

*Australia*

**SPEECH BY PRIME MINISTER KEVIN RUDD TO THE  
UNITED NATIONS GENERAL ASSEMBLY**

**Acknowledgement**

Mr President

I would like to congratulate you on your election as President of the 63rd Session of the United Nations General Assembly.

The Australian Delegation looks forward to working closely with you throughout the session.

**Introduction**

We gather together at a time of great challenge to the international system.

A challenge that reminds us afresh that we live in a world where our interdependency is now greater than at any time before.

An interdependency that therefore demands our international cooperation now, more than at any time before.

There are many who criticise the United Nations.

And those of us who know this institution well know there is much to criticise.

But those who argue against the United Nations advance no credible argument as to what should replace it.

Whatever its imperfections, the United Nations represents a necessary democracy of states.

States who resolved out of the carnage of the last World War that cooperation should always be preferred to conflict.

That our national interests are invariably best served by the simultaneous prosecution of the international interest.

That the purposes of our common humanity should prevail over the narrow interests of the few.

## **The nature of the international system**

When the nations of the world met in San Francisco in 1945, the United Nations was conceived as a bold experiment.

One which ran contrary to the grain of the international order that had preceded it where conflict was the norm and cooperation the exception.

One where the international community, for the first time, began to imagine how through an international institution we could protect not just the sovereignty of states, but equally advance the protection of peoples and the dignity of individuals.

And beyond this, we began to advance the idea that through the other great international institutions – the World Bank, the IMF, the GATT and the ILO – that we could fashion an international economic order that recognised the unfolding reality of economic interdependency.

These were the ideals we set for ourselves more than half a century ago.

And while the history of our achievements since then has at best been mixed, the ideas and ideals on which these institutions were constructed nonetheless remain as valid now as they were back then.

The failures that we have seen in recent times do not lie in the institutions alone.

The failure lies more in the poverty of our political will to animate these institutions to discharge the purposes for which they were created.

And that, distinguished delegates, is our collective responsibility.

### **Global interdependency – the new realism of the 21<sup>st</sup> century**

The global financial crisis of today presents us afresh with a critical opportunity to act comprehensively and collectively for the long term – rather than selectively and separately for the short.

In the post-war period, the quantum of financial institutional failure seen these last weeks has been significant.

The quantum of government intervention in financial markets has been close to unprecedented.

The quantum of the impact from one market on another has been unprecedented.

What we have seen in financial markets should bring home to us all that the central organising principle of the 21<sup>st</sup> century is interdependency.

Interdependency is now the new reality for us all for this current century.

This is no longer the expression of sentimental idealism.

Instead it is a recognition of a cold and hard realism.

This represents the cumulative impact of the globalisation of our engagement with each other over many decades.

**The globalisation of the economy** – through unprecedented trade flows, unprecedented investment flows and unprecedented financial flows.

**The globalisation of security** – arising from the searing impact of September 11 when the obscenity visited on this great city caused us all to conclude that terrorism was the enemy of all of civilised humanity, not just of some nations.

**The globalisation of the environment** – as we have come to recognise that carbon emissions from one part of the planet affect all parts of the planet – and therefore radically affect the planet's future itself.

For what all these things tell us is this: interdependency is the new realism of this 21<sup>st</sup> century.

And unless as a community of nations we **rise to this new challenge** our future is bleak indeed.

**Global financial crisis**

Mr President

The global financial crisis is a call to the global community to act.

Financial markets are a public good.

The stability of global financial markets is a public good.

If governments fail to protect this public good, then those who suffer are the working people of the world whose jobs, whose homes, and standard of living depends on it.

It is governments rather than speculators that have the central responsibility for determining the rules that govern the way markets work.

A decade ago the global economy and global financial markets were buffeted by the Asian financial crisis.

And as a global community we resolved that we would act to significantly reduce the risk of such systemic crises in the future.

The problem is, a decade on, systemic lessons were not learned.

And now we face a financial crisis of truly global proportions.

We must, therefore, ask ourselves three questions:

- what went wrong;
- what needs to be done now to fix the problem of financial market stability for the long term; and most critically
- how we marshal the political will to do so.

First, what went wrong.

There has been a failure of internal governance within financial institutions.

There has been a failure of external oversight.

Regulators have not always recognised the systemic risk posed by significant financial institutions.

So what must now be done?

The immediate task is to rebuild confidence in the financial system, by ensuring that central banks provide adequate liquidity, and by enabling steps to recapitalise critical



financial institutions and by ensuring the continued solvency of these institutions.

Over the longer term, the challenge is to reform financial markets and regulatory systems to reduce the chances of these events repeating themselves.

To this end, together with other states, we would argue that the following reform program be implemented forthwith.

First, systemically important financial institutions should be licensed to operate in major economies only under the condition that they make full disclosure and analysis of balance sheet and off-balance sheet exposures.

Systemically important financial institutions are not just commercial banks, but can include investment banks, insurance companies, hedge funds and financial clearing houses.

Which institutions are systemically important will vary by country and over time.

The central bank in each country should have responsibility for financial system stability.

This should be embedded in globally agreed best practice standards of financial regulation, and assessed by the IMF.

Second, we need to ensure that banks and other financial institutions build up capital in good times as a buffer for bad times, using predictable rules.

Supervisory frameworks need to be counter-cyclical, not pro-cyclical.

The Basel rules need to address this.

Third, financial institutions need to have clear internal incentives to promote responsible behaviour rather than unrestrained greed.

Regulators should set higher capital requirements for financial firms that have executive remuneration packages that reward short term returns or excessive risk taking.

The Basel rules also need to address this.

Fourth, supervisory systems must be compatible with accounting principles that reflect reasonable assessments of the value of assets over time.

We need to make sure accounting rules foster a more medium-term perspective and do not encourage institutions to think that risk is low just because current asset prices are high, or recent asset-price volatility has been low.

The Basel rules also need to address this.

Fifth, the IMF should be given a strengthened mandate for prudential analysis.

Conservative and consistent prudential standards should be applied to all financial institutions of systemic significance.

Furthermore, the IMF and the Financial Stability Forum should develop early warning systems of impending institutional vulnerabilities and provide advice on remedial policies.

Collectively, these institutions have led the development of the initiatives which represent the core of the financial market reform agenda described above.

However, these institutions are by their very nature bureaucratic; and the reform processes they initiate are constrained by a lack of political authority.

So I come to the third question arising from this crisis: how are we to go about implementing this reform agenda for the long term?

What is required is political will – exercised through ministerial forums working in cooperation with the IMF, the Financial Stability Forum and the G-20.

The G-20 is well placed to provide political authority to have these actions implemented urgently and comprehensively.

In this context,

- Australia will work intensively with the forthcoming chairs of G-20, in particular the UK in 2009, to ensure that financial stability is at the centre of the

work program and to initiate arrangements to strengthen G-20 input into shaping the work of the IMF and the Financial Stability Forum and implementation of agreed outcomes.

- At their meeting in November, the G-20 Finance Ministers should review progress in adopting the current Financial Stability Forum recommendations, reinforce the agreed deadlines for finalising their implementation, and agree with the Financial Stability Forum to a clear timetable for the action plan.
- As the systemically important economies, G-20 members should demonstrate their commitment to best-practice financial regulation and disclosure, by providing better information on the stability of their domestic financial systems and cross-border exposures to the IMF and Financial Stability Forum.
- The IMF and Financial Stability Forum should provide regular scenario analysis to the G-20 to facilitate clear engagement on the risks facing the global financial system. This analysis should be

included in an enhanced version of the IMF's  
Global Financial Stability Report.

Delegates, the purpose of this reform agenda is to provide a real political mandate for our international regulatory institutions to do their job in defending the integrity of the international financial system.

## **Global environment**

Mr President

One of the greatest challenges we face is climate change and the threat it poses to the environment.

In December last year, after many years delay, the Australia ratified the Kyoto Protocol.

We are determined to be part of the solution on climate change.

We have acted to begin the process of developing the world's most comprehensive emissions trading carbon pollution reduction scheme to bring down CO2 emissions over time.

We will also implement a national energy efficiency strategy.

As well as a renewable energy strategy.

Developing and deploying new technologies will also be part of our response to climate change.

The Australian Government has decided to establish a global centre to drive the demonstration and commercialisation of carbon capture and storage technologies.

This project – building on existing national and regional initiatives – will bring together the best researchers in the world to develop the best technology.

As the world at present is planning to generate 45 per cent of its electricity from coal in 2030, we can no longer afford any delay.

Delegates, Australia invites all governments and corporations of good will to participate in this Global Carbon Capture and Storage Institute.

## Security

Mr President

The United Nations, and we its member nations, have a responsibility to protect the nations and the people of the world.

We must protect people from terrorism.

And this must include commitment to support those nations in the frontline of the struggle.

Australia is working closely with the Government of Afghanistan and our global partners to bring security and stability to Afghanistan.

We can never again allow that nation to become a haven for terrorists.

Australia is also an active contributor to global efforts to prevent the spread of weapons of mass destruction.



We continue to urge nations to sign and ratify the Comprehensive Nuclear Test Ban Treaty so that it can enter into force.

We remain concerned that states such as Iran and North Korea continue to defy the international community and fail to comply with demands for a full declaration and accounting of their nuclear programs.

Their actions are undermining the global consensus to contain the spread of nuclear weapons.

This year the Nuclear Non-Proliferation Treaty (NPT) celebrates its 40<sup>th</sup> anniversary.

As a middle power and as a long-standing member of the NPT, Australia is committed to working with other nations towards the goal of the eventual abolition of nuclear weapons.

Australia – with our close friend and partner Japan – has established an International Commission on Nuclear Non-Proliferation and Disarmament to create the political and policy consensus necessary to elicit a real result on non-

proliferation and disarmament in advance of the 2010 Review Conference.

The United Nations' own security machinery must also be effective.

The Security Council needs reform.

Australia supports the expansion of its permanent membership to reflect changes in the world since 1945.

And our nation will be a candidate for a non-permanent seat for the 2013-2014 term.

Australia once again wishes to play its part in advancing the international security order.

## **Development**

Mr President

Prosperity comes from economic growth.

It comes from nations trading with each other.

That's why it is so important that we conclude the Doha round of world trade talks this year.

That's why we must also implement the Millennium Development Goals consistent with our solemn commitment in this place at the dawn of the millennium.

Progress against the goals has been mixed.

We need to redouble our efforts to reduce poverty, provide education for children and ensure that people in the developing world have access to health care.

Australia is committed to increasing official development assistance to 0.5 per cent of gross national income by 2015.

Australia now resolves to do much more to help make poverty history.

It is unforgivable that poverty and conflict – such as that in Darfur – continues to claim the lives of innocents in the face of inaction by governments.

Development is also about protecting human rights.

60 years ago this Chamber adopted the Universal Declaration of Human Rights.

We must commit afresh to protecting the rights it identifies.

As nations we should also commit afresh to righting past wrongs.

In Australia we began this recently with the first Australians – the oldest continuing culture in human history.

On behalf of the Australian Parliament, this year I offered an apology to Indigenous Australians for the wrongs they had suffered in the past.

This was the right thing for Australia to do.

## **Conclusion**

Mr President

Our membership of the United Nations is a key pillar of our foreign policy.

Our priorities are regional, but our interests are global.

We work with partners around the world to meet shared challenges.

Through our membership of the United Nations, we are committed to using creative middle power diplomacy to help overcome the great challenges of our age.

Challenges which lie beyond the power of individual nation states to resolve.

Challenges which can only be solved by unprecedented cooperation between states.

Because in this chamber, and through the organs of the United Nations, the problems we seek to solve touch every one of our peoples.

To advance prosperity and stability at home, we must advance prosperity and stability around the globe.

Australia was one of the founding members of the United Nations.

Our Foreign Minister at the time, Dr Evatt, made a significant contribution at the San Francisco Conference.

He ensured that the role of the General Assembly was protected in the structure of the organisation as a whole.

And sixty years ago this week he was elected President of the Third General Assembly.

Evatt was a patriotic Australian.

Evatt was equally a passionate internationalist.

60 years later, this institution, together with other international institutions of our current order, have yet to realise the vision of those who founded it.

Yet the need today in this age of unprecedented global interdependency, is greater than ever before.

And so it falls to this generation to summon the political faith and unprecedented political will to act for the common purposes of the world we all share.

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