations perhaps becoming the victim of its own success. Thanks in part to the work of the Organization, the world has grown and become more stable and prosperous. The international community was able to support the difficult process of decolonization. More people can now aspire to material, cultural, political and educational progress.

* Special Adviser, Foreign Policy Unit, Office of the President of Brazil.

A Security Council that has a directorate made up of only five permanent members does not embody broad enough consensus to meet the challenges of the twenty-first century. There is a problem of legitimacy in the United Nations, one which the General Assembly is unable to resolve. With its 193 members, the Assembly is, by definition, a global forum, but we must not forget that when it comes to deciding on the use of force, the imposition of economic sanctions or the moral admonition of one of its members—on whatever grounds—only five have the final word. The General Assembly, in fact, cannot address issues that are on the Security Council's daily order of business. The global scope of the General Assembly and the sovereign equality among States within the United Nations are formal political constructs that hide the real asymmetries of voice and representation imposed, top-down, on the international system.

The notion of decay of the post-war political consensus leads me to the conclusion that the roots of the financial and economic crisis are not merely economic, but also political. The decisions needed to prevent the crisis from occurring could not be taken because of the partial and asymmetric nature of the Bretton Woods decision-making bodies (which have been distorted towards neoliberalism since the 1970s).

To find answer to the crisis, the countries involved must reach a socially-broad-based political agreement and identify those who will foot the bill for excesses committed: the States, investors, private banks, workers, the countries on the periphery?

The Western powers use the term "responsibility" to gauge the commitment of other less-powerful States to an international order based on values and principles defined in light of the interests of those very powers. The use of military force, intervention and sanctions are the preferred means of dealing with conflicts, including domestic ones. This is a world view that creates less stability, not more; it can create humanitarian catastrophes, not mitigate them; it alienates from the processes of peace and cooperation countries without offensive military capacity, whose diplomatic considerations and efforts are systematically dismissed.

These same Western powers seek to legitimize their international actions under the notion that they represent perfected democracies. But there are increasing signs that their political systems are running into difficulties. Significant impasses and polarizations exist over fundamental issues; witness the debt-ceiling negotiations in the United States Congress (an issue that is critical to overcoming the crisis in the United States).

Similar signs are visible elsewhere as European democracies seek to take the measures necessary to resolve the financial crisis. The policies adopted with regard to immigrants, minorities, and undocumented and displaced persons are becoming increasingly less humanitarian. The growth of political and economic conservatism in Europe represents a reversal for the welfare State.

Key governments of the concert of nations define their positions on the use of force by short-term domestic electoral and political considerations. This is not "responsible" conduct. One would expect that those who hold permanent seats on the Security Council would lead by more constructive and ethical example.

The anti-terrorism agenda increases tensions between the Western and Islamic worlds, spreading misunderstanding and intolerance around the globe. We need to change this distorted view, which also stems from the post-war system of governance by military powers. In this system the geopolitical interests of the major powers do not always converge with grassroots democratic processes. The outcry by

North African and Middle Eastern societies for better living standards and greater individual freedoms has set the societies of those countries in opposition to dictatorial governments that for many years maintained close-knit relationships with the Western powers.

Advocates of “responsibility to protect” support selective military interventionism on the premise that the sovereignty of States needs to be qualified in light of the greater objective of preventing humanitarian tragedies in domestic conflicts. They believe that Security Council resolution 1973 (2011) on the situation in Lybia is a practical expression of this concept, mentioned for the first time ever in two vague paragraphs of the 2005 World Summit Outcome. To date, there is no agreement among Member States of the United Nations on responsibility to protect, not even a common understanding on its meaning.

The inclusion of a reference to responsibility to protect in resolution 1973 was opportunistic and selective. Its application demonstrates in practical terms how easy it is for those that hold power to ignore the limits of a mandate on the use of force. The argument for humanitarian protection quickly became interpreted as grounds for military intervention aimed at changing a Government, and slipped out of the control of the Security Council. Under the responsibility to protect concept, attacks were orchestrated against the country’s infrastructure (military and civilian); its land and air forces were destroyed; and arms, munitions, training and massive military support were provided to one faction in a sovereign country in a state of civil war. The obvious abuse of the mandate contained in resolution 1973 creates uncertainties and insecurities about similar cases that could occur in the future.

It is impossible to dissociate the post-war order from the crisis of financial capitalism we have been experiencing since 2008. The political arrangement for peace and security also carries the function of implementing a specific economic vision. The Bretton Woods institutions are one component of this hierarchical system of power, articulated at the highest level by the United Nations Security Council.

When it came to controlling countries on the periphery, the Bretton Woods institutions did not hesitate to recommend programmes of structural change that were extremely harsh in their social effects, while demanding practically nothing of developed countries. With the blessing of those institutions and the connivance of risk-assessment agencies, a type of financial capitalism that was disconnected from the real economy was allowed to grow in the major economies, taking the shape of a bubble that multiplied speculative profits and reduced the value of wage labour. When the bubble burst, the world was called upon to pay the price for that “irrational exuberance”, as Alan Greenspan dubbed it, putting us all at great risk, with depreciating assets, an economic slowdown and unemployment.

What will happen now? The decisions that will have to be made in the United Nations, in the Bretton Woods institutions, in the Group of 20 and in the affected countries will basically define the winners and losers in the process of exiting the crisis.

This is a political issue. In the United States and Europe the welfare State buffer has shrunk. It appears that people will foot the bill, through transfers of private losses and debts to the public sector and through the impacts of recessionary policies that lead to unemployment and reduced benefits. Banks and investors will be protected against devaluation of their assets, remuneration, wages and bonuses.

Another temptation at the epicentre of the crisis will be to find ways to export the costs of adjustments to other countries, in particular those most vulnerable, those on the periphery of the world economy. I am speaking here of the developing countries which are relatively dependent upon the major economies.

One way to transfer the crisis is through what we in Brazil call the “exchange-rate war”. The major countries seek to kick-start their economies through competitive devaluation of their currencies, passing the burden of relative-price-competitiveness losses onto countries like Brazil, whose currency—the real—is appreciating disproportionately. What we fear in this scenario are the negative effects of fiscal expansionism in countries which are issuers of reserve currency, and those effects will only worsen if the United States goes ahead with a third round of quantitative easing.

Transnational corporations are another channel through which the crisis can be transferred. Local subsidiaries in developing countries could suffer significant pullbacks in production and investment as corporations turn their focus back to corporate headquarters and developed countries introduce economic stimulus policies (for example, the General Motors bailout in the United States, which heavily subsidized operations within the United States).

Demand has shrunk for goods and services that were previously produced or exported to United States or European markets. Countries that are more stable and shielded from the crisis thanks to prudent economic and financial policies, and which continue to grow on the periphery of the international system—like Brazil—are suddenly much more attractive. As a result, emerging economies have become the new targets of major exporters’ business strategies and face an avalanche of products that threaten their own productive capacities, which were built with great sacrifice through a difficult process of late industrialization.

A complex economic scenario such as this requires broad political coordination. At the start of the crisis the Group of 20 garnered an initial response that aimed to overcome the most serious and urgent problems. Legitimacy was afforded to corporate bailout programmes and stimulus packages—such as the Troubled Asset Relief Program (TARP)—in the United States. (When similar situations occurred in Latin American we did not receive the same foreign support to implement countercyclical policies of this sort).

It was agreed in the Group of 20 that, in responding to the crisis, countries would avoid turning to protectionist actions. The World Trade Organization received a mandate to monitor the situation and publish periodic reports. Generally speaking, no significant problems have been reported. Trade protectionism may not have seemed necessary given the exchange-rate differentials and demand patterns, which have favoured developed countries during the crisis. In Brazil’s case, trade advantages obtained after extensive negotiations on tariffs have been nullified by the competitive exchange-rate devaluations that have come on the heels of the 2008 crisis.

The systemic trade imbalances among countries remain unresolved in the Group of 20 and there is no visible move to address the issue. This darkens the prospects for a favourable outcome to the Doha Round.

There have been advances in financial regulation through the Basel III Accord and modifications in the Financial Stability Council that assure greater and more egalitarian participation by emerging countries.

In essence, responses to the crisis have been defined unilaterally by Governments, not by the Group of 20.

The succession of Managing Director of the International Monetary Fund has proceeded according to business as usual: the new Managing Director, however well qualified, was not appointed through a transparent and democratic selection process. We continue under the leadership of France, one

of the Governments most directly involved in the European crisis. We are concerned about the possibility of the Fund focusing on Europe's problem to the detriment of other countries' needs and interests.

As chair of the Group of 20, France introduced the issue of agricultural commodities to the agenda. On this topic, I wish to evoke Raúl Prebisch, because we are in an auditorium bearing his name, in the Economic Commission for Latin America and the Caribbean, the institution which made him so famous and world-renowned. We, the developing countries, spent years arguing that the problem of underdevelopment resided in the unfair terms of trade that hurt our exports of low-value-added raw materials. Now, when the international-market prices for our commodities are on the increase, price controls are suddenly brought to the fore. To us, the proposal seems inappropriate. If the goal were to reduce financial speculation as such in the commodities market, we could consider engaging in the debate, but we are not in agreement with imposing price controls.

Development cooperation was introduced in the Group of 20 agenda, but with little progress. The concern is that the Group of 7 countries are seeking to create contribution commitments for emerging countries and to bring South-South cooperation under the "aid effectiveness" framework of the Organization for Economic Cooperation and Development. Traditional (North-South) cooperation and South-South cooperation are completely different activities.

Some in the United Nations have hoped that significant consensus might be found within the Group of 20 on the issue of climate change, but the forum does not seem capable of addressing the matter in depth.

While other regions are opting for recessionary policies, advocating against workers and in favour of speculators, in South America we are taking a different direction: seeking productive, social and economic integration and the creation of a thriving common market. We are applying progressive policies that aim to build a welfare State, with cash transfer programmes for needy populations. This model for poverty reduction and sustainable development is fully compatible with a modern economy. We are broadening the consumer market in our region, thereby compensating for weaknesses in the traditional engines of growth, which face serious difficulties in regaining their pre-2008 momentum.

Our region is in a position to contribute to world peace, stability, security and development within a model that is both democratic and socially inclusive. This formula is expanding successfully in the Latin American and Caribbean region. We should be more active in communicating our vision and our experience in the Group of 20, in the United Nations and in the Security Council. The Economic Commission for Latin America and the Caribbean is the appropriate venue for furthering this, and its document, *Time for equality: closing gaps, opening trails*, the perfect vehicle.

AMBASSADOR LUIS MANUEL PIANTINI*

Distinguished Executive Secretary of ECLAC,
Ambassadors, panellists and guests

It is for me a great honour and a source of much satisfaction to be here in this beloved regional institution of which I have such fond memories and to which we Latin Americans are so indebted for the economic and social research it has pursued on behalf of the development of our peoples. The honour is all the greater in light of the importance that the eminent Argentine economist of world stature, Dr. Raul Prebisch, represents for the United Nations Conference on Trade and Development, an institution which I have served as chair for the past year and which dedicated its economics lecture series to his name.

The topic we are addressing in this seminar is very timely and enormously important for the fate of mankind.

One of the topics discussed at the Special high-level meeting of the Economic and Social Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development in New York this Spring was precisely the role of the Group of 20 in international governance. The topic was addressed again at the Public Symposium for civil society hosted by the United Nations Conference on Trade and Development (UNCTAD) in Geneva in June. Most of the participants at both events agreed that the Group of 20 should have a shape or a structure that would give greater legitimacy and worldwide acceptability to its decisions. Those decisions have not always produced results, perhaps because of these shortcomings, as was certainly the case with its repeated calls for a prompt conclusion to the Doha Round. Throughout the crisis the Group of 20 was a staunch opponent of trade protectionist measures, and yet a recent report by the World Trade Organization (WTO) cites a study by the International Monetary Fund (IMF), based on the Global Trade Alert, showing that of the 508 trade-distorting measures adopted, 66% were introduced by developed countries.

In statements published by Agence France-Presse on 25 July, the Minister of Agriculture of France, the country that currently chairs the Group of 20, speaking in an emergency meeting of the Food and Agriculture Organization of the United Nations in Rome, pointed to the failure of the international

* Permanent Representative of the Dominican Republic to the World Trade Organization.

community to ensure food security in the world and to avoid famine in the Horn of Africa, which could lead to the death of 12 million people. As to what ails the international community, I would give it a specific name - long-standing policies supported by the Group of 7 and which the Group of 20 should strive to eliminate, such as the agricultural subsidies of developed countries, tariff protection and technical barriers to agricultural exports from developing countries, the lack of productive capacity in their agricultural sector, the failure to transfer appropriate technology to these countries, and the granting of food aid in physical goods.

At the recent meeting of Group of 20 agriculture ministers in Paris, among the decisions announced for promoting food security and alleviating upward pressure on food prices, there was mention of the need to eliminate producer country restrictions on the exports of these products. That decision was supposed to be implemented by the Group of 20 through the existing mechanisms of WTO, and yet it was Egypt, with a group of net food importing countries, that recently presented a draft resolution in the committees on agriculture and on trade and development, securing the support of the informal group of developing countries that I chair in WTO, during its last meeting in July. On this topic I must mention the initiative brokered by President Leonel Fernández of the Dominican Republic to bring a draft resolution before the next session of the General Assembly of the United Nations, with the support of a group of heads of government, on the topic of averting speculative capital inflows into commodity markets.

The leadership of the Group of 20 has shown a want of resolve and courage in giving effect to its initiatives, and a lack of vision in taking coordinated decisions to avoid crises and in ensuring that it is effective not only in cases of major problems. This is evident in the lack of coordination in applying standardized regulations in the banking and financial sector and in the persistent current account imbalances of its member countries that were contributing factors in the recent crisis. It can also be seen in the failure to take a collective stand against speculative capital flows, which have had perverse effects on production, trade and permanent employment, inflating commodity markets and the prices of assets and currencies out of all proportion in developing economies and in some developed ones, and causing recent and profound regional crises with global repercussions. It is clear that despite the enormous and costly bailouts for the banks we are back to the days of big bonuses and salaries for their executives, a shameful fact that betrays the depths to which public morality in Western society has sunk in promoting financial globalization.

The Group of 20, called into being by the Group of 8 in response to the recent global economic and financial crisis, and we might say as a natural result of the process that began in 1999 with the meetings of finance ministers and central bank governors of the countries that make up that group, is now exercising greater policy influence over the economic and social behaviour of our countries. But although it is more broadly representative than the Group of 7, the Group of 20 is still exclusive and lacks collective legitimacy, when we consider that the membership of the United Nations amounts to 193 countries.

The Group of 20 has greater influence because it has a mandate to request studies that may then be converted into policies, and it directs those requests to officials of United Nations agencies, the Food and Agriculture Organization of the United Nations, the World Food Programme, IMF, the World Bank, UNCTAD, the United Nations Industrial Development Organization and other international bodies such as the International Labour Organization and WTO, through decisions of summits of heads of government, ministers of agriculture, public works, trade and finance, and central bank governors, among other official entities of those countries. Formerly, the Group of 7 or the Group of 8 would discuss and analyse the need to take coordinated domestic actions in their countries, or the need to adopt common positions on economic and financial issues under debate in various multilateral bodies, but rarely would they issue decisions that would translate into direct action within those multilateral bodies. Moreover,

because of the weight of those countries in the international economy and trade, any coordinated action in monetary, exchange-rate, financial and fiscal affairs, even if taken within the national sphere of those 20 members, will affect the global economy and thus will impact the lives of people in the 193 member countries of the United Nations.

At the meeting of the Economic and Social Council, an Executive Director of the International Monetary Fund presented a proposal to convert the Group of 20 into a body similar to the executive boards of the Bretton Woods institutions, but as an independent body with its own secretariat. According to that proposal, each country in the Group would represent a constituency or group of countries, and this would facilitate and streamline discussions and decision-making, with each constituency having reached a consensus in advance, thereby giving legitimacy to the decisions. This structure would represent progress for the legitimate aspirations of developing countries—for example in the case of Latin America and the Caribbean there is now no process for coordination with countries of this region that are part of the Group of 20 on the topics to be discussed at the summits of heads of State or at ministerial meetings.

As to the need for a permanent secretariat that would give continuity to the work, some have mentioned the Organization for Economic Cooperation and Development (OECD), but that organization does not represent all the member countries of the Group of 20. If that function were exercised by an entity of the United Nations, this would in itself lend legitimacy and offer great technical and logistic support. Or failing that, an Economic Council could be created within the United Nations, with a similar structure, a permanent secretariat and a body of directors holding weekly meetings, rather than sporadic ones like those of the Commission on Sustainable Development, which is also criticized because it has a weak secretariat. As to the complaint that United Nations bodies are not functional, they are really dependent on the political will of their members, and in fact the Security Council and the Human Rights Council have been relatively effective in their work when this political will was mobilized.

On the other hand, as the global problems facing humanity become greater and more complex, multilateral entities, especially those of the United Nations, will have to coordinate their efforts in order to make them more effective, as Christine Lagarde, the recently appointed Managing Director of IMF pointed out last year in Washington. Moreover, the exclusivity of their functions brings with it the problem that entities are placed in the position of judging their own actions. The supervisory role that IMF exercises over the international monetary and financial system through its semiannual reports on the performance of the global economy and the Article IV Consultations with its member countries has been called into question for failing to foresee the outbreak of financial crises of increasing severity and international scope over the last 17 years, such as those of Mexico, Asia, Argentina, the Russian Federation, Turkey, and the recent global economic crisis. Perhaps this reflects an incapacity stemming from blind faith in the market economy, or a loss of capable staff lured away by higher salaries in the private multilateral banking and financial sector. Whereas reports by IMF viewed the swift expansion of financial instruments in a highly positive light, UNCTAD was beginning to warn prior to the crisis about the risk of a systemic crisis inherent in the rapidly widening gap between the value of financial instruments in circulation and real output. In 2002, the flow of financial capital represented 8% of global GDP; four years later, in 2006, it had doubled to 16%, while fixed capital formation as a ratio of global GDP was lower in 2006 than it had been in the 1970s.

At the recent executive session of the Board of the United Nations Conference on Trade and Development, which I chaired, on the theme and sub-themes for the thirteenth session of the Conference to be held in Doha in April 2012, Secretary-General Supachai circulated to member countries a memorandum presenting a proposal by the secretariat as the basis for discussion. The proposed theme of development-centred globalization, aiming for inclusive development, as well as the first sub-theme

—re-thinking global economic governance to promote inclusive development— and the fourth sub-theme —linking sustained growth and social development— quickly sparked opposition from a group of developed countries on the grounds that international economic governance is the exclusive preserve of the Group of 20 and the Bretton Woods institutions, they did not want duplication of functions in multilateral entities, and social issues were matters for the International Labour Organization. They also advised the Group of 77 and China not to adopt ideological positions. The position taken by that group is inexplicable to me, for economic and social questions are an intrinsic part of development and cannot be separated from it. This stance on the part of the developed countries, which is nothing if not ideological, effectively excludes UNCTAD —the United Nations agency with specific mandates in the areas of trade and development— from the discussion on economic governance.

UNCTAD has contributed much to debating and resolving problems of global dimensions, such as the proposal from the 1980s to create an orderly procedure for exiting the debt crises based on Chapter 11 of the United States bankruptcy law, something that at the time was seen as applying to developing countries but could today be very useful for the advanced economies, goaded by the very rating agencies which were shown in a report from the United States Congress to have been in complicity, before the crisis, with the big banking and financial firms.

In its annual Trade and Development Report for 2009, UNCTAD made an important contribution to the debate on reform of the international monetary system by proposing a system of real exchange rates aimed at reducing the high volatility of exchange rate movements, which causes uncertainty that discourages direct investment flows. UNCTAD recently circulated to member countries a proposal to create a code of conduct for debtors and creditors that would regulate the management of sovereign debt. To debate the topic of global economic governance in an appropriate forum of the United Nations such as UNCTAD is a right of all member countries, for it gives them an opportunity to contribute their ideas and to enrich the debate rather than be excluded from it.

It is clear, from the discussions contained in the Article IV reports on its member countries, that IMF has very little influence over the policies of advanced economies that issue reserve currencies. In the last Article IV consultations report on the United States, published in July, paragraph 35 notes that, in response to references by IMF staff to monetary policy spillovers and the risk of a reversal of capital inflows to emerging markets if markets anticipate monetary tightening and expect it to persist, United States officials considered that pullbacks would be limited because such capital flows were structural.

If this assertion were correct, the recently published UNCTAD report on direct investment flows in 2010 would not have found that such flows were still 37% below their pre-crisis peak, and that more than half represented reinvestment in the same country rather than new flows. But IMF shrank from responding, although it knew that what these monetary stimuli produce is rent-seeking short-term capital flows, as United States firms maintain a high level of savings equivalent to 15% of GDP, which means they have no need to borrow to make their investments. At the same time, American families are over-indebted and must reduce their levels of consumption, and the construction sector is still depressed. The problem of the economy is a structural one, compounded by a lack of confidence in its leadership.

Brazil recently presented to the WTO Working Group on Trade, Debt and Finance a proposal to analyse the relationship between exchange rates and trade. Given the current severe problems and the lack of response by the multilateral organization charged with stabilizing the monetary system, countries suffering adverse effects from the appreciation of their currencies are seeking legal means with which to defend their economies. The problem is to find a methodology acceptable to all for determining whether a currency is overvalued or undervalued, how to measure damage to products, sectors and the economy in

general, whether the rate has been manipulated, and how to define manipulation and to prove its extent. When the General Agreement on Tariffs and Trade (GATT) was negotiated, a fixed exchange rate regime was in place, which meant there was no need (and no provision was made) for mechanisms to deal with trade injury from exchange-rate manipulation, as explained in a document produced last year by the Advisory Centre on WTO Law. In terms of exchange controls and import restrictions due to problems with monetary reserves, the balance of payments or exchange agreements, IMF decisions take precedence over GATT rules. The same is true for restrictions on capital flows under the provisions of the general agreement on services (GATS), provided those restrictions are imposed at the requirement of IMF. During the last crisis, Ecuador notified WTO of border restrictions (this country was one of the few to notify measures in a responsibly transparent manner) because its domestic liquidity was being drained as a result of the sharp fall in its exports. As a dollarized economy, Ecuador had no monetary liquidity fund to act as lender of last resort in the event of an external shock, which might have avoided the imposition of such measures. The case of Ecuador was taken up by the WTO Balance of Payments Committee and criticized by the very countries which at that time were using their privilege as reserve currency issuers to sustain their economies and their employment levels and to subsidize banks and businesses at the expense of similar firms in other economies —actions prohibited by WTO rules. These are the great contradictions that mark the differing treatment of groups of countries in multilateral organizations.

On page 31 of the Article IV report cited above, on the topic of the United States and the world economy, it is said that the United States authorities agreed on the need for a global rebalancing of demand but expressed some concerns that global imbalances may be widening again (tacit recognition that they would continue monetary stimuli until recovery recovered and unemployment fell), but they argued that policy actions in surplus countries to boost domestic demand and increased currency flexibility were crucial to achieving the goals of the G-20 Framework for Strong, Sustainable and Balanced Growth.

With its insistence on this line and the actions taken in the monetary area, the United States is demonstrating that it gives greater priority to its domestic economy than to its obligation to stabilize the global economy, thus confirming the concerns of Professor Triffin. This situation is generating ever greater tensions, ignoring the pressing need for policy coordination among the Group of 20 members, if we go by the comments made by the Government of China last Saturday following the downgrading of United States debt. There is no doubt that this situation will speed the search for systems of monetary protection by surplus countries.

Before addressing aspects of the proposed reforms to the Bretton Woods system, I shall refer to the possibly ideological bias of the staff of multilateral institutions in their treatment of fiscal expenditure. It is true that the fiscal deficit in the United States contributes to the external deficit and to tensions on debt markets, but it was private debt that sparked the global crisis, and the dissavings of United States households brought an important element of pressure to bear on the external current account, the product of an economic model based on credit and compulsive consumption. A recent document prepared by OECD and WTO (WT/TPR/OV/W/4) for the symposium requested by India, Argentina and Ecuador on the financial and economic crisis and the role of WTO, indicates on page 11 that boosting demand by increasing government expenditure scores badly from the trade point of view, probably because most government expenditure has rather low trade intensity. This assertion contradicts recent experience: it was in fact the massive increase in government spending at a time when private demand and expenditure were falling drastically that boosted the recovery and swiftly restored the volume of world trade to its pre-crisis peak.

As to the reforms to IMF, although they are moving in the right direction, they have been timid in comparison to the urgency of the problems, which demand greater changes. Keeping veto power in the

hands of a single member suggests that there will be no changes in its procyclical financial programmes and that temporary countercyclical changes will be due to the support required by advanced economies to stimulate their output by boosting demand from developing countries. While the downward trend in the growth rates of developed countries is accelerating with the application of contractionary fiscal policies, due to the sovereign debt problem, and restrictive monetary policies to combat inflation and overheating, even in emerging economies, IMF programmes continue to impose restrictions on public spending. This is the case, for example, with the 22-month stand-by arrangement with the Dominican Republic, whose ratio of external public debt to GDP is below 30%. During 2009-2011 government capital spending fell 20% short of the 5% of GDP it represented in the pre-crisis year.

I do not share the view that seats on the executive boards of IMF and the World Bank should be reduced in number and that executive directors should be technical experts who do not represent their countries' policy interests. This is because it is precisely among the directors from developing countries that these countries find support for their positions. In fact, this is perhaps the only place where these countries can lobby for their interests, as the senior staff of both institutions are appointed by countries with advanced economies. Those economies will continue to carry much weight in the decisions of the IMF executive board, so that it will be very difficult to think of amending the current monetary system over the medium term as a way of abating exchange volatility and current imbalances, which unfortunately will continue to rise.

How should developing countries proceed in light of this outlook?

1. They should focus their efforts and actions on obtaining greater allocations of special drawing rights, given the fiscal incapacity of advanced economies to meet their development assistance and trade targets in the face of the growing needs of developing economies. This will require amendments to the Fund's Articles of Agreement, so that the distribution of special drawing rights is determined not by quotas but by another mechanism designed to boost liquidity and hence output, employment and external demand in developing economies. This would in itself have a positive impact on exports and employment in the advanced economies at a time of severe domestic constraints. It would also allow the private sector to participate in the issuance and trading of securities denominated in special drawing rights. This approach has been under discussion for several years now, but recent events are giving it a greater degree of acceptability.
2. They should focus on developing regional funds to support liquidity and development needs, reinforcing processes of regional integration.
3. They should apply regional regulations designed to discourage the inflow of "flight capital". These could include high tax rates on yields, legal banking reserves equal to 100% of deposits, introduction of exchange regimes such as the real exchange rate proposed by UNCTAD, recognizing that with floating rates, interventions complicate the management of monetary policy. The advantage of regional regulations is that they would help to prevent an exchange and financial crisis in one country spreading to other countries of the region.
4. Countries must reinforce and extend regional financial instruments to replace the use of foreign currencies. The reciprocal credit agreement of the Latin American Integration Association, for example, has been very useful, but showed certain weaknesses during the Latin American debt crisis. Possible avenues would be to adopt agreements between governments of the region on the exchange of products for social food programmes, or to

extend South-South cooperation programmes such as the Mesoamerican and PetroCaribe programmes to other regional countries and energy products. These would be interim steps towards more profound stages of integration such as monetary unions that imply ceding sovereignty in the area of macroeconomic policies.

Reform of the World Bank, which embraces too many operations (some of which properly pertain to other multilateral entities), has been attempted on several occasions over the last 25 years, under pressure from member countries dissatisfied with its policies. At the request of the Group of 20, a commission chaired by the former President of Mexico, Ernesto Zedillo, was established in 2009 to evaluate the institution. Over the past decade a number of initiatives have pursued similar purposes, such as the Volcker-Gurria Commission in 2001 and the Malan Report in 2007, as well as an independent group of consultants in 2008. We do not know the outcomes of these reports: nothing is mentioned in the subsequent Zedillo report, which suggests that they were not taken into consideration. It is difficult enough for a simple organization to assume the cost of reforming itself on its own, but even harder for this enormous elephant known as the World Bank. The Zedillo report is far from perfect and I do not agree with all its recommendations, but it points in the right direction in terms of needed reforms. Ultimately, if reform is to be successful it will have to be driven from outside the Bank.

In these times, humanity is demanding that multilateral institutions respond swiftly to grave and growing challenges. Yet even in the midst of a crisis and with tight spending policies in place in the advanced economies, the US\$ 26.7 billion lending programme for 2011 represents a drop of 40% with respect to the 2010 programme. What is more, only two Latin American countries, Mexico and Brazil, accounted for 56% of all the loans approved for the region, in the amount of US\$ 9.2 billion. There is no doubt that these two countries have high levels of poverty, but they are two of the three countries of the region that belong to the Group of 20 and one of them is a member of OECD. Moreover, they have diversified economies with high levels of direct investment, deeper financial markets and relatively easy access to external credit sources. It is therefore our view that the World Bank's scarce funds should go to the less developed and more vulnerable economies of the region.

Rationale

- 40 years after the least-developed (LDC) classification was created, only three countries have graduated from that unfortunate ranking.
- The latest food crises have swollen the legions of the impoverished in the net food importing countries, and over the next 40 years the world population will grow every year by a number equal to the current population of Central America. It is vital therefore to boost agricultural productivity, open new areas to food production, create and reinforce support infrastructure, and reduce post-harvest losses, which are now running at an estimated 35%.
- The funds needed to address climate change and environmental improvement during this decade are estimated at US\$ 40 trillion. The most vulnerable countries need support for defence and mitigation policies and procedures.
- Natural disasters, which are becoming more frequent and more costly in terms of lives and resources, call for multilateral agencies that can respond swiftly in delivering and coordinating relief and reconstruction efforts. Twenty months after its catastrophe, Haiti still has a million people living in crowded encampments.
- The energy crisis demands an agency that can transfer appropriate technologies to developing countries and support the development of production modalities based on a green economy.

To address these enormous problems, and recognizing that they are global problems, developing countries are demanding the necessary resources and research centres, the transfer of appropriate technology at accessible cost, and continuous technical assistance. The scarcity of resources obliges the World Bank, if it is to be effective in resolving these urgent needs, to expand its grant operations to least developed countries and focus its lending operations on small and vulnerable economies, landlocked countries, net food importing countries, and other middle-income countries with low human development indices.

Proposal

If the World Bank is to respond to these requirements effectively and swiftly, I suggest:

- A. An extreme proposal would be this: that the World Bank should abandon its lending operations and hand them over to the regional banks, capitalize them, and itself become a shareholder and auditor of their lending operations. The regional banks have a better understanding of the needs of countries in their regions and can move more nimbly in disbursing resources, and they could increase the assets for their operations considerably. The World Bank would then focus on the area where it has demonstrated real excellence: technical assistance, leading-edge development research, and technology transfer in the agricultural, industrial and trade facilitation areas, among others.
- B. An interim and more modest proposal would be to divide the Bank into two areas: a bank for technical assistance, research and technology transfer, and another devoted solely to lending in the areas and country groups mentioned.

ELLIOTT HARRIS*

Thank you very much, Executive Secretary. Good evening to everyone in Santiago. I would like to thank you all for the opportunity to take part in this fascinating discussion. Particular thanks to Ambassador Gálvez, who was the first to approach me about participating.

My intervention will probably not respond to all of the references that have been made to the International Monetary Fund. In fact, I am going to try deliberately to stay away from that, and look more at a question that has fascinated me as I have followed the discussions on the reform of global economic governance.

Much has been said about what the role of the United Nations should be relative to the Group of 20 and to the Bretton Woods institutions and other organizations, but one aspect of the issue seems to have been somewhat overlooked, namely: what are the actual functions of global economic governance?

I would like to focus my remarks today on some of those functions. I will take a very telescopic approach to the matter, and will examine from my own personal perspective, not an institutional one, whether the United Nations—and I am referring here to the intergovernmental process within the Organization—has a role to play and what that role might be.

Let me start with what I see as three shortcomings of the international system for economic governance, three “lacks”, if you will. These are aspects of the problem that we are trying to resolve.

The first is a lack of governance arrangements suited to the evolving structure of today’s global economy—arrangements that can provide effective economic policy coordination across the full range of United Nations Member States and that can lead to enforceable decisions or functions in the event of non-compliance with appropriate policies. We do have policy coordination—it is most successful at the regional level, but it is also gaining ground at the global level, particularly, most recently, through the Group of 20, but prior to that also through the Group of 8.

* Special Representative of the International Monetary Fund to the United Nations.

But there are problems associated with these groups, as has been noted by other speakers. First, their membership is very limited, which poses legitimacy problems. Second, such groups are not treaty-based or formal organizations, but rather something akin to clubs. They are a forum for countries that have common interests. They lack any real enforcement mechanisms, and they work well when countries' interests, concerns and goals are closely aligned, but less well in other circumstances.

Most of our current governance structures also lack clear mechanisms for encouraging or enforcing compliance. They rely on peer pressure and moral suasion. That works reasonably well when global objectives are very closely aligned with national interests, but that is not always the case. This partly explains why Member States have left themselves some manoeuvring room. A good case in point is the International Monetary Fund surveillance function. Of course, we have seen in the recent crisis that this function has, at times, lacked traction, particularly in the case of the large, systemically important countries. I will come back to this point later on.

The second shortcoming is that many countries lack influence over the institutions that make core economic policy decisions, and they may even be entirely excluded from them. Some institutions have a weighted governance structure, which has not evolved with the changes in the global economy. We are now in the process of trying to introduce reforms, but as you all know, that is a long, arduous, and politically sensitive process.

Moreover, the best solution to the problem might not necessarily be "one country, one vote", as we have in the General Assembly of the United Nations, because very often in the economic field decisions need to be taken relatively quickly and there is not always time for full consultation of all members and stakeholders.

The third shortcoming or "lack" pertains more to the process of economic decision-making and policy-making itself. Economic policy over the last 30 or so years has usually been formulated separately from social policy and environmental policy. Moreover, economic policy considerations have tended to dominate those other two policy areas. In other words, the lack I am referring to here is the absence of a "sustainable development" approach. Again, I will come back to this issue.

Now, economic policymaking has been done under an economic paradigm focused on the market. We have generally assumed that if you get the economic fundamentals right, the rest will take care of itself. But as this crisis has demonstrated, that is not always the case. The crisis has also shown that this approach has undervalued the guiding or supervisory role of the State. Faith in the market has tended to limit the ability of States to compensate for or correct market outcomes that are undesirable from other perspectives. It has also given rise to economic policies that fail to take account of other considerations, including social protection and environmental sustainability. Indeed, it is only now, in the midst of this crisis, that we are starting to realize how important the contribution of social and environmental policy to economic policy is, and vice versa.

In order to determine the most appropriate response to these problems, it might help to examine why we face them. I think one of the main reasons is that the globalization of our economic and financial markets has not been accompanied by a commensurate globalization of the policymaking and governance functions that underpin economic activity. Because of global integration, economic policy in each country is heavily affected by external developments. But the nation-States themselves, although they are still held accountable for economic policy, no longer have full control over their national economies. Problems in one country can quickly become contagious, and the transmission mechanisms are swift, powerful and beyond the control of any one State. Yet the rules and regulations and the supervisory

activities that are supposed to guide economic and financial transactions are still mostly national, even though the transactions themselves are international.

Given that background, when we think about how to improve the structure of global economic governance and about the possible role of the United Nations in such an improved structure, it might be useful to look at the functions that would be involved. What is this global economic governance system supposed to do? Here, I would distinguish between policymaking and implementation in normal circumstances and economic policymaking in the context of a crisis or a near-crisis situation.

Yesterday's events, with finance ministers from the Group of 7 and the Group of 20 coming together to calm the markets as the situation deteriorated in Europe,¹ has shown how important it is in a crisis to be able to make decisions quickly. But such rapid decision-making was only possible because the number of actors involved was relatively small, the issues were clearly defined and limited in scope and all the actors shared a common ultimate objective. However, that is not always the case in a crisis, and certainly it is not always the case in non-crisis economic policymaking.

In a non-crisis economic policymaking context, I see three basic functions or requirements of an effective system of governance. The first is a thorough joint analysis of the issues, coupled with agreement on what those issues are. The second is broad agreement on policy approaches. And the third is implementation of the agreed policies —a process which must be coordinated across borders— and subsequent monitoring of that implementation.

For the first function, the requirements are strong professional competence in economic analysis, timely access to the necessary data and to the policymakers who actually make decisions in countries, and a clear, non-politicized discussion of the issues. The second function requires open discussion among all members in a forum in which all the different views and circumstances can be taken into account. While the aim may be full agreement on the objective of policies, there must be enough flexibility in the system to allow countries to adapt the policies to suit their particular circumstances, which will change over time. For third function, because of the interdependence that has been mentioned by previous speakers, there must be some form of mutual accountability among members for the proper implementation of policies. This, in turn, requires some framework for monitoring the implementation of policies and the results achieved, together with a mechanism for encouraging compliance with agreed policies.

Most existing structures of global economic governance, at least on paper, should be able to fulfil some, if not all, of these functions. But there are gaps in coverage and weaknesses in the structures themselves which diminish their effectiveness. That is why we face the situation that we face today. The gaps in coverage include, in the financial sector, for example, a lack of supervision and regulation of cross-border institutions and cross-border flows. There are also problems in the arrangements for the management of exchange rates, including among the major economies. In addition, we have an unsatisfactory situation in commodity markets. These are but a few of the areas in which we do not have in place institutions or arrangements that can help us to manage these functions effectively. The existing structures also exhibit numerous weaknesses, which any serious reform should address.

¹ Following a conference call the previous day, on 8 August 2011 the finance ministers and central bank governors of the Group of 7 issued a joint statements affirming "in the face of renewed strains on financial markets [...] our commitment to take all necessary measures to support financial stability and growth in a spirit of close cooperation and confidence".

With regard to the first function —shared analysis— there are a range of international institutions, including the International Monetary Fund, the World Bank, the World Trade Organization, the Bank for International Settlements, the Organization for Economic Cooperation and Development, the International Labour Organization and the United Nations and its Regional Commissions, that provide a platform for joint analysis, underpinned by strong professional expertise and ready access to data and to policymakers. The problem, however, is that Member States do not always take this analysis on board in the formulation of their domestic policies. This is true, in particular, for some of the major economies.

As to the second function —broad agreement on a policy approach— over the last few years there has been considerably less flexibility than one might have hoped. Most economic policy issues have been addressed or assessed through the lens of the dominant market-based economic model. As a result, economic policies have been formulated mainly with an eye to their influence on markets, with little consideration given to their impact on social policies or outcomes, environmental sustainability and so on.

Thus, in policy formulation we have a silo approach that has been perpetuated by the way in which we approach economic thinking. When it proves difficult to reach agreement on issues or policies, the system lacks processes or structures that can assist member countries in overcoming the difficulties, many of which reflect the tensions between national self-interest and global objectives.

Regarding the third function —the implementation of agreed policies— we have long had a multilateral platform for assessing the economic policies of Member States: International Monetary Fund surveillance. But as I mentioned before, the crisis has starkly revealed many of the weaknesses in the surveillance system, including its lack of traction in the major systemic economies. We also lack an effective method, apart from moral suasion, of encouraging compliance, except where countries borrow from the Fund, in which case they are subject to conditionality. The World Trade Organization does have a compliance mechanism, but it is somewhat limited in scope.

In considering how to reform the system of global economic governance and what role the United Nations should play, assuming that all of the existing structures continue to exist —and I do not believe that there is really an appetite for doing away with everything and creating something entirely new— we might start by asking whether the United Nations can perform these three functions better than the International Monetary Fund, the World Bank, the World Trade Organization and other organizations. My answer is a qualified “no, it cannot”, but with one very important exception.

To explain, let me look again at each of the functions and weaknesses and see how the United Nations would perform relative to existing structures, bearing in mind that when I speak of the United Nations here I am speaking of the intergovernmental process that takes place in New York and Geneva.

Concerning the shared analysis function, it is quite clear, given the resource constraints that the United Nations faces, that it cannot match the existing economic institutions, either in terms of the professional skill of its staff and the resources that can be devoted to analysis, or in terms of access to information and policymakers. In my own institution, we spend hundreds of millions of dollars every year on the surveillance function alone, and it is difficult to see how the United Nations would be able to generate that kind of funding.

It also seems unlikely, judging from my experience in New York, that the discussion of the issues in the context of the intergovernmental process would remain dispassionate and non-political. And such discussion is the first important step towards reaching a shared understanding of what the issues are and devising a common policy approach to them.

In the area of implementation, too, it is hard to see how the United Nations would be more successful than the existing institutions in encouraging compliance with an agreed economic policy approach, particularly taking into account its relatively limited success in securing the implementation of the various agreements and commitments emanating from the major United Nations conferences over the last 30 years, the sole major exception being the Millennium Summit. The main problem in this context is the persistent disconnect between global goals and national self-interest. In the one instance in which the Organization has managed to bridge that gap effectively—I am referring here to the Millennium Development Goals—we have seen that very significant shifts in attitudes and approaches have occurred. But it is not clear that those shifts could extend into all areas of economic policymaking.

However, when it comes to agreeing on a policy approach, which is the second function, the United Nations can indeed play a very important and credible role. It is a normative role that would encourage Member States to take a more integrated and coherent approach to economic policies, to move beyond thinking of pure economics and to introduce social and environmental considerations into economic policymaking in a way that is not possible within existing structures. In other words, the United Nations could, and should, promote the concept of sustainable development and foster a sustainable development approach to economic policymaking.

This is likely to be one of the two most important roles that the United Nations can play in global economic governance. And it is an area of real comparative advantage for the United Nations, one in which it would be able to add value in a way that the existing structures simply cannot.

But there are three important caveats: first, in order to be fully credible to its entire membership, the United Nations must break free of its close association with “development” in the narrow sense of bringing the poorer countries to a level of welfare similar to that of the richer countries. The Organization is unquestionably the champion of the poor, and it has done a magnificent job of raising the profile of poor countries and of heightening global awareness of the problems and challenges they face. But economics in the global context is not only about the development challenges of the poorer members of the global community. An attempt to cast the Organization’s views on global economic policy exclusively or even primarily in terms of “development” will, I think, undermine its credibility.

The United Nations has to be an institution that is valuable to each of its Member States, although the nature of its contribution, the nature of that value, will vary depending on the circumstances of each country. But the Organization must position itself in such a way that it can deliver some contribution to all.

Second caveat: the United Nations must avoid giving the impression that it is in competition with existing structures. Ambassador Aranda made the same point at the outset of the discussion. The Organization must avoid duplicating existing processes, which would waste scarce resources and generate little added value. Rather, it should position itself as a complement to other structures and play to its own strengths.

I think it does little good to insist on a “Group of 193” as the only legitimate institution. My own institution has 187 members, so our membership is almost as broad as that of the United Nations General Assembly. We are in the process of reforming our governance structure to address the problems inherent in our model of constituency-based representation, but notwithstanding those problems, I think that our model allows for faster, more efficient decision-making than a body consisting of 193 members. The events in Europe over the last few days have shown very clearly how important it is to be able to reach decisions quickly.

At the same time, however, the United Nations plays a valuable role as a forum for all Member States to express their views and to seek common ground on a broad range of issues. It is also the institution that is probably most trusted to represent the positions and the views of the smaller members of the global community, those that do not have as large a voice in other forums. Perhaps it is also the organization that is best placed to remind the large and influential States of how their policies can affect their smaller neighbours.

The third caveat is that the technical side of the United Nations system cannot always be led by the intergovernmental process, the limitations of which have to be recognized. The agencies, funds and programmes of the United Nations are staffed by people of extraordinary skill in their respective areas. They should be allowed to do their jobs and contribute, each in his or her own area of expertise and according to his or her own mandate, to building up a coherent approach to policies for sustainable development (or perhaps a better term would be "sustainable prosperity") at both the national level and the international level. The General Assembly cannot do that, nor should it try.

So, given those caveats, how could the United Nations play the kind of role that I, personally, think it should play? I would like to raise four points here for your consideration. The first is that the United Nations should fully exploit the skills and the competencies that already exist within the Organization, including its specialized agencies. There is often a tendency in New York to mistrust the work of the specialized agencies because they are not under the direct control of the General Assembly. This is unfortunate and unnecessary. The members of all these agencies are the same countries that are the members of the General Assembly, although their representatives in the governing bodies of the agencies come from ministries other than the foreign affairs ministry. That should not lead to any sense of rivalry between the main bodies of the United Nations and the specialized agencies.

Collaboration among agencies can help to change the paradigm of economic thought. One example of this is the ongoing collaboration between the International Monetary Fund and the International Labour Organization on matters relating to labour markets and employment policies and social protection. The United Nations system can build on this and other collaboration occurring among agencies. I think this is something that holds great potential for the future.

The second point is that the United Nations needs to do a better job of exploiting its convening power. The areas in which its involvement has been most successful over the past decades have been those areas in which it has brought together the relevant experts and decision-makers in a given field to debate issues, while the Organization itself has focused on leveraging its political weight to support the conclusions of such experts. A good example is the Intergovernmental Panel on Climate Change. We would not be where we are today in the reflections on climate change and how to address it if it were not for the work of this group.

Too many debates in New York and Geneva on economic issues take place in the absence of economic policymakers from Member States. There is no reason why this situation should continue. Certainly it does not help the credibility or the acceptability of the resolutions and decisions taken by the United Nations if those in the national Governments who have to implement such decisions are not part of that process of adopting them.

The third point is that the United Nations needs to find a way to bridge the divide between national policy and international policy. The Millennium Development Goals are an excellent example of how this can be done successfully. Regional organizations can be very effective in this area because Member States are much closer to their regional organizations than they are to global institutions. Within

regional organizations they are dealing with their neighbours and they are familiar with one another's problems. Moreover, such organizations provide a forum for more open and constructive debate. The Regional Commissions of the United Nations are very well regarded by Member States—in ways that New York could never be—and I think that this potential should be exploited much more effectively.

Finally, the United Nations should maintain a focus on the linkages between the three pillars of sustainable development: economic policy, social policy and environmental policy. None of the structures currently active in the economic policymaking field are equipped or mandated to do this. The Board members of the International Monetary Fund, for example, are excellent economic and financial experts, who are mandated by member Governments to identify the best economic and financial policies, but they do not have the background or the expertise in environmental or social policy to be able to assess fully the impact of decisions on economic and financial policies in the social and environmental domains. The same is true of the intergovernmental representatives in the institutions and agencies that are active in the social and the environmental fields.

This could be the second aspect of the role of the United Nations in global governance: assessing policies from the perspective of sustainable development, pointing out where policies in one area may have inadvertent or negative implications in another area and encouraging Member States, individually and collectively, to strive for greater coherence in every aspect of policymaking in all three areas.

In conclusion, I do not want to offer any specific suggestions on what the specific form or structure should be for the United Nations to play this role in global economic governance. Assuming that the global community may prefer to reform and adapt the existing structures, I believe that what is at stake here is to define the proper role for the United Nations within this array of institutions. And I think that it is therefore important to focus on what the functions of a global economic governance system should be and on which of those functions can best be taken up and effectively carried out by the United Nations. I believe that it is these two functions—first, fostering a coherent, integrated approach to policymaking across the three pillars of sustainable development, and second, assessing policies from the perspective of sustainable development—that will allow the Organization to contribute in a way that none of the individual agencies or institutions are able to do at present.

These are, of course, remarks that come from my experience as an International Monetary Fund staff member working directly with the United Nations. They are not an official position of my institution. But I hope that they are of interest to you as you continue your discussions.

JOSÉ ANTONIO OCAMPO*

I would like to begin by thanking the Economic Commission for Latin America and the Caribbean and the Government of Chile for the invitation to participate in this important discussion about the United Nations and global economic governance. I have had the opportunity to reflect upon these issues as part of my academic research and teaching. But I have also had some practical exposure to the topic, having had the opportunity to direct the United Nations Department of Economic and Social Affairs, which bears as one of its main responsibilities that of providing support to the General Assembly commissions that work on economic and social issues and to the Economic and Social Council. In fact, I would like to begin by recalling that the Economic and Social Council does not consist of the Council alone, but is a system that includes several specialized forums and committees of experts, many of which function much better than the umbrella Council. The Statistical Commission, for example, is accepted as the main forum for cooperation and issuance of statistical standards in the world. The Committee of Experts on International Cooperation in Tax Matters is the only body of its type that is global in scope. I could go on making observations about many other committees and commissions of the Economic and Social Council.

There is a vast array of issues I would like to mention that have been covered by other speakers, but because of the limited amount of time I will limit myself to four sets of reflections.

The first of these has to do with the three pillars upon which the United Nations is built: human rights, peace (which we also commonly refer to using the term “security”) and development. United Nations leadership is not the object of discussion in the first two areas. There are many problems with the Security Council and endless discussions about its functions vis-à-vis those of the General Assembly, but no one disputes the fact that the highest global-scale authority for political issues is the United Nations. The same can be said for human rights.

Even in the area of development, if we break it down into its component parts —economic, social and environmental— the only area that is really subject to debate is economic cooperation. There is no doubt that the United Nations is the global body par excellence in the area of social development; its

* Director of Economic and Political Development, School of International and Public Affairs, Columbia University (New York).

corps of specialized entities and summits have built a legacy of principles and action plans. It is also clear that the major responsibility for environmental development resides with the United Nations, through the United Nations Environmental Programme, the three Rio conventions (on climate change, biodiversity and desertification) and other agreements.

However, in the area of economics the role of the United Nations is being debated. This is particularly true when it comes to the most sensitive issues, which the major powers prefer to handle directly or assign to bodies over which they exert more control.

During the crisis, the forum of preference for macroeconomic and financial actions has been the Group of 20. And I should mention that I hold a more favourable opinion regarding the effectiveness of the Group's actions than do other panellists here today. However, it is important to note that this was true of the first year and a half of the Group of 20, at the Heads-of-State level, given that after the Toronto meeting in June 2010, the macroeconomic agreement that had existed following the international financial crisis dissipated and has not been re-established. France has the opportunity to do so again, to push for a reactivation plan, in light of the serious difficulties the world economy now faces.

However, despite my generally positive view of what it has done during the crisis, I do not believe the Group of 20 should be perpetuated. I believe this would be a serious mistake by the Group and would constitute a ruinous flaw in the design of global governance architecture. I would even go so far as to say that the agenda priority of the Group of 20 should be to address the question of how to execute whatever improvements are needed in global governance structures to make the Group unnecessary. In other words, the Group's primary task must be to strengthen the existing international bodies, to which all members of the Group are a party, so they can take over functions the Group has been performing during the crisis in a way that should be considered temporary and exceptional.

In truth, this crossover of competencies by the Group of 20 is not really with the United Nations, but rather with the International Monetary Fund, which sets up a number of paradoxes. These paradoxes underpin my second set of reflections, which have to do with the legitimacy of the Group of 20. And on this topic I share the same concerns that many others in this forum have expressed, namely, the problem of limited membership and, in particular, the ad hoc method by which the Group chooses its members. But there is yet another problem, which is usually ignored in discussions: the way the Group of 20 operates ultimately delegitimizes entities upon which the international community has conferred the same functions the Group has been performing.

This is markedly visible in macroeconomic cooperation, which has been the Group's central theme throughout the crisis. The first function its Articles of Agreement confer upon the International Monetary Fund is to serve as the central mechanism for international monetary cooperation. Therefore, what the Group of 20 must do is to ensure that this principle is upheld, by providing the Fund with everything it needs to fully perform this function, rather than setting itself up as an alternative body, as in practice it has done. And notice here that I am speaking of the institution that has been the Group's largest supporter. This is why I say it is a great paradox. By supporting the Group of 20, the Fund has eroded its own legitimacy.

It is important to recall that in 2006 the International Monetary Fund launched an initiative, with the support of the International Monetary and Financial Committee, to hold a series of discussions about world macroeconomic imbalances among those members whose economies have systemic effects. The virtue of this mechanism was that it engaged a smaller set of countries, an improvement over the Group of 20's mutual assessment process, given that not all members of the Group are systemically important. That

initiative by the Fund failed utterly because several members of the Group of 20 (which by that point was already functioning at the level of economic policy makers) made it irrelevant. So, it is not that the Fund is incapable of performing a function conferred upon it by its Articles of Agreement; in this instance the decision on the most appropriate institutional framework in which to get results was in the hands of the most powerful countries.

There is yet another sense in which the problem of delegitimization is relevant, which touches directly on the International Monetary Fund's governance structures. The Group of 20 made some progress, albeit incomplete, when it reached an agreement in Seoul to reform the Fund's quota and voting system. However, beyond this achievement, which is widely recognized, there is another issue that directly touches on the Fund's governance structures.

First, we must recall that the Fund's governance system is based on a system of associations of countries, or *constituencies*. But it makes no sense that the Executive Board should be nothing more than a mechanism that transmits decisions by the Group of 20, as it has become in many instances. I say this as a citizen of a country that is not a member of the Group of 20. My country has a voice in the International Monetary Fund via its constituency, the leader of which is another country that is a member of the Group. But that country represents its own interests in the Group, not those of the constituency, which is different than what happens on the Executive Board. This creates an obvious tension, given that within the Group of 20 this country is involved in decisions about the International Monetary Fund with which its constituency members may disagree.

This points to the fact that, in practice, the Group of 20 is disrupting the basic mechanism of governance of the institution it has most supported. In my view, this is all the more undesirable because that mechanism is in fact the only viable system for assembling a global-scale entity for global economic governance. The best argument in favour of the Group of 20 is that it is an effective mechanism for leadership in reaching agreements. However, in a healthy institutional system, leadership involves delegating functions to the institutions charged with performing them. Permanent appropriation of those functions is not leadership.

Herein reside my major differences with the Group of 20, with the "multilateralism of the elite", as I have called it in my writings on this issue. I would add that the basic purpose of any "G" must be to stimulate decision-making within the regular multilateral bodies. The Group of 77 performs this function in the United Nations, and the Group of 24 in the Bretton Woods Institutions. The European Union also performs this function, in some ways as a bloc within the United Nations. And many other Groups perform this function in a variety of areas. The dynamics of negotiations oblige countries to form associations, and agreements must take these alliances into account. But no such association can take the place of a regular multilateral body, regardless of how powerful and influential its associated members might be. This, in my view, is the main problem with the Group of 20.

This is not, however, a problem of ineffectiveness. The Group of 20 has been relatively effective, albeit with the nuances I have mentioned. Nevertheless, my recognition that the Group has been effective does not make me an advocate of an institutional principle that is fundamentally flawed.

These considerations bring me to my third set of observations, which have to do with the principles that should underlie a good system of international governance. Perhaps we should begin with the principle of *leadership*, which has already been mentioned and which has been exercised reasonably well by the Group of 20, though the multilateral bodies are capable of equally effective leadership.

The second principle has also been mentioned: *effectiveness*. Here again the Group of 20 has shown positive results, especially in the year and a half following the financial collapse of September 2008. The major challenge, however, and one the Group does not achieve, is that of combining effectiveness with yet a third principle, *representation*, which is the basic source of legitimacy and which in the international system, as in all modern democracy, derives from universality.

It is accurate to say that effectiveness is associated with decision-making capacity and this undoubtedly contributes to the small size of decision-making bodies. Nevertheless, combining effectiveness with representation does not mean excluding less powerful agents, but rather crafting a structure within which decision-making bodies function within the framework and with the legitimacy that arises from their representation of all members.

If a formal substitute for the Group of 20 is to be considered, no other principle can be applied but that of constituencies. Of course, this is a statement with which many members of the United Nations disagree. But the truth of the matter is that no relevant system of global economic government can operate without having the most important actors seated at the table. It makes no sense to have a global-scale economic body that does not include among its members the United States, China, India, the European Union and Japan —its membership must include countries that are systemically important.

For effectiveness to be combined with representation there must be guarantees that all members of the international community will have representation and also that countries that hold systemic importance will represent not only themselves but a group of member countries. The problem can be resolved by using the system already invented by the International Monetary Fund and the World Bank, namely, weighted votes that factor in both the population and the economic weight of countries and serve to define the alliances that will comprise the decision-making body. We know that this system, as applied by the Fund and the World Bank, has a number of flaws that have been addressed through reforms that need further work. But designing another alternative for a system that would combine the systemic importance of some economies with the universal representation of members of the international community does not seem possible.

This brings me to the fourth principle that should be found in a good system of global economic governance, namely, it must be *structured as a system*. The only way to accomplish this is to structure the global-scale body for economic governance within the United Nations *system*, which includes not only the United Nations in its most limited sense, but also its specialized agencies, which formally include the International Monetary Fund and World Bank and should include the World Trade Organization, (this last inclusion would require a decision to convert the World Trade Organization into a specialized agency of the United Nations). The economic governance body should be an economic council of the United Nations system that would have the capacity to run all parts of the system: the Fund, the Bank, the World Trade Organization, the United Nations in its most limited sense, the International Labour Organization, the United Nations Environment Programme and all other bodies that are relevant to each decision. This is the only way to give the system consistency, which is another requirement of a good system of the global governance mentioned so frequently.

The fifth requirement of a good system of global economic governance is an *independent secretariat*. The internal opposition that exists within the Group of 20 precludes the possibility of this occurring in the Group, a fact I find fortunate because the creation of an independent secretariat would make it a formal body and set it in direct contradiction to the United Nations system. An independent secretariat fulfills two essential functions: it provides technical support not subject to the interests of the most powerful and it has the capacity to follow-through on approved decisions.

A body that would replace the Group of 20 must be an Economic, Social and Environmental Council of the United Nations system. It must have Heads-of-State status, like the current Group of 20, and it must enjoy the formal support of a subset of existing United Nations entities (a limited list would include the Secretariat of the United Nations, the International Labour Organization, the International Monetary Fund, the World Bank and the World Trade Organization). This was the essence of the proposal to create a global economic coordination committee that gave rise to the Stiglitz Commission, which was designed exactly along these lines as part of a succession of proposals that have been in formulation for a long time to create an economic security council. This is the reform that should be widely debated. It has elements many members of the Group of 77 will find unpalatable, in particular the weighted vote. But it also contains elements that the most powerful countries will find difficult to accept; for example, having to answer to a body that represents the whole of the international community rather than answering only to those they appoint (or more accurately, self-appoint).

By its very nature, in terms of its governance structure (based on constituencies rather than the "one country, one vote" principle) and its capacity to run all components of the United Nations system, this body would have to be different from the Economic and Social Council, which is in need of reform of its own anyway. This body would serve as the head of the economic, social and environmental system of the United Nations in its most limited sense. Specific and highly important functions could be conferred upon such a body; for example, heading the system for cooperation among developing countries, the international humanitarian system and follow-through on the various United Nations summits.

This brings me to my fourth and final set of reflections, which are related precisely with the rich development agenda of the United Nations, the main expression of which were a succession of summits held in the 1990s and the early years of this century. I would like to underscore that development, as a concept, has two separate meanings in United Nations language. The first refers to policies that favour developing countries. However, it is important to stress that this is different from the concept of sustainable development as discussed in the Earth Summit or the concept of social development as discussed in the Copenhagen Summit. These latter concepts apply equally to all members of the United Nations, whether or not they are developing countries. In prior writings I have used the term "development of societies" to differentiate the latter meaning from the former. This is the dominant concept for the term as it is used in the summits, the application of which encompasses all societies, as do other principles the United Nations has stood for, in particular the Universal Declaration of Human Rights.

What I would like to point out about this broad meaning of development, as well as its use in reference to cooperation with developing countries, is that it has a pronounced flaw, which is the absence of binding decisions that are subject to some sort of accountability. Countries approve declarations and programmes of action, but there is absolutely no mechanism that enforces the execution of those commitments. For this reason, the United Nations agenda tends to be a declaration of good intentions.

In practice, what is most significant in this arena is the influence of civil society in transforming the international agenda in to action at the national level. In essence, the fact that the Beijing Summit is being applied in countries is largely the result of feminist movements, just as application of the principles of the Earth Summit is largely attributable to the efforts of environmental movements. International civil society is the United Nations' best ally. This partnership with civil society, I might add, is one of the greatest virtues of the United Nations. All international bodies have made efforts to expand their engagement with civil society, but none so much as the United Nations.

What this means is that as we consider how to strengthen the United Nations, the main issue is how to improve accountability when it comes to keeping international commitments. This was one of the proposals the Secretary-General put forth at the 2005 Summit, based on proposals developed in the Department of Economic and Social Affairs. What we had hoped was that a system of peer review would ensue, similar to that adopted by the Human Rights Committee or that used by the Organization for Economic Cooperation and Development. Unfortunately, all that was approved in this line for the development agenda was a voluntary peer review, which as a mechanism is certainly short on effectiveness.

Another outcome of the proposals put forth at the Summit was the creation of the Development Cooperation Forum of the Economic and Social Council, in this case referring to cooperation with developing countries. In my view, this should be one of the central functions of the Economic and Social Council. The Council should become the world's foremost body for cooperation with developing countries. This is, in fact, already the case in other fields, notably humanitarian issues, for which the Council's humanitarian segment indisputably constitutes *the* annual global summit of the world. The big advantage held by the United Nations is that it brings together all of the major agents: the donor countries of the Organization for Economic Cooperation and Development, emerging countries that have become new donors, civil society and, obviously, countries that receive assistance.

For these reasons, all countries and bodies must treat the Development Cooperation Forum as the foremost summit on economic governance issues. It is particularly necessary that the Organization for Economic Cooperation and Development and the World Bank do so. The first because it launched its initiative on the effectiveness of development assistance, but never achieved the necessary legitimacy, which can only be achieved through processes that are global in scope. And the World Bank because it often sees itself as a competitor of the United Nations rather than as part of the same system.

This, ultimately, comes back to the reform of the Economic and Social Council. Rather than be so ambitious in its thematic range, which is wasteful and leads to nowhere other than to resolutions with no substance, what the Council should is to focus on a few areas in which it can become the umbrella for global cooperation. Cooperation with developing countries, humanitarian issues, and a good accountability system for commitments made in the United Nations summits are three areas where this could become a reality.

THIRD PANEL

THE REGIONAL CONTRIBUTION TO GLOBAL GOVERNANCE

- Ambassador Gert Rosenthal, Permanent Representative of Guatemala to the United Nations
- Ambassador Colin Granderson, Assistant Secretary-General, Foreign and Community Relations, Caribbean Community (CARICOM)
- Verónica Legarda, Senior Deputy Manager of the Central Bank of Ecuador
- Antonio Prado, Deputy Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)

AMBASSADOR GERT ROSENTHAL*

I am not sure whether to say “thank you” or complain that I have been invited to participate twice as a panellist: first during yesterday morning’s session, and now on the link between regional and global governance. Given the configuration of this panel, we can surmise that the focus will be mainly on subregional matters, since our panellists include representatives of the Union of South American Nations (UNASUR), the Caribbean Community (CARICOM) and the Central American countries, in addition to the Economic Commission for Latin America and the Caribbean (ECLAC), whose vision will be presented by Antonio Prado. Perhaps this might also have been a good opportunity to comment on the scope and prospects of the Community of Latin American and Caribbean States (CELAC), which was established in February 2010 in Playa del Carmen, Mexico, and is still being formalized.

Taking a cue from the venue for our gathering, I will begin by pointing out the obvious: even the United Nations, the global entity par excellence, has its own regional presence. The regional commissions for Europe and for Asia and the Pacific were created in 1947, very early in the Organization’s life. They were followed by the Economic Commission for Latin America (ECLA) in 1948, the Economic Commission for Africa in 1958 and the Economic Commission for Western Asia (a region corresponding essentially to the Middle East) in 1973. These commissions have among their core responsibilities the promotion of cooperation within their respective regions and between their regions and the rest of the world, translation of the global agenda to the regional level and introduction of the regional point of view into the global agenda.

ECLA played a truly pioneering role in promoting economic integration in Latin America, its most significant contribution occurring in my own subregion, Central America. So important was ECLA in the formation of the Central American Common Market (CACM) that it served as its secretariat throughout the 1950s, until the organization reached maturity in 1960 with the signing of the General Treaty of Central American Economic Integration, which created the Market’s own institutions. ECLA tried to repeat this feat, albeit with less success, in South America and in Mexico, publishing its renowned 1959 study on the Latin American Common Market.¹ It was also heavily involved in the Andean Group during its first years of existence.

* Permanent Representative of Guatemala to the United Nations.

¹ “The influence of the common market on the economic development of Latin America” (E/CN.12/C.1/13), 1959.

My point is that regional cooperation has been a constant in both the conceptual framework and the work programme of ECLAC since its creation.

The experience of Central America in the area of economic integration must be considered a great success story, judging from the high levels of interdependence that the process has fostered between the economies of the subregion. Nevertheless, the progress achieved, especially on matters not related to the development of a common market, has been marked by ups and downs.

Let us look first at the ups. The foundations of the Common Market were laid in the 1960s. A free trade regime for the vast majority of goods originating in the five member countries, and a common tariff (which was protectionist at first, but was gradually liberalized beginning in the 1980s until ultimately most restrictions on trade had been eliminated), coupled with fiscal incentives for industrialization, boosted Central American production and led to a strong increment in intraregional trade. In fact, the value of trade among the countries of the subregion surged from barely US\$ 30 million in 1960 to over US\$ 1 billion in 1980 and then rose to almost US\$ 6.5 billion dollars in 2008 and to an estimated US\$ 7 billion in 2011. In general, intraregional exports have shown greater dynamism than extraregional exports, as a result of which their ratio to total exports has increased from 6% in 1960 to between 25% and 30% in recent years (the ratio fluctuates from one year to the next).

Behind this impressive value and volume of trade are a web of common interests and a high level of intraregional investment. About 15% of direct foreign investment mobilized by the five countries originates from within the subregion, which has helped to give rise to several Central American transnational firms that have shown the capacity to compete within and outside the isthmus.

These are some of the ups that I alluded to earlier, but, as I said, there have also been downs. First, the high level of economic interdependence among the countries of the subregion has been sensitive to economic cycles associated with the international economy. During the first half of the 1980s—the so-called “lost decade” for the region’s development— intraregional trade suffered a severe contraction, falling by more than 50% between 1980 and 1985, and did not finally return to 1980 levels until 1993. Then, during the financial and economic crisis of 2008-2009, the value of intraregional trade fell by 20%, although this time it recovered within two years.

At the same time, economic interdependence appears to have been less sensitive to political tensions between countries: neither the coup d’état in Honduras in mid-2009 nor the tensions between Costa Rica and Nicaragua arising from a territorial dispute in 2010 affected the upward trend of trade. It appears that there is consensus in Central America that the expanded regional market is too important for all countries of the region to allow trade to be compromised by protectionist measures.

Still, the development of the free trade zone and the common tariff had basically been accomplished by the first half of the 1990s, and subsequent progress has been slow. There are a few goods originating from the subregion that still do not enjoy free trade and also some goods imported from third countries for which tariffs have not been unified. The long-anticipated project of creating a customs union, or a common customs territory, among the five countries has not come to fruition, although some headway has been made at the bilateral level, especially between Guatemala and El Salvador. Moreover, there are sensitive areas of macroeconomic management, especially relating to tax matters, in which no coordination—much less any harmonization—has taken place.

On a somewhat different note, it can be stated that the high level of economic interdependence in Central America has been preserved and expanded more as a consequence of market forces and simple inertia and less as a result of a clear strategy or a sense of direction on the part of member States. Indeed, the free trade agreements signed with third countries —Canada, Chile, Mexico and the United States of America— and the Association Agreement between the European Union and Central America ended up being an amalgamation of five bilateral mini-agreements rather than an arrangement negotiated by the subregion as a whole with other partners.

Naturally, integration is not limited to trade and investment. There were high expectations of transforming Central America into a region of peace, freedom, democracy and development when the Presidents of the region, including Panama, signed the December 1991 Tegucigalpa Protocol establishing the Central American Integration System. The aim of this instrument is to foster progress in all areas. It provides for cooperation in multiple sectors, including the environment, social policy, energy, tourism, health, education and culture, and agriculture, although the resources allotted to the various secretariats of the System are negligible and, consequently, the outcomes of such cooperation have been modest. These efforts have been accompanied by the establishment of several forums which bring together the ministers responsible for such diverse areas as finance, planning, health and education and which allow for an exchange of information and even some cooperation; however, they have fallen far short of their potential.

Another promising development concerns citizen security. The ministers of the interior, defence and foreign affairs meet periodically in the framework of the Central American Security Commission, and in June of this year they adopted a Central American security strategy that is designed to facilitate cooperation with third countries in order to address transnational crime. Colombia and Mexico have also supported this initiative.

In sum, although the achievements to date resulting from all these activities have not yielded the tangible benefits that can be observed in the area of trade, they are evidence of an effort not only to deepen integration but also to widen its scope.

The institutional arrangements for Central American integration have undergone the same ups and downs as the implementation of commitments, although they have tended —it must be acknowledged— more towards downs than ups. The Central American Bank for Economic Integration, for example, boasts a solid portfolio of projects and is financially sound, but has sometimes been criticized for not taking on a more proactive role in fostering integrated development. The Central American Integration System comprises several intergovernmental secretariats, including the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), which services what is called the economic subsystem, and the General Secretariat, which services the rest of the System. Both institutions appear weak, however, in terms of budgetary support and political commitment from their member Governments. Finally, the Central American Parliament, made up of parliamentarians elected in member States, faces a crisis of identity as a result of not having clear legislative functions or sufficient political support (Costa Rica is not a member and Panama is currently withdrawing from the organization).

Finally, concerning the regional theme that is part of the broader context of multilateralism —the subject of our meetings of yesterday and today— the conventional wisdom in the political arena holds that global and regional arrangements are complementary and mutually supportive. However, this does not necessarily hold true in the economic domain. We must recall the past debate on trade creation versus trade deviation, or, in more recent times, the question of whether subregional free trade arrangements become building blocks or stumbling blocks to a utopian vision of a global economy with no trade

barriers. I believe that this is, to some extent, a rather academic debate. All the studies undertaken over the past 50 years have concluded that Central American integration has, on the whole, had a strong positive effect on growth in the subregion.

In summary, I believe that subregional and regional cooperation contribute in some measure to strengthening multilateralism at the global level. At least our experience in Central America points in that direction.

AMBASSADOR COLIN GRANDERSON*

In keeping with the guidelines of the seminar, my focus will be on the role of regional organizations in global governance with a special focus on the economic dimension.

Formed in 1973, the Caribbean Community (CARICOM) is the oldest subregional group created to facilitate regional integration. It is comprised of small-island and low-lying coastal member States. Smallness in size, population and markets, vulnerability to natural phenomena, high indebtedness and a position in the middle-income bracket are among their most salient characteristics. I mention these characteristics because they shape to quite an extent the outlook of the Community with regard to the normative and other constraining aspects of global economic governance dictated by the major economic players of the day.

In 1989, in response to the phenomenon of globalization and its accompanying trade and economic liberalization, the 14 member States of the Community took the decision to deepen their economic integration process by establishing a single market and economy. It quickly became clear to them that, under the new normative regimes being put in place at the World Trade Organization, the long-standing preferential trade arrangements for their primary products —bananas and sugar, in particular— would not survive the assault by the major producing nations in the name of free trade. The reality that CARICOM production of these products was negligible on the global scale did not prevent the decimation of the member State economies and the resulting social and economic upheaval. Consequently, deepening regional economic integration was perceived as a means of addressing and counterbalancing the negative social and economic effects of globalization by building resilience and competitiveness and thereby contributing to global economic governance.

Much as a strong family is the backbone of strong communities, regional groupings have emerged as critical operational units of communities of interest on the global stage. They can articulate shared concerns and, by their shared affinities and the working together of their members, they can constructively concretize their development aspirations and, by speaking with a joint voice, help effect change and shape universal objectives. In many ways, these voluntary groupings of States in varied

* Assistant Secretary-General, Foreign and Community Relations, Caribbean Community (CARICOM).

configurations are increasingly becoming the building blocks of global governance. They facilitate cooperation and contribute to consensus-building that renders global governance more effective.

In its interface with the wider international community in trade and economic forums, the Caribbean Community has advocated repeatedly a number of principles and concepts which it practises within the operations of the Community. It holds the view that if these principles and concepts were to be widely accepted on the global stage, they would serve to mitigate —if not rectify— the imbalances in favour of the economic powerful and bring a modicum of equity to what is clearly not a level trade and economic playing field. Among these are the following:

- One size does not fit all. What is good for the major trade and economic actors is not necessarily beneficial to the smaller ones, whose peculiarities and special circumstances are not always taken into account. This underpins the Community's continuing but not very successful advocacy for special and differential treatment;
- There can be parity between equals, but between unequals there needs to be proportionality. This concept derives from the very ethos of the Community as enshrined in its foundation document, the Revised Treaty of Chaguaramas, which underlines that the establishment of the CARICOM Single Market and Economy should make the strong stronger and the weak strong; and that also the burden of establishing the Single Market and Economy should not fall disproportionately on the shoulders of the weaker member States. To this end, in keeping with the provisions of the Revised Treaty, the Community has now established the CARICOM Development Fund to assist sectors, regions and States disadvantaged by the economic integration process. We continue to strongly believe that approaches of this type would bring greater equity to global economic governance;
- In assessing economic performance, which leads to the "graduation" of countries from overseas development assistance and from United Nations assistance in some areas the criterion of per capita income is arbitrary. Such assessments need to be placed in a wider context which also takes into account the concept and reality of vulnerability. We know from experience in our region that the passage of a devastating hurricane can wipe out a member State's gross domestic product and years of positive economic performance and growth, creating a setback which will take years to overcome. I am delighted to see that the Economic Commission for Latin America and the Caribbean has now completed the study on this phenomenon, in a paper entitled "Financing for development and middle-income countries: new challenges".

The Caribbean Community has also raised in international forums a number of issues which initially were not taken seriously by the wider international community. The issue of the social and economic threats, such as rising sea levels, posed by climate change to our sustainable development is a matter of critical importance, and even of survival, for many small-island and low-lying coastal States. It has long been on the agenda of regional groupings such as CARICOM; and it was the object of constant advocacy before appearing on the radar screen of the global agenda —not that we are happy with the outcomes of the continuing climate change negotiations. However, keeping an issue alive through constant advocacy before it is broadly accepted by the international community and placed on the global agenda is an important contribution to global governance.

Another way in which regionalization contributes to global governance is through the promotion of values on which the United Nations also places great emphasis. The Caribbean Community has constantly expressed the importance of collective responses to shared problems. This is as valid at the regional collective level as it is at the global level. Additionally, through the establishment of regional

standards in areas such as good economic governance (rule of law, transparency, accountability and anti-corruption measures, among others), regionalization leads to the establishment of communities of values which make a signal contribution to global governance.

Regional organizations also play a critical role in bridging the divide between international policies and decisions and those of their individual member States. The Caribbean Community Secretariat has been a guiding and coordinating hand with regard to the attainment of the Millennium Development Goals by Community member States, an area in which the United Nations and its specialized agencies have been very supportive.

Though the emphasis has been placed during this presentation on the contribution of regional organizations to global governance, I would wish to close by underlining that the United Nations needs to play a far more important role itself in global economic governance. The workings of some of the major economic groupings, such as the Organization for Economic Cooperation and Development (OECD), are the antithesis of the far more inclusive and democratic approaches of the United Nations, where small nations have a voice and therefore can make their concerns heard. The economies of many of the small States of the Caribbean Community have suffered from the unilateral and discriminatory decisions taken by OECD, for example with regard to their financial services sector. Blacklisting and other punitive and coercive measures are imposed without consultation.

As mentioned earlier, regional organizations are in many ways part of the building blocks of global governance in the economic and other domains. These voluntary groupings of States and socio-political and economic units of varied configurations represent communities of interest. They are well-placed to help effect change, facilitate cooperation and build consensus that render global governance more functional and effective.

VERÓNICA LEGARDA*

Thank you very much. Good morning, ladies and gentlemen, officials of the United Nations and the Economic Commission for Latin America and the Caribbean and other esteemed members of the audience.

First, I would like to thank you for this invitation. It is an honour for me, as a representative of the delegation of Ecuador, to address such a remarkable audience as this.

As economic officials in our countries, one of our responsibilities is to respond to the pressing need for innovative options and proposals that enable us to counter the serious global crisis in which we find ourselves. It is important that we generate proposals that can lift us out of this crisis, which is not merely financial in nature. In addition to affecting the day-to-day lives of our citizens, the crisis has repercussions for global governance.

Because of the hegemony that exists in the international monetary and financial arena, countries depend heavily on foreign currency both for conducting business transactions and for funding reserves. This dependence undermines countries' monetary functions and limits their range of economic policy options when faced with international financial crises.

With the goal of strengthening the region's economies and bolstering regional integration and cooperation, Ecuador has presented, in several forums, a proposal intended to counter the negative effects of crises created in other regions of the world. Our proposal calls for a new regional financial architecture that redefines the financial, monetary and legal structures in the region, tailoring them to the region's characteristics, needs and objectives while stimulating the region's economic, social and environmental development. This sovereignty-based approach, conducted within the framework of the integration process, is founded on the premise that resources generated within the region will be routed towards investment projects within the region itself, thus preventing the harmful capital depletion we currently face.

* Senior Deputy Manager of the Central Bank of Ecuador.

On this premise, the Central Bank of Ecuador has invested funds from readily available international reserves into this new financial architecture, so as to stimulate productive development and investment projects in Ecuador.

This proposal has three components, the first of which would be a new type of development banking system. What we propose for this system is the creation of a *Banco del Sur* or Bank of the South, which would facilitate financial cooperation and integration among the countries of South America. The second component is South-South financing backed by a Common Reserve Fund of the South. The third component is a monetary scheme that functions as a payment clearing mechanism for foreign trade transactions.

This figure illustrates the new regional financial architecture. It is presided by the Regional Monetary Council, which oversees the three components: the regional development banking system with the Bank of the South and other bilateral development funds; the reserves held in the Common Reserve Fund; and the regional accounts unit that would clear payments. At the moment, we are working with the Unified Regional Payment Clearing System (SUCRE), which clears payments among the member countries of the Bolivarian Alternative for the Peoples of Latin America (ALBA). Using this system, Ecuador has conducted about US\$ 1 billion in foreign trade with the Bolivarian Republic of Venezuela. We hope this payment clearing system, which is an agreement between central banks, will continue to expand and that other countries that are not currently ALBA members will become interested in participating as well.

One of the objectives of the new regional financial architecture is to strengthen the region's monetary sovereignty by offering debt securities to the region in the form of bonds denominated in the local currency of member countries, thus buffering the region from international financial crises. Another objective is to stimulate the growth of the region's virtual securities market, promoting a securities-exchange culture whose transparent processes and quality management will build investor confidence and provide investment options that offer higher yields with low financing costs, so as to encourage new entrepreneurial investors to become engaged in the economy.

Ecuador is seeking to integrate actors from what it calls the popular and solidarity economy, also known as the informal market. The country is developing a legal framework that will recognize and integrate local productive and financial structures as part of the formal economy in an attempt to stave off capital depletion and prevent the negative effects of the crisis from permeating the local economy.

The first component of the proposed new regional financial architecture is a new type of development banking system whose objectives would be: to stabilize financial flows; to support private investment flows; to enhance export competitiveness; to support longer-term access to capital markets; to encourage the return of international banks; and to enable risk allocation and diversification in the region.

The creation of the Bank of the South, a part of a new development banking system, would pursue the following objectives: to provide bank intermediation for savings funds of participating countries, which the countries may use to finance their own development; to redefine economic and social development priorities by applying the principles of sovereignty to matters of food, energy, health, natural resources and knowledge; to capture regional savings that are currently being invested in the North as international reserves and private investments; to finance the economic and social development of participating countries based on the new priorities; and to eliminate local dependence on credit that is subject to the conditions of multilateral financial institutions.

In a few days the Economic Council of the Union of South American Nations (UNASUR) will be meeting in Argentina. Part of this vast proposal is that the Economic Council will serve to build confidence and resolve doubts that exist among countries about the creation of the Bank of the South. It is Ecuador's hope that this component of the proposal will be ready by December of this year.

The second component of the new financial architecture is the promotion of South-South financing backed by the Common Reserve Fund which, according to the proposal, would be funded with contributions from member countries in both foreign and local currency, as well as with resources from other international bodies. The countries would agree upon the proportions, financial instruments and terms of contributions. The Common Reserve Fund will aim to finance projects for producing goods and services for export, and to reduce trade asymmetries among member States by means of financing modalities that boost production and export. These funds could be administered through a fiduciary trust.

Within the Regional Monetary Council, which I chair as representative of Ecuador, we have proposed that this Common Reserve Fund—a trade convergence fund—should strive to reduce trade asymmetries among the ALBA member countries. As I mentioned earlier, the proposal seeks to reduce trade asymmetries among ALBA member countries and to distribute asymmetries, that is, surpluses or deficits of individual countries, among those countries, in an attempt to level trade relations. This levelling process would make trade relations more egalitarian and increase the potential for integrating small producers who have lacked access to foreign trade in the past.

The third component of the new financial architecture is a common monetary scheme and payment clearing system. The ALBA member countries have created the Unified Regional Payment Clearing System (SUCRE), a system that could be expanded and used by all countries of the region. This mechanism was implemented in 2009 and is now being used by the Plurinational State of Bolivia, Cuba, Ecuador and the Bolivarian Republic of Venezuela. As has already mentioned, trade has grown between Ecuador and the Bolivarian Republic of Venezuela, with approximately US\$ 1 billion in transactions since July 2010. This system is based on a virtual currency known as the sucre, which is used solely to record foreign trade transactions between central banks, while operators of a foreign trade transaction are paid in local currency. At present, the exchange rate for the sucre is US\$ 1.25 between central banks. In addition to engaging more producers in foreign trade, this mechanism democratizes trade relations at the local and international levels.

The objectives of the sucre mechanism are the following: to drive intraregional trade based on productive complementarity by facilitating foreign payments; to shield the economies from external financial crises; to bring new actors such as Ecuador's popular economy into the flux of foreign trade; to reduce trade asymmetries through the creation of incentives aimed at trade equilibrium; and to promote a new and effective regional integration process for both the political and social spheres.

Summarizing some of the fundamental elements of this new regional financial architecture, what this proposal seeks is the following: to redefine integration by shifting away from the mercantilist mindset towards alternative approaches that focus on maximizing the benefits of common advantages; to create new alternatives for managing the investment of foreign reserve assets, in particular gold reserves; to support central banks as the drivers of development and of the region's development objectives; to critically review mechanisms and information-sharing among member countries; and to engage regional payment clearing mechanisms adapted to meet the demands imposed by the current situation.

Intraregional trade is also fundamental to building and reinforcing the region's financial integration. In our countries owners of businesses, particularly those of small firms, need guidance to take better advantage of regional markets. The roles of regional multilateral bodies must be redrawn to go beyond merely providing diagnoses and seek solutions by redefining mechanisms that have proven obsolete or inadequate to respond to the financial crisis. On the matter of resource capture, which affects the region as a whole, one approach might involve adapting the Chiang Mai Initiative implemented by the countries of the Association of Southeast Asian Nations (ASEAN), as well as China, Japan and South Korea, following the Asian crisis in 1997.

This new regional financial architecture fits into the global context of economic governance as Robert Keohane defined it when he stated that "global governance refers to the making of rules and the exercise of power on a global scale". Global governance implies strategic interaction among entities that are not subject to a hierarchical structure. The point is this: to undergird progress towards a new architecture on a global scale, efforts must be combined to fortify key areas such as intraregional trade, development financing, development banking, domestic structural reforms, securities markets, models for reciprocal conventions, payment clearing systems and regulatory frameworks.

The idea is that by creating regional mechanisms, financial strategies can be shaped that strengthen economic, social and political relations and lead to governance that is conducted more equitably and evenly across the countries of the region. The proposed transition to a new financial architecture encompassing intraregional trade, development financing, development banking, a payment clearing system, securities markets, domestic structural reforms, regulatory frameworks and trade governance will inevitably require central banks to form cooperative and disciplined working groups to address governance issues related to trade, international finance and the economic development of countries.

In short, then, the idea is that this new architecture will lead to a global-scale strategic scenario that deals with key issues —and not only financial issues— through combined efforts, thereby enhancing economic, political and social governance and —why not?— the promotion of good neighbourliness among the countries of South America and Latin America.

This is the proposal for the new financial architecture. It is important that progress be made on these proposals. Ecuador and ALBA have taken significant steps forward, particularly with the regional payment clearing system, but the idea is that countries that are not members of ALBA might join this undertaking.

Thank you very much.

ANTONIO PRADO*

I believe this regional seminar is taking place at a critical juncture in the financial crisis that broke out in 2007, given the debate over recent weeks in the United States Congress —a debate that is still under way— about United States debt limits. The situation reached a point where for several days the unimaginable seemed possible, that the United States might default on its debt. An agreement was reached, but the whole process generated palpable uncertainty among the world's economic actors.

A second event during this same period was the downgrading of United States debt —Treasury bonds— by a credit rating agency.

Yesterday, the Executive Secretary spoke about “exorbitant privilege”, a term used back when the Bretton Woods institutions were doing away with the dollar gold standard. It is a paradox that precisely at times such as these, despite what happened yesterday in the world markets and on stock exchanges around the globe, investors look to United States treasuries for refuge. Exorbitant privilege is exactly this, that after creating uncertainty throughout the world, even despite having done so, for technical reasons with which we are all familiar, United States treasuries continue to serve as a safe haven during these critical times.

It is quite obvious that this crisis scenario has brought into question the legitimacy of global governance, not merely because it has traditionally been driven by the collective will of a small group of countries, but because the responsibility for upholding worldwide confidence in the global monetary system and in the world's bond reserves has been carried by one country in particular, a country which has now failed significantly. This has placed the issue of world governance at centre stage.

It is also true that under the current system of global governance the countries with the most voting and decision-making power in the international bodies are precisely the Group of 7 countries. In an effort to broaden global governance during urgent times, at a critical moment in the crisis, the Group of 20 was formed so as to expand the number of countries engaged in the global governance process.

* Deputy Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC).

During a seminar here at the Economic Commission for Latin America and the Caribbean, former President Lagos told us that, for the first time, the Latin American and Caribbean region holds 15% of the representation —i.e. of the votes— in an international forum, given that three countries from our region, Argentina, Mexico and Brazil, are participating in the Group of 20. We understand that, although participation has expanded, it is still limited and even more countries could become involved, not only from Latin America and the Caribbean but from all regions of the world. The Group of 20, which represents 90% of the world's population and 70% of the world's GDP, comprises the world's eight most industrialized countries and the European Union and includes eight emerging economies, those I have just mentioned, Argentina, Brazil and Mexico, and the economies of China, India and others, thus broadening representation during times of crisis.

But this is not sufficient. Yesterday we mentioned that representation is one of the issues in the discussion of global governance and the Group of 20. But there is also another issue: that the Group has a legitimacy problem in this process. And, though it has played and continues to play a fundamental role in this still-unfolding crisis, the Group remains an informal forum.

It is important to bring data from the International Monetary Fund into this discussion of the issues of legitimacy and broadened representation. These data forecast that over the next few years the emerging economies will exceed, that is, surpass developed economies in terms of share of global output. This means that the situation is changing quickly and that the manner in which global governance is organized, in tones and influences that stem largely from agreements made in the aftermath of the Second World War, is no longer adequate. Emerging economies will surpass developed economies in the next few years.

Therefore, it is essential that mechanisms be sought to achieve adequate representation of the regions. With this shift in the share held by developed countries comes the need to revise the composition of decision-making bodies within the various multilateral organizations. This will also mean revising quota-allocation mechanisms so they reflect the economic weight, level of contribution and specific development needs of each country.

We should —and the Commission has been working hard on this— transition from a global agenda based on stability to a global agenda based on global development, without losing sight of the specific situations of emerging countries. In fact, it was this Commission that fought to have underdevelopment identified as a specific construct and insisted upon the need to remedy it through specific policies and formulations. This means there must be concurrent agendas, one for global development and one for regional development that takes into consideration the specific situations of emerging countries.

Multilateral organizations must include on their agendas not only issues of global finance and economics but also those areas that are of particular interest to developing countries, including those in Latin America. This means looking at ways to shield emerging markets from excessive foreign capital inflows, especially those that are speculative and volatile and push up exchange rates without contributing to developing countries' growth potential.

In last year's edition of the Commission's report *Latin America and the Caribbean in the World Economy*, as well as in the edition we are preparing for this year, it is very clear that the region, because of a rising concentration of commodity exports, is also going through a process that over the long term could result in recommodification not only of exports, but of the region's overall production. This is undesirable because we know the negative impact this type of economic composition can have on the

region, in terms of income concentration and financial capacity, technological capacity and the capacity to generate productivity. Therefore, foreign capital inflows need to be better regulated, primarily in order to defend the region's development potential.

The development agenda must also be consistent with international, regional and national policy objectives. This involves creating forums in which countries and their institutions can discuss regional and national policies. We have just heard presentations from this table about the experiences of the Bolivarian Alliance for the Peoples of Our America (ALBA), the Central American Common Market and the Caribbean Community which, as I see it, are fundamental to understanding the potential of each subregion and the potential for diversifying institutions.

Over the short term, Latin America is facing a situation of excess dollar liquidity, which affects exchange rates and sometimes inflation, primarily as it applies to non-tradables in the region. This presents challenges to the region's productive diversification. Over the long term, Latin America must narrow its structural gaps in the productive and social spheres, namely our typically low productivity, regional stagnation, high levels of inequality and regional disparities.

In this figure, we can see the challenges we face from a structural point of view. Comparatively, average growth in productivity for the period 1950-1980 dropped considerably during the period 1980-2008. This was mainly attributable to low levels of investment in the region. The region continues to face challenges in significantly expanding its capacity for technological innovation. This means that although we have achieved growth in recent years, during which time we have significantly reduced poverty through shifts in income distribution, the truth is that the issue of structural change continues to be crucial if we are to sustain growth while improving income distribution and reducing poverty.

The processes of reducing poverty and improving income distribution, recent and diffident as they are, clearly correlate with economic growth. But they are also closely related to trends in public social spending. We can see from the figure that between 1990 and 2008 significant progress was made in shrinking some social gaps. Efforts to achieve structural change are essential if this trend is to continue.

The pattern we are seeing at present, unfortunately, could lead not only towards the recommodification of exports, which is already happening, but also towards the recommodification of the productive structure. In the past, productive structures based on the production of commodities or on natural resources have, in the absence of adequate distribution and production policies, led to income concentration and widening social gaps.

We can see from this chart, which compares 1990-2002 with 2002-2008 and shows the Gini index, that we have indeed made some progress with income distribution, but still register an average Gini of about 0.5, which is quite high when compared with other regions of the world.

The process of global governance reform must be supported by the regional commissions. As the former Executive Secretary of the Commission, Ambassador Gert Rosenthal, has already stated, the regional commissions have particular characteristics that allow them to play a valuable and active role in global and regional governance systems. The case of the Central American Common Market is a clear example of this. The commissions have a sense of commitment to the regions; they have specific regional knowledge; they have high levels of capacity and agility for technical response; and they project an image of trustworthiness, credibility and legitimacy. The regional commissions place the concerns of their member States front and centre, both nationally and regionally.

By this same reasoning, regional institutions must be strengthened, and here at this table we have a number of examples of what can be accomplished, of what is now being accomplished through the Bolivarian Alliance for the Peoples of Our America, the Central American Common Market and the Caribbean Community. We have examples such as the experiences of clearing houses, currency swaps and the creation of alternatives for expanding development banks in the region. In other words, it is clear that the regional institutions need to be strengthened.

We know that the region currently holds US\$ 700 billion in foreign reserves and that, because of safety, liquidity and handling needs, almost all —some 75% or 80%— of those reserves are held in United States Treasury bonds. These are not used, strictly speaking, in any regional processes. So, efforts to strengthen regional institutions and find ways to more adequately manage the region's interests are fundamental to supplement the resources of the International Monetary Fund and build the capacity the region needs to design economic policies to drive the region's long-term development.

Thank you, Mr. Ambassador.

CLOSING SESSION

- H.E. Joseph Deiss, President of the sixty-fifth session of the United Nations General Assembly
- Octavio Errázuriz, Permanent Representative of Chile to the United Nations
- Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)

H.E. JOSEPH DEISS*

Headlines in the newspapers and on the television remind us every day of the need to take collective action to address challenges such as the current turmoil on financial markets, famine in the Horn of Africa and food security, poverty reduction, sustainable development, climate change, terrorism and other threats to security.

I am glad that the discussions we had here in Santiago have been so constructive and I believe they will make a difference in shaping a better governance system.

It is difficult at this stage to reflect the full richness of the discussions, but I would like to highlight a few ideas that I will take away from these two days.

The first panel clearly showed that the topic is timely and that action is needed. For me, three important messages emerged as regards the kind of action needed.

First, there is consensus that global governance is not the same as establishing a global government. Global governance is the way to take the best collective decisions while respecting the sovereignty of States.

Second, addressing global challenges collectively is the only way to proceed. It is the only way to be efficient, but it also implies that each country must go beyond its strictly national interests to find common ground. Global governance is deeply rooted in solidarity and morality.

Third, although new groups might well be emerging, there are already a number of institutions in place. What is essential, and this was made clear during these two days, is that the United Nations is in place: there is no need to start from scratch. The United Nations is the institution for global governance par excellence and it is uniquely placed to coordinate the action of all the other existing bodies. We should make the best use possible of what the United Nations already offers, but for this we need to reform it to make it more efficient, more representative and more coherent. The Economic and Social Council and the Security Council reforms are the ones most urgently needed, and this was clearly stressed.

* President of the sixty-fifth session of the United Nations General Assembly.

The second panel provided a good opportunity for in-depth reflection on the relation between the Group of 20 and the United Nations.

A first aspect that came out was that there are things that the United Nations can do and others it cannot, and that the relation with the Group of 20 is therefore rather a relation of complementarity than of competition.

A second important aspect for me is that this complementarity has to be structured. The Group of 20 has to be "tamed" and, most importantly, it has to come closer to the United Nations. As has been suggested, the Group should be brought into the United Nations system to make it accountable to the United Nations. The idea of having the Group of 20 act as an economic security council and its relationship with the Economic and Social Council should certainly be explored further.

Having the Group of 20 within the United Nations system could help to enhance the continuity of its work from one presidency to another and avoid having priorities without any consistent follow-up.

Finally, the third panel addressed the role of the regional organizations in governance. Many such organizations already exist; and we should avoid confrontation among these organizations and overlaps in their mandates. We should also be mindful of the danger of double standards.

The discussion made it clear that there is great potential among regional and subregional organizations to make global governance work better. These organizations are essential to applying the principle of subsidiarity, that is to say, to address at the regional level issues that can be solved effectively at that level.

Regional organizations are also instrumental in forging consensus, in securing breakthroughs to unlock complex situations and in enhancing legitimacy. The role of the African Union in Côte d'Ivoire and of the Arab League in the Libyan Arab Jamahiriya are such examples.

Some very important points were also made with particular regard to the Latin American region.

First, the region is maturing and emerging countries should be granted a greater role in governance. I fully subscribe to this view and for me a greater role means greater responsibilities.

Second, Latin America has a long tradition of multilateralism in formal and informal settings. There is much that can be learned from the experience of the region.

Third, next year the Group of 20 will be chaired by a country of the region: Mexico. This is a unique opportunity to position the region in global governance and improve the link with the United Nations. In this respect, the role that the Economic Commission for Latin America and the Caribbean can play in bringing the Group of 20 closer to the United Nations must be fully exploited.

This is only a very rough summary of all the excellent suggestions and ideas expressed during the seminar. I would like to add three, more personal conclusions.

First, there is a need for more effective global governance. The world is globalized, whether we like it or not. Technology is leading the show and institutions must follow. The challenge is to avoid confrontation and to work in the common interest and for the harmony of collective goals.

Second, the United Nations still offers a unique umbrella for the whole system of global governance. The United Nations is universal, it enjoys unique legitimacy and, most importantly, it is value-based. We should never forget that global governance is also a question of morality.

Third, the United Nations needs to enter the twenty-first century and it must urgently make itself fit for the task. It must reform its main bodies, including the Security Council and the Economic and Social Council, and it has to assert its moral strength and stand up for the fundamental values of humanity.

Those are the main elements that I would like you to take away from this event. I very much hope that we will find a way of taking action on what has been discussed here; and rest assured, Madam Executive Secretary, that during the time remaining until the end of my mandate as President of the General Assembly, I stand ready to support you in this endeavour.

OCTAVIO ERRÁZURIZ*

Madam Executive Secretary, ladies and gentlemen,

On behalf of the Government of Chile I would like to express thanks to Joseph Deiss, President of the sixty-fifth session of the General Assembly, for his presence at this seminar, which is now coming to a close. Without a doubt, your interest in this issue and your comprehensive remarks yesterday have improved our understanding of the realities we face and the role the United Nations must play as we assume the responsibility for global governance.

I would like to acknowledge the Economic Commission for Latin America and the Caribbean and its Executive Secretary, Alicia Bárcena, for having received us at these headquarters and for having co-organized this event. It is thanks to the efforts of the Executive Secretary and her staff that this event is now culminating on such a positive note.

I would also like to thank our distinguished panellists for their valuable presentations, and the attending delegates, for their participation and statements, all of which represent substantive and meaningful contributions to the process of shaping global governance with the United Nations playing a central role.

What we have seen over these days, and what we hope to deliver to the Secretary-General of the United Nations for inclusion in the report requested in General Assembly resolution 65/94, clearly has very little in common with the international order that held sway throughout the twentieth century.

The traditional concerns of States, such as inter-State conflict, have grown to include the increase in weapons of mass destruction, climate change and environmental deterioration, human rights violations, global economic and financial instability and the renewed threat of terrorism, among others.

These new and recurring threats situate us in a global context in which isolated and autarchic actions by individual countries cannot offer effective and efficient solutions to the challenges faced by the globalized world.

* Permanent Representative of Chile to the United Nations.

In this current context of political, social and economic interdependence, it is clear that countries cannot sidestep worldwide issues or configure them at their will. All we can do is to make strides together to enshrine a few minimal conditions for administration, stability and governance that will bring more certainty to a very unpredictable international environment.

This recognition of our interdependence means that States must coordinate and cooperate in providing for their own welfare. If it is true that global challenges are common to all, then we must undertake to address them through coordinated and collaborative actions.

It is Chile's view that the complex problems of the global village must be tackled through multilateralism, with the United Nations serving as the nucleus for multilateral policy and as the main forum for political dialogue among the international community.

Accordingly, Chile's foreign policy is one that seeks full and comprehensive international engagement within a development model based on economic and trade liberalization.

This approach is consistent with the body of fundamental principles that have guided our actions abroad, namely, the primacy of democracy and human rights, the efficacy of international law, the strengthening and stimulation of regional and subregional forums for cooperation and extensive participation in the multilateral bodies.

Multilateralism is one of the pillars of our foreign policy, because it promotes the creation of rules that are clear, transparent and guaranteed by an international system that seeks to provide opportunities to all actors, regardless of their relative weight.

Chile is firmly committed to strengthening inclusive and effective multilateralism. We played an active role, along with Singapore, in the process that led to the General Assembly's adoption of resolution 65/94 on the United Nations in global governance, which was co-sponsored by over 100 Member States and adopted by consensus on 8 December 2010.

This resolution recognizes "the vital importance of an inclusive, transparent and effective multilateral system in order better to address the urgent global challenges of today." The text also affirms the central function of the United Nations in seeking common solutions to these challenges.

With the resolution providing its foundation, we thought this seminar, and the presentations made by the renowned experts who have participated, could serve as an appropriate vehicle for reflection on these subjects.

The first panel focused on the need to address a number of areas and challenges that need to be addressed in order to make multilateralism more inclusive and effective in tackling the major issues on the international agenda.

The second panel discussed global economic governance and the role of the United Nations and Bretton Woods Institutions, considering the advent of the Group of 20.

The third and final panel evaluated the role of regional cooperation and contribution in matters of global governance, highlighting the region's great potential.

Among other objectives, this seminar has sought to build bridges that would deepen multilateralism and make it more inclusive, transparent and democratic while enjoying the legitimacy and effectiveness it needs.

In addition to seeking ways to strengthen and renew the multilateral political framework as the key construct for shaping global governance, this exercise has also given us the opportunity to reflect upon the need for increased interaction among all actors on the diversified international stage, namely, the States, the private sector, civil society and regional and subregional machineries.

Your invaluable participation has, I trust, moved us farther along this path, despite the many tasks and challenges we may yet encounter along the way.

Thank you.

ALICIA BÁRCENA*

First, I would like to extend very special thanks to the Government of Chile, to Ambassador Octavio Errázuriz, Permanent Representative of Chile to the United Nations, to Eduardo Gálvez, Deputy Permanent Representative of Chile to the United Nations, with whom we have worked so closely, to the Ministry of Foreign Affairs, and to Ambassador Adolfo Carafí, Deputy Director-General of Multilateral and Global Affairs at the Ministry of Foreign Affairs of Chile, with whom we have crossed paths in connection with Chile's chairmanship of the Rio Group and will soon do so again in connection with the Community of Latin America and Caribbean States. I am delighted that the Economic Commission for Latin America and the Caribbean (ECLAC) can support and assist in these processes, because they are of great interest to us. I think that we have gained much from the debate during the two days of this seminar and I would like to express particular gratitude to Professor Joseph Deiss, President of the sixty-fifth session of the General Assembly of the United Nations, for proposing that the discussion of world governance should be pursued from a regional perspective as well. This is very important for all of us.

At one point as the crisis was fading there was concern here in ECLAC, and I believe in other forums too, that we were perhaps returning to "business as usual". The Group of 20 was upgraded to the level of Heads of States, and increased the capitalization of the International Monetary Fund, but somehow failed to seize upon this crisis as a turning point. And, especially after the events of this past week, we are convinced that this really has been a turning point. When we look for the rationale of world governance at this juncture, and its relations with the United Nations, we cannot help seeing what has generated this collapse, what rationale has broken down, and therefore what we have to reestablish. And there is no doubt that the existing global financial and economic architecture needs to reestablish its legitimacy.

The word "legitimacy" has arisen repeatedly here and we have tried to discern whether the United Nations or the G-20 is the more legitimate forum. Ultimately, what is being called into question is the entire financial architecture built by the international community over the past decades.

This forum has, I think, reached a consensus that the G-20 was an important and timely initiative, especially for confronting the tremendous crisis of 2007 and 2008, when the International Monetary Fund was in a tremendously weakened position. At that time the G-20 fulfilled a very important function,

* Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC).

which enabled it to bring about a change that warrants mention. Until the crisis, the global financial and economic architecture was rather much in the hands of finance ministers and central bankers, through their networks with the World Bank, the International Monetary Fund, and so on. Heads of state and government had relied to a large extent on their finance ministers and their central banks to steer monetary and fiscal policies. The big leap that the G-20 took then was to act in a timely and coordinated manner to bolster the Fund and also make room for politics. That is, politicians, heads of state, have taken these changes into their own hands.

Now that the Group of 20 is here to stay, I think at least some of us have arrived at the conclusion that its swift action is welcome, but that the time perhaps will come at the next Summit in November to broaden the agenda. We must recognize here that France has gone to great lengths and has taken a very inclusive approach and has been very receptive to the concerns of many members and non-members of the G-20, to encompass topics such as commodity price volatility, which is a matter of real concern. The issue of employment, too, has always been a concern of the G-20, especially in the second stages of the Group and again now, since the Seoul Summit in 2010.

What will be the future role of the G-20? The analysis done here has helped to show it for what it is—an elite or selective kind of multilateralism. Perhaps the time has come to institutionalize the Group and to make it part of a broader system. Careful thought must be given to how this forum may be developed henceforth. Maybe it should be seen as the embryo of a possible Economic Security Council, as the Permanent Representative of Guatemala to the United Nations suggested. Or perhaps, as mentioned by the Assistant Secretary-General on Economic Development, it could be transformed into an economic committee within the United Nations. In other words, a small group within a large system, which would receive input from the various pillars of the system, including the International Monetary Fund, the World Bank—in short, the broader United Nations system.

Would this transformation require an amendment to the Charter of the United Nations? Probably very little for some changes, but a lot more for others. For example, a decision to incorporate the World Trade Organization formally into the United Nations system, as proposed by José Antonio Ocampo, the Director of Economic and Political Development of the School of International and Public Affairs of Columbia University, would be more of an internal legislative matter, first for the governing body of the World Trade Organization and then for the United Nations General Assembly. I think that is something which could be done.

This possible economic council, as also pointed out by José Antonio Ocampo, would certainly require an independent secretariat, and here the United Nations Department of Economic and Social Affairs would have to play a role. This amounts to a clear scheme, an area of work that merits deeper exploration, and I sincerely hope, Dr. Deiss, that these conclusions can be considered in some way before you leave the presidency of the sixty-fifth session of the General Assembly. For our part, we will continue the reflection together with the Government of Chile and intend to compile the proceedings of this meeting. Indeed, I would like to ask everyone to leave their presentations with us, and we will make an audio transcript of the discussions here, which I believe have been valuable not only for the background to the issue, but also for their timeliness.

Beyond the debate over whether and how the United Nations should participate in world governance, I was struck by the discussion initiated by the Permanent Representative of Guatemala to the United Nations and completed by the Special Representative of the International Monetary Fund to the United Nations, as to what the General Assembly can and cannot do, with its 193 members. A smaller group such as the G-20, which could evolve into an economic council with fewer members reporting to

the General Assembly, could be a suitable mechanism. It could complement the —ideally, strengthened— Economic and Social Council, in the form of the proposed 27-member Global Leaders' Forum (L27), as mentioned by the Assistant Secretary-General on Economic Development. It would be easier to establish substantive dialogue in a group this size, and it could be strengthened, as José Antonio Ocampo suggested, by committees of experts. After all, the Statistical Commission, the Commission on Population and Development, the Committee on the Elimination of Discrimination against Women, the Commission on Sustainable Development are expert groups that are already helping us and, indeed, the entire international community to think about the concept of development.

In the United Nations we may not take the minimalist approach of viewing development as merely giving aid to lower-income countries. Consider the absurd debate that is going on in New York —which we have not mentioned here but which might come up tomorrow in our discussions on financing for development. A sort of competition is taking place between the least developed countries and the middle-income countries, inasmuch as the least developed are assuming that any development assistance or cooperation not given to middle-income countries will automatically flow to them, which is absolutely not true.

For these reasons, I would like this discussion, with all the seriousness that we have seen here, to go much further. I would simply like to close this part by saying I believe that you have left us with a working agenda to be pursued here at ECLAC, and that is what I value most from this debate. Especially in the statements of today and many made yesterday you have told us clearly —and many of my chiefs of division are around the table— that the Commission must act as a forum for debate, for discussion, for generating ideas, and above all for rethinking the region. And we must rethink the region very clearly, with values of solidarity. Not “every man for himself”, but strengthening dialogue among the different economic and social stakeholders and with due regard for environmental issues.

This is our role, this is our task. If ECLAC is to foster such a dialogue, an agenda, we will need your help to update proposals on the regional financial architecture and on financial flows. It is very important to distill these ideas into a concrete proposal in order to rethink the Latin American Reserve Fund, and to engage the regional banks, the Andean Development Corporation, the Central American Bank for Economic Integration, the Caribbean Development Bank, the Inter-American Development Bank, and the new Bank of the South and the Bolivarian Alliance for the Peoples of Our Americas, in a really serious discussion, because I believe that this is a key moment, a crucial moment. I saw this clearly today as never before. Osvaldo Rosales, Chief of the Division of International Trade and Integration of ECLAC, saw it in his commentary. So did José Antonio Ocampo and Antonio Prado, Deputy Executive Secretary of ECLAC. Everyone who has been thinking about this crisis and what to do, saw it. Guilherme De Aguiar Patriota, Special Adviser to the Foreign Policy Unit of the Office of the President of Brazil, saw it very well. I believe that if we could establish a proposal for regional financial cooperation, a proposal that would strengthen trade mechanisms, along the lines of the Trade Convergence Fund suggested by Ecuador, if we could build on what this region has achieved historically with the clearing houses, then this region could overcome its inertia.

And the first people we are going to have to convince are our own economic authorities, who are obviously apprehensive about using capital controls. As has been suggested, they may be afraid of being associated with a kind of thinking that is perhaps unorthodox. But these are unorthodox times and we must approach things differently. And as several others have put it, we not only have to rethink the regional financial architecture, mechanisms for promoting trade convergence and a platform for Latin American and Caribbean action: we must also rethink the governance of natural resources. Much is said about commodities, yet little about royalties; much is said about the region's gains from the natural-

resource boom, yet no deeper debate has taken place about what we are doing with that boom, how we can protect ourselves a bit more and navigate in these tricky waters of commodity price volatility, exchange-rate volatility, terms of trade volatility, and all the uncertainty that blankets the world today.

And above all, an institution such as the Economic Commission for Latin America and the Caribbean, an institution such as the United Nations, owes a very clear debt to civil society. Yesterday José Antonio Ocampo said that civil society is our best ally, but to make that work we must sit down with civil society and talk. On 8 and 9 September we will be hosting the Latin American and Caribbean Regional Meeting Preparatory to the United Nations Conference on Sustainable Development (Rio +20) to talk about climate change and some of the most decided attendees at that preparatory meeting are members of civil society. An extraordinary number of civil society organizations in the region want to come and discuss with governments and the United Nations what they too can do in the face of this crisis.

In the area of trade cooperation, for example, in the protection of our manufactures, as mentioned by Guilherme de Aguiar Patriota, we can generate new initiatives for strengthening intraregional trade, and that is why our region's minimum wages are so important. If we do not give a leg up to poor families, if we do not strengthen conditional transfers, we are not going to achieve the equality needed to grow and we will end up with an even greater crisis.

Friends, I would like to emphasize that ECLAC is ready, willing and decided upon this important agenda. It shows us a trail that we must open and gaps that we must close, and I want to you to know you may rely upon the full support of this Commission. We will be working with the Government of Chile to compile the proceedings of this seminar and its conclusions, which we also trust will be useful for the debate which I believe must take place at the forthcoming sixty-sixth session of the General Assembly, and above all at the next stage in the G-20.

I would like to thank all of you for making the effort to be with us and I also wish to acknowledge the support rendered by the Government of France to this seminar and to others being held in the region under the auspices of the United Nations.

Thank you and good afternoon to all.

ANNEXES

- Annex 1 - Background paper prepared by Eduardo Gálvez
- Annex 2 - Concept note
- Annex 3 - Resolution adopted by the General Assembly
- Annex 4 - Letter dated 11 March 2010 from the Permanent Representative of Singapore to the United Nations addressed to the Secretary-General

Annex 1

BACKGROUND PAPER PREPARED BY EDUARDO GÁLVEZ

DEPUTY PERMANENT REPRESENTATIVE OF CHILE TO THE UNITED NATIONS

A. RESOLUTION 65/94

1. On 8 December 2010, following an initiative of Chile and Singapore,¹ the United Nations General Assembly adopted by consensus resolution 65/94, “The United Nations in global governance”,² thus placing discussion of global governance formally on the agenda of the sixty-sixth session of the General Assembly, as plenary agenda item 123 b).³
2. Resolution 65/94 recognizes the need to adopt multilateral approaches that are inclusive, transparent and effective in addressing global challenges and reaffirms the commitment to promote the effectiveness and efficiency of the United Nations system in this area.
3. The issue of global governance has gained attention within the United Nations⁴ as a response to an increasing trend in world politics of substituting the procedures and the work of the universal institutions of the United Nations system for global governance; using instead global governance structures based on groups of countries of selective composition. There is a perception that this trend places inclusive multilateralism at risk.⁵

¹ The Missions of Chile and Singapore to the United Nations prepared a document entitled “Concept Note”, which served as a background for proposal of a plenary resolution concerning the United Nations in global governance. The Concept Note was distributed among the Member States and accompanies this document as Annex 2. The negotiations lasted three months. By the time of its adoption, the proposed resolution had attracted co-sponsorship by 101 States.

² The text of General Assembly resolution 65/94 accompanies this document as Annex 3.

³ See document A/66/100 of 15 June 2011 and document A/66/250, of 16 September 2011. Item 123 entitled “Strengthening of the United Nations system” in letter b) includes the theme “Central role of the United Nations System in global governance”.

⁴ An important role was played by the President of the sixty-fifth session of the General Assembly, Joseph Deiss, who called attention to this issue and treated it as a priority, proposing to the General Assembly that “Reaffirming the central role of the United Nations in global governance” be the theme of general debate at the sixty-fifth session.

⁵ Strictly speaking, the term “multilateral” refers to any concerted action among several States on a specific issue. However, the spirit of the term in the Charter of the United Nations refers more to collective intergovernmental action through mechanisms that ensure that all relevant interests are considered in the discussion prior to decision-making. It is intended to ensure that all affected countries are given a voice and participation. In this sense, multilateral collective action represents the “international community”. In the chapter I authored entitled, *The Multilateral diplomacy of Chile*, which will appear soon in a book on Chile’s foreign policy edited by Mario Artaza and Cesar Ross. I refer to the issue as follows: In international relations Multilateralism distinguishes itself as a sphere of negotiation for building agreements and commitments for collective action to confront the major issues on the international agenda. In a world transformed by globalization, the agenda of multilateral issues included challenges that are worldwide in scope and that cannot be adequately addressed without the agreement and implementation by whole of the international community. Multilateralism is, at the international

4. For the United Nations⁶ the catalyst for this concern about the diminished role of the organization in global governance was the recognition, in 2009 and 2010, that the Group of 20,⁷ an informal grouping of the world's major and emerging economic powers, has been the mechanism utilised for coordinating the global response to the current global economic crisis, circumventing and marginalizing the universal institutions of the United Nations system, including the Bretton Woods Institutions⁸ among the sidelined actors.

B. "MULTILATERALISM": WHAT DO WE MEAN BY THAT?

5. Given the globalization and interdependence that exists today among nations, and with the magnitude of global problems we all face, we are all multilateralists. But this does not tell the full story. What sort of multilateralism are we speaking about?⁹
6. Classic multilateralism, which is universal, inclusive and democratic, based on rules and institutions, currently finds itself at risk of becoming sidelined by other multilateral mechanisms for collective action.
7. In matters of international peace and security, the Security Council once again finds itself being circumvented in situations for which actions are needed to counter crises that affect international peace and security, while the prospects of reaching an agreement on reforming and expanding the Council are not promising.
8. Similar dynamics affect other issues, such as disarmament, arms control and nuclear weapons non-proliferation. The entire multilateral disarmament machinery of the United Nations is stalled, and no substantive progress has been made regarding implementation of the 3 pillar of Treaty on the Non-Proliferation of Nuclear Weapons. As these situations unfold, agreements and mechanisms spring up that represent limited groups of countries and use a variety of participation systems.

level, the instrument for tackling these global challenges in an inclusive manner, with the participation of all those who have interests at stake in the various issues. For the International Society *multilateralism* is the equivalent to democracy in national societies"

⁶ The United Nations as an organization is essentially the personification of its Member States (UN1); but it additionally includes the Secretariat, with the Secretary-General as head (UN2) and a multiplicity of non-governmental organizations that are linked to its activities (UN3). We refer primarily to UN1, but also to the malaise is perceived in UN2 and UN3.

⁷ The Group of 20 is an informal grouping of countries —industrialized and new economies that are systemically important to the progress of the global economy. The Group was established in response to the Asian crisis of 1999, at the initiative of the United States, to coordinate policies and actions at the level of ministries of finance and central banks. Subsequently, in 2008, as a result of the current global economic and financial crisis, the Group of 20 was to become a mechanism functioning at the level of heads of State and government. In the outcome document of the 2009 Pittsburgh Summit, the Group was affirmed by its members to be the foremost forum for (global) economic cooperation.

⁸ The International Monetary Fund and the World Bank were established as outcomes of the United Nations Conference on Monetary and Financial Matters, held in Bretton Woods, New Hampshire between 1 and 22 July 1944.

⁹ This issue is introduced well in the op-ed article entitled "The case for messy multilateralism", by Richard Haass, President of the Foreign Relations Council, published in the *Financial Times* journal, 5 January 2010.

9. With serious and urgent environmental problems that need to be addressed, the United Nations Commission on Sustainable Development has not reached any agreed conclusions in two years. The most recent multilateral commitments, such as the Copenhagen Accord and the Cancún Accord, did not produce agreements substantive enough to make significant gains on the environmental agenda. Meanwhile, intergovernmental groups appear to work on issues without involving the global mechanisms.
10. In the midst of a serious global economic recession —the Great Recession— the Doha Round, the lengthy multilateral trade negotiations begun under the auspices of the World Trade Organization (WTO) in 2001 seem destined to fail. In the absence of progress at the multilateral level, the liberalization and regulation of foreign trade is being advanced instead through regional, plurilateral and bilateral mechanisms.
11. The promised new international financial architecture does not appear to be moving forward, and the Bretton Woods Institutions continue to be criticized for the methods they employ in choosing officials and making decisions.
12. Summarizing, architecture for global governance does exist, and it possesses inclusive institutions and mechanisms, principally those of the United Nations system. Yet this architecture does not appear to be given use.
13. Many of the decisions, particularly those that deal with major world issues, are being made —for better or worse— in multilateral mechanisms outside the United Nations system.¹⁰
14. In some cases this may be attributed to gaps of inclusive governance mechanism (when an issue is not reflected in the framework of the United Nations system of institutions and mechanisms). But in many cases major powers avoid addressing issues within the framework of existing multilateral mechanisms, either because they do not offer political support to global institutions they may consider inefficient or because they prefer to avoid overly open debate and the political paralysis that can ensue within mechanisms whose rules call for consensus and require a unanimous vote to approve a decision.
15. Some have explained this preference for groups or clubs of countries over global mechanisms as a trade-off between “legitimacy” (the global bodies) and “effectiveness” (groups restricted to the main actors). However, over the long term the inclusive institutions, such as the United Nations system, have in most cases demonstrated effectiveness and efficiency, while actions by the “Gs” have not always proven to be effective.

¹⁰ The issue has been the object of valuable academic reflections, outstanding among which are the studies and seminars sponsored by The Stanley Foundation at a conference held in Terrytown on 26-29 March 2010. These reflections can be found in the document “The United Nations and the G-20; Ensuring Complementary Efforts”. See also the Foundation’s policy analysis brief for March/April 2010. Another important report by the Stanley Foundation is a policy dialogue brief of the workshop “Rivalry and Partnership — The Struggle for a New Global Governance Leadership”, held at Princeton University on 14-15 January 2011. The Centre for International Governance Innovation of the University of Ottawa has produced many documents on the topic, particularly having to do with the impact the Group of 20 will have as an actor in global economic governance. The Friedrich Ebert Foundation has produced many important studies on the subject, including the “FES scenario building in Global Economic Governance 2020”, Chateau de Bossey, Crans-pres-Celigny, , in 2008; the occasional paper 45, September 2009 was dedicated to “Sustainable Global Governance for the 21st Century: The United Nations confronts economic and environment crises amidst changing geopolitics”. They have organized important seminars on the subject, among them one entitled “Making the case for Global Economic Governance”, in Toronto, in 2010, and the seminar entitled “Better Global Economic Policy Coordination and the need for an advisory Body to the UN”, in New York, in 2011.

C. THE UNITED NATIONS IN GLOBAL GOVERNANCE

16. In practice, we are heading towards a sort of à la carte multilateralism rather than multilateralism as it is understood in the United Nations Charter. Rules-based regimes, mechanisms and institutions are being replaced by ad hoc groupings of countries sometime alluded as “coalitions of the willing”.¹¹
17. Critics of this trend allege that à la carte multilateralism is opportunistic and selective, built around the major powers, a multilateralism of the “elite” (or “multilateralism of clubs”) that circumvents the United Nations.
18. Conversely, those in favour see it otherwise, as “minimalist” or “smart” form of multilateralism that avoids the paralysis of global institutions by bringing into the decision-making process only those countries necessary to the resolving of problems.¹²
19. To the extent that the “Gs” or membership-restrictive multilateral mechanisms act along the same lines as the global institutions, there is seemingly not much to criticize.
20. We should not claim that the United Nations system has an exclusive right to deal with issues of global governance, nor that it should be considered to oppose any other mechanism that can and should help, from different perspectives, in governing the main issues of the global agenda. What it is necessary is coordination and convergence of efforts with global mechanisms and institutions.¹³
21. However, the ever-present problem is how to ensure that proper consideration is afforded to the interests and sensitivities of countries that cannot join these mechanisms, either because they are not one of the major powers or because they lack systemic relevance to the progress of the world economy—which is indeed the case for most countries. Because these countries do have a voice and a vote in the global institutions, the challenge lies in finding a way to ensure that the decisions of membership-restrictive mechanisms will align with the actions of the global institutions.
22. At the same time, proponents of ensuring that inclusive multilateralism remains the prime mechanism for addressing global issues with full legitimacy urge for efforts to reform the global institutions and mechanisms, in particular those of the United Nations system, so they will be up to the task of responding to today’s world challenges in an effective and timely manner.¹⁴

¹¹ A useful resource on the concept of “coalitions of the willing (to act)” is Working Paper 1 of the Centre pour l’innovation dans la gouvernance internationale, “Stretching the Model of ‘Coalitions of the Willing’”, by Andrew F. Cooper.

¹² See “Minilateralism” by Moses Naim, *Foreign Policy* magazine, July/August 2009.

¹³ For example, in the area of fisheries and regarding Antarctica there are well-defined and rules-based groups and regimes providing pragmatic solutions in the framework of globally defined general principles. As regards conventional arms, a good example is the Oslo process that led to the Convention on Cluster ammunitions and on international trade the Asia-Pacific Economic Council is one example of an intergovernmental process in convergence with the principles and purposes of the World Trade Organization.

¹⁴ A major effort is made in this regard by 28 small and medium-sized countries, convened by Singapore, at the United Nations in New York. This “Global Governance Group” (3G) called for a revitalized and effective United Nations, to advocate inclusive multilateralism in response to the Group of 20, yet conserving a constructive and understanding attitude between the United Nations and the Group of 20. The participating countries are: Bahamas (the), Bahrain, Barbados, Botswana, Brunei Darussalam, Chile, Costa Rica, Guatemala, Jamaica,

23. The introduction of streamlined methods and adequate incentives seems essential to developing inclusive multilateral diplomacy. Secretariats will require renewed efficiency as well as skilled and visionary leadership.
24. As relates to global governance, perhaps the problem with multilateralism is not one that pits effectiveness against inclusiveness. It has been suggested that what is needed in multilateral venues are mechanisms for collective action that involve the indispensable major actors while ensuring that all global interests and perspectives are adequately represented.¹⁵
25. Yet, in connection with the previous point, the international community seems to lack a political mechanism of the highest order for system-wide coherence and coordination of global economic, social and environmental issues. For example, actions in the three pillars (the economic, social and environmental dimensions) of sustainable development are so segmented that the United Nations is unable to provide consistency and guidance at the highest political levels in ways that would benefit the sustainable development on a global scale.¹⁶

D. GLOBAL ECONOMIC GOVERNANCE AS A PRIORITY

26. General Assembly resolution 65/94 recognizes that the issue of global governance is political in nature and applies to multiple aspects of the global order. Nevertheless, the resolution stipulates that analysis and debate of the global governance should begin in the economic arena and development.
27. To the roles that correspond to the United Nations, the Bretton Woods Institutions and the World Trade Organization—and relations between them—as actors in the global economic governance, is now added the question of how the mechanisms of United Nations system will interact with new multilateral actors such as the Group of 20.

Kuwait, Liechtenstein, Malaysia, Monaco, Montenegro, New Zealand, Panama, Peru, Philippines (the), Qatar, Rwanda, San Marino, Senegal, Singapore, Slovenia, Switzerland, United Arab Emirates, Uruguay and Viet Nam.
¹⁵ Of note on this matter is the proposal by José Antonio Ocampo in his article “Rethinking Global Economic and Social Governance”, in *Journal of Globalization and Development*, Volume 1, issue 1, 2010. Also of interest is the Working Paper 160 of the Center for Global Development, February 2009, “A Fresh Look at Global Governance: Exploring Objective Criteria for Representation,” by Enrique Rueda-Sabater. See also the important article by Barry Herman “A pragmatic ideal for global economic governance reform”, in *Whitehead Journal of Diplomacy and International Relations*, Summer/Fall 2011. Inge Kaul, presently at the Hertie School of Governance, in Berlin, is a relevant and important source of good ideas and practical suggestions on matters of improvement for global economic governance, particularly regarding global public goods where she is the world reference.

¹⁶ Over the years a number of proposals have been put forward calling for a strengthened Economic and Social Council or the establishment of a United Nations body to coordinate general policies and guidelines for the global economy, with a role similar to the role played by the Security Council in matters of international security and peacekeeping. One proposal of note is by the Zedillo panel (2001) on financing for development, which posits an Economic Security Council, endorsing a proposal coming from the Commission on Global Governance. Jacques Chirac, President of France, in 2002, at the Monterrey Summit on Financing for Development, was in favour of establishing a Council for Economic Security. The report of the UN Secretary General High Level Panel on System-wide Coherence (November, 2006), recommended the establishment of a World Leaders Forum of the Economic and Social Council. Also of note is the 2009 proposal by the commission of experts on international monetary and financial system reform (known as the Stiglitz Commission). This commission proposes a Heads-of-State-level Council for Global Economic Coordination comprising of representations, a mechanism that is proposed as a “democratic alternative scheme to the G-20”.

28. In matters of economic governance, consideration should be given to the need to:

- (i) Identify existing gaps, either institutional or procedural, that could benefit from multilateral action (such as matters of financial regulation, management of sovereign debt or international cooperation on tax or migration matters, and so forth);
- (ii) Identify actions to enhance the voice and participation of developing countries in global economic governance institutions and mechanisms (institutions, forums and procedures); and
- (iii) Take measures to reform known weaknesses of existing forums and institutions (reform processes).

29. Resolution 65/94 affords particular emphasis to the issue of development, which is why the report requested from the Secretary-General refers to “global economic governance and *development*”. There is a reason why the resolution makes this double reference. On one hand, the United Nations gives special priority to international cooperation for development. On the other hand, consistently with the Monterrey Consensus,¹⁷ it is understood that economic and social progress by developing countries requires not only effective national policies and a proper international setting, but also consideration of systemic aspects of the international economic order, including global economic governance.

30. The primary role of the United Nations in global economic governance is as a political forum for dialogue concerning the major issues on the global economic agenda and as an integrator of the different perspectives on the economic, social and environmental pillars of sustainable development. These roles are in addition to its engagement in the areas of international security, peacekeeping and human rights.

31. It is especially important to recall that resolution 65/94 refers to the United Nations *system* as it relates to global governance in general and to global economic governance in particular, underscoring that the role is not limited to the Organization’s main bodies (for example, the General Assembly and the Economic and Social Council), but encompasses the entire family of organizations, specialised agencies, funds and programmes of the United Nations, including the Bretton Woods Institutions.

E. THE REGIONAL PERSPECTIVE

32. Just as the concept of global governance is not confined solely to economic matters, resolution 65/94 does not confine global governance to actions and mechanisms that are global in scope. The resolution also takes into consideration the broader complex of multilateral institutions and processes involved in global governance, regardless of whether they are geography-specific (addressing global,

¹⁷ The “Monterrey Consensus” is the outcome of the International Conference on financing for development, held in Monterrey, Mexico, on 18-22 March 2002. The Consensus was the product of five years of intergovernmental negotiations in the United Nations General Assembly. It was denominated an international conference (instead of the usual adjective for conferences — “of the United Nations”) because it included in its preparations and debates in the United Nations General Assembly the Bretton Woods Institutions, the World Trade Organization, and the United Nations Conference on Trade and Development, as well as the private sector and civil society. The agenda of the conference was to address national, international and system aspects of development finance. Resolution 65/94 thus has as a background the systemic perspective of the global economy that seeks equitable and sustainable global economic growth.

regional, subregional or transregional governance) or issue-specific (addressing environmental, trade, international security and peacekeeping governance). The resolution affords particular and special emphasis to the regional perspective.

33. The regional perspective is fundamental to the development of inclusive and effective economic governance. We must identify the global economic governance topics that are of particular importance to the Latin American and Caribbean region, as well as identify the relevant existing governance mechanisms. We must understand how well these are working in terms of inclusiveness and in terms of advocating our regional interests.
34. We must also identify gaps in the governance of global issues and the role regional institutions and mechanisms can play in filling these gaps effectively, inclusively, transparently and democratically.
35. Lastly, we must bear in mind that a wide range of organizations, mechanisms and processes exist through which to address global issues, that these issues are treated differently in each and that the role of the United Nations system takes a different form in each setting. This is the case in matters of international trade where, notwithstanding the roles played by the Economic and Social Council, the General Assembly, the International Labour Organization, economic unions and other integration mechanisms, trade governance is essentially conducted through the World Trade Organization. On the contrary, the most significant roles in the governance of development assistance and cooperation matters are played by the Economic and Social Council, the General Assembly, the United Nations Development Programme and other United Nations funds and programmes, the World Bank and regional development banks. Likewise global governance in humanitarian and disaster-response issues is clearly concentrated in the United Nations system.
36. In advocating a central role for the United Nations system in global governance, we must accept this complexity bearing in mind that global governance is functionally decentralized, with a variety of groups and mechanisms, all linked in different ways to the United Nations.

Annex 2

CONCEPT NOTE

The United Nations System and Global Governance

October 2010

Sixty-five years ago, the United Nations was founded as a key actor in the construction of a post-world-war system of global governance, along with the Bretton Woods Institutions and the General Agreement on Tariffs and Trade (GATT). Since then, as countries experienced the rigours of decolonization, the end of the Cold War and the dawn of a challenging modern age of globalization and interdependence, many new players have emerged alongside the United Nations system, the Bretton Woods Institutions and the successor to GATT, the World Trade Organization, to address a wide range of global issues. It is clear that much progress has been made in the evolution of a global governance structure, but it is also clear that much more work needs to be done. The imperfect coordination and fractious nature of the global response to the devastating financial and economic crisis of 2008 and to the challenges of climate change are stark reminders that we have yet to find, let alone agree upon, governance mechanisms that are both effective and legitimate.

As the primary universal forum of States, the United Nations should lead the way to muster the necessary political will and policy coordination to improve the global system. One of our key challenges is to balance the need for inclusiveness and efficiency so that solutions to the problems that the world faces today can be truly effective and sustainable. We should take stock of the current range of international institutions and forums and their functions in global governance, then think about ways in which these separate roles can better integrated to address multifaceted global problems. We should also examine how the United Nations should be strengthened in order to stay relevant and respond to the evolving challenges of global governance. To maintain the central role of the United Nations in the evolving global governance framework, we should also examine how to effectively engage the many institutions and interests that have an impact and a stake in global issues.

Our specific goals for the resolution to be introduced in the plenary session of the General Assembly this year are set out as follows:

- (i) **The United Nations in the global governance structure.** As a universal organization, the United Nations is the most legitimate global institution for global governance and is the foremost institution of inclusive multilateralism. In this context the United Nations system should be at the centre of a reinvigorated multilateralism in order to be involved in helping to build world order.
- (ii) **Governance gaps.** It is important to identify and tackle deficiencies in global governance today, to better address the opportunities and challenges of globalization and in this context, promote inclusive multilateralism in general and the central role of the United Nations system in particular.

- (iii) **The world needs an effective United Nations system.** Jurisdiction is not enough and we at the United Nations should seek ways and means to improve the Organization's response to the many global challenges. We must make inclusive multilateralism work through the United Nations and other inclusive global institutions as the only valid and lasting response to an evolving trend of "opportunistic multilateralism" in all major areas of global governance.
- (iv) **A new sub-item for the agenda of the plenary meeting of the General Assembly.** To establish a sub-item "The United Nations in global governance", under item 120 of the plenary agenda "Strengthening of the United Nations System." The purpose is to provide a formal instance for intergovernmental dialogue, discussion and possible decisions regarding the management (or governance) by the international community of global challenges and the need for the United Nations system to be strengthened to better fulfil its central role in global governance.
- (v) **A broad review of the United Nations agenda.** We should approach global governance and the role played by the United Nations; our analysis should span the entire gamut of the Organization's activities in order to find feasible ways to ensure the continued relevance of the United Nations in central issues of global governance.
- (vi) **A multiyear programme on the United Nations system and global governance with specific annual focus.** While the item should be broad enough for the General Assembly to consider different aspects and topics of global governance as related to the United Nations system, we should also avoid repetition or duplication of existing processes. In this context, every year Member States should discuss and decide upon a mandate with a specific thematic focus for the following session of the General Assembly.
- (vii) **Development and global economic governance as the focus theme for the sixty-sixth session of the General Assembly.**

To prepare the formal consideration of the item at the sixty-sixth session, Member States can draw from relevant inputs such as the President of the General Assembly's informal thematic debate planned for spring or early summer of 2011. We should make good use of the rich material available on this topic from think tanks, academia, civil society, non-governmental organizations and resource persons from the developed and developing world.
- (viii) **Report requested from the Secretary-General.** This report should be conceptual and analytical. First it should set the context by providing information about the landscape of global governance and how the United Nations system fits within it. The report's analysis should focus on the particular area chosen as the theme for each session of the General Assembly, starting with global economic governance and development as the theme for the sixty-sixth session. In particular, the report should take on board the substance of the United Nations spring dialogue on the subject.

Annex 3

United Nations

A/RES/65/94



General Assembly

Distr.: General
28 January 2011Sixty-fifth session
Agenda item 120

Resolution adopted by the General Assembly

[without reference to a Main Committee (A/65/L.28 and Add.1)]

65/94. The United Nations in global governance

*The General Assembly,**Reaffirming its respect* for the purposes and principles of the Charter of the United Nations,*Acknowledging* the vital importance of an inclusive, transparent and effective multilateral system in order better to address the urgent global challenges of today, recognizing the universality of the United Nations, and reaffirming its commitment to promote and strengthen the effectiveness and efficiency of the United Nations system,*Reaffirming* the role and authority of the General Assembly on global matters of concern to the international community, as set out in the Charter,*Welcoming* the proposal of the President of the General Assembly to designate "Reaffirming the central role of the United Nations in global governance" as the theme of the general debate at its sixty-fifth session, and welcoming also his intention to organize in 2011 an informal thematic debate on global governance,1. *Recognizes* the need for inclusive, transparent and effective multilateral approaches to managing global challenges, and in this regard reaffirms the central role of the United Nations in ongoing efforts to find common solutions to such challenges;2. *Decides* to include in the provisional agenda of its sixty-sixth session, under the item entitled "Strengthening of the United Nations system", a new sub-item entitled "Central role of the United Nations system in global governance";3. *Requests* the Secretary-General, in this regard, to submit to the General Assembly at its sixty-sixth session an analytical report focusing on global economic governance and development, to be prepared in consultation with Member States and relevant organizations of the United Nations system, taking into account such relevant inputs as the informal thematic debate on global governance to be organized by the President of the Assembly, without prejudice to the focus of possible future debates on this issue to be determined by the Assembly.60th plenary meeting
8 December 2010

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Annex 4

United Nations

A/64/706

**General Assembly**Distr.: General
11 March 2010

Original: English

Sixty-fourth session

Agenda item 51 (b)

**Macroeconomic policy questions: International financial
system and development****Letter dated 11 March 2010 from the Permanent Representative
of Singapore to the United Nations addressed to the
Secretary-General**

I have the honour to transmit to you on behalf of the informal Global Governance Group (3G), comprising the following States Members of the United Nations: the Commonwealth of the Bahamas, the Kingdom of Bahrain, Barbados, Botswana, Brunei Darussalam, Chile, Costa Rica, Guatemala, Jamaica, the Principality of Liechtenstein, Malaysia, the Principality of Monaco, New Zealand, Panama, the Republic of the Philippines, the State of Qatar, the Republic of Rwanda, the Republic of San Marino, the Republic of Senegal, the Republic of Singapore, Switzerland, the United Arab Emirates and Uruguay, a document entitled, "Strengthening the Framework for G-20 Engagement of Non-Members" (see annex).

On behalf of the 3G, I would be grateful if you could circulate the present letter and its annex as a document of the General Assembly.

(Signed) Vanu Gopala Menon
Ambassador and Permanent Representative

10-26893 (E) 150310



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A/64/706

Annex to the letter dated 11 March 2010 from the Permanent Representative of Singapore to the United Nations addressed to the Secretary-General

Strengthening the Framework for G-20 Engagement of Non-members

1. The global economic crisis has underscored the need for more effective global governance mechanisms for economic policy coordination. The G-20 represents a significant step in that regard. The G-20 process and the swift, decisive actions that it brought about helped to avert a global economic depression in the last year. For the G-20's deliberations to be translated into effective actions on a global scale, they will need to be more consultative, inclusive and transparent. This will require the development of appropriate mechanisms to engage and consult a wider range of countries.

2. In this regard, the informal Global Governance Group (3G)¹ would like to propose the following approach for strengthening the framework of engagement between the G-20 and non-G-20 members:

- The United Nations is the only global body with universal participation and unquestioned legitimacy. The G-20 process should recognize and reflect this reality. The G-20 process and its actions and decisions should complement and strengthen the United Nations.
- It is important that the G-20 engages with the United Nations and its Member States through predictable and regular channels, including consultations with the wider membership before G-20 Summits. This will allow all States, especially smaller States, which constitute the majority of United Nations Members, to raise issues of concern to them and have their voices heard. In addition, the hosts of the G-20 Summits should provide the rest of the United Nations membership with an update after the meetings.
- The participation of the United Nations Secretary-General and the United Nations Sherpa at G-20 Summits and preparatory meetings, respectively, should be formalized. While the Secretary-General cannot represent our individual national positions, he is nevertheless in a position to convey the broad sense of the membership.
- There should be sufficient flexibility in the G-20 process to provide for the participation of non-G-20 members in discussions on specialized issues. It could take on a "variable geometry" configuration to allow non-G-20 States to participate in Ministerial gatherings and other working groups involving senior officials/experts on issues of specific concern to them. Variable geometry has been practised in many multilateral settings and the 3G subscribes to it in its approach.

¹ Commonwealth of the Bahamas, Kingdom of Bahrain, Barbados, Botswana, Brunei Darussalam, Chile, Costa Rica, Guatemala, Jamaica, Principality of Liechtenstein, Malaysia, Principality of Monaco, New Zealand, Panama, Republic of the Philippines, State of Qatar, Republic of Rwanda, Republic of San Marino, Republic of Senegal, Republic of Singapore, Switzerland, United Arab Emirates and Uruguay.

A/64/706

- While we applaud the inclusion of some regional organizations (e.g., APEC, ASEAN, AU Commission, EU, NEPAD) in the last two G-20 Summits, the participation of these and other established regional organizations in future G-20 Summits should be regularized. These regional organizations should fully participate in the G-20 and its associated processes.
3. The 3G believes that the above approach would bring greater transparency and inclusivity to the G-20 process, which in turn would strengthen the process and build wider support for G-20 actions.
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