

# Interactive Thematic Dialogue of the UN General Assembly on the World Financial and Economic Crisis and Its Impact on Development

March 26, 2009 (Day 2)

## MORNING SESSION:

### Joseph Stiglitz

- The Commission will produce a longer document at the end of May in preparation for the conference in June.
- Stiglitz gave a brief appraisal of the situation (“the crisis in a nutshell”)
  - The underlying problem is an insufficiency in global aggregate demand, excessive supply and growing unemployment. The International Labor Organization reports that 30 million more were unemployed in 2009, compared with 2007. This figure will rise to 50 million if the situation continues to deteriorate. The consequences are going to be severe, especially in countries without social security nets.
  - We have failed to create a stable global system that provides adequate social protection, the large agenda that cannot be solved overnight, or in the next year, but it is imperative that we start to work on that now.
  - It is ironic that in a world with so many needs, there is still a lack of global aggregate demand. The underlying problem is the growing inequality in most countries of the world. There is a great need to restructure economies, respond to global warming and meet the Millennium Development Goals, but resources are not being fully deployed.
    - The mismanagement of the Asian financial crisis in 1997-1998 resulted in an accumulation of large reserves by Asian countries that sought to protect themselves against financial instability. Although this behavior is individually rational, it presents a problem for the system. As each country protects itself, it reduces global aggregate demand. The economy kept going because of consumption in the US - which was living beyond its means.
    - There is a fundamental flaw in a system where the richest have to spend more than their income to keep the system going. This system is now broken, at a great cost to everybody in the world.
  - If the response to this crisis is to return to status quo ante, we will be confronted with a series of bubbles in the future. The insufficiency of global aggregate demand will resurface if there is no serious attempt to tackle global poverty.
  - Other important problems that contributed to the crisis re monetary policies which focused too much on inflation and not enough on financial stability and long term economic growth. Misguided regulatory frameworks, not only for financial regulation, but also regarding competition policies allowed banks to grow “too big to fail.” A global competition authority is now needed. Furthermore, the incentive system is flawed, which is related to flawed corporate governance.

- The globalization of finance has facilitated contagion, and while the US is rich enough to counter the consequences of this crisis, poor countries are not fit to face these problems. We don't have the political institutions to deal with consequences of a global economy, or the aversion of these consequences.
- The myth of a “decoupling” of the emerging markets from the rest of the world is now dead. Therefore, the response to the crisis must be global. Currently, one hundred and seventy countries are not represented in the response. More inclusive, transparent and politically legitimate institutions must be developed.
- The locus of response is still at the national level. Each government is looking at the costs and benefits largely to itself. Governments do not take into account the externalities and spill over effects of economic stimulus (trade for other countries when one country does well.) Without coordination, the magnitude of the response will be too low.
- Trade agreements have not been designed with the possibility of a global crisis in mind. Protectionism will inevitably lead to discrimination against poorer countries.
- There is a great need for substantial additional funding, so that developing countries can stimulate their economies. The disbursement of these funds should take place through a variety of mechanisms (1% of rich country stimulus, Special Drawing Rights, regional lending facilities.) The funds should be distributed in a way that gives developing countries policy scope to undertake countercyclical policies. The austerity policies prescribed by the IMF in Asia have been counterproductive.

#### *New global reserve system*

- Keynes had envisioned a new Global Reserve System, and Special Drawing Rights could be a step in this direction. Economic globalization has increased the need to introduce such a system.
- The current reserve system contributes to global instability and insufficient global aggregate demand, as developing countries are lending at 0% interest rates to the US, when this money could have been invested within developing countries in education and health care. Because maintaining the dollar as the global reserve currency promotes instability, the need to accumulate reserves as a safety mechanism against financial instability is all the greater.
- The transition to a new, strong world currency could involve bottom up or top down approaches. Efforts already underway include the possible expansion of the regional Chiang Mai initiative.

#### *Global Economic Coordinating Council*

- Management of global economic policy has been insufficient and the Financial Stability Forum has failed. Therefore, better coordination of economic policy is needed. This could be modeled on the IPCC climate change panel.
- The role of the Council would go beyond coordination. The Council would monitor and identify problems, such as gaps in the system, analyze their causes and propose solutions to the problems
- Problems of cross border default have made it more difficult to deal with large financial corporations' default.
- A sovereign debt relief mechanism is also urgently needed.

### **Heidemarie Wieczorek-Zeul**

- We are experiencing a rupture of historic proportions and must proceed with both short term and long term reforms.
- Developing countries are most vulnerable to the crisis, which threatens the achievement of the Millennium Development Goals.
- Global solutions must be sought with the participation of all countries. While the G8 and G20 are important, all G192 must be included to reach a Global New Deal.
- This should take place under the umbrella of the UN, which should engage all continents at the highest level and promote consensus building.
- The crisis must go beyond banking and financial regulations. It must be used as an opportunity to correct systemic and structural problems, as well as to address agricultural production and environmental questions.
- Substantial changes will take time, but we can begin with the panel taking up economic advice and looking at longer term solutions – this is a more immediate step
- Funds and financing:
  - Actions by industrialized countries can crowd out the policy space of developing countries.
  - Overseas Development Assistance (ODA) has risen by 10% in 2008; we must stay on track and go beyond this. Additional funding 1% of stimulus packages in addition to ODA (Germany has done this in its second package).
  - More liquidity for the IMF is needed, but also innovative instruments
  - It is crucial that we prevent tax evasion
- Early harvest: most developing countries lack trade finance and have experienced a decline in exports. Measures should be taken to support developing countries such as: duty free agreements and the elimination of agricultural subsidies, especially cotton subsidies in Africa.
- The June Conference will be the occasion to come up with concrete proposals.

### **Benno Ndulo (Tanzania)**

- The poor are at the center of this crisis and these countries voices must be part of the solution.
- Consequences of the crisis include: a setback of progress in Africa, especially in areas of growth and social wellbeing. There is concern that growth will reduce to 3% and the fall in revenues from exports in 2010 will be 277 billion. Oil has been especially affected, with major regional growth poles such as Egypt, Nigeria and Algeria hit harder than average.
- Effort should be based on African countries themselves, they require greater fiscal space but their capacity to weather the storm and carry on is limited.
- Action areas to support the recommendations:
  - Short term: urgency, speed and flexibility of aid disbursement and flexibility in policy measures
  - Medium term: protect investment for maintaining growth and achieving Millennium Development Goals (1% of stimulus goes a long way)
  - Long term: strengthen the international architecture through evenhanded surveillance. Interdependence has weakened the system and a system is only as strong as its weakest link.

### **Pedro Paez (Ecuador)**

- Developing countries must be enabled to implement countercyclical measures and break with imbalanced patterns of the past. Reserves and special drawing rights, alongside exchange rate stability could provide future solution to break with the old system.
- Southern countries need to be able to restructure their debt in order to allow for space for countercyclical policies.
- Emergency provisions are necessary to redefine the framework of trade which prevents protectionism and trade wars.

### **Yaga Venugopal Reddy (India)**

- One of the Commission's advantages is that it is not constrained by any ideology.
- It is clear that one size does not fit all, stimulus packages cannot be uniformly prescribed, therefore must allow more scope for policy space at national level, while simultaneously acknowledging that globalization has resulted in contagion and policies will affect many.
- Global economic and financial coordination must be strengthened.
- The global reserve system is one of the most important and urgent issues to be addressed. From the Asian perspective, the global reserve system is also one of the most agile factors.

## **QUESTION SESSION**

### **European Union**

- It is too early to comment in detail, they are interested in further discussion with the Commission.

### **CANZ (Canada, Australia, New Zealand)**

- Hope that the report will contribute to ongoing discussions with all members of the international community, especially those in developing and emerging economies.
- The impact of the global crisis is spreading, excesses led to the crisis and the global community needs unprecedented cooperation.
- The G20 is too exclusive and greater engagement with all members of the UN is important; this message has been well noted.
- They support strong outreach to the IMF and World Bank and regional groups in the run up to G20.
- They are committed to delivering the scale of fiscal measures necessary for growth, increase IMF resources and reform the IMF. It is crucial to fight all forms of protectionism, promote open economies and address fiscal regulation.
- London must produce global solution, taking into account developing countries, to reach a focused, practical and realistic outcome, with unity and clarity.

### **Sudan G77**

- In the Commission's recommendations, there is a bias towards the immediate and short term. However, this is the moment to begin fundamental, long-term changes.
- **Change and reform of BWIs:**

- The Commission shies away from saying the hard things. Regarding IMF reform:
  - The first thing to do is adopt double majority rule, which will enable the possibility for real change.
  - Secondly, they demand the total abolition of conditionalities. The loans foreseen entail a new regime of conditionality. IMF loans carry a historic legacy of bias on the side of the industrialized.
- Recapitalization of the IMF and World Bank,:
  - Reform should be a precondition for recapitalization of the IMF and the World Bank. The IMF should be a network of funds of regional funds, so that that there is no majority shareholder control.
- **Regulation/deregulation:** A new set of regulation is needed within the current paradigm. We should not look at previous deregulation as anything other than a “perspective on regulation.” This protected property rights but gave markets the power the right to act as they wished without social responsibility. New regulation must put equity at the centre and be approached with caution.
- **Trade:** There was no mention of market access in the report; this is a fundamental problem for developing countries.

### Uruguay

- Associates itself with the Rio group.
- The Commission’s report is a valuable input for the UN dialogue.
- The economy will stop growing next year; and the contraction of international trade directly affects developing countries.
- It is time for economic policy to focus on predictability and stability
- Actions:
  - All need to participate in discussions
  - Establish a just and equitable international order
  - Help developing country problems and achievement of Millennium Development Goals
  - Correct trade distortions, avoid protectionism
  - Conclude Doha, reduce tariffs, export subsidies, agricultural subsidies and open up markets for a fair and balanced system
  - Step up efforts in ODA
- Latin America will only grow by 1.9% in 2009. Measures must consider the needs of middle income countries and not allow conditionality to counter the progress already made.

### United Kingdom

- They support the Stiglitz report and the IMF objective to restore growth to the world economy. Need to put stimulus packages in place.
- Focus on the impact on developing countries as the crisis is global and measures will be taken to protect the poorest, hopefully the London summit will address these issues.
- IMF resources must be increased; the EU has already pledged \$100 billion.
- Hope that countries will come under the expansion of New Arrangements to Borrow or an arrangement with special drawing rights.
- A coordinated response is needed, and the expansion of finance is a problem; the EU hopes that leaders in London will address this.
- The World Bank must also increase its lending and social spending.

- Overseas Development Assistance commitments should be kept.
- Institutions must have the right policy framework and resources; but the UK requires more time to consider reforms.
- They support the utilization of existing bodies, they prefer to focus on IMF and carry out reforms within this institution.
- The Conference in June is an important element to gather initiatives.

### **Japan**

- The dialogue should be a good input for member states in preparation for the June conference.
- Japan is taking a myriad of steps to mitigate the crisis. Under regional cooperation, the Chiang Mai initiative is a good model for provision of liquidity in the crisis and its expansion is under consideration.
- Despite feeling the impact of the crisis, Japan will be doubling its ODA by 2012.
- They support the reform of international institutions. Governance reform is needed to strengthen the voice of developing countries and emerging economies.
- Japan has pledged a \$100 billion loan to IMF.
- Regarding the eight *new* facilities suggested by the Stiglitz Commission: Japan reiterates the need to make full use of *existing* bodies and strengthen the IMF's capital base.
- Regarding paragraph 31-35 on the new credit facility: Japan questions whether this is an efficient solution, since it would entail tremendous costs. Therefore, Japan suggests that it would be more efficient to respond to the crisis using existent facilities.
- Para 52 on the global economic council: It must be small enough for decision making, but the ECOSOC with regional representation and the G20 representing major economies would suffice. Questions to the panelists:
  - What is the comparative advantage of the Global Economic Council proposal over ECOSOC or the G20?
  - What is the specific desirable number for the Council?

### **Ethiopia**

- The recommendations are useful but need to consider more the impacts on developing countries.
- The global crisis needs global solutions, quick measures are required, the poor and most vulnerable will be the main victims and short term measures must be taken. It is too early to predict the damage and the worst is yet to come.
- Globalization has not benefited as many as it could. Ethiopia asked what the panels' views were regarding imperfect competition and opening up markets.
- Ethiopia requested further explanation on financial sector regulation and the role of central banks as international regulatory authorities.
- Unemployment deserves immediate attention and efforts should be made in the policy recommendations to look at the role of micro-finance institutions.
- Stimulus packages should also be evaluated on the global level, not national level.

### **Belgium**

- Not ready to give a detailed comment yet
- Regarding the nature of the report:

1. The degree of certainty with which proposals have been made. According to them, the relation between policy, growth and development is not so certain. They called for some scientific caution and predictions of the expected results.
2. Recommendations should be prioritized considering the different time and scope, especially where resources are limited.

### **China**

- Reform of financial institutions should be accompanied with recommendations that could help countries in their strategies to cope with the crisis.
- Suggested the need to draw lessons on the relationship between saving and consumption, virtual and actual regulation and the crisis to avoid repeating it.
- China has responded actively, at three levels:
  - Nationally: microeconomic policies have been changed, stimulated domestic demand through stimulus package
  - Regional: East Asia cooperation, Chiang Mai initiative
  - International: will not decrease assistance to developing countries
- London summit: an important platform for dealing with the crisis, hopefully taking into account the concerns of developing countries.
- UN role in responding to the crisis: They expect that the full participation at the upcoming conference in June will send a positive signal of unity of purpose to the international community and mitigate the impacts on poor countries and achievement of the Millennium Development Goals.
  - China asked whether self-protection of developing countries was recommended and what the panel had specifically in mind.

### **Brazil**

- Agree with the general thrust of the report
- Developing countries do not have many measures to face the stimulus that the developed countries are applying.
- The completion of the Doha round is necessary and protectionism must be kept in check. However imperfect the trade rules of the WTO are, they must be pursued to prevent protectionism.
  - Regarding the development component of the Doha round, this presents a real development opportunity for developing countries to create membership, and would like to see stronger conclusion on the Doha round
  - Real market access is needed for trade in agriculture
  - Indispensable to the solution are new tools for funds to deal with international liquidity, trade finance, and South-South trade.

### **Philippines**

- Immediate measures: if these measures cannot be implemented soon what will the scenario be scenario in two years? Can the panel quantify the impacts, for example on Millennium Development Goals?
- An institution including the G192 should be implemented through the UN, what legal forum/formal binding is needed?
- What role can the state play in deregulation of financial markets and international trade, to restore the balance of markets and areas such as global health? How much power should states have without being blamed?
- Sovereign debt restructuring (or a moratorium of payments of loans for heavily indebted countries) is important.

- Regarding the intergovernmental panel and the idea to follow the climate panel model: the IPCC has difficulties to convince skeptics of the necessity to act on climate change, so how could this be translated into international action?
- Need to conclude the Doha development round, but how do we erase the strong positions of the dominant in the WTO?

### **Norway**

- Endorses the temporal approach of the recommendations of the Commission, and the need for institutional reform, which will not solve the crisis this year but prevent it in the next years.
- We are at a Bretton Woods moment: Institutional reform demands a rapid response, with tightening of loopholes in economic market, regulation and bonus systems.
- Initiatives must enable policy space for countries that are least equipped for stimulus packages in education and health. Also important is the competition for credits.
- The volume of illicit financial flows leaving developing countries amounts to several times that of ODA flowing into these countries. This should be addressed, in addition to the governance issues and institutional reform.

### **Nepal**

- The report of the Commission falls short of their expectations:
  - It does not mention vulnerable countries or recommendations, except when speaking of trade.
  - It does not say how we can stop contagion, how protect markets, exports and jobs.
  - The Commission should put forward a specific set of recommendations for these countries.

### **Jamaica**

- The most vulnerable will be the most affected. Jamaica has seen manifestations of the crisis in areas including tourism and remittances, which the economy relies upon. Issues of concern include: access to credit, private markets, commodities and unemployment.
- The most immediate concern is how to get out of crisis!
- Priorities for the wider response and reform of international systems should include:
  - Greater urgency for fairer governance with more equal representation of developing countries in the Bretton Woods institutions.
  - More ideas on the Global Economic Council
  - Participation: it is important that every country must be able to influence other groups.
  - Emerging debt problem: more development aid is needed and reform must take into account particulars for small countries, especially on protectionism and stimulus packages
  - New financial regulation: principles of G20 are good but one size does not fit all. They should not cast the blame on each other, but move forward, seeking tougher regulation.
  - Jamaica expresses grave concern over the closure of off shore banking systems in Caribbean

### **Ecuador**

- Questions:



- How will systemic reforms to reduce the impact of climate change and the use of innovative financial mechanisms to stabilize markets become operational?
- What are the innovative mechanisms? Are they within a post Kyoto framework?
- What importance is given to new paths for restructuring debt relief?

### **Denmark**

- ODA is crucial for less developed countries. The Commission's report could highlight this more, as the impacts will be devastating if it is reduced (consider the Millennium Development Goals). In times of crisis, we need to increase ODA, and Denmark reaffirmed its commitment of 0.8% of GDP and work with the donor community.
- Funds have to be used efficiently, volumes matter, but they must also be effective and efficient in providing aid.
- There could be more emphasis on the green economy in the Commission's report, to highlight the interrelationship with climate change through more concrete linkages. The Secretary General has emphasized the need to design stimulus packages which focus a new green deal.
- Climate financing: the summit in Copenhagen must go beyond the headlines, with more emphasis on the medium-long term strategy.
- A World Economic Council cannot be compared to the IPCC, because economics is not "scientific" in the same way.

### **India**

- Insufficiency of demand is the reason for inequality.
- Taxation and strong unions are needed, but the international community cannot implement this, it is up to the countries themselves to take responsibility to help the most vulnerable poor.
- A new finance facility, should uphold anti-protectionism, regulation and reform of IFIs will help to mitigate the scale of the consequences of the crisis.
- Protectionism: the WTO report recommends that financial measures in the stimulus packages should be separated from trade; however, the stimulus packages cannot be separated as they include strong protectionist policies. What pressure can be applied to stop protectionism?
- The funding for a new finance facility can get worked down in negotiations, how can the simplest parameters be selected that will be effective in freeing up credit in the short run and create a template in the long run. What are the panel's recommendations on this?
- IMF reform: double majority voting is a two edged sword, although it gives the impression of democracy, it still leaves in place a block on the changes proposed and entrenches the dominance of developed countries. Will there be change in the World Bank?
- UN ECOSOC: was set up for exactly this purpose, but it has not been allowed to act in the way intended, therefore has not succeeded, so why would it be allowed to now?
- India is committed to work for the best for the whole world, including the developing countries, within the multilateral frameworks of both the framework of the UN and the G20.

### **Barbados**

- Resources

- Every country needs a stimulus package and additional resources. As a middle income country, how can these be accessed? What criteria are utilized?
- Tourism and services have been negatively affected, the status of middle income has become a mirage and help is required to avoid another debt situation.
- What is the comparative advantage of an Economic Council, why not improve ECOSOC?

*The remainder of delegates who wish to speak can do so in the afternoon*

### **Stiglitz response**

- The world is changing rapidly and things that were not politically feasible just a short time ago might be possible now, for example a world reserve system.
- Countries' commitments to foreign assistance make a significant difference.
- The Commission will pay greater attention to the needs of vulnerable countries in longer report.
- **Protectionism:** the panel is very concerned
  - Protectionist measures taken undermine a level playing field. Developing countries cannot compete with the capital of industrialized countries.
  - It is understandable from the point of view of domestic politics, but the global effects cannot be ignored.
  - Need for further assistance to developing countries.
- The **Doha Round** should be concluded. Subsidies make things very difficult, but action can be done today, even if we cannot undergo a complete, immediate change; we can at least open up unilaterally to developing countries.
- **Priorities** (*in response to Belgium*): immediate and long-term responses are the priorities in the paper. Not everything requires resources, money is not the only solution and some changes include legal frameworks and policies. Confidence in the financial system will not return unless the rules for behavior are changed. Policy space for developing countries is very important.
- **IMF:** conditions imposed in the 1997-98 crisis were counterproductive, yet it is the same international institutions that have contributed to current crisis.
  - How do we disburse funds? What is the best way of disbursement? There is stigma attached to the IMF and the old International Financial Institutions. The perception in developing countries is important and they affect how we should approach credit facilities. Some countries refuse to approach the IMF, therefore need a variety of competitive institutions for credit; otherwise, countries will wait until they are on their death bed before they borrow.
  - Reforms in the quota are so small, and do not make any significant outcomes. What has been done in terms of IMF reform is not enough, double majority is one way but India raised a valid problem.
- **Global Economic Council:**
  - There should be no conditionality in the proposed Global Economic Council.
  - G20 consensus is an advantage, but it is not fully representative and lacks political legitimacy - the countries are picked by the US. An Economic Council would be representative and inclusive, ECOSOC could reform itself into this, but its mandate should be broader, not only surveillance, but it could identify gaps and the Bretton Woods Institutions would have to report to it.

- Modeled on the IPCC – yes it is an imperfect analogy, but it is true that if we had an expert panel of this type, the discussion would have raised the problems leading up to crisis.
- More policy space is required, as there was not global consensus at Bretton Woods, only a “Washington Consensus”.

*No time for NGO interventions*

## **AFTERNOON SESSION:**

### **Armenia**

- There is an inverse relationship between the number of reforms on the agenda and the success that an agenda achieves.
- National and global action, should have been analyzed in terms of incentives and constraints, not desirability of the recommendations-so please look at them from this angle.

### **Italy (G8)**

- The G8 will make an effort for greater inclusion and will consider the other important events with similar agendas but different formats in the report.
- Will take into account the Stiglitz report, and consider its important input, but support the suggestion for prioritization within the report.
- Expansion of paragraph 78: On the mechanism for financing for development, a by-product of the crisis could be the reduction of finance and this sector could become increasingly more important in the future, this issue should be debated at the UN.

### **Bangladesh**

- The report lacks substantive discussion on the volatile and highly distorting architecture, as highlighted in the UNCTAD report, including pricing, institutional management, remittances and the outflow of migrant workers.
- The least developed countries need stimulus packages, but externalities will negatively affect the least developed countries. They are willing to hear details about how important development deliverables could be implemented (quota free market access could be implemented).
- An alternative reserve system is required, as the current system creates imbalances. Please elaborate upon the meaning of “the new global reserve system” and “expanded SDR” as referred to in paragraph 47 of the Commission’s report, as the language is highly technical.
- China strongly advocates for a new world reserve currency, but there is not much discussion on this in the report.

### **Nigeria**

- The interrelatedness of countries is demonstrated by the crisis. Therefore, protectionism must be avoided and the low income countries must participate in the reform of the international system and be taken into account.
- The snowball effects have compromised poorer countries’ capacity to achieve the Millennium Development Goals and the response to climate change. The impacts manifested itself in the decline of exports, local currency depreciation and capital flight, resulting in a downward trend and the decline in reserve holdings.

- Measures to diversify the economy should form part of the solution.

### **Pakistan**

- We are at a Bretton Woods moment, but the world must do better than it did 65 years ago and everyone must come together to deal with this unprecedented crisis.
- What does the Commission mean by a “truly development oriented trade round”, as mentioned in paragraph 74 of the report?
- With reference to paragraph 45: has the Commission considered appointing a chief economist in the UN system? The UN system claims to have foretold the crisis, but no-one heard, so why not appoint a well respected chief economist, who can be supported and supplemented by a panel and chair.
- The Commission calls for immediate action in its report, but paragraph 30 refers to the need for the international community to make a commitment by 2015. This “immediate” is too long term, especially for low income countries like Pakistan.

### **Indonesia**

- They fully support the reform of the international institution, based on the principle of democracy. How can this be effectively implemented, and what should be the role and participation of major economies in the reforms?
- Can the panel elaborate further on the mandate, surveillance role and early warning system of UN?
- Confidence in the markets must be restored, this was achieved quickly in the 1997-98 crisis, however there must be greater regulatory reform and transparency in corporate governance.

### **Venezuela**

- The crisis is not simply a financial one. The deficit of aggregate demand is a key problem.
  - The way in which poverty has spread around the world is closely linked with the policies of the Bretton Woods Institutions. These established a totalitarian policy against the poor countries, which affected the growth of the real economy and aggregate demand.
  - Global power must be restructured and either we agree with democracy and make decisions accordingly, or we have a small constituency or a single authority.
- Conditionality must be abolished and liquidity must be created for less developed countries.
- Regarding the Conference in June:
  - Must consider seriously the proposal for a Global Economic Council.
  - The G192 must have the ultimate word; this is why the conference is of such great significance and must take place at the highest level.
  - An intergovernmental document which establishes decisions, binding all countries should be the outcome.

### **Tanzania**

- We need a new political will, to shape how we govern markets and the international economy.

- International institutions should foster stability and stand ready to give resources and address needs of developing countries.
- The potential to shape the way we operate our global economy exists. Many ideas are being generated to help countries overcome the crisis, especially the most vulnerable and those affected by climate change, including small island countries and African countries. A renewed commitment to ODA and support to achieve the Millennium Development Goals are important.

### **Libya**

- They have not yet felt the repercussions of the crisis, as Libya was not linked by investment to the international markets. However, Libya depends upon oil, which is falling in price.
- There is great risk of social instability as the other African countries are hit harder by the crisis. Therefore, economic complementarities among African countries are necessary to consolidate resources. How can the international community support these efforts to strengthen cooperation?
- How will the international community develop a monitoring mechanism familiar with the specific needs of the region?

### **Russia**

- Supports new credit facilities to make use of the possible effective assistance to countries with problems and suggest that regional funds and mechanisms would be best, such as the Russian anti crisis fund.
- There should be a diversification of the currencies used for reserves through regional centers, or a supra-national reserve currency emitted by international institutions.
- Need to adopt an international agreement for standards to monitor these sectors, this must include OECDs standards, financial accounting, national demands and derivatives for a universal regulatory framework for information exchange.
- The creation of a UN Economic Council is currently premature, and this may not be the best approach. Effort must be made to ensure global bodies work more effectively, however, Russia would support such a structure within the UN framework.

### **Switzerland**

- Institutional reform: cautions against creating new institutions rapidly and simply making the old ones redundant. There needs to be analysis of the existing setup, present day power relations within international community and the need for inclusive institutions.
- Global Economic Council: the ongoing UN reform requires further reflection and consideration of the role of ECOSOC.
- The UN Global Compact's report 'who cares wins', examines corporate social responsibility and the Commission's final report should take into account. This important approach will make investments more sustainable.

### **Egypt**

- Urgent action is required. The transition between the short and long term is very important.
- The international community must prevent a recurrence of the crisis and establish an efficient warning system. Major causes to be tackled include the insufficiency in

aggregate demand, the lack of transparency and accountability, and high de-regulation, which has had serious side effects that must be reversed.

- Stimulus packages should be designed with specificity, according to the need. Developing countries lack capacity and policy space must be opened up, paying attention to regional requirements.
- They call for reform of the Bretton Woods Institutions to host a credit facility fund, in order to make a difference.
- The UN's role is of vital importance.

## **France**

- Open to trade, important to steer clear of protectionism.
- They will continue commitments to ODA and on the Millennium Development Goals to assist the most vulnerable countries and populations.
- Regarding the Global Economic Council, they request more clarification on the mandate, including who would be involved, its coordination and whether there would be moderators?
- There is a need for better surveillance, with early warning system to provide more information, but would this be limited to economic issues?
- They look forward to further discussion on reform.
- Regulation of financial markets is a vital element in the prevention of future crises and the EU is acting to strengthen markets.

## **CIVIL SOCIETY**

### **New Rules for Global Finance Coalitions (Jo Marie Griesgraber)**

- IMF reform is imperative: while the IMF is changing its lending conditions for non-low income countries; tight conditionality is still attached to loans for poorer countries. More substantial change is required in the light of the crisis.
  - Reform must be more democratic than the financial stability forum.
  - There must be clear steps to enhance accountability for international standards.
  - Reform should include monitoring of the management, transparency of board decision, participation and an external complaints mechanism.
- Civil society recommends that the quality of demand needs to be enhanced and consistent with a sustainable planet to meet the needs of poorest on planet.
- Request the panel to elaborate upon ideas of a new currency or reserve system and the translation of special drawing rights into a useful currency, which can be used outside of the IMF.

### **International Chamber of Commerce (consultative status at ECOSOC)**

- The illusion that bubbles, resulting from easy access to credit were creating real wealth led to the near collapse of financial systems. The market economy can only work well within a framework of rules; therefore, it is clear that these rules are not working.
- The retail sector, regulators, consumers and government are also blame.
- Economic nationalism, isolation and protectionism must be avoided, the negative impacts would spread rapidly and reduce vital foreign direct investment.

- Call for an integrated global economy, as governments are unable to resolve the crisis alone. Solutions must take into account water scarcity, food security and poverty alleviation.

## **PANEL**

### **Heidemarie Wieczorek-Zeul (Germany)**

- The most vulnerable can be protected through a number of ways: ODA and very practical proposals specific for each country including, risk mitigation, local currency lending, GDP index bonds and the vulnerability funds that the World Bank is now installing.
- We must take care to interconnect the processes that are going on, such as the new climate regime, Kyoto, the fight against the financial crisis, proposals for CO2 auctioning and carbon trading in order to finance the adaptation process and the mitigation of CO2 emissions.
- The upcoming meetings for the G20, World Bank, IMF and ECOSOC and the UN conference, all have responsibilities in these processes and are part of the roadmap for addressing more systemic questions.
- Some are skeptical over the proposal for a Global Economic Council, but we have a global market and we need a new balance between the state and the market. Which organization will we use for this to balance the global market, we ask “who in future should rule the world?” We need a structure to take up such questions.

### **Benno Ndulo (Tanzania)**

- The first round of effects of the crisis enabled poorer countries to remain relatively robust because of limited integration, less dependency on credit and their basic regulatory frameworks.
- The second round of effects requires preemptive measures to ensure that distress of the banks and financial systems are not passed on to. To do this resources must be mobilized and we have to survive today to think about the medium and long term.

### **Pedro Paez (Ecuador)**

- The discourse that we are all guilty is not true and is unacceptable. This is a social and political time bomb, when society enters into a spiral of violence, it takes decades to get out of and requires wisdom at global level to preserve the social capital of peace.
- All trends are currently seen as a result and solutions to the crisis opens up new fronts of possible conflicts. We are preparing to tackle the next crisis and immediate actions in order to control the damage that has been caused in the economy and society.
- Implementing special drawing rights does not have to take longer than this, we can fill the gaps immediately to inject resources and liquidity.
- The ability to free up resources in the public and private sector, in order to re-launch production and regain recovery of lost time and re-launch trade demands holistic solution.
- There must be sovereign will to recover decision making capacity and develop countercyclical policies and social policies.

### **Yaga Venugopal Reddy (India)**

- **Financial Innovation:** some is good, but often it circumvents stability, therefore we should not assume that every innovation is a good innovation and should apply caution to establish benefits. Transparency is key in financial innovation.
- **Capital account and financial globalization:** regulation is necessary and we should explore the possibility of minimum standards rather than national standards.
- The response in developing countries is different to that of developed countries, and capital account flows are less self-correcting.

### **Francois Houtart (Belgium)**

- A more appropriate term for reform of existing institutions is “re-foundation!” This is a process of transformation.
- We need to answer immediate problems, but have to work with a long term perspective.
- Speculation is unacceptable, it created the food and monetary crisis and requires fundamental regulation, otherwise it will push millions of people over poverty line.
- How should growth, development, regulation and reconstruction be viewed, are we working to save a system that will return to the way it was? This is a system that is destructive to the planet and the people.
- The UN is the right place to discuss and plan measures long term as national states can go further than fulfilling the interest of each individual nation state, especially the big ones.
- He call for adequate participation of social movements, as they represent the victims of the situation, who are not always present among intellectuals.

### **Pedro Paez (Ecuador)**

- At the institutional level, we must build a sustainable future and should not be led back to the past
- There is a concentration of capitalist power, should we utilize the G20 or G192?
- The food crisis and the global climate crisis show that we are not only recovering from an economic point of view.
- The technical viability to recover decision making capacity is important and the crisis will deepen if we don't resolve the lack of aggregate demand and its distributive relationship between capital and labour, as well as the division of labour and production, the transfer of value and speculation,
- We need a global holistic proposal, which is political, to build a future of peace. Alternatives are viable to break with the neoliberal thinking that has been dominant for last 3 decades.
- Things happen as you go along, there are no preconceived recipies and now is the time to mobilise the entire UN system, including the Bretton Woods failed institutions. A 'one-size fits all' approach is insufficient and existing institutions have not worked.

### **Nicaragua**

- The crisis results from deep systemic issues, therefore institutional reform is necessary.
- It is the duty of those who caused the crisis to provide additional aid, assistance should be unconditional and accessible, especially to the poorest.
- Who will govern, as every country has the sovereign right to govern its own country?



## **Cuba**

- Now is the time for urgent reform and a hard systemic approach must be adapted. Deep reforms which rethink the very existence of the current institutions are preferable to merely rebuilding and strengthening the IFIs, as suggested by other countries.
- A new institutional democratic, economic council within the UN is a very valid idea. The alternative is using institutions which do not work.
- Another viable option is a financial and monetary conference at the international level on the hegemonic currency. However, reform will take time.
- Necessary short term measures include existing institutions making flexible credit available, with urgent attendance to the needs of developing countries.

## **Brazil**

They have not taken a position on these far-reaching recommendations yet.

- We must focus on the proposed Economic Council
  - There is concern that these proposals are untimely, when we are in the process of reforming the existing institutions, shouldn't reforming the existing institutions take priority at moment? Will these proposals be too disrupting and distracting?
- A global stimulus package is not in the interest of many as a one size fits all approach will not work.
- Global donors should be strengthened with more resources, but how these are deployed is not clear.

## **Venezuela**

- The crisis indicates that the world cannot continue in the way that it has been governed.
- We should pursue a democratic path to make reforms, through broad participation and peaceful means.
- A deep-rooted processes of change must take place all over the world. Progress should not be disrupted by a small group of countries, as consequences go beyond borders.

## **PANEL**

### **Heidemarie Wieczorek-Zeul**

- *(In response to Brazil)*: In the long term, we must consider the question of sequencing and it is important to prevent unrepresentative structures.
- A new credit facility would be more sensible because time is pressing. This credit facility should fall under the umbrella of regional development banks or the World Bank, with completely different regional structures to ensure representation of low-income countries. There should also be social and ecological standards for this facility.
- Reform of the World Bank:
  - Reform discussions should address the realignment of shares, economic weight, contribution to development and recipient countries that profit most from the bank funds.
  - Recommend that the election of leaders should take place under an open democratic process

## **EU**

- The Council of Europe are discussing the proposals, actions and measures for improvement of the global financial system,
  - IMF and World Bank reforms must be accelerated, and there is urgent need to increase IMF resources, implement new arrangements to borrow and review the IMF quota.
  - As special crisis support, the EU is willing to provide a \$75 billion loan to the IMF.
  - The G20 summit will conclude the next quota review in 2011, not 2013.
  - Supports transparent, evenhanded surveillance and crisis management.
- The EU will double the community financial assistance facility to help Eastern Europe.

## **Eva Hanfstaengel (Erlassjahr)**

- Even the IMF study reveals the need to increase spending to protect the poor, therefore, the budgetary situations of these countries must be addressed.
- 38 countries will have un-payable debt, exacerbated by new additional loans, temporary debt standstills should be made possible! A further step to this is sovereign debt restructuring mechanism, and although this was reaffirmed in Doha, nothing materialized. Failure to act will result in immense social costs.
- Governments must take the lead in addressing tax havens and capital flight.
- If mechanisms are introduced too late, the poorest countries will experience a lost decade again, as in the 1980s. A couple of interested countries should take a lead and create a mechanism.

## **Jim Paul (Global Policy Forum)**

- GPF supports proposals for reform of international institutions, particularly regarding new bodies which could command the respect of international community.
- The existing “hodge-podge” of groups that pass as global governance groups betray the trust of the world’s people and a patchwork of reforms will not fix this.
- GPF commends the proposal to establish a Global Economic Council, which:
  - Should work through transparent, representative and democratic means within the UN.
  - Must be inclusive and represent all of the World’s people
  - Must be open for dialogue and input from civil society
- The global response must go beyond purely financial and economic issues and should address climate change, the environment, natural resource depletion and other negative externalities.
- The crisis offers an opportunity for democratic governance, with consensus building at the apex of this governance system. This could fill a huge deficit in global governance and prepare us for the challenges facing humanity.