**Topic B: High-level policy with international financial and trade institutions**

“We have an historic opportunity, and a collective responsibility, to bring new stability and sustainability to the international economic financial order.”

- Miguel d’Escoto Brockmann, President of the General Assembly, 63rd Session

**Background:**

The recent global financial and economic crisis has witnessed alarming rates of unemployment, a global shrinking of credit, and drastically lower levels of trade and investment. In 2009, the United Nations (UN) convened a summit of world leaders in response to the worst global economic recession since the Great Depression. The international community gathered to identify immediate and long-term responses to address the impact of the crisis on children, women, the elderly, and other vulnerable populations. As part of the review of the global economy, a debate on the international financial architecture also commenced intending to incorporate a greater global view, especially developing country viewpoints. Developing and Least Developed Countries may have contributed the least to this global crisis but have suffered the most leading to predictions of entire “lost decades of development,” which could have disastrous consequences for entire the international community. World leaders agreed on a set of measures to address the global financial and economic crisis and were adopted by the General Assembly in Resolution 63/303 – *Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development.*

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Although the cause of the global financial and economic crisis was found to be complex and multifaceted, the major underlying factors included “inconsistent and insufficiently coordinated macroeconomic policies and inadequate structural reforms, which led to unsustainable global macroeconomic outcomes.” The international community did agree that there was “insufficient emphasis on equitable human development [that] has contributed to significant inequalities among countries and peoples.” Currently, developing countries are unable to implement efforts to counteract the effects of the recent crisis. Restructured international financial practices could allow developing countries, and especially least developed countries, to attain adequate resources necessary for halting the recession and returning to economic growth.

To address the developmental needs of developing countries, the Conference of the World Financial and Economic Crisis and Its Impact on Development devised a number of reforms to the international financial and economic system and its architecture. First and foremost, the Conference reaffirmed the need for reform and modernization of international financial institutions covering all areas including “mandate, scope, governance, responsiveness, and development orientation” as a means to prevent future crises through improved “monitoring, surveillance, technical assistance, and coordination.” Governance requires a reform of the Bretton Woods institutions, today the International Monetary Fund and World Bank Group, as a need to have fair and equitable representation of developing countries to enhance the participation of such emerging markets on global financial and economic issues becomes paramount.

Leadership of international financial institutions, especially the Bretton Woods institutions, need to have appointments of top officials based on “open, transparent and merit-based selection processes, with due regard to gender equality and geographical and regional representation.” Stress on an increase in representation of developing countries on “major standard-setting bodies” is necessary. Major standard-setting bodies that could use further

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10 Ibid.
11 Ibid.
12 Ibid.
developing country representation include the Financial Stability Board and the Basel Committee on Banking Supervision of the Bank for International Settlements among others.\textsuperscript{13}

Including having greater participation in global economic governance, developing countries also need medium and long-term assistance from regional development banks. The international community recognized the need for increased financial and lending capacity of regional development banks and “other regional, interregional, and sub-regional initiatives and arrangements aimed at promoting development, cooperation, and solidarity among their members.”\textsuperscript{14} International trade also needs reform to support sustainable economic growth of the international community.

**Current Issues**

*World Trade Organization reform*

The international community reaffirmed at the Conference a commitment to a “universal, rules-based, open, non-discriminatory, and equitable multilateral trading system.”\textsuperscript{15} In support of reaching of this goal, the Conference called for an “early, ambitious, successful, and balanced conclusion to the Doha [Development] Round [of trade negotiations] that increases market access, generates increased trade flows, and places the needs of developing countries at its centre.”\textsuperscript{16} Developing and least developed countries should also receive special and differential treatment, such as duty-free and quota-free access for exports, fulfill aid-for-trade pledges, and substantial reductions in trade-distorting domestic support as stated in the World Trade Organization’s Hong Kong Ministerial Declaration.\textsuperscript{17}

*Reform of the International Monetary Fund*

Normally, the International Monetary Fund (IMF) provides support to developing countries through loans and policy advice in times of economic difficulties.\textsuperscript{18} The *Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development* sought to reform the policies underpinning the efforts of the IMF to achieve macroeconomic

\textsuperscript{13} Ibid.

\textsuperscript{14} Ibid.

\textsuperscript{15} Ibid.

\textsuperscript{16} Ibid.

\textsuperscript{17} Ibid.

\textsuperscript{18} International Monetary Fund, *About the IMF: Overview: What We Do*, 2013.
stability and reduce poverty, particularly conditionalities. The IMF places conditionalities on loans provided to governments during times of economic difficulty. Conditionalities are focused on instituting national economic reform ensuring growth and poverty reduction, as well as bringing about conditions for the borrowing country to repay the loan. The international community agreed on a streamlining of conditionalities “to ensure that they are timely, tailored, and targeted and support developing countries in the face of financial, economic, and development challenges.”

As an intergovernmental oversight body for international monetary affairs, the IMF plays a role in a desire to reform the current global reserve system. This includes a “study of the feasibility and advisability of a more efficient reserve system, including the possible function [Special Drawing Rights] SDRs in any such system and the complementary roles that could be played by various regional arrangements.” The IMF created special Drawing Rights in 1969 to support a fixed exchange system, which has since changed to a floating exchange rate system. In recent times, SDRs have served as an international reserve asset to supplement member countries’ official reserves and support international trade by allowing for purchase of domestic currency in foreign exchange markets.

The Conference also recognized “the need for even-handed and effective IMF surveillance of major financial centers, international capital flows, and financial markets.” One underutilized method for such surveillance is the use of early warning systems to provide warning of macroeconomic and financial risks to the international economic system. Most importantly, a comprehensive reform of the IMF needs to foster its credibility and accountability. In 2010, the IMF Executive Board agreed to a shift in quotas and accordingly

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21 Ibid.


23 Ibid.


25 Ibid.


27 Ibid.
voting power and representation within the IMF. However, there has yet to be an implementation of reforms by the members of the IMF.

Future Outlook:

One of the most contentious outcomes from the Conference on the World Financial and Economic Crisis and Its Impact on Development has been the establishment of an ad hoc panel of experts. This ad hoc panel of experts is supposed to provide independent technical expertise and analysis under the Economic and Social Council. However, informal negotiations did not reach an agreement and did not establish any such panel as of today. While the Group of 77 and China have urged for the creation of the panel to help provide technical expertise, the European Union and United States have opposed any efforts because other bodies can provide the same support. The European Union has viewed UN organizations such as the Department of Economic and Social Affairs and regional commissions, such as the Economic Commission for Latin America and the Caribbean, as able to provide and incorporate independent technical expertise for issues regarding global economic governance.

While the UN has been slow in fulfilling many of the recommendations from the Conference on the World Financial and Economic Crisis and Its Impact on Development, other countries have taken the lead on coordinating economic and financial affairs. The Group of 20 (G20) held an economic summit in Pittsburgh, Pennsylvania in 2009 and was announced as the new council for international economic cooperation, replacing the Group of 8. The G20 was formed to increase representation of world economic production with the inclusion of significant developing economies such as Brazil, China, and India. More than 90 percent of the world economy is represent by the G20. Although the G20 has increased representation for


30 Ibid.


32 Ibid.

33 Ibid.


35 Ibid.

36 Ibid.
developing countries significantly, many still believe the G20 has inadequate representation of many interests.\textsuperscript{37} In response, many other countries have formed the informal Global Governance Group (3G) as a forum to channel issues of mutual concern to the closed membership of the G-20.\textsuperscript{38}

**Focus Questions:**

1. How has your country been affect by the 2008 Financial and Economic crisis?
2. Is your country a member of the G20, 3G, or G77?
3. Does your country have any unique development interests, such as being a least developed country, landlocked, or Small Island developing state?
4. Has the IMF or World Bank contributed to the development of your country? If so, how have they and what reforms could be beneficial to your country or others?
5. Are there any other reforms that could increase representation of your country or its interests in international financial and trade institutions?


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