

24 October 2008

Interactive Panel on the Global Financial Crisis

Guidelines for Panelists

Background

Recognizing the urgent need for responses to the confluence of uncertainties facing the world community, the President of the United Nations General Assembly is convening an Interactive Panel on the Global Financial Crises on 30 October 2008 in New York. The aim of the meeting is to give Member States the opportunity to address the issues and interact with a panel of economists and sociologists in order to place the current crisis into a macroeconomic and social context. It represents an important step in an ongoing effort to develop proposals regarding the economic and development agenda of the United Nations and the role that the UN should play in the search for new policy initiatives.

There is a widespread concern that the global economic governance arrangements, set in place in 1944 at a meeting in Bretton Woods, New Hampshire officially called the “United Nations’ Monetary and Financial Conference,” need to be radically reformed to be responsive to current economic conditions. The onset of the food, fuel, and now the financial crisis throws a spotlight on the inadequacies of the current set of global institutions in enforcing accountability for economic decisions and maintaining growth and stability for the majority of the world’s peoples.

Developing countries now represent a much larger proportion of world economic activity than they did when the Bretton Woods institutions were founded but their voices and interests are not sufficiently represented in the global councils of economic governance. Developing countries – as a group – are now net creditors to the global economic system and have an abiding interest in a rules-based and impartial revamping of global financial policies and institutions.

The President of the General Assembly has welcomed the initiatives and declarations of the leading industrial countries and developing countries that are actively expressing their concern regarding the current situation and calling for urgent action. As the pressure for change builds up, the design of the new architecture must necessarily be inclusive and democratic to be credible and sustainable. Hence, such an initiative should be convened by the 192 Member States through the General Assembly. The Organization continues to represent the most legitimate forum where the interests of all countries can be articulated.

Guidelines

Your intervention should lead off discussion among participants and may consider among other issues the following:

1. What are the global consequences of the current financial crisis and its impact on the growth and development prospects of developing countries?
2. What can be done to address the systemic root causes of this crisis, including the establishment of a transparent and accountable global system of policy coordination and fundamental reform of the global financial architecture?
3. What should be the underlying ethical and social bases for reforming the current international economic governance system? What are the practical arrangements, decisions, and processes that must be undertaken to justly and democratically implement the needed reforms?
4. What are the long-term challenges to sustaining public oversight and accountability over global market processes and what could be the transformation required in international relations between developed and developing countries and the Global South.
5. What are the developing country concerns and capabilities in playing an active role in global economic governance? What initiatives should developing countries undertake to establish a just and development-promoting economic system?
6. What kind of agreements should the international community reach at the United Nations' Review Conference on Financing for development to contribute to finding a durable systemic solution to the present crisis?
7. What are your views on possible actions required, including deep reform of the global financial architecture and what should be the role of the United Nations General Assembly?

Procedural guidelines for presentations

- Each presentation should last some 20 minutes.
- There will be three presentations in the morning and three in the afternoon. Following the presentations, there will be a Q & A period.
- Each panelist will have 15 minutes for final responses.
- The panel discussion will be webcasted followed by the production of DVD for worldwide distribution.

Programme

I. The morning interactive session will be held from **9:00 AM to 12:30 PM** and will be organized as follows:

09:00 - 09:15 AM	Opening remarks and presentation of panelists by the President of the General Assembly.
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Panel discussion I:

09:15 - 09:35 AM	Prof. Joseph Stiglitz (USA)
09:35 - 09:55 AM	Prof. Prabhat Patnaik (India)
09:55 - 10:15 AM	Prof. Sakiko Fukuda-Parr (Japan)
10:15 - 11:45 PM	Member States exchange their points of view, comments and opinions in a dialogue format.
11:45 - 12:30 PM	Each panelist will have 15 minutes for final responses.

II. The afternoon interactive session will be held from 3:00 to 6:00 PM and will be organized as follows:

Panel discussion II:

03:00 - 03:20 PM	Dr. Pedro Páez (Ecuador)
03:20 - 03:40 PM	Prof. Calestous Juma (Kenya)
03:40 - 04:00 PM	Dr. François Houtart (Belgium)
04:00 - 05:00 PM	Member States exchange their points of view, comments and opinions in a dialogue format.
05:00 - 05:45 PM	Each panelist will have 15 minutes for final responses.
05:45 - 06:00 PM	Closing remarks by the President of the General Assembly.

Report by the Office of the President of the General Assembly on the Inter Active Panel on the Global Financial Crisis

30 October 2008 United Nations New York

The day-long Interactive Panel on the Global Financial Crisis, convened by the President of the General Assembly, marked the first of what is expected to be a series of intergovernmental consultations on the response to the unfolding financial crisis that is threatening the economic and social fabric of virtually every nation.

The President asked the panel of six eminent experts as well as representatives of Member States to identify steps to secure a more stable and sustainable global economic order.

The exchange, which included presentations of invited panelists and extensive participation by representatives of Member States and Regional Groups, revealed the strong conviction that profound global crisis requires an integral global response. There was also clear support for the position that all Member States - referred to by the President as the "G-192" - have a key role in rebuilding the international rules and institutions that have failed to ensure global financial stability, sustained growth and social progress. The international community must begin by committing itself to develop the institutional instruments for improving the global financial system.

Participants recognized the need for deep changes in the governance of the international financial institutions, particularly in the decision-making process in order to make the system more inclusive and equitable. They also pointed to the importance of introducing new standards and regulatory schemes and effective compliance mechanisms that apply to all.

Participants widely acknowledged that the financial crisis reflects the inadequacies of current financial architecture to prevent crisis and to deal with them in an efficient and equitable way when they occur. Member States repeatedly cited the need for deep structural reforms to better reflect the new conditions and challenges of the 21 century.

Panelists and Member States presented a variety of recommendations for changes in the international financial architecture and views on the role of the United Nations. They insisted that the costs of the crisis be fairly and equitably distributed among nations and that solidarity with developing economies and vulnerable populations guide immediate and longer-term responses by the international community. Resources must be made available to help countries mitigate the social impact of the current crisis. The adverse impacts of financial crisis on the poorest are often hidden from analyses that guide policy choices. It was argued that attention needed to be turned to the crisis' implication on human lives, and in particular the lives of poor women. Coping strategies of poor households in times of financial crisis often lead to less schooling for children and poorer health, which again undermines longer term development for the society as a whole.

Representatives made an urgent call for the United Nations to play a central role in the search for solutions and the implementation of decisions. The United Nations system can credibly ensure that the creation of new mechanisms and policy decisions will reflect input by all 192 Member States which will help credibility and restore legitimacy to the international financial system. It was also pointed out that the UN can provide the technical and operational support for the implementation of reforms due to its close ties with governments and because of the broad ranging mandates of its family of international organizations.

Member States agreed that dealing with the financial crisis requires consideration not only the financial sphere but also must take into account the crises surrounding food, energy and climate change which demand a coordinated response that can be facilitated by the United Nations. It was emphasized that the United Nations ensure that efforts to stem the current crisis do not compromise support for the Millennium Development Goals.

Echoing the position of most Member States, the President underscored the importance of the upcoming conference on Financing for Development in Doha as an important opportunity to reaffirm international solidarity and identify innovative and constructive ways to ensure commitments to official development assistance and to propose systemic transformations of finance for development as a sub-system of the new financial architecture.

The President concluded the meeting with an expression of support for other global initiatives and institutions and the need to work with the United Nations Secretary-General, the Economic and Social Council, the Security Council, Regional Commissions and other members of the UN family to move the process ahead. He welcomed the strong support expressed by the member states for the establishment of the High Level Task Force of Experts to undertake a comprehensive review of the international financial system and forward recommendations to the General Assembly of the United Nations.

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THE PRESIDENT OF THE UNITED NATIONS GENERAL ASSEMBLY ESTABLISHES A TASK FORCE TO REVIEW MAJOR INTERNATIONAL ECONOMIC INSTITUTIONS

Press Release

20 October 2008

Sixty-third General Assembly

In response to the current turmoil in the financial crisis, the President of the United Nations General Assembly, Miguel D'Escoto, announced today to Member States and the international community that he has decided to establish a **High Level Taskforce of Experts** to undertake a comprehensive review of the international financial system, including the major international economic institutions, and to suggest steps to be taken by Member States of the United Nations to secure a more stable global economic order.

The President of the General Assembly has appointed Economics Nobel Laureate Professor Joseph Stiglitz as the Chair of this Taskforce and as the Principal Advisor to the President for coordination of this process. The composition and terms of reference of the Taskforce will be announced soon after the Interactive Panel on the Global Financial Crisis to be held in the United Nations on 30 October 2008. The contributions of Member States to this interactive event will shape the definition of functions and scope of the Taskforce.

At the General Assembly in September, Heads of States already expressed their concern that the global monetary and financial arrangements, established in 1944 at the "United Nations' Monetary and Financial Conference" at Bretton Woods, New Hampshire, need to be fundamentally reformed to better reflect contemporary economic realities in today's interdependent world and to better respond to the new challenges in a sustainable and equitable manner.

There is a growing recognition that the current turmoil in the financial system cannot be solved through piecemeal responses at the national and regional levels but requires a coordinated effort at the global level. Currently, developing countries' voices and interests are not fairly represented in existing global institutions of economic governance. The developing world includes many more powerful economies than in 1944, its role in the trading system has grown significantly and it includes prominent creditor as well as debtor nations. As such, developing countries have an abiding interest in a democratic rules-based financial system, with effective financing mechanisms and impartial institutions able to deliver timely and tailored policy advice.

The President of the General Assembly welcomes the initiatives and declarations of the leading industrial countries – most recently expressed this weekend at Camp David -- and developing countries that are actively expressing their concern regarding the current situation and calling for urgent action. **As the pressure for change builds up, the design of the new architecture must necessarily be inclusive and democratic to be credible and sustainable.** Hence, such an initiative should be convened by the 192 Member States through the General Assembly.

The Organization continues to represent the most legitimate forum where the interests of all countries can be articulated. The Doha Review Conference on Financing for Development in Doha, Qatar, on 29 November-2 December 2008, offers another crucial opportunity to move the reform discussion forward. The President of the General Assembly pledges to step up efforts to ensure a meaningful outcome for this important conference coming at such a crucial time, and to work with others to ensure that the gathering responds fully to the additional challenges posed by the current conjuncture.

30 October 2008

**Statement of Mr. Miguel d'Escoto Brockmann,
President of the 63rd Session of the General Assembly,
at the Interactive Panel on the Global Financial Crisis**

Excellencies
Dear Colleagues,
Friends All,

Thank you all for joining us this morning. We have asked this distinguished panel to share views on the economic crisis that has now spread like a plague to virtually every country in the world. Some of the best informed experts have gathered to point the way in our urgent efforts to identify long-term solutions to this multifaceted meltdown.

I expect that this panel will identify steps that can be recommended to Member States to secure a more stable and sustainable global economic order.

And I also hope that our exchange will provide us further terms of reference for the work of the Task Force that Professor Stiglitz has agreed to chair. Let us look at this meeting in the context of an ongoing process of consultations among Member States that will guide courageous actions in the near future.

We are in the midst of a complex economic crisis whose dimensions are not yet clear but whose consequences are game changing.

What was once benignly described as “irrational exuberance” is now exposed for what it was: unbridled greed and pervasive corruption enabled by governments that lost sight of their responsibility to protect their citizens. The credibility of the dominant stakeholders has been shattered. Trust, that most precious and essential element in human exchange, has vanished. The world faces setbacks that are already causing untold suffering. For some, the consequences are fatal.

It is not reasonable to recommend that a little tinkering will restore prosperity or confidence. Of course, in the short term, financial managers in the public and private sectors are attempting to assess the extent of the damage and taking actions that will prevent the global economy from tipping into world wide depression – a nightmare that is difficult to contemplate.

Yes, we must pick up the pieces. But it would be folly to put it back together again as it was. The international community has the responsibility and the opportunity to identify longer-term measures that go beyond protection of banks, stabilization of credit markets and reassurances for big investors. The stakes are too high for half measures and quick fixes put together behind closed doors.

We have all heard many recommendations in recent months. I would like to note some of those that I think might help guide our deliberations here today and in the difficult months to come.

Solutions must involve all countries in a democratic process. Our economies are global and interdependent but the global financial architecture does not correspond to this reality.

It is time to stop viewing the global economy as the private dominion of some exclusive clubs. The G-8, G-15, G-20 are no longer sufficient in their scope to solve these problems. I believe that long-term solutions must include the G-192. Only full participation within a truly representative framework will restore the confidence of citizens in our governments and financial institutions.

Therefore, we must take advantage of the unique forum provided by the United Nations to build agreement on the new financial architecture required by the international community.

Our response must be multi-faceted. And it must take into account the poor of the world. Members States have solemnly promised to meet their commitments to financing for development. Throughout this crisis, we must ensure that these promises are kept.

Our discussion should be candid and not restrained by the powerful taboo against challenging the gods of the market place and institutions that impose the dysfunctional policies that have led to this breakdown. We are not looking for poorly conceived regulations that will be discarded at the first sign of renewed “exuberance”.

And certainly we are not looking for the next bubble that will evaporate, leaving elites astonishingly richer and well-intentioned citizens feeling robbed, bewildered and dangerously angry. And, above all, we must address the billions who do not have enough to eat, much less retirement savings to worry about. This requires some fundamental shifts in our mindset.

We must take into account the confluence of crises that we face and resist the temptation to restore things to a status quo ante that is not viable. The governance of a sustainable, inclusive global economy must be adapted to new and urgent challenges that will be with us for the foreseeable future. We must factor in the unfolding food crisis, the energy crisis and the overarching problems provoked by climate change.

We must address directly the unsustainable culture of over-consumption that is contributing to wild excesses and irresponsible speculation. We must have the courage to tell citizens the truth about the sacrifices that lay ahead. These sacrifices should be shared and cannot be placed on the backs of the poor as is usually the case. All nations must be subject to financial discipline, including the rich and powerful, or there will be no effective international regulations.

This is not going to happen overnight. There is much damage to repair. It is not just the promise of prosperity that has once again been snatched away. It is the corrosive damage to the sense of trust that must guide any relationship.

Our deliberations must be calm and thoughtful. But let us be guided by a passion for justice and fairness and inclusiveness. By including new voices we can begin to restore that all important-sense of trust -- in each other, in our governments, the United Nations and other international institutions.

To advance our deliberations, we have convened a high level panel of experts to exchange views with your Excellencies. The panel is led by the 2001 Nobel Laureate in Economics, ex-World Bank Chief Economist and Columbia University Professor, Dr. Joseph Stiglitz of the United States.

Other members include Professor Prabhat Patnaik of India from the Center for Economic Studies and Planning at Jawaharlal Nehru University, and Dr. Sakiko Fukuda-Parr of Japan, Professor of International Affairs at the New School University. These three panelists will be the panelists in this morning's session.

The three panelists in the afternoon session are: Dr. Pedro Páez, Minister of Economic Policy Coordination of Ecuador and Coordinator of the Bank of the South; Dr. Calestous Juma of Kenya, who is also Professor of the Practice of International Development at the Kennedy School of Government of Harvard University; and, finally, Dr. Francois Houtart of Belgium, who is the Chief Editor of the International Journal of Religion Social Compass", and mentor for more than 60 years to several generations of socio-economic thinkers.

The moderator of the Panel is Dr. Paul Oquist, senior advisor to the President of the General Assembly of the United Nations and Minister and Private Secretary on National Policy to the President of the Republic of Nicaragua.

Now let us get down to business. Let us identify the actions that advance genuine change – changes that will benefit all of us, and not just a few at the expense of the many. Let us make sure that a strong, democratized United Nations is at the centre of this transformation. This will ensure renewed trust credibility, legitimacy and sustainability of the policies and institutions that will form the restructured international financial architecture. I now declare the panel inaugurated and ask Paul Oquist to proceed.

Thank you.

Towards A New Global Economic Compact
Principles for Addressing the Current Global Financial Crisis and Beyond

Joseph E. Stiglitz

Co-president of the Initiative for Policy Dialogue and University Professor, Columbia University

The following summarizes my personal views, as well as the views of the Initiative for Policy Dialogue, on key elements of a response to the current global financial crisis.

1. The current financial crisis, which began in the U.S., then spread to Europe, has now become global. Even emerging markets and less developed countries that managed their economy well, resisted the bad lending practices, held high levels of foreign exchange reserves, did not purchase toxic mortgages, and did not allow their banks to engage in excessive risk taking through derivatives are likely to become embroiled and to suffer as a result. *Any global solution—short term measures to stabilize the current situation and long term measures to make another recurrence less likely—must pay due attention to impacts on these countries.* Without doing so, global economic stability cannot be restored and economic growth, as well as poverty reduction worldwide will be threatened.
2. The current economic crisis should provide an opportunity to reassess global economic arrangements and prevalent economic doctrines. Large changes have occurred in the global economy in recent years, e.g. in the sources of global savings, reserves and GDP, and these are not fully reflected in our global economic institutions and arrangements. As we address the short run crisis, we should seize the opportunity for making deeper reforms that enable the world to enter into the twenty first century with a more equitable and a more stable global financial system, which could usher in an era of enhanced prosperity for all countries.
3. In the past, the global financial system often worked to the disadvantage of developing countries. Banks in developed countries, for instance, were encouraged to lend short term to developing countries; while this provided greater liquidity to the former, it led to greater instability in the latter. Pro-cyclical monetary and fiscal policies were often foisted on developing countries, while developed countries followed countercyclical policies. *The international community must commit itself to developing the institutions and instruments for increasing the stability and equity of the global financial system.*
4. Just as part of the reason for the current problems in the advanced industrial countries are related to failures in governance (corporate governance structures that led to non-transparent incentive schemes that encouraged bad accounting practices), part of the reason for the failure to create a stable and equitable system are long recognized problems in global governance. There is inadequate and in some cases no representation of emerging markets and less developed countries. *There needs to be reform in the governance of the international economic institutions and standard setting bodies, like the Basle Committee on Banking Regulation.* The reforms undertaken, for example in IMF governance, so far have been inadequate. Unless far more fundamental reforms are undertaken, it will not be possible for these institutions

to play the role that they should. And while discussions among informal groupings of countries will necessarily play an important role in developing a global consensus on key and complex issues, decision making must reside within international institutions with broad political legitimacy, and with adequate representation of both middle income countries and the least developed countries. The only institution that currently has that broad legitimacy today is the UN. Historically, the UN has played a central role, e.g. in convening the "United Nations' Monetary and Financial Conference," at Bretton Woods which established the Bretton Woods Institutions. But the world has changed a great deal since that conference 64 years ago. We are now at another "Bretton Woods" moment.

5. Addressing the problems presented by the global financial crisis requires expertise, of the kind associated with specialized agencies like the IMF and the World Bank. But in the past, these institutions have been too wedded to particular economic perspectives, which assumed that markets were self-regulating; they paid too little attention to economic perspectives which had pointed out the risks in the kinds of policies pursued in recent years by advanced industrial countries. Contrary to the policies that they and other international economic organizations have often pushed on developing countries, capital and financial market liberalization has often not brought the promised benefits of enhanced growth, but has increased instability. The systematic support of pro-cyclical macro-economic policies in developing countries, while developed countries continue to pursue countercyclical policies is not only disadvantageous to developing countries, but contributes to global instability.
6. Any economic policy has large distributive consequences, and policy makers need to be attentive to those consequences. It is not necessarily the case that what is good for financial markets is good for the economy. But inevitably, the international financial institutions, closely linked to financial markets (through governance linked to finance ministers and central bank governors) will reflect interests and perspectives of those in financial markets. These problems are exacerbated by conflicts of interest arising, for instance, through revolving doors. The credibility, legitimacy, and effectiveness of these institutions requires a restoration of confidence, and that means that greater attention needs to be paid to generally accepted principles of democratic governance.
7. In the current crisis, the advanced industrial countries need to be sensitive to the inherent asymmetries in the economic positions of developing and developed countries and to the fact that similar policies adopted in developed and developing countries can have markedly different effects; for instance, government guarantees provided by developing countries may not have the credibility that those provided by developed countries have, inducing major flows of funds from developing to developed countries..
8. Consideration should be given to the creation of a new international financial facility, financed particularly by countries (like China and Japan, and some oil exporters) that have large reserves. This facility could be used to help developing countries and emerging markets finance guarantees for the debt of their corporations, forestalling the risk of a run on these corporations. If necessary, it could also finance guarantees for trade credit channeled to banks in developing countries. Such an institution would have a distinctly different governance from existing global financial institutions, reflecting the new sources of global funds and the necessity of greater voice to

emerging markets and the less developed countries. IMF facilities for compensating for the developing countries' deterioration of the terms of trade need to be significantly expanded and their conditionality sharply reduced or eliminated.

9. All countries, but especially the developed countries where the crisis originated, will need to give immediate consideration to reforming their regulatory structures. Self-regulation will clearly not suffice. Nor will stronger transparency and disclosure standards. Attention needs to be paid to ensuring better incentives, reducing scope for conflicts of interest, imposing counter-cyclical restrictions on leverage, imposing adequate provisioning, and imposing speed limits. Other reforms need to address broader social and economic issues. Competition is at the heart of a successful market economy, but there has been inadequate and lax enforcement of anti-trust laws; financial institutions have grown to the point where they are too big to fail. Regulations also have to address issues of consumer protection and access to financial markets by all groups in society. Reforms focusing on safety and soundness are particularly imperative in the core part of each country's financial system, its commercial banks and those that deal with it, and there needs to be adequate ring-fencing of these core financial institutions from other institutions that are less tightly regulated. However, regulation should be comprehensive, to avoid regulatory arbitrage, which can generate high levels of systemic risk. Consideration should be given at the national and international level to the creation of commissions to establish the safety of new financial products and their appropriateness for various parties; and to commissions to assess systemic stability, at the national level and international level. A substantially reformed Financial Stability Forum might be able to be transformed into the global body responsible for assessing systemic risk. The creation of a global financial regulator should be studied urgently; this would imply coordinated regulation of all financial centers, including offshore ones.
10. Central banks need to give consideration to changing their mandates, recognizing that price stability is not sufficient to maintain economic stability and prosperity, and an excessive focus on price stability may actually contribute to slower and more unstable growth. Due attention should be paid to the stability of the financial system, and its interactions with macroeconomic trends.
11. It is not enough to have good regulations; they have to be enforced. Countries need to design regulatory institutions that are immune from capture by special interests and where the voices of those that are hurt by a failure of regulation are adequately represented.
12. There is a need for more global cooperation in setting regulatory standards and in coordination in macro-economic policy. Instability in exchange rates have been particularly costly to developing countries, and reforms, such as creating a global reserve system, which hold out the promise of reducing such instability, should be given immediate consideration. Again, one cannot rely on industry associations for the setting of standards, nor on financial institutions and credit rating agencies for risk assessments.
13. Financial institutions in countries that refuse to comply with international standards should be barred from dealing with those in well regulated economies. In particular, it needs to be recognized that bank secrecy can not only provide finance for terrorism,

but also can aid and abet tax evasion, drug dealing, money laundering, and corruption, all of which can be particularly harmful to developing countries.

14. Consideration should be given to longer term reforms that enhance the stability and equity of the global financial system. Such reforms include reform of the global reserve system, a sovereign debt restructuring mechanism, the creation of a global financial regulator and further development of bond markets in local currencies.
15. Enhanced surveillance may be called for, but current surveillance faces two critical problems. The first is that it has been too narrowly focused. Too often, good macro-economic performance has been associated with maintaining low inflation. The second is that it seems to have little impact on the U.S. and other advanced industrial countries—the source of the current economic disturbance. At the very least, future surveillance efforts should look at employment, the stability of the financial system, as well as inflation, and should involve not just the IMF, but other international organizations, such as the ILO.
16. Ten years ago, at the time of the Asian financial crisis, there was much discussion of the necessity of reform to the global financial architecture. Little—too little, it is now evident—was done. It is imperative that we not just respond adequately to the current crisis, but that we begin the process of the long run reforms that will be necessary if we are to have a more stable and more prosperous global economy. We must try to avoid future global crises.
17. The General Assembly, working with ECOSOC and other agencies in the UN family, such as the ILO, needs to take a lead role, in monitoring these multilateral financial institutions and bodies, their governance, their decisions, and their consequences, to assess broader social and economic impacts, including on growth, unemployment, and poverty. To fulfill these new responsibilities, there have to be reforms in the relationship between the UN General Assembly and the Bretton Woods, as well as regulatory institutions, to enhance the latter's accountability to the international community.
18. The Doha Review Conference on Financing for Development provides an opportunity to make progress both on the institutional issues, including those related to governance, as well as on the substantive issues.
19. During the General Debate last month, many heads of state and government called for the United Nations to lead the process of reform of the international monetary and financial system. Before and since then, others such as the Commonwealth have actively urged such a reform process, what many are beginning to call a new Bretton Woods moment. It took 15 years after the last global financial crisis, and a world war, before the United Nations Conference on Monetary and Financial Affairs at Bretton Woods, New Hampshire, took place in July 1944. While it is too late to prevent the current crisis, the international community is coming together to contain the damage and reverse the inevitable downturn. While doing so, we must not lose sight of our collective responsibility to do our best to try to prevent the recurrence of such devastating crises and to ensure an international monetary and financial system to support sustained and equitable development.

UN General Assembly: Interactive Panel on the Global Financial Crisis

**The Human Impact of the Financial Crisis on Poor and
Disempowered People and Countries**

Sakiko Fukuda-Parr,

Professor of International Affairs,

The New School, New York

October 30, 2008

In responding to this financial market crisis much attention has been on the global financial system and its major players and markets. But as this crisis of historically unprecedented magnitude and scope unfolds we need to turn our attention to its implications for people, particularly for poor people in poor countries. In fact, when crisis strikes, whether it is an economic meltdown like what South Korea experienced in 1998 or a natural disaster in rich countries such as Katrina in the United States in 2005 or the Kobe earthquake in 1998 in Japan it is the poor and the disempowered whose lives are most thrown off balance and are the slowest to recover. My remarks today are about these implications and the need for safeguards against such downside risks that threaten the security of human lives – human security. I will start by setting out the types of impacts that financial crisis could have before commenting on policy responses.

Impacts on developing countries – financial contagion, global recession, the human consequences

Financial contagion effects:

First, there are contagion effects on financial markets in developing countries. These are already being felt. There has been a 25% fall in the Brazilian real against the dollar this year so far¹. The Philippine Central Bank announced that FDI inflows for the first 7 months of 2008 were 60% less than what they were at this time in 2007². The Bombay BSE fell 7% on October 10th, culminating in its biggest one week drop in almost 18 years.³ Such shocks threaten to reverse the gains of the last several years in growth and development. But the important point is that these are contagion effects of financial turmoil originating elsewhere that these developing countries have little control over even though they have been implementing sound macroeconomic policies. In fact, they were doubly diligent, being aware of the need to protect themselves against the risks of global financial instabilities which were demonstrated to be real

¹ From *The Economist* “Emerging Markets: A Taxonomy of trouble” Oct. 25 print edition, p.87

² \$960 million so far in 2008 against \$2.4 billion in the first seven months of 2007; From http://www.manilatimes.net/national/2008/oct/11/yehey/top_stories/20081011top2.html

³ From <http://www.businessworld.in/index.php/Markets-Finance/BSE-Sensex-Tumbles.html>

over the last few decades. So, many countries have taken measures such as building up huge reserves and surpluses and yet in spite of this they are hit.

Global Recession effects

Though these contagion effects are important, particularly for such emerging market countries as Brazil and India, the more widespread and serious impacts of the financial crisis for developing countries would not be through contagion effects but through the global economic recession.

The impact of the real economy and on the lives of people would be even more serious than the impact on the financial market. Such impacts will be felt by all developing countries, not just emerging economies which are more integrated into global financial markets. The impact of the global recession will be felt by the poorer countries which are considered to be somewhat marginalized and poorly integrated into the global economy.

The ways in which these countries will be negatively affected are several. Falling commodity prices will be serious, and that is particularly important I think for Sub-Saharan African countries whose economies have experienced positive growth and development over the past several years, buoyed by the commodity price boom. Other effects will be the contraction in markets for their exports due to global economic downturn, a possible decline in ODA as donor countries seek to find savings in their budgets to finance rescue plans, declines in many forms of private capital flows and including and especially remittances. Already the IDB projects that the value of remittances to Latin America for 2008 will begin to decline, reversing the rising trend of the last several years.⁴ In short, a global recession is likely to set off a severe economic retrenchment in some of the poorest countries in the world and I will return to these issues later.

Human consequences

We now go beyond these economic aggregates and consider the impact on human lives. Those consequences are often hidden from much economic analyses that drive policy choices.

⁴ Remittances to Latin America and the Caribbean are expected to grow to \$67.5 billion in 2008, up from \$66.5 billion last year. However, adjusting for rising inflation means that the real worth of remittances this year will be 1.7% less than last year; <http://www.iadb.org/news/detail.cfm?Language=English&id=4779>

However, many studies on the impact of the 1990s Asian economic crisis or the 1980's structural adjustment programs by scholars such as Elson, Beneria and others and by organizations such as UNICEF and CEPAL have shown the complex repercussions of economic crises and inappropriate government policy responses on people's lives.

First of all, unemployment rises and household incomes drop. Households cope to meet basic needs through a variety of mechanisms such as sending out children or the elderly to work, reducing consumption of food and other essentials with consequences for health, withdrawing children from school and so on. Such coping strategies have not only immediate consequences for well being of the individual and family, but undermine longer term development for the society as a whole.

But the impacts are more complex. There is often contraction in government social spending, particularly on essential services such as primary health care, education and transport as governments revenues plummet. Macroeconomic policy reforms aiming at balancing budgets and at stabilizing the economy end up unbalancing human lives. The experience of Nicaragua is quite a startling example of this. A 400% devaluation in 1991 led to a 360% increase in prices to the point where a median salary could no longer buy a basic basket of consumption goods.

Distributional and Gender Dimensions

The distributional impacts of these recessions are highly skewed. The poor and the disempowered are the most vulnerable. For example, studies of the East Asian crisis show a rapid rise in poverty and worsening of health and education indicators due to both falling incomes and reduced services. In Indonesia, UNICEF studies found a sharp reduction in the use of public health services by people who could not afford the fees or found that services began to run out of essential supplies such as drugs.

There is a particularly important gender dimension which requires analysis of the domain of non-market work and social reproduction. Women bear the brunt of crisis because of the paradigm of the male bread-winner that prevails all over the world across cultural divides, from Cuba to Japan. When job retrenchment takes place, the tendency is to protect employment for men and compromise on women's jobs. But women's incomes are essential for family survival,

especially when they are heads of households and/or in poor families. They cannot afford to stop working so they end up in jobs with much worse and often unacceptable conditions.

Another generalized impact, which is often neglected in economic analyses, is the impact on the unpaid care work that falls mostly on women. When people stop going to doctors for healthcare, they stay ill for longer, and have to be taken care of at home, invariably by women, adding to the workload of women who carry much of the burden of care work. This care work for 'social reproduction' is not part of the market economy and is not counted in the GDP. If you try to estimate the monetary value of such care work – the work of social reproduction - it comes up to something like 2/3 of the market economy⁵. There is an important relationship between the work of social reproduction and market work since there are only 24 hours a day. Demand for unpaid work of social reproduction puts pressure on the time available for paid work in the market economy. Many studies of the impact of the 1990s Asian financial crisis and 1980s structural adjustment policies document consequences such as reduced incomes as women have to go out of work or take up less remunerative and part time work, or make compromises on time devoted to caring for children.

Policy responses:

As economic crises spread, what should be the policy responses? We must learn the lessons of the experience of the Asian crises and structural adjustment responses that favoured orthodox stabilization policies with massive human costs.

To protect the poor and vulnerable, especially women, we need to pay particular attention to:

- maintaining development aid budgets;
- maintaining commitments to global priorities such as combating the global warming crisis or the food crisis or the energy crisis;
- designing appropriate macroeconomic policies. Professor Stiglitz among other eminent economists have challenged orthodox prescriptions and recent studies critique restrictive expenditure ceilings and inflation targets;

⁵ UNDP, Human Development Report 1995

- maintaining support to social priorities so as not to compromise on long term development and to offset the unequal burden on women. Priorities should not only be on infrastructure projects which create jobs for men but social investments in care services which reduce the pressure on unpaid work.

Lessons from Argentina could be instructive in thinking about policies that would stimulate the economy and could achieve greater equity. This country managed to recover from the 2001 crisis with an annual growth rate of 8% from 2002, and moreover reducing poverty from 56% to 20% and unemployment from 30% to 7%. Their policies included among others, pro-poor public expenditure policies focusing on long-term development priorities such as building infrastructure and human investments. Such policies are a departure from the Washington Consensus policies of the 1980's and 90's.

Conclusions

The scope of response requires provisions and policy space that allow developing countries to adopt stimulus and recovery plans that provide stimulus and sustained recovery, but also builds in safety nets for the poor, vulnerable and disempowered people, households and countries. The needed response clearly points to pro-cyclical policies as have been adopted in the US and Europe. We cannot accept the double-standard of counter-cyclical measures for rich countries and pro-cyclical measures for poor countries, or, Keynesian economics for rich countries and neo-liberal economics for poor countries.

The current financial turmoil has had important contagion effects in developing countries, but by far the greatest threat to human security comes from an economic recession. These threats stem from global financial insecurity, risks that go beyond what any country and household can tackle. The current system in fact shifts the burden of global financial risks from players in global markets to poor countries and poor households.

Neither human security nor national economic stability can be assured by national policies alone and require a global response. The inter-active debate in the UN is welcome. Addressing this financial crisis requires consideration of diverse alternatives. No single country nor institution

nor perspective has a monopoly on knowledge. Today, important expertise and knowledge about economic management resides in developing countries, from Brazil to China to Korea. The UN including its many agencies and organizations from DESA, UNCTAD, UNICEF to UNDP has also contributed many analyses and ideas on the challenges at stake.

THE PRESENT CRISIS AND THE WAY FORWARD

Discussions of the current world economic crisis tend to focus exclusively on the bursting of the housing bubble in the United States. This no doubt is the immediate cause of the crisis, but underlying its operation is the fact that the stimulus for booms in contemporary capitalism has increasingly come from such bubbles. The U.S. whose size and strength make it, in the current regime of trade liberalization, the main determinant of the pace of expansion of the world economy as a whole, has increasingly come to rely on such bubbles to initiate and sustain booms. The dot-com bubble whose bursting had caused the previous crisis was followed by the housing bubble which started a new boom. This has now come to an end, precipitating a major financial crisis and initiating what looks like a major depression reminiscent of the 1930s.

John Maynard Keynes, writing in the midst of that Depression, had located the fundamental defect of the free market system in its incapacity to distinguish between "enterprise" and "speculation" and hence in its tendency to get dominated by speculators, interested not in the long-term yield on assets but only in the short-term appreciation in asset values. Their whims and caprices, causing sharp swings in asset prices, determined the magnitude of productive investment and hence the level of aggregate demand, employment and output in the economy. The real lives of millions of people were determined by the whims of a bunch of speculators under the free market system.

Keynes wanted this link to be severed through what he called a comprehensive "socialization" of investment, whereby the State acting on behalf of society always ensured a level of investment in the economy, and hence a level of aggregate demand, that was adequate for full employment. This prescription entailed not only a jettisoning of the free market system in favour of State intervention, but also restraints on the free global mobility of finance, since meaningful State intervention could not be possible if the *nation-State* faced *internationally-mobile capital*. "Let finance be primarily national", he had said, if the State had to have the autonomy to intervene meaningfully in the economy.

The process of globalization, involving above all the globalization of finance, which began during the period of Keynesian demand management itself, has undermined Keynesian demand management in the capitalist countries, and removed a whole host of regulatory measures that characterized the Keynesian regime. Boosts to aggregate demand have of late come increasingly from the stimulation of private expenditure,

associated with the creation of bubbles in asset prices, rather than from an adjustment of public expenditure within the context of reasonably stable asset prices. The reliance on bubbles in short has acted as a substitute for the earlier regime of Keynesian demand management; it is management through the creation and sustenance of bubbles rather than through the pace of public spending. Not surprisingly, the frequency of financial crises, associated with the bursting of these bubbles, has increased greatly after 1973, and the capitalist world is even now headed for a major crash.

Governments in advanced countries have still not recognized this onset of a crash. They have proceeded on the assumption that the injection of liquidity into the system is all that is needed. It was thought initially that this injection could be achieved through the government purchase of "toxic" securities, but widespread opposition to that scheme has now made most governments accept the idea of injection of liquidity in lieu of equity, i.e. through the part-nationalization of financial institutions.

But injection of liquidity, even in this manner, is not enough. Credit will not start flowing simply because banks can access more liquidity. There has to be adequate demand for credit for viable projects by solvent and worthwhile borrowers. And this is not happening. First, the injection of liquidity does not improve the *solvency* of firms saddled with "toxic" securities, so that the risk associated with lending to them remains prohibitively high. And secondly, quite apart from this, the anticipation of a Depression makes borrowers chary of borrowing and lenders chary of lending.

This anticipation in turn derives from several factors: first, the bursting of one bubble is not necessarily succeeded by the immediate formation of another, so that some recession of a more or less prolonged duration is in any case inevitable. Secondly, the very scale of the current financial crisis is such as to entail an anticipation of a prolonged recession. And thirdly, since the recession has already started, the prospects of crisis-prevention now through the usual monetary instruments (including liquidity injection) appear distinctly dim. The scenario, in which tendencies towards increased liquidity preference on the part of private individuals and institutions and a downward slide in the real economy mutually reinforce one another, has already started unfolding itself and will continue for a prolonged period, *unless governments now act to inject demand into the economy directly*, apart from injecting liquidity. Until this happens on a large enough scale the Depression will persist.

The third world countries will not escape the effects of this Depression. True, many of them whose financial systems are still not

sufficiently “opened up” and hence have not been “contaminated” by any links to “toxic” securities, will escape the *direct* impact of the world financial crisis (though even they cannot escape some “sympathetic” movements in their financial markets as well). But they certainly will have to face the impact of the Depression of the real economy. Their export earnings, both merchandise and invisibles, will be hit, causing unemployment and output contraction on the one hand, and foreign exchange crisis, exchange rate depreciation and accentuated inflation on the other. (The latter will be aggravated by the outflow of speculative capital that had come in earlier to the “newly emerging markets” under the auspices of Foreign Institutional Investors).

Two areas are of special concern here. One is the inevitable decline in the terms of trade for primary commodities that will occur in a Depression, which will push cash-crop growing peasants into even greater distress and destitution and into even larger mass suicides. (These have been already occurring for some time on a disturbing scale in countries like India). The second is the loss of food security over much of the third world that will inevitably occur. Food security in the third world of course has been getting undermined for some time now (see below), but matters will become even worse with the onset of Depression. There are at least three mutually-reinforcing reasons for this: first, the loss of foreign exchange earnings owing to the decline in exports and in the terms of trade will cause a decline in foodgrain availability in food-importing countries owing to a decline in their import capacity. Secondly, even if food availability is somehow maintained, the decline in the incomes of exporting peasants and small producers and of those affected by the rise in unemployment will mean that large masses of people will simply lack the purchasing power to buy necessary food. And thirdly, if the terms of trade of non-food primary commodities decline relative to food, as has been happening for some time now, then both the above problems will be greatly aggravated.

There is a tragic irony here. The booms fed by asset price bubbles not only did not benefit the large mass of peasants, petty producers, agricultural labourers, craftsmen, and industrial workers in the third world, but were actually accompanied by an absolute deterioration in their living standards. This happened not despite the boom but because of it, in a number of ways. First, with the interlinking of global financial markets, asset price booms in the US tended to produce stock market booms, and more generally financial sector booms, even in third world countries, where banks and other financial institutions withdrew from productive sector lending to speculative lending, from rural lending to urban lending and from agriculture and small-scale

sector lending to consumer credit to the affluent, and loans against securities. This damaged the productive base of the peasant and small-scale sector. Secondly, the changed role of the State in the new dispensation where it was more concerned with supporting the financial sector boom and in maintaining "the confidence of the investors" than with sustaining peasant and petty production, entailed a withdrawal of State support from the latter sector: input subsidies, the price support system, essential public investment, and State spending on rural infrastructure and on social sectors, were all drastically curtailed; and without them the entire small producer economy became submerged in crisis.

A simple statistic illustrates the point. During the quinquennium 1980-85, the per capita cereal output in the world was 335 kilogrammes. By 2000-05 it had fallen to 310 kilogrammes. This absolute decline in per capita cereal output meant also an absolute decline in per capita cereal consumption for the world as a whole. But since per capita cereal consumption, taking both direct and indirect consumption into account, increased for the advanced countries, the overall decline for the world as a whole was caused by a massive decline in the third world countries, where even countries like China and India which experienced remarkably high GDP growth rates, did not escape this trend.

The fact that this decline in per capita cereal output in the world economy was not accompanied by any rise in relative cereal prices (in fact between these two years the terms of trade of cereals vis a vis manufacturing in the world economy declined by nearly 40 percent), even when the per capita income in the world economy was increasing quite noticeably, suggests that the squeeze on the purchasing power of the masses in the third world was even greater. The other side of the speculative boom occurring in a deregulated and financially-interlinked capitalist world therefore was a drastic squeeze on the living standards of the masses, especially in the third world (which incidentally is one reason why the "locomotive" analogy often given for the US economy's role in the world economy is so inapposite: this locomotive while pulling some coaches, pushes back some others).

But even though the masses suffered from the effects of the speculative boom, they would also suffer additionally from the effects of its collapse. We do not have a symmetry here between the effects of booms and of depressions, and herein lies the tragic irony of the situation.

It is clear from the above that the need of the hour is not just the injection of liquidity into the world economy but also in addition the injection of demand. This can occur only through direct fiscal action by governments across the world. For activating governments for this, two

conditions have to be satisfied. The first is control over cross-border financial flows, for otherwise governments will continue to remain prisoners to the caprices of globally-mobile speculative finance capital. And the second is the setting up of an international financial facility, operated on principles different from the existing multilateral institutions, which not only makes concessional finance available to them, but also enables the, to substitute long-term loans for their current short-term borrowing, so that they are not caught "borrowing short to invest long".

The sectors where government spending will go up will of course vary from country to country, but the general objective of such spending must be the reversal of the squeeze on the living standards of the ordinary people everywhere in the world that has been a feature of the world economy in the last several years. In the United States government spending may have to take the form of increasing the social wage and enlarging welfare state activities generally, increasing infrastructure expenditure and making more funds available to states through federal transfers. But in India, China and other third world countries, in addition to welfare state measures, larger government expenditure has to be oriented towards a substantial increase in agricultural, especially foodgrains, output.

Taking the world economy as a whole, the new growth stimulus will have to come not from some new speculative bubble but from enlarged government expenditure that directly improves the livelihoods of the people, both in the advanced and in the developing economies, and that is geared towards improving the foodgrain output of the world through a revamping of peasant agriculture (and not through corporate farming, since that would reduce purchasing power in the hands of the peasantry and perpetuate its distress). In short, the new paradigm must entail a foodgrain-led growth strategy (on the basis of peasant agriculture), sustained through larger government spending towards this end, which simultaneously rids the world of both depression and financial and food crises. The trade and financial arrangements of the world economy have to be oriented towards achieving this rather than being made to conform to some *a priori* free market principles that have the effect of pushing the world economy into financial crises and slumps, and the peasantry and small producers of the world into destitution both during the booms and also, additionally, during the slumps.

Prabhat Patnaik

THE ECUADORIAN PROPOSAL FOR A CRISIS RESPONSE AGENDA FROM THE SOUTH

Pedro Páez Pérez

Minister of Economic Policy Coordination of the Republic of Ecuador

President of the Ecuadorian Presidential Commission for
the New Regional Financial Architecture – Banco del Sur

Perplexed and unable to decide what to do, most of the humanity is watching the international financial crisis deepening and increasingly jeopardizing the precarious living conditions of billions of persons. Meanwhile, a fast process of mergers and acquisitions is taking place, and a vast amount of taxpayer's money is pouring into the financial markets. As in other historical experiences, the most vulnerable ones will end up paying for the excesses of others, unless a viable and technically well designed roadmap is created to defend their interests. The Government of Ecuador is presenting a series of initiatives for a collective construction of a new international order.

The proposal for today

Given the speed and depth with which the crisis is unfolding, we believe a Regional Monetary Agreement (RMA) among the countries of South America is urgent. This RMA would act as a common framework in which the exchange rates of participating countries would be monitored, assessed and, if possible, agreed upon at the (sub) regional level, according to the principle of mutual concern for exchange-rate credibility and stability. As the pressures and the conditions for each individual country are heavy and heterogeneous, we believe that it's more viable to push for now for semi-annual agreements within bands.

The immediate effect of the announcement would be a calming effect on financial markets. However, the medium and long term conditions for sustainability must be addressed for the proposal to be credible. That means advancing simultaneously with the three basic pillars of the New Regional Financial Architecture agreed upon by the seven ministers of finance (Argentina,

Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela) in the Quito Declaration of May 3, 2008.

At the same time it is very important to launch, in parallel, an international diplomatic campaign to push for similar accords in other regions of the world. There are processes in progress in several zones (Chang Mai, Africa, Arab countries, etc.) that could be coordinated and replicated. Coordination of relatively flexible regional bloc agreements is the most plausible way to achieve a rapid outcome. The success of this step could generate the political momentum for further institutional arrangements that would open the horizon for a holistic and stable New Global Financial Architecture.

Options for the immediate regional blue print

Depending upon the political possibilities of each country in the current situation, it's important to explore different institutional arrangements. Three are described below in order of increasing detail and depth of cooperation over time: first to define a multi-lateral agreement to share information about and monitor monetary policy, second to establish a single agreed monetary policy definition framework and ultimately to fix on a compulsory shared policy. Restrictions on capital movements (according to Articles VII, 3(b) XIV, 2 of the IMF's Agreement) should not be excluded as options where politically viable.

1) Among the more flexible options in the spectrum of possible Exchange Rate Regimes (ERR), the regional monetary agreement would be limited to a formal cooperative commitment (in absence of formal commitments about any parity grid among regional partners). The commitment would be:

- permanently to monitor exchange-rate policies and
- regularly to share ex-ante information on the respective national policy mixes and macroeconomic development

This monitoring exercise, involving peer exchange of opinions and criticisms (in closed-door meetings for policymakers initially) would build confidence and reduce information asymmetry among regulators. Thus, by tackling possible speculative attacks and sharing experiences,

uncertainty among policymakers would be reduced. At this first stage the advantage compared to traditional non-cooperative, unilaterally floated rates, would be the access to privileged information and the creation of dynamic exchange of best-practice techniques between peers. This will open significant opportunities to determine better exchange rate movements and to avoid speculative attacks by jointly examining compatibility of national policies and their resulting impact on bilateral exchange rates. This dynamic would bring about quickly an additional benefit for the region: positive external effects on domestic economic agents, public opinion, external financial markets and creditors through greater predictability, better anchoring of expectations, and smaller interest-rate spreads. Such benefits could become tangible (and very significant in terms of budget and growth) to the degree that the monitoring is rigorous, transparent and useful for citizens, economic agents and external creditors. The only way to meet these crucial conditions is by publishing well organized information and by hosting open professional debates about the results of the closed door monitoring exercises.

The indicated double benefit of this collegial process of consensus building on exchange rates should bring many advantages to the economies of (sub) regions when compared to purely individually floating regimes or to the coexistence of conflicting ERRs in the same region. These would be:

- better building of institutional capacity and consensus
- faster adjustment in policies
- higher degree of transparency and information for market agents about policy intentions (contributing to the shaping and anchoring of their expectations)
- deeper links and confidence between policymakers

All these advantages converge for developing a sense of regional identity, responsibility and community of interests, making it easier to achieve a genuine spirit of cooperation and breaking out of the “prisoner's dilemma” of unilateral decision making. In this positive context each region is able to make better policy choices, to tackle ERR on a sounder basis, and to consider more alternatives than just corner solutions for their own circumstances.

2) The next intermediate stage would involve setting "soft" regional target zones; narrowing the range of options. This group includes the full range of non-binding bands within which the regional consensus communicates optimal exchange rates for all the partners' currencies. Obviously, the simplest of these is merely a target zone for each currency set against the US \$ which provides implicitly a regional parity grid for bilateral rates. However, we know that this will not continue to be the best option from a "stability and growth" point of view. Ideally, target zones should be defined in the framework of the so-called "BBC regime", (Basket, Band, and Crawl), which solves most of the defects of corner solutions. Indeed, movements among third currencies (\$/€ for example) are partially neutralized at the macro level by the "basket" effect. Random fluctuations in expectations are tackled by the "band" and the credibility of the monitoring process upon which it relies. Finally, relative inflation differentials could be neutralized by the crawl rule with the "real target" approach. Meanwhile, those adjustments to shocks that cannot be neutralized (changes in terms of trade and underlying capital flows) could be ensured by adjustment of real targets. Also, in case of a need for a "nominal anchor" through parity for those economies in a process of disinflation, pre-announcing a conditional path for the crawl would provide the same effects as a peg regime.

In fact, this second kind of intermediate regime could be the natural next step in the process of consensus building and macroeconomic convergence triggered by the first option described earlier. Indeed, for those economies already able to reach a common view on sustainable exchange-rate targets, the same regional monitoring scheme could ideally announce "recommended bands" for exchange rates that would be compatible with the stated and expected national policies. This concept of recommended bands does not imply a system of fixed bilateral parities or compulsory limits since it is also applicable to floating rates. Initially, these consensual bands would be broad and non-binding, serving only to shape market expectations. They could lead to specific regional consultations among national policymakers when indicative band limits of the soft target zone are approached or breached. Such consultations would serve to spur policy adjustments -or replies if necessary- or otherwise to adjust the target zones conformant with some new regional reality.

Progressively this kind of RMA could lead to a decision to make these consultations compulsory. In this case, one could expect the compulsory consultations to impel design of the rules and procedures of the surveillance scheme set by the RMA. The consultations would work by consensus, allowing a veto to each member – even to a single national central bank – towards mobilizing a range of concrete shared instruments. These instruments would cover a broad range, from merely issuing an ad-hoc "joint-communiqué", through to launching convergence criteria and to agreeing compulsory rules of discipline with consequent rewards or sanctions. They would also cover ad-hoc cooperative actions, such as deciding on joint interventions in favor of specific currencies, announcing new consensual bands or implementing coordinated policy adjustment for supporting the achievement of agreed bands.

After a training test-period, the system should provide the basis for designing a common system of exchange rate orientation by anchoring market expectations by prescribing precise criteria and formal procedures and by providing transparent information on the respective policy stances behind the bands and on the required adjustment path. The participating members would progress to discussing the option of trying a real or a nominal fixed parity grid once they were able to achieve an effective degree of consensus and cohesion. This would be evidenced by their consistency respecting the common criteria and rules established by regional consensus.

3) The next step toward a more closely engaged regime is the setting of compulsory target zones (i.e. formally binding bands). This is an almost fixed, but adjustable ERR, and corresponds to transforming the previous RMA into a real regional Exchange Rate Mechanism (Real ERM). It is different from the traditional nominal ERM experimented with by the European Monetary System created in 1979 (and still working in the EU as a condition for the Member States applying for joining the euro area). Indeed, as is well known, the "impossible trinity" will expose any adjustable peg-regime to wild, unsustainable capital movements once unforeseen events affect the credibility of the policies or of the regional commitments (including the monitoring or integration processes).

This mechanism does not correspond merely to a fixed regime, since it would be more flexible, and would imply a higher degree of cooperation, through the collegial process of defining the bands and assessing the policies. Of course, this regime requires a sufficient degree of convergence and consensus among the members and a more developed scheme of policy monitoring, with greater sharing of discipline, rules and sanctions. However, in the progressive process we are recommending, these complements would result from the learning-by-doing stage developed during the two previous intermediate regimes.

The Ecuadorian Proposal for a New Regional Financial Architecture

The credibility of the proposal presented above requires defining a horizon of sustainability that includes a robust institutional framework. Vice versa, the impulse of the monetary agreement and the functioning of the regional electronic currency would have important synergies with the advance of the development and central bank networks. That's why the New Regional Financial Architecture should be undertaken integrally and simultaneously.

The axis of the Ecuadorian Proposal for a New Regional Financial Architecture is based in three main characteristics. The first one is sustained in democratic and transparent governance as well as proportional and equitable responsibility. The second is the simultaneous construction of a new process of integration, moving towards three basic components: i) the creation of the Bank of the South (Banco del Sur) as the core of an alternative development bank network, ii) the strengthening of a regional central bank system, articulated through a continental system of payments and a Common Reserves Fund (probably through an enhancement of the Latin American Reserve Fund - FLAR), iii) give coherence to these two processes –within an inherent logic, with the impulse of a common monetary system linked to the issue of Regional Drawing Rights and an electronic regional currency. Finally, the Ecuadorian proposal needs an efficient and technical operability oriented towards another kind of development and new relationships between states, capitalist firms and the heterogeneous spectrum of popular economies (medium, small and microenterprise, community and cooperative structures, etc.).

There are two important issues that our region should overcome in order to have a successful decoupling from the dollar's crisis logic and achieve macroeconomic sustainability. First, the region should reduce the artificial need for dollars in the regional trade, financial markets and, therefore, the technical need for reserves through the deployment of the intra-continental system of settlements. Secondly, with the Common Fund, this system reduces the sum of the individual optimal amount of international reserves, even with the danger of simultaneous shocks and correlative risks. Those excess reserves funds could support the convertibility of the regional electronic currency, as part of the Common Fund complemented with exhaustible natural resources and national currencies.

On the other simultaneous dimension of this institutional arrangement, the Banco del Sur loans in national and regional currencies would provoke deeper productive integration. This new institution will stimulate the intra-regional system of payments with cost incentives for Net of Networks transactions redeemable in dollars or national currencies (with a premium for taxes or local credit, gradually increasing quotas per country). Moreover, there will be an extra-regional sustainability that will link the Central Bank Networks with the core of the Common Reserve Fund. In addition, a non- Maastricht type of macroeconomic convergence commitment will emphasize stabilization tasks with a development and structural asymmetries reduction plan.

This proposal will open several doors for countries with diverse political, financial and economical realities, to fit into this new impulse towards the process of integration whose key reference point is the UNASUR, but which will be able to transcend it. Each country could take different entries to the process, but the process as a whole must not move in sequential terms: this must be a simultaneous effort with growing synergies that will allow a new cohesive phase. In order to achieve the critical mass for the proposal's take over, a core of committed countries should advance in this collective construction.

The capital structure of the Banco del Sur should be a space for both, national currencies and the regional currency. These currencies must also be included in lending operations and must be subject to cross demands in other member countries. In order to make the Banco del Sur sustainable, it is necessary to strengthen functions of the regional central bank network that

guarantees that the regional currency works and that the national currencies space could be enhanced and can relate to each other in these new terms.

The Banco del Sur will bind together in a coherent way the commercial, financial and monetary integration with a dynamic flow of the productive system from the functioning of the economy. For the horizon of an electronic common currency -or a regional account unit-, there must be a system that allows the strengthening of these links. It is not about strengthening commercial relationships where they are not convenient: we have to make changes in the productive structures so that they are complementary amongst themselves. In this proposed scheme, large nations have the incentive to benefit from seigniorage and increased demand for their exports and large companies.

It is very difficult to move ahead with a new international financial architecture if each country doesn't work simultaneously on a new domestic financial architecture and a new productive system. The economy is not flat: the productive system is hierarchical, and if strategic sectors of the economy are going to benefit, a new powerful system of powerful interests committed to integration can be built. Today the commercial dependency (and intra-firm trade) with the North is sky high, and with the change of the productive system, great returns will be generated in the construction of supranational spaces of food, energy and health sovereignties.

Draft for Comments

GLOBAL ECONOMIC CRISIS AND FINANCIAL DIPLOMACY

Emerging Issues in Global Governance

Calestous Juma

Professor of the Practice of International Development
Belfer Center for Science and International Affairs
Harvard Kennedy School

Calestous_Juma@Harvard.Edu
Cjuma30@gmail.com

Interactive Panel on the Global Financial Crisis
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Introduction

Developing countries are rethinking their place in the global economy in light of the current global financial crisis. Their search for solutions is taking place in an age of unprecedented growth in scientific and technical knowledge. Unlike their predecessors who had to make do with limited technical knowledge, their challenge is how to manage technological opportunities to respond to the growing economic crisis. The United Nations could play a key role in fostering the creation of a new regime of financial diplomacy that would bring together the global community to identify and share best practices in managing the relationships between finance, innovation and development.

1. The road to recovery

One of the most critical aspects of a learner's strategy is that every generation receives a legacy of knowledge from its predecessors that it can harness for its own advantage. Every generation blends the new and the old and thereby charts its own development path, making debates about potential conflicts between innovation and tradition irrelevant.

At least three key factors contributed to the rapid economic transformation of emerging economies. First, these countries invested heavily in basic infrastructure, including roads, schools, water, sanitation, irrigation, clinics, telecommunications and energy. The investments served as a foundation for technological learning. Second, they nurtured the development of Small and Medium-sized Enterprises (SMEs).

Building these enterprises requires developing local operational, repair and maintenance expertise, and a pool of local technicians. Third, government supported, funded and nurtured higher education institutions, as well as academies of engineering and technological sciences, professional engineering and technological associations, and industrial and trade associations.

There is widespread awareness of rapid scientific advancement and the availability of scientific and technical knowledge worldwide. In fact, the spread of scientific knowledge in society is eroding traditional boundaries between scientists and the general public. The growth in knowledge is also making it possible to find low-cost, high-technology solutions to persistent problems.

Numerous efforts to develop low-cost, high-technology products are underway in the medical fields. Most of these ideas have been around for a long time but their feasibility was hampered by the lack of technical knowledge.

Life sciences are not the only areas where research could contribute to development. Two additional areas warrant attention. The continent's economic future crucially depends on the fate and state of its infrastructure whose development will depend on the contributions of the engineering, materials and related sciences. It is notable that these fields are particularly weak in most developing countries and hence could benefit from specific missions that seek to use

local material in activities such as road construction and maintenance. Other critical pieces involve expanding the energy base through alternative energy development programs, such as geothermal, biofuels, solar and wind energy.

2. Sources of economic renewal

2.1 Build infrastructure facilities

Infrastructure is broadly defined as the facilities, structures and associated equipment and services that facilitate the flows of goods and services between individuals, firms and governments. Conventional infrastructure includes: public utilities, such as power, telecommunications, water supply, sanitation and sewerage, and waste disposal; public works, such as irrigation systems, schools, housing and hospitals; transport sectors, such as roads, railways, ports, waterways and airports; and research facilities such as laboratories and related equipment.

Because infrastructure facilities and services are complex physical, organizational and institutional systems, they require deep understanding and adequate capabilities among the engineers, managers, government officials and others involved in them. Developing countries should therefore design infrastructure projects in ways that promote technological, organizational and institutional learning.

Infrastructure development priorities signal the need for long-term capacity for maintenance and technology development. Such projects should provide ideas for curriculum development in universities and other research institutions. This convergence of interest is achievable with continuous interaction and cooperation between government, industry academia and civil society.

The alignment of research and training activities with infrastructure development is a critical element in promoting the development of domestic technological capabilities and should therefore be a critical element in project design. Where research institutions do not exist, infrastructure projects should explicitly propose their creation.

2.2 Reform higher technical education

Higher technical education is increasingly recognized as a critical aspect of the development process, especially with the growing awareness of the role of science, technology and innovation in economic renewal. While primary and secondary education have been at the focus of donor community attention for decades, higher education and research have been viewed as essential to development only in recent years.

The urgency of investing in higher technical education is compounded by the impact of HIV/AIDS and other infectious diseases on Africa's labour force. The challenges include building human capacity and transmitting technical skills to succeeding generations, which underscores the urgency to expand women's access to higher technical education.

Other than simply providing education, a new view is emerging that places universities and research institutions at the centre of the development process. The application of this concept also extends to other levels of learning, such as colleges, research and technical institutes and polytechnic schools. Higher education and research institutions have therefore become a valuable resource for business, industry and society. In facilitating the development of business and industrial firms, universities can contribute to economic revival and technology-based growth in their regions.

Higher education and research institutions integrate into the production sector and into society in many ways. They conduct research and development for industry; create their own spin-off firms; are involved in capital formation projects, such as technology parks and business incubator facilities; introduce entrepreneurial training; and encourage students to transform research into enterprises. This approach is based on the strong interdependence of academia, industry, government and civil society. Considerable efforts are under way to reform existing institutions. Additional opportunities exist in the design of new higher learning institutions.

First, many of these institutions focus on technical training as a core aspect of their curricula. The technical training could reflect specific needs.

Second, the new species of higher learning institutions places particular emphasis on building entrepreneurial skills among students. This additional focus ensures that students develop the capacity to transform ideas into business proposals as well as actual products and services for local and international markets. Students in these institutions will be expected to develop practical skills in enterprise creation as a prerequisite for graduation. This approach requires a reorientation of local banking and financial institutions, including the development of new instruments such as venture capital.

Third, most of the universities that exist in developing countries were originally designed to support nation-building. The challenge today is community development. As a result, the new species of university should integrate into the communities in which they are located and seek specifically to promote economic transformation in their locales.

The focus of the new species of university will be to produce graduates who are trained to create enterprises and therefore generate jobs while adding to the growth of the economy. This would be a departure from the present system, which focuses on providing technical skills to people who would not go on to create employment.

In addition to training, universities would need to function as incubators for businesses and social enterprises. This function would be in addition to the traditional practices of linking enterprises and civil society organizations to universities. They would help to nurture new enterprises through providing critical services in the early stages of enterprise development.

Efforts should be made to create a strong technical foundation through polytechnics, which can be turned into community colleges to serve local populations. This would require higher education regulators to be proactive and flexible in seeking to link curriculum development to

local needs, promoting experiential learning, strengthening university management and expanding opportunities for women students.

Research, teaching and community outreach need to be merged. For example, medical schools should be more integrated into hospitals, just as agricultural research stations should have a strong teaching role. Similarly, strong links must be forged between universities and the business community. This process may involve reforms or upgrades within existing universities and the creation of new institutions.

Other research and training facilities need to be reviewed, to identify how they could supplement the work of universities. Most government ministries are involved in one or another aspect of research and training and therein hold the seed for populating the economic arena with new species of higher learning institutions adapted to specific needs.

Efforts will be needed to reform curricula by replacing outmoded sections with new approaches that encourage creativity, enquiry and entrepreneurship. These reforms also should include close cooperation with the private sector and the communities in which universities are located. In turn, government at all levels (central, urban and regional) should be at the forefront of creating space and opportunities for the contribution of universities to development.

But reform in curricula will not be sufficient unless accompanied by adjustments in pedagogy to emphasize experiential learning. The need to provide students with access to practical experience and learning from direct engagement is particularly critical in rapidly changing technological fields. Experiential learning can be promoted more readily in universities that have direct linkages with the production sector. This makes community linkages even more critical to the effective functioning of universities.

Universities should enjoy greater autonomy in management so that they can adapt in a timely manner to a rapidly changing world. But this autonomy should be guided by the need to deliver community development and not be seen simply as an artifact of good governance.

2.3 Spur business entrepreneurship

Economic change is largely a process whereby knowledge is transformed into goods and services through business enterprises. In this respect, creating links between knowledge generation and business development is the most important challenge facing developing countries. For these countries to promote the development of local technology, they need to review the incentive structures already in place. There is a range of structures suitable for creating and sustaining enterprises, from taxation regimes and market-based instruments to consumption policies and sources of change in the national system of innovation.

SMEs should play leading roles in the development of new opportunities and the use of technology. Policy makers need to develop, apply and emphasize the important role of engineering, technology and SME development in poverty reduction and sustainable social and economic development. They need to support business and technology incubators, export

processing zones and production networks as well as sharpening the associated skills through business education.

Banks and financial institutions also need to play key roles in fostering technological innovation. But their record in this field has been poor in developing countries. Reforming some banking and financial institutions would allow them to help promote technological innovation. Capital markets have played a critical role in creating SMEs in developed countries. Venture capitalists do not just bring money to the table; they help groom SME start-ups into multinational institutions.

Bringing venture capital into civil society has played an important role in promoting a wide range of developmental activities. Indeed, civil society organizations are key sources of social innovation through their diversity and creativity.

2.4 Foster regional integration

While it is prudent for developing countries to emphasize international trade, doing so requires greater investment in capabilities to trade, including technological innovation, the development of business and human resources, and institutional strengthening. The impact of bigger markets on technological innovation, and the economies of scale and the diffusion of technical skills arising from infrastructure development are some of the most important gains Africa could make from regional integration.

A common feature of African regional integration agreements is their recognition of the importance of science and technology in economic development. The integration of science and technology is based on the recognition that individual African economies are small and poorly endowed with human, physical, and financial resources necessary to develop and harness science and technology. The cost of building science and technology infrastructure often overwhelms national economies, especially the smaller and poorer states.

There is momentum in African regionalism characterized by deliberate efforts to design and implement plans for the application of science and technology to development. Cooperation in science and technology can take various forms, including joint science projects, sharing of information, conferences, building and sharing joint laboratories, setting common standards for research and development, and exchange of expertise. Furthermore, the sheer magnitude of the necessary infrastructure development would require regional cooperation in project design and implementation to not only reduce costs but also facilitate greater learning.

3. Improving global economic governance: the case for financial diplomacy

The current economic crisis raises importance challenges for the United Nations. The crisis is no longer a concern of a small number of countries but a challenge for the global community. The United Nations could use its convening authority to establish a new regime of financial diplomacy. The United Nations could launch a round of negotiations to advance:

- (a) collection of information on financial information as way to promote transparency in global markets;
- (b) establishment of early warning systems for identifying threats to in the global economic systems;
- (c) setting of standards and sharing of good practices in financial markets;
- (d) national implementation of guidance arising from international negotiations; and
- (e) building capacity to enable development countries to bring their financial institutions in line with international operating standards.

Conclusion

Developing countries are facing major challenges related to providing basic needs, participating in the global economy and managing the environment and improving their governance system. Addressing these challenges will require significant investments in technological innovation as well as related institutional adjustments. Their ability to harness the available knowledge and turn it goods services will depend largely on whether they can focus their policies on building critical physical infrastructure, reforming higher technical education, stimulating business incubation, participating in international trade and taping into global knowledge networks. Answers to some of these challenges could be found in the development of a new international regime of financial diplomacy.

ASSEMBLEE GENERALE DES NATIONS UNIES

PANEL SUR LA CRISE FINANCIERE - NEW YORK, 30 OCTOBRE 2008

François Houtart

Professeur émérite de l'Université catholique de Louvain (Belgique)

Fondateur du Centre tricontinental

Mesdames et Messieurs les Délégués,

Chers Amis,

Le monde a besoin d'alternatives et pas seulement de régulations. Il ne suffit pas de réaménager un système, il s'agit de le transformer. C'est un devoir moral et pour le comprendre, adopter le point de vue des victimes permet à la fois de faire un constat et d'exprimer une conviction; le constat que l'ensemble des crises, financière, alimentaire, énergétique, hydrique, climatique, sociale, relèvent d'une cause commune, et la conviction que nous pouvons transformer le cours de l'histoire.

Le constat

Quand 850 millions d'êtres humains vivent sous la barre de la pauvreté et que leur nombre augmente, quand chaque vingt quatre heure, des dizaines de milliers de gens meurent de faim, quand disparaissent jour après jour des ethnies, des modes de vie, des cultures, mettant en peril le patrimoine de l'humanité, quand le climat se détériore et que l'on se demande s'il vaut encore la peine de vivre à la Nouvelle Orléans, au Sahel, dans les Iles du Pacifique, en Asie centrale ou en bordure des océans, on ne peut se contenter seulement de parler de crise financière.

Déjà les conséquences sociales de cette dernière sont ressenties bien au delà des frontières de sa propre origine: chômage, cherté de la vie, exclusion des plus pauvres, vulnérabilisation des classes moyennes et allongement dans le temps de la liste des victimes. Soyons clairs, il ne s'agit pas seulement d'un accident de parcours ou d'abus commis par quelques acteurs économiques qu'il faudra sanctionner, nous sommes confrontés à une logique qui parcourt toute l'histoire économique des deux derniers siècles. De crises en régulations, de dérégulations en crises, le déroulement des faits répond toujours à la pression des taux de profit: en hausse on dérégule, en baisse on régule, mais toujours en faveur de l'accumulation du capital, elle-même définie comme le moteur de la croissance. Ce que l'on vit aujourd'hui n'est donc pas nouveau. Ce n'est pas la première crise du système financier et certains disent que ce ne sera pas la dernière.

Cependant, la bulle financière créée au cours des dernières décennies, grâce, entre autres, au développement des nouvelles technologies de l'information et des communications, a surdimensionné toutes les données du problème. L'économie est devenue de plus en plus

virtuelle et les différences de revenus ont explosé. Pour accélérer les taux de profits, une architecture complexe de produits dérivés fut mise en place et la spéculation s'est installée comme un mode opératoire du système économique. Cependant, ce qui est nouveau, c'est la convergence de logique entre les dérèglements que connaît aujourd'hui la situation mondiale.

La crise alimentaire en est un exemple. L'augmentation des prix ne fut pas d'abord le fruit d'une moindre production, mais bien le résultat combiné de la diminution des stocks, de manœuvres spéculatives et de l'extension de la production d'agrocarburants. La vie des personnes humaines a donc été soumise à la prise de bénéfices. Les chiffres de la bourse de Chicago en sont l'illustration.

La crise énergétique, quant à elle, va bien au delà de l'explosion conjoncturelle des prix du pétrole. Elle marque la fin du cycle de l'énergie fossile à bon marché (pétrole et gaz) dont le maintien à un prix inférieur provoqua une utilisation inconsidérée de l'énergie, favorable à un mode de croissance accéléré, qui permit une rapide accumulation du capital à court et moyen terme. La surexploitation des ressources naturelles et la libéralisation des échanges, surtout depuis les années 70, multiplia le transport des marchandises et encouragea les moyens de déplacement individuels, sans considérations des conséquences climatiques et sociales. L'utilisation de dérivés du pétrole comme fertilisants et pesticides se généralisa dans une agriculture productiviste. Le mode de vie des classes sociales supérieures et moyennes se construisit sur le gaspillage énergétique. Dans ce domaine aussi, la valeur d'échange prit le pas sur la valeur d'usage.

Aujourd'hui, cette crise risquant de nuire gravement à l'accumulation du capital, on découvre l'urgence de trouver des solutions. Elles doivent cependant, dans une telle perspective, respecter la logique de base: maintenir le niveau des taux de profit, sans prendre en compte les externalités, c'est à dire ce qui n'entre pas dans le calcul comptable du capital et dont le coût doit être supporté par les collectivités ou les individus. C'est le cas des agrocarburants et de leurs conséquences écologiques: destruction par la monoculture, de la biodiversité, des sols et des eaux souterraines, et sociales: expulsion de millions de petits paysans qui vont peupler les bidonvilles et aggraver la pression migratoire.

La crise climatique, dont l'opinion publique mondiale n'a pas encore pris conscience de toute la gravité, est, selon les experts du GIEC (Groupe international des experts du climat) le résultat de l'activité humaine. Nicolas Stern, ancien collaborateur de la Banque mondiale, n'hésite pas à dire que "les changements climatiques sont le plus grand échec de l'histoire de l'économie de marché." En effet, ici comme précédemment, la logique du capital ne connaît pas les "externalités", sauf quand elles commencent à réduire les taux de profit.

L'ère néolibérale qui fit croître ces derniers, coïncide également avec une accélération des émissions de gaz à effet de serre et du réchauffement climatique. L'accroissement de l'utilisation des matières premières et celui des transports, tout comme la dérégulation des mesures de protection de la nature, augmentèrent les devastations climatiques et

diminuèrent les capacités de régénération de la nature. Si rien n'est fait dans un proche avenir, de 20 % à 30% de toutes les espèces vivantes pourraient disparaître d'ici un quart de siècle. Le niveau et l'acidité des mers augmentera dangereusement et l'on pourrait compter entre 150 et 200 millions de réfugiés climatiques dès la moitié du 21^e siècle..

C'est dans ce contexte que se situe la crise sociale. Développer spectaculairement 20 % de la population mondiale, capable de consommer des biens et des services à haute valeur ajoutée, est plus intéressant pour l'accumulation privée à court et moyen terme, que répondre aux besoins de base de ceux qui n'ont qu'un pouvoir d'achat réduit ou nul. En effet, incapables de produire de la valeur ajoutée et n'ayant qu'une faible capacité de consommation, ils ne sont plus qu'une foule inutile, tout au plus susceptible d'être l'objet de politiques assistentielles. Le phénomène s'est accentué avec la prédominance du capital financier. Une fois de plus la logique de l'accumulation a prévalu sur les besoins des êtres humains.

Tout cet ensemble de disfonctionnements débouche sur une véritable crise de civilisation caractérisée par le risque d'un épuisement de la planète et d'une extinction du vivant, ce qui signifie une véritable crise de sens. Alors, des régulations ? Oui, si elles constituent les étapes d'une transformation radicale et permettent une sortie de crise qui ne soit pas la guerre, non, si elles ne font que prolonger une logique destructrice de la vie. Une humanité qui renonce à la raison et délaisse l'éthique, perd le droit à l'existence.

Une conviction

Certes, le langage apocalyptique n'est pas porteur d'action. Par contre, un constat de la réalité peut conduire à réagir. La recherche et la mise en oeuvre d'alternatives sont possibles, mais pas sans conditions. Elles supposent d'abord une vision à long terme, l'utopie nécessaire; ensuite des mesures concrètes échelonnées dans le temps et enfin des acteurs sociaux porteurs des projets, au sein d'un combat dont la dureté sera proportionnelle au refus du changement.

La vision de long terme peut s'articuler autour de quelques axes majeurs. En premier lieu, un usage renouvelable et rationnel des ressources naturelles, ce qui suppose une autre philosophie du rapport à la nature: non plus l'exploitation sans limite d'une matière, en l'occurrence objet de profit, mais le respect de ce qui forme la source de la vie. Les sociétés du socialisme dit réel, n'avaient guère innové dans ce domaine.

Ensuite, privilégier la valeur d'usage sur la valeur d'échange, ce qui signifie une autre définition de l'économie: non plus la production d'une valeur ajoutée, source d'accumulation privée, mais l'activité qui assure les bases de la vie, matérielle, culturelle et spirituelle de tous les êtres humains à travers le monde. Les conséquences logiques en sont considérables. A partir de ce moment, le marché sert de régulateur entre l'offre et la demande au lieu d'accroître le taux de profit d'une minorité. Le gaspillage des matières premières et de l'énergie, la destruction de la biodiversité et de l'atmosphère, sont combattus, par une prise en compte des "externalités" écologiques et sociales. Les priorités dans la production de biens et de services changent de logique.

Un troisième axe est constitué par une généralisation de la démocratie, pas seulement appliquée au secteur politique, par une démocratie participative, mais aussi au sein du système économique, dans toutes les institutions et entre les hommes et les femmes. Une conception participative de l'Etat en découle nécessairement, de même qu'une revendication des droits humains dans toutes leurs dimensions, individuelles et collectives. La subjectivité retrouve une place.

Enfin, le principe de la multiculturalité vient compléter les trois autres. Il s'agit de permettre à tous les savoirs, même traditionnels, de participer à la construction des alternatives, à toutes les philosophies et les cultures, en brisant le monopole de l'occidentalisation, à toutes les forces morales et spirituelles capables de promouvoir l'éthique nécessaire. Parmi les religions, la sagesse de l'hindouisme dans le rapport à la nature, la compassion du bouddhisme dans les relations humaines, la soif de justice dans le courant prophétique de l'islam, les forces émancipatrices d'une théologie de la libération dans le christianisme, le respect des sources de la vie dans le concept de la terre-mère des peuples autochtones de l'Amérique latine, le sens de la solidarité exprimé dans les religions de l'Afrique, sont des apports potentiels importants, dans le cadre évidemment d'une tolérance mutuelle garantie par l'impartialité de la société politique.

Utopies que tout cela !. Mais le monde a besoin d'utopies, à condition qu'elles se traduisent dans la pratique. Chacun des principes évoqués est susceptible de d'applications concrètes, qui ont déjà fait l'objet de propositions de la part de nombreux mouvements sociaux et d'organisations politiques. Le nouveau rapport à la nature signifie, entre autres, la récupération par les Etats de la souveraineté sur les ressources naturelles et leur non appropriation privée; l'arrêt des monocultures et la remise en valeur de l'agriculture paysanne, la ratification, l'approfondissement des mesures de Kyoto et de Bali sur le climat

Privilégier la valeur d'usage entraîne la non-marchandisation des éléments indispensables à la vie: les semences, l'eau, la santé, l'éducation; le rétablissement des services publics; l'abolition des paradis fiscaux; la suppression du secret bancaire; l'annulation des dettes odieuses des Etats du Sud; l'établissement d'alliances régionales, sur base non de compétitivité, mais de complémentarité et de solidarité; la création de monnaies régionales, l'établissement de multipolarités et bien d'autres mesures encore. La crise financière constitue l'occasion unique de mettre ces mesures en application.

Démocratiser les sociétés passe par l'organisation de la participation locale, y compris dans la gestion de matières économiques et va jusqu'à la réforme des Nations unies. La multiculturalité s'exprime par l'abolition des brevets sur le savoir, par la libération de la science de l'emprise des pouvoirs économiques, par la suppression des monopoles de l'information, par l'établissement de la liberté religieuse.

Mais qui sera porteur de ce projet ? Il est vrai que le génie du capitalisme est de transformer ses propres contradictions en opportunités. *How global warming can make you wealthy ?*, (Comment le réchauffement terrestre peut vous enrichir ?) lisait-on dans

une publicité de *US Today* du début 2007. Le capitalisme pourra-t-il aller jusqu'à renoncer à ses propres principes ? Evidemment non. Seul un nouveau rapport de pouvoir y parviendra, ce qui n'exclut pas le ralliement de certains acteurs économiques contemporains. Mais une chose est claire: le nouvel acteur historique porteur des projets alternatifs est aujourd'hui pluriel. Ce sont les ouvriers, les paysans sans terre, les peuples indigènes, les femmes premières victimes des privatisations, les pauvres des villes, les militants écologistes, les migrants, les intellectuels liés aux mouvements sociaux. Leur conscience d'acteur collectif commence à émerger. La convergence de leurs organisations en est seulement à ses débuts et manque encore souvent de relais politiques. Certains Etats, notamment en Amérique latine, ont déjà créé des conditions pour les alternatives voient le jour. La durée et l'intensité des luttes de ces acteurs sociaux dépendra de la rigidité du système en place et de l'intransigeance de ses protagonistes.

Offrez-leur donc au sein de l'Organisation des Nations unies un espace pour qu'ils puissent s'exprimer et présenter leurs alternatives. Ce sera votre contribution au renversement du cours de l'histoire, indispensable pour que le genre humain retrouve un espace de vie et puisse ainsi reconstruire l'espérance.

30 October 2008

**Statement of Mr. Miguel d'Escoto Brockmann,
President of the 63rd Session of the General Assembly,
at the closing of the Interactive Panel on the Global Financial Crisis**

Excellencies, Colleagues and Friends,

As we come to the conclusion of this day-long dialogue on the international financial crisis, I want to thank our panelists and all the representatives of Member States for providing your views on this complex and unprecedented crisis that affects all of us.

I am heartened by the enthusiastic and constructive participation of Member States in this initial dialogue and by the support you have expressed to continue to use the General Assembly and the United Nations system as a forum for this unfolding process. It has been acknowledged by panelists and Member State representatives alike that the UN is the unique representative and democratic body that possesses the convening power to bring together all the stakeholders in this global pursuit.

I would also like to acknowledge the presence of scores of representatives of non-governmental organizations who have been observing this exchange in the gallery of the chamber. They too are stakeholders in this process and will give voice to civil society recommendations at the International Conference on Financing for Development in Doha at the end of November.

From what we have heard today, it is very clear that there is broad-based agreement on the need to work together to identify the new elements for our outdated international financial architecture and long-term solutions to the faltering governance of our global economy.

The UN is accustomed to dealing with problems without borders, especially those that no single government or group of governments can solve alone. Its system of regional commissions, specialized agencies, funds and programmes maintain a global presence working with national governments throughout the world. It draws on a deep pool of expertise and wisdom that will be very helpful in providing support for long-term solutions to this crisis.

Today we have deepened our understanding of the systemic nature of this breakdown and heard many constructive recommendations.

We know that the global consequences of the current financial crisis are having a devastating effect on our economies, especially in developing regions. The Millennium Development Goals, vulnerable in the best of times, are under siege. Many of you have reminded us that economic policies translate immediately into life and death issues in many societies.

Most of us here today are convinced that our problems do not have to provoke wider human tragedy. But to address this downturn and prevent future crises, we cannot continue with business as usual. There is urgent concern that we deal with the devastating loss of confidence and trust in our international financial institutions, which have proven to be so unprepared and inadequate in the response to today's turmoil. Rebuilding that confidence, dear friends, requires exploring new paths, and traveling them together.

The need to construct a more responsive international financial structure has been strongly addressed. This requires the reform of existing institutions and the introduction of new ones

Our diverse panelists have pointed the way regarding institutional solutions to the crisis we face. But the unanimity in their concern for the human costs of this crisis is particularly striking. They spoke of the small farmers and urban workers, women and men and their families who through no fault of their own now face food shortages, reduced social services and unemployment.

These people are as distant from the origins of this crisis as the bankers are from their small farms in Ecuador and Kenya and Cambodia. Yet they will suffer the most. It is no longer acceptable that the poor and vulnerable pay for the costs of our mistakes.

As Professor Stiglitz put it, a market that socializes risk and privatizes profit is no longer acceptable. Then, many of you ask, who will pay for the recovery and the new mechanisms required to prevent another breakdown of this magnitude? We need to ensure that businesses are not starved for credit and people keep their jobs, their homes and food on the table.

In this regard, several of you made the case for the establishment of a new multilateral reserve fund to ensure the liquidity for developing countries in times of downturn. China, Russia and the oil-producing countries, for example, possess large foreign exchange reserves. But which of them will entrust this money to the existing institutions that have such poor records of impartiality and transparency? Clearly changes in such global economic arrangements can only be successful if there is broad involvement in creating them and strong confidence in their implementation.

The same is true for international oversight mechanisms and the enforcement of regulations, instruments to safeguard emerging markets and ensure the transparency of cross-border financial activity, including the banking sector. All of these are required for the long-term stability and equity of the global financial system

I believe that the United Nations is a good-faith partner in this process, which we all know will be difficult. I will do my part within the General Assembly to rebuild the trust required to work together and ensure that all voices are heard.

In the weeks and months ahead, we must stay engaged in the search for solutions that transcend narrowly defined national interests. We must ensure that the changes that are decided on truly serve the good of all our peoples, nations as well as our fragile planet. We must draw on the resources and good will of all Member States to keep their promises in these trying times.

There are many opportunities ahead that will enable our ongoing consultations and negotiations. We look forward to working with the Secretary-General, the Economic and Social Council, the Security Council and all Member States to ensure that the results of these efforts strengthen the capacity and the credibility of the entire United Nations. Only with democratization can we fulfill the trust that so many people have placed in this Organization to represent them in the process of constructing a new international financial architecture.

Thank you



*Présidence française de l'Union Européenne
French Presidency of the European Union*



ASSEMBLEE GENERALE

Table ronde interactive sur la crise financière mondiale

New York, le 30 octobre 2008
(Vérifier au prononcé)

**Intervention prononcée au nom de l'Union Européenne
par S. E. M. Jean-Maurice RIPERT
Ambassadeur, Représentant permanent de la France
auprès des Nations Unies**

GENERAL ASSEMBLY

Interactive Panel on the Global Financial Crisis

New York, October 30 2008
(Check upon delivery)

**Statement delivered on behalf of the European Union
by H.E. Mr. Jean-Maurice RIPERT
Ambassador, Permanent Representative of France
to the United Nations**

- La crise financière actuelle est la plus grave qu'ait connu le monde depuis la crise des années 1930. Ses effets politiques et sociaux risquent d'être profonds. Elle est le révélateur de déséquilibres dans le fonctionnement de l'économie internationale et des défaillances de la régulation et de la supervision internationales, qui ont conduit à la dissimulation des risques et à leur dissémination incontrôlée dans le système financier international. Elle est plus généralement le révélateur des défaillances de la gouvernance économique et financière internationale : la stabilité financière est véritablement aujourd'hui un « bien public mondial », qui requiert une action coordonnée et responsable de la part des autorités de contrôle, de supervision et de régulation.
- L'Europe s'est engagée depuis plusieurs mois en faveur de progrès dans la régulation financière internationale. Notre approche consiste à consolider le secteur financier européen et à renforcer la transparence, la responsabilité et la supervision des acteurs. C'est l'une des priorités de la Présidence française de l'Union européenne.
- **L'Europe est aussi attentive aux conséquences de cette crise sur la stabilité et le développement durable des pays les plus pauvres et les plus vulnérables**, qui sont souvent simultanément affectés par les fluctuations des prix de l'énergie et des produits alimentaires, et qui risquent de remettre en cause les acquis de ces dernières années en matière de développement. L'Union Européenne reste attachée à la réalisation des Objectifs du Millénaire pour le Développement et réaffirme avec fermeté son engagement en matière d'Aide Pour le Développement, alors que les pays en développement en ont le plus besoin. Les débats lors de la dernière assemblée générale des Nations Unies ont montré à quel point la crise actuelle est devenue un sujet politique et de gouvernance. Elle appelle de ce fait un travail étroit de coordination au niveau multilatéral pour affronter les défis auxquels nous sommes confrontés, ainsi qu'une réforme ambitieuse de la gouvernance économique internationale.
- Nous ne pouvons pas traiter cette crise comme une simple parenthèse. Nous avons besoin d'inventer un nouveau modèle de gouvernance économique au niveau mondial : on ne peut pas aborder les défis du monde globalisé du XXIème siècle avec les institutions et les instruments du XXème siècle. **Nous devons aussi revenir aux valeurs de l'économie de marché**, qui doit être inclusive, au service d'une logique d'entrepreneuriat et d'épargne, et au service de l'économie réelle et du développement humain. La responsabilisation de tous les acteurs financiers doit être accrue, en particulier dans la chaîne de distribution du crédit. La transparence de tous les segments des marchés financiers doit être assurée, qu'il s'agisse des institutions financières, des produits financiers ou des juridictions financières, y compris les centres off-shore. La cohérence des normes et systèmes de contrôle doit aussi être assurée afin de servir la stabilité financière. L'anticipation des risques et leur gestion coordonnée au niveau national, régional et mondial doivent être promues. **Les institutions de Bretton Woods auront un rôle essentiel à jouer dans le nouveau système.**
- L'Union Européenne souhaite travailler étroitement avec tous ses partenaires pour contribuer à une réforme réelle et complète du système financier international, sur les principes de transparence, de solidité bancaire, d'intégrité et d'amélioration de la

gouvernance économique. Mais il faut le faire dans un esprit de coopération et d'ouverture : nous devons tout faire, dans les circonstances actuelles, pour prévenir les replis protectionnistes ou les crispations nationalistes.

- **Le sommet prévu le 15 novembre à Washington auquel participera le Secrétaire général des Nations Unies sera à cet égard une première étape importante qui marque la volonté d'ouvrir une discussion de fond sur des thèmes centraux de l'économie et de la gouvernance mondiales.**
- **Ce sommet marque en effet le début d'un processus**, et sera immédiatement suivi de la Conférence de Doha, qui nous offrira une occasion de veiller à ce que les difficultés financières actuelles ne compromettent pas les engagements de la communauté internationale et le financement du développement dans son ensemble. Les grands bouleversements que nous connaissons aujourd'hui dépassent la seule sphère de la finance. Ils concernent les relations entre Etats, régions, entre pays développés et en développement et vont entraîner une modification des flux financiers et commerciaux. Ils touchent à la compréhension et à la vision même du monde et aux valeurs. C'est un de ces moments de fusion que connaît l'histoire qui libèrent l'énergie nécessaire pour repenser l'organisation du monde, pour réformer les institutions actuelles et les adapter à ces nouveaux enjeux.
- **Mais il faut le faire d'une manière nouvelle, en prenant en compte les interactions entre les questions financières et les autres enjeux globaux tels que la démographie, le financement du développement, la sécurité alimentaire, ou encore les questions climatiques et énergétiques.** L'Union Européenne appelle à cet égard à une amélioration significative de la gouvernance mondiale, aujourd'hui trop dispersée, à une plus grande cohérence des objectifs et à une plus grande coordination des programmes. Les Nations Unies, par leur composition universelle et leur légitimité, ont vocation à être pleinement associées à cette refondation.

UNOFFICIAL TRANSLATION

- The current financial crisis is the most severe the world has seen since the 1930s, and might have serious political and social consequences. This crisis is indicative of imbalances in the international economy and of failures in international regulation and supervision, which have led to concealing risks and to their uncontrolled dissemination throughout the whole international financial system. More generally, it is indicative of failures in international economic and financial governance: today, financial stability is truly a “global common good”, which requires coordinated and responsible action by the monitoring, oversight and regulation authorities.
- For the past several months, Europe has taken steps towards progress in international financial regulations. Our approach is to consolidate the European financial sector and to reinforce transparency, accountability and the oversight of actors. This is one of the priorities of the French Presidency of the European Union.
- **Europe is also mindful of the consequences this crisis will have on the stability and sustainable development of the poorest and most vulnerable countries**, which are often simultaneously affected by the volatility of energy and food prices, which could jeopardize development gains made in recent years. The EU remains committed to the achievement of the MDGs and strongly reaffirms its ODA commitments, when poor countries need us most. The discussions at the previous United Nations General Assembly showed the extent to which the current crisis has become a political and governance matter. For this reason, it has called for close coordination at a multilateral level to address the challenges we are facing, as well as for an ambitious reform of international economic governance.
- We cannot treat this crisis as if it were only a simple downward phase. We need to devise new global economic governance model: we cannot address the challenges of a globalized 21st century world with 20th century instruments and institutions. **We must also return to the values of the market economy**, which should be inclusive, support entrepreneurship along with savings, in the service of the real economy and human development. The accountability of all financial actors must be heightened, in particular those in the credit supply chain. The transparency of all the segments of financial market must be ensured, whether they be financial institutions, products or jurisdictions, including offshore centres. The coherence of standards and monitoring systems must be ensured in order to provide financial stability. Risks anticipation and its coordinated management at a national, regional and international level must be promoted. The Bretton Woods Institutions will have a key role to play in this new system.
- The EU would like to work in close collaboration with all partners to contribute to a comprehensive and genuine reform of the global financial system, on the principles of transparency, banking stability, integrity and improved economic governance. However, this must be done in a spirit of cooperation and openness. In the current circumstances, we must try our utmost to prevent protectionist reflexes or inward-looking economic constriction.
- **In this regard, the Summit scheduled for 15 November in Washington, and in which the UN Secretary-General will participate, will be an important first step,**

which marks the willingness to open a substantive debate about key issues of global economy and global governance.

- **This summit also marks the beginning of a process**, and will be immediately followed by the Doha Conference, which will provide us with an opportunity to ensure that the current financial difficulties do not undermine the commitments of the international community and the financing of development as a whole. The current upheavals go beyond the sphere of finance alone. They concern relations between States, regions, and developed and developing countries, and will lead to a change in financial and trade flows. They affect the understanding and the very vision of the world and its values. It is one of those rare moments in which historical events have combined to release the energy necessary for rethinking how the world is organized, for reforming existing institutions and for adapting them to these new challenges.
- **But this must be done using new methods, taking account of interactions between financial and other global issues such as demography, financing for development, food security and climate and energy issues.** In this regard, the EU calls for a significant improvement in global governance, which is currently too fragmented, and for greater coherence in our objectives and more coordination amongst programmes. Due to its universal membership and its legitimacy, the United Nations should be a key player in these reforms.



**Comments by Ambassador Byron Blake, Deputy Permanent Representative,
on behalf of the Group of 77 and China in Interactive Panel of the United
Nations General Assembly on the Global Financial Crisis
New York, 30 October 2008**

Mr. Chairman,

I wish on behalf of the Group of 77 and China to thank the President of the General Assembly for organizing this timely Interactive Panel Discussion on the Global Financial Crisis. I take the opportunity also to thank the Panelists for their robust and insightful presentations.

The international community is experiencing the deepest financial and economic crisis since the 1930s. All the Panelists have agreed on that. Financial crises are of course not new. We have experienced several especially since the 1980's, as countries liberalized and deregulated markets, especially their capital market. This crisis is significantly different in many ways, however. These differences include the fact that:

- The epicenter is in the most developed economy, with one of the biggest financial markets and with a full global reach;
- The spread was first through other highly developed economies and financial markets;
- The international financial system now operates with technology which can effect trade and spread information as well as panic around the globe instantaneously;
- There was a failure of national and international regulation, supervision and surveillance;
- There was disbelief that titanic could not right itself;
- There is a lost of public confidence not only in markets but in Governments, key public and private institutions and even in iconic individuals;
- The financial crisis has come on top of, and is coincidental with (a) a fundamentally weak, unrepresentative and undemocratic international financial and economic governance structure, (b) economic crises in some important sectors of the real economy, such as food, energy and construction, (c) significant and chronic imbalances especially in the trade and current accounts of the key economies. The crisis originated in the country with the largest negative balances; (d) the belief that decompiling was possible and could provide safe haven for some countries; and
- There is an absence of any international institution capable, or which considered itself capable of intervening, or organizing intervention into the crisis even months after its manifestations were clear for all to see.

Mr. Chairman,

The idea that some countries can decouple from the economies where the crisis had its early manifestations no longer has credibility. All economies are frighteningly interwoven and interconnected. The crisis is already impacting an increasing number of countries across the globe through various channels. These channels include domestic stock markets, investments made through US, UK and other financial centres, the international banking system and relationships, Direct Foreign Investment (DFI), investments such as pension funds managed by key US and other developed market institutional investors, and assets such as international reserves held in US dollar instruments and currency and increasing cost of debt servicing and of new borrowings, and declining remittances and ODA for development. The impacts are also being transmitted to the real sector through falling earnings from exports especially from commodities and tourism.

Mr. Chairman,

Many of these adverse impacts will be cumulative. The developing economies will be the most severely affected over time and with the lack of coordinated response. This will be in gross terms and in proportion to size of the economics. This will include some of the larger and faster growing export driven developing countries and the LDCs, the LLDCs, the small and highly trade dependent economies and the remittance and tourism dependent economies. The African continent is likely to be significantly impacted particularly as the crisis spreads to the real, in particular, the commodity sector.

Mr. Chairman,

The challenge for the global community is how to respond to the crisis effectively. The preferred approach in this highly globalized international economy as implied by all the panelists is for coordinated global action. This has, however, been the road not taken.

The first line of response was to seek to rescue specific enterprises, sub-sectors, and finally sectors but on a national basis. These initiatives have not been effective and the crisis has deepened in countries and has spread across countries.

The second but late line of response taken only weeks ago was joint effort of central banks and finance ministries of the G-7. This did not work either. The stock market in all G-7 countries simply rocketed downwards even faster as the crisis continued to deepen and spread into the real economy.

We are now witnessing a third stage in this process of muddling through. A Summit level meeting has now been called by President George Bush for November 15, 2008 in Washington. This is an exclusive meeting of a small group – the members of the G-20. This is a movement in the right direction but it will not be enough. This group of countries might be of systemic significance but, as stated earlier, this crisis is now beyond

the financial sector and is world wide. All countries are being impacted; all must be involved in the search for equitable solution.

Mr. Chairman,

The crisis is on top of a fundamentally and structurally weak system for global governance in which developing countries have little confidence. The G-77 and China has maintained for years that the current system arrangement for governance of the international financial and economic system lacked coherence, is undemocratic, unrepresentative of current economic realities and incapable of engendering confidence and trust. Trust is perhaps the biggest casualty of the current crisis as developing countries compare the approach of the major countries and institutions to this crisis and earlier crises which originated in developing countries. Long before the crisis, the Group had called for fundamental reform in global financial and economic governance.

The Group saw the Conference for the Review of the Monterrey Consensus scheduled by the United Nations for the end of November 2008 as an ideal opportunity for addressing this crisis. The Prime Minister of Antigua and Barbuda and Chairman of the Group of 77 and China, H.E. Mr. Winston Baldwin Spencer, in an address to a High-level Forum on Democracy, Development and Free Trade in Doha on 13 April 2008, having analyzed the current conjuncture of major governance challenges facing the international community argued that the Doha Conference “will have to be much, much more than a review of the implementation of the Monterrey Consensus”. He threw out a challenge to leaders who would be in Doha to transform the Conference (the Monterrey Review Conference) into a Conference on the major systemic challenges we face as an international community, or at a minimum, put in place a process for a major “Bretton Woods” type Conference to address, in an integrated and consistent manner, the range of fundamental challenge facing us as a global community. Two of the challenges he specifically identified were a “financing and monetary challenge; and a “global governance and institutional challenge”.

Mr. Chairman,

That was April 2008. The G-77 and China supported the Doha Conference as an idea venue to begin to comprehensively address the issues because it is universal, inclusive and under UN auspices. Further, the UN has the capacity to treat with issues which cut across institutions, are multi-dimensional and need to be resolved in an integrated and coherent manner. In addition, it is a long planned conference at the level of Heads of State and Government.

The challenge now is to get the various processes underway to feed into the Doha Conference and for the Doha Conference to address the issues fundamentally or put in place a process to do so.

Most panelists and comments so far support for this inclusive approach.

I thank you, Mr. Chairman.



Argentina

**ASAMBLEA GENERAL
DE LAS NACIONES UNIDAS**

PANEL INTERACTIVO SOBRE LA CRISIS FINANCIERA GLOBAL

**Intervención del Embajador Jorge Argüello
Representante Permanente de la República Argentina
ante las Naciones Unidas**

*Nueva York, 30 de octubre de 2008
Sírvese verificar contra lectura*

**UNITED NATIONS
GENERAL ASSEMBLY**

INTERACTIVE PANEL ON THE GLOBAL FINANCIAL CRISIS

**Statement by Ambassador Jorge Argüello
Permanent Representative of the Argentine Republic
to the United Nations**

*New York, October 30th 2008
Check against delivery*

**Misión Permanente de la República Argentina ante las Naciones Unidas
Permanent Mission of the Argentine Republic to the United Nations
One United Nations Plaza 25th Floor
New York, NY 10017**

“Yo creo que las instituciones bancarias son más peligrosas para nuestras libertades que los ejércitos en pie. Si el pueblo estadounidense permite alguna vez que los bancos privados controlen el tema de su moneda, primero por inflación, luego por deflación, los bancos y las corporaciones que crecerán alrededor de los bancos privarán al pueblo de toda propiedad hasta que sus hijos se despierten sin hogar en el continente que sus padres conquistaron.”

Thomas Jefferson, 1802.

Muchas gracias, Señor Presidente:

Quiero agradecer, en nombre de mi gobierno, esta iniciativa de la Presidencia de la Asamblea General de las Naciones Unidas, con el objeto de analizar las causas y las implicancias de la actual crisis económica internacional.

El pasado cercano.

En la historia reciente parece cumplirse un ciclo recurrente, según el cual los mercados internacionales, los presupuestos nacionales y las expectativas económicas de todo el planeta se estremecen periódicamente a causa de una debacle en el sector financiero de alguna de las economías centrales.

Desde finales de la década de los sesenta, la caída de la tasa de ganancia de las ramas centrales de la economía norteamericana de la época (automotrices, siderúrgica y metalmeccánica) tuvo su primera expresión aguda cuando en 1966/67 puso en crisis el paradigma fordista de producción y la hegemonía de la vieja industria automotriz.

La declaración de inconvertibilidad del dólar respecto al oro –en 1971- y la libre flotación de las monedas –en 1973-, la crisis de los precios del petróleo –en 1979-, la inédita estan-flación consecuente, el default generalizado de la deuda externa latinoamericana –en 1982- generada por el enorme excedente de fondos (los llamados petro-dólares), la caída de la Bolsa de Wall Street en 1987 (acompañada por la caída las cajas de ahorro mutuo), el estallido de la Bolsa Japonesa –en 1989- son otros eslabones que parecen conectados en un mismo fenómeno cíclico.

En la década de los noventa, los capitales especulativos, en la búsqueda de ganancias ficticias, generaron otras crisis, ahora en los mercados emergentes: el “efecto tequila” en 1994, la “crisis del sudeste asiático” en 1997, la cesación de pagos rusa en 1998, y la crisis latinoamericana, cuyo capítulo más importante fue el estallido argentino de fines del 2001, con sucesos previos como el default ecuatoriano y la devaluación del real en Brasil.

Esta rápida enumeración de catástrofes no incluye a otras que también alcanzaron efectos globales: el estallido de la burbuja del Nasdaq en los Estados Unidos en el 2000, y otras 124 crisis más pequeñas en los últimos 30 años, como registra en un informe el Fondo Monetario Internacional.

Este fenómeno de predominio del capital especulativo por sobre la economía real y la producción, está directamente vinculado con la caída de la inversión, la internacionalización de los flujos, la pérdida de competitividad de las economías centrales y una desregulación de los mercados favorable a la concentración de la economía.

Desde la década del setenta, la inversión bruta fija a escala mundial se fue reduciendo lentamente del 25 al 22%, mientras que al mismo tiempo, los flujos financieros mundiales invertidos en el extranjero crecieron del 2% a más del 20%.

La masa de capital gaseoso, especulativo, se fue ampliando cada vez más. En los años ochenta, el PBI mundial era de 10 trillones de dólares, y el total de activos financieros del mundo de 12 trillones, o sea un 20% más. En el 2006, el PBI mundial ascendía a 48 trillones de dólares, pero el total de activos financieros del mundo era ya de 170 trillones, tres veces y medio más.

La crisis actual.

Más allá de su propia especificidad, de la vorágine de cifras y de los conceptos que se reiteran con automatismo, me permito afirmar que la presente situación es otra clásica crisis de sobreacumulación de capitales y de sobreproducción.

El fomento irresponsable del crédito para el consumo, por medio de préstamos hipotecarios generó una burbuja especulativa en el mercado inmobiliario norteamericano, con rentabilidades absolutamente por fuera de la realidad, garantizadas por una masa impresionante de créditos hipotecarios con tasa baja y variable. Ya sin garantías seguras de repago, se empezaron a otorgar créditos hipotecarios sin posibilidad de cobro, conocidas como hipotecas subprime.

Los bancos, pedían dinero prestado ofreciendo como garantía esas mismas hipotecas de dudoso cobro. Y colocaban ese dinero en los mercados especulativos del mundo, combinando hipotecas subprime con otros productos financieros más presentables. Luego, con el dinero obtenido se compraban acciones de empresas, o se prestaba a empresas para que compraran otras, dando lugar a una ola de fusiones y adquisiciones. Estas operaciones pronto salieron de los propios Estados Unidos, generando un circuito especulativo que se expandió por Europa y Japón.

Así, el desarrollo de la banca de inversión y la llamada securitización o "titulización" que la acompañó, hizo que todo crédito se convirtiera en un título negociable y sujeto a especulación, desplazando al clásico rol intermediario de la banca comercial, sometida a los controles de la Reserva Federal, con límites de endeudamiento claros.

Los bancos de inversión desarrollaron una lógica de funcionamiento de maximización de la rentabilidad de corto plazo, expandiendo sus "productos" sin tener en absoluto en cuenta su exposición al riesgo. A ello se le sumaron los Hedge Funds (fondos de riesgo).

Los clásicos consejos sobre diversificación de carteras y riesgos fueron abandonados, aumentando la presión -incluso sobre empresas del área productiva- a mostrar ganancias de corto plazo.

Estos y no otros son los orígenes de la actual crisis: está claro que no fue provocada por las economías periféricas y que no se debió a la falta de disciplina fiscal de los países en desarrollo. Es producto de un patrón de pensamiento que busca maximizar ganancias sin ningún reparo ético ni una elemental prudencia a la hora de las inversiones.

Esto tuvo lugar luego de años de instalar un falso ídolo en la opinión pública, los medios de comunicación y la producción académica: la idea peregrina que la desregulación de los mercados y la ausencia de controles estatales nos llevará a un futuro promisorio. Pues bien, eso es mentira.

El futuro.

Por evidente que sean estas razones, teniendo en cuenta las recientes medidas de salvataje del sistema bancario adoptadas por las autoridades de las economías centrales, podemos afirmar que el derrumbe del fundamentalismo del mercado libre no implica necesariamente el cambio en las bases de la arquitectura financiera internacional.

Los análisis convencionales, ingenuos o interesados, que anteceden a las políticas de emergencia que se están implementando suponen que esta crisis se debe exclusivamente a la

codicia y a la ineptitud de algunos banqueros, como si ese comportamiento no fuera inherente a la lógica estructural de la forma moderna del capitalismo mundial.

En las medidas adoptadas (y en los paradigmas que sostienen esas decisiones) se sigue aplicando la implacable lógica del mercado y buscando el beneficio del sector más concentrado de la economía. Los argentinos conocemos bien el uso subsidiario del Estado en defensa del interés especulativo de una minoría: en 1982, en plena Dictadura Militar, el Banco Central estatizó buena parte de la deuda privada. En el actual escenario internacional, ni siquiera resulta necesario un régimen de fuerza ni violar la democracia política para sostener semejante decisión, una medida que salva banqueros y magnates, pero deja afuera del barco a los sectores más vulnerables.

Esta visión simplista y la consecuente formulación meramente reclamativa de la necesidad de una nueva arquitectura internacional deja afuera del escenario de análisis dos temáticas centrales: el nivel de complejidad y sofisticación de los mercados financieros y la necesidad de que los países en desarrollo tengamos otra agenda de negociación económica.

Otros expertos, por el contrario, aseveran que se está incubando una fuerte crisis de legitimidad respecto del capitalismo decimonónico, al tiempo que se cuestionan las verdades sagradas sobre las infinitas bondades del libre mercado y las diatribas contra el burocratismo estatista.

Ya Francis Bacon, a fines del siglo XVI, nos había advertido contra los *idola fori*, ídolos del mercado, originados por distorsiones del lenguaje humano, que causan un auténtico reino de la confusión y utilizan conceptos ilusorios para cosas inexistentes. "Cuando los conceptos faltan, los suplen oportunamente las palabras". Es hora de cuestionarnos todo, empezando por las palabras que con naturalidad aceptamos para ciertos objetos y para ciertas sagradas nociones inasibles. Es hora, por ejemplo, que nos empecemos a cuestionar qué cosa es el mercado.

Esta es una circunstancia política inmejorable para re-legitimar la función del Estado-Nación, recuperar el espacio autonómico propio y fortalecer el rol de las herramientas estatales para ordenar la macroeconomía, así como organizar una agenda regional de cooperación que pretenda la complementariedad de políticas, buscando la instrumentación de mecanismos de prevención y compensación de la volatilidad de los mercados globales.

Como sea que salgamos de esta crisis, los latinoamericanos y el resto de los países en desarrollo debemos diseñar nuestra propia agenda en función de nuestros intereses, pensando en los ciudadanos concretos, en los productores, en los mercados reales. Lejos de las burbujas y cerca de la gente.

Muchas gracias.

**Speaking Notes by Ambassador Raymond Wolfe, Permanent Representative
of Jamaica to the United Nations during the Interactive Panel on the
Global Financial Crisis, 30 October 2008**

- The global financial crisis which is evolving at an astounding speed, has joined the list of multiple crises which have already begun to impact adversely on the development efforts and gains of developing countries exacerbating the heightened level of uncertainty. Jamaica stands to suffer in critical areas including tourism and remittances on which our economy relies heavily. Interestingly, developed countries are not immune to this phenomenon.
- It is important to note that the crisis did not suddenly emerge but rather reflects major longstanding global systemic imbalances which will need to be addressed as a matter of urgency if the global economy is to successfully and quickly. Developing countries have long recognized the incoherence and inconsistencies in the international economic system and have consistently called for fundamental overhaul in the global economic architecture.
- Commend the PGA for organising the Interactive Panel on the Global financial crisis, a timely undertaking given the extensive preparations underway for the Follow-up International Conference on Financing for Development to review the Monterrey Consensus to be held exactly one month away.
- It is clear that the message remains relevant. There is no doubt that “business-as-usual” is no longer an option. Our responses to addressing the inequities in the global economic system must take the following into account:
 1. The need to enhance the **voice and participation of developing countries** in global economic governance. Jamaica maintains the view that the current structure is undemocratic and does not reflect current realities. The policies formulated by the BWIs have a far-reaching impact on national policies and the populace in developing countries. Therefore, the lack of participation of developing countries in the system raises serious questions about the legitimacy and indeed the relevance of these institutions. Progress in achieving reform i.e. realignment of quota and voting shares, has been minimal at best. Substantial efforts will be required to adjust the composition and size of the policy-making organ of the IMF (Executive Board), selection of the heads of the IFIs and restoring the credibility

financial viability of the Fund. The abysmal state of affairs calls for the political will to be mobilised to finally effect change.

2. Reform of the current surveillance systems is critical. From our perspective, the current surveillance systems which are exclusively focused on developing countries, are obsolete within the context of globalization and ever-increasing interdependence among States. It is our view that the current systems should be strengthened to include economies in varying stages of development, a fact borne out by the current crisis.

3. Continued increase in net resource outflows from developing countries to developed countries. Several reports have pointed to increasing outflows of financial resources from developing to the developed world which has contributed to a large extent to the pattern of global imbalances. We believe that every effort should be made to reverse this trend.

- The gravity of the financial crisis calls for a coordinated and concerted response to stem the current tide and even more importantly to arrive at a comprehensive solution. The United Nations, on the basis of its universality and legitimacy, is best placed to provide the leadership role in the search for cogent policy responses.
- We welcome your proposal to convene thematic debates during the 63rd Session to address the global economic system of governance and look forward to participating in this endeavour.
- We also look forward to engaging with the newly established High-level Taskforce to review the current situation in the weeks and months ahead as part of our collective efforts to address the crisis. It is our hope that the composition of the team will be broadened to include greater representation from developing countries.
- Thank you.

Table ronde interactive sur la crise financière mondiale**30 octobre 2008****Intervention de la délégation marocaine**

Ma délégation se félicite de l'organisation de ce débat, dont l'importance et la pertinence n'est pas à souligner. La réaction de l'ONU à la crise du système financier international, étant attendue, voilà qui est fait, aujourd'hui, à travers l'initiative du Président de l'Assemblée générale et on s'en félicite ;

Merci à l'ensemble des panelists pour leurs analyses pertinentes, qui, j'en suis sûr, ne peuvent qu'enrichir notre débat ;

- Après plusieurs années de forte croissance économique, l'économie mondiale fait face, particulièrement depuis le mois de septembre, à une crise financière dont la durée et l'impact ne sont pas encore suffisamment évalués;
- Cette crise a engendré une instabilité financière aigue et contribue largement au repli de l'activité, voire à la récession économique, observée dans certaines régions du monde ;
- Les pays développés ont adopté une série de mesures pour faire face à cette crise. Ces mesures se concentrent, essentiellement, autour des principaux axes de la liquidité et de la solvabilité.
- Les banques centrales dans ces pays ont procédé, depuis le début de la crise, à des injections massives de liquidités - M. Stiglitz a utilisé le qualificatif de transfusion à ce sujet - et ont mis en place des dispositifs de garantie des échanges interbancaires. Certaines banques ont baissé leurs taux directeurs. D'autres mesures concernent l'encouragement des opérations de fusion, absorption entre banques ou encore la garantie totale et partielle des dépôts des particuliers.

Conséquences de la crise : Qu'en est il de l'écrasante majorité des pays du Sud ?

- Il va sans dire que la crise financière a touché tous les pays et toutes les régions du monde;
- Il va sans dire également que si les pays développés ont les moyens de prendre des mesures d'urgence pour faire face à la crise, les pays du Sud mettront plus de temps pour s'en remettre, vu leur niveau de développement économique et social ;

- La crise financière n'est encore qu'à ses débuts. Les chocs financiers pourraient se répercuter sur les PIB des pays du Sud, qui seraient susceptibles d'être affectés à travers les canaux de transmission macroéconomique ;
- Les pays du Sud ne vont pas affronter la crise de la même manière. La gestion de cette crise sera fonction des spécificités de chaque pays. La source de la croissance, la cohérence des politiques macroéconomique, le niveau de la dette extérieure et intérieure, la stabilité et la solidité du système financier, la crédibilité de la politique monétaire, sont autant de facteurs déterminants pour faire face à la crise mondiale ;
- Cette crise devrait également se ressentir, dans les pays du Sud, sur les exportations, les transferts de migrants, les conditions de financement sur les marchés internationaux, les flux des IDE...
- La crise financière mondiale pourrait, d'autre part, aggraver les crises actuelles et les tentations de recourir aux politiques protectionnistes. Combinée à la flambée des prix alimentaires, la crise pourrait accentuer la pauvreté et la faim.

Actions à entreprendre :

- Des mesures rapides, concertées et concrètes doivent être en effet prises pour répondre à la crise financière internationale actuelle, ainsi qu'au sérieux impact qu'elle a sur toutes les nations, particulièrement les plus pauvres ;
- Les Nations Unies en tant qu'institution universelle ont une autorité politique, morale, je dirai mieux, éthique, dans la recherche de solutions d'urgence pour faire en sorte que l'impact négatif de la crise financière sur les économies des pays, ne freine pas leur croissance économique et leur développement en général ;
- S'il est un fait que la gouvernance économique internationale se décide dans d'autres enceintes et processus, l'ONU devrait également jouer un rôle plus important et plus actif ; représentant la volonté de ses Etats membres, elle devra envoyer un message clair sur l'urgente nécessité pour les Etats et les institutions concernées de rétablir la stabilité du système financier international ;
- Les Nations Unies doivent faire appel à toutes les parties prenantes et à tous les pays de s'engager dans la réforme de l'architecture, de la gouvernance financière internationale, et respecter leur engagement dans le cadre du Consensus de Monterrey, de revoir la gouvernance économique internationale ;

- L'Organisation devrait faire en sorte que les difficultés financières actuelles, et le coût élevé des sauvetages des systèmes financiers ne pèsent pas sur les engagements déjà pris, par les donateurs pour fournir plus d'aide et de ressources financières afin de réaliser les objectifs de développement ;

- Lors du débat général de l'Assemblée l'on a remarqué un consensus émergent sur la mise en place d'un ordre économique international qui soit régulé, permettant de limiter les dépassements et les pratiques actuelles qui ont conduit la crise actuelle. Plusieurs leaders mondiaux ont fait appel à la réforme, de manière que la gouvernance économique internationale reflète la réalité et le monde d'aujourd'hui.

Profitons de ce momentum pour engager sérieusement une réforme bénéfique pour l'économie mondiale, et pour tous les pays.

En conclusion, je saisis cette occasion pour poser 3 questions :

- 1- Si les régulations sont absolument nécessaires dans tous les pays, notamment dans les pays développés, où cette crise est déclenchée, comment assurer la flexibilité et l'équilibre, nécessaires pour le fonctionnement de l'économie de marché ?
- 2- La crise actuelle poussera certainement les pays à opter pour des politiques rigoureuses en matière de change et du commerce. Comment empêcher alors un retour aux politiques de protectionnisme qui aura des implications sur la croissance économique et sur la sécurité humaine ?
- 3- Pensez-vous que la crise financière internationale et la menace d'une récession économique mondiale aura un impact sur la conclusion du cycle de négociations multilatérales de l'OMC ?

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Intervention

By

His Excellency Mr. Nassir Abdulaziz Al-Nasser
Permanent Representative of the State of Qatar
to the United Nations

Before

The Interactive Panel On Global
Financial Crises In The General Assembly

New York, 30 October 2008

Permanent Mission of the State of Qatar to the United Nations - New York
809 U.N. Plaza. 4th Floor. New York, NY 10017. Tel: (212) 486-9335. Fax: (212) 758-4952

NOTES for Interactive Panel on Global Financial Crisis

The recent financial turmoil in United States has now taken on global dimension. It has spread not only to Europe, but to virtually all middle income emerging market and oil producing developing countries. In difference from past crises it has been caused by the policy failures of developed countries, the current crisis has spread by contagion from developed to developing countries.

Policy measures that so far have been taken will bring about important changes in the financial systems of developed and developing countries alike. And this will also have implications for the shape of the international financial system. The crisis has brought into the spotlight the importance of the international financial architecture in providing financial stability. But we should recall that a more important objective of the international system should be its ability to provide financing for developing countries. The crisis will certainly produce a decline in direct investment flows to developing countries, reduce official assistance flows and cause a deterioration in earnings from exports as it increases the volatility of prices. In our considerations of the reform of the system we must make sure that the objectives of stability and of providing development financing are mutually reinforcing.

In difference from the aftermath of the Asian financial crisis of 1997, the IMF has been excluded from any involvement in the response by developed countries to their financial difficulties. This has occurred despite recent attempts to enlarge and improve the role of the IMF as global coordinator of economic policies. If the

IMF cannot play its role in what is widely considered the worst global financial crisis since the second world war, we must consider more far-ranging changes in its role and in the international financial architecture.

It is important that the international financial system is restructured in a way that provides sufficient resources for developing countries, does not impede their ability to develop their own domestic resources and provides for a domestic financial system that supports domestic investment in the mobilization of those resources. This mean a reform of the system in which developing countries are given their full weight and responsibility equivalent to the role they currently play in the global trade and financial system.



**REMARKS BY AMBASSADOR VANU GOPALA MENON,
PERMANENT REPRESENTATIVE OF SINGAPORE
TO THE UNITED NATIONS,
AT THE INTERACTIVE PANEL
ON THE GLOBAL FINANCIAL CRISIS
30 OCTOBER 2008**

Mr Chairman

Allow me first to commend you for convening this Panel and to thank the distinguished panelists and fellow delegations for sharing their views. I am hopeful that our collective contributions today will go some way towards the development of practical solutions to the ongoing global financial crisis.

2 Much has been said about the current financial crisis. We are ultimately grappling with a crisis not only of finance but also of confidence. The lack of proper regulatory controls, accountability and transparency has led to the collapse of confidence in capital markets and financial institutions. We are now faced with a crisis that is not confined to any particular country or region. In today's interconnected world, every one of us has been or will be affected in some way. Rather than dwell further on the causes or lament the state of affairs, I would like to take this opportunity to make the following points on the way forward.

3 First, our most immediate priority should be to stabilise international financial markets. In this regard, Singapore welcomes recent measures taken by the US and European Governments to inject liquidity, recapitalise their banking systems and guarantee bank borrowings in the wholesale markets. These measures have helped to prevent further destabilisation of markets and to restart the flow of credit. Recent moves by central banks around the world to cut interest rates in order to safeguard economies and mitigate recession risks are also important. We also support and welcome the IMF's and World Bank's initiatives to assist countries in managing the impact of the crisis, including through fast-tracking disbursement of emergency financing facilities and providing increased lending and safety net programmes. Such short-term measures continue to be necessary to mitigate the immediate impact of the crisis. But we cannot focus on short-term measures alone.

4 This leads me to my second point: the reform of the international financial system. The financial crisis has revealed some fundamental structural weaknesses in the international financial system. We need to get back to basics and see how best to reform and rebuild confidence in the system, in order to strengthen the underpinnings of international financial stability. The current Bretton Woods structure was created at the end of the Second World War. While this structure may have served us well in the past, it does not appropriately reflect the multipolar realities of today. Making the IMF and World Bank more representative of the current global economy is an urgent matter. Such a reform process will take time – we should not seek quick-fixes or “band-aid” solutions. At the recent 7th Asia-Europe Summit Meeting in Beijing on 24 October, the leaders of the two continents pledged to undertake effective and comprehensive reform of the international monetary and financial systems, in consultation with all stakeholders and the relevant international financial institutions.

5 Third, the UN has an important role to play in this process. The sheer magnitude and complexity of the crisis makes it impossible for individual organisations to effectively address in isolation. As a global organisation, the UN can play a meaningful role in galvanizing member states and organisations under the UN family, such as the Bretton Woods Institutions, to support a well-coordinated reform of the international financial system. That said, the reality is that a small group of countries who represent a significant proportion of the world economy must take the lead in the solutioning for this issue. On no major global issue confronting the human family can decisions be taken without the major players taking the lead. In this regard, we support the G-20 Summit in Washington next month, in particular, the decision to include countries outside the G-8 in the Summit. As a small state, Singapore recognises that our impact is minimal. However, we do expect our inputs and that of other countries who will not be involved in this Summit to be taken into consideration. The UN can facilitate a consultative approach in ensuring that the perspectives of all member states are given systematic consideration in the reform process.

6 On the outcome of today’s session, we would ideally have preferred it if a consensus outcome document could have been produced to reflect the common positions of all 192 UN member states. However, we recognise that this is not possible, given the time constraints and the divergence of views. At the very least, we hope that the summary notes or report from today’s session can serve as inputs to the G-20 Summit next month. We believe that this would be a constructive means of providing the inputs of all UN member states into the process in Washington, particularly those who will not be represented at the Summit.

7 Thank you.

.....

Statement by Ambassador T. Vance McMahan, U.S. Representative to the General Assembly, on the Interactive Panel on the Global Financial Crisis, in the 63rd Session of the United Nations General Assembly, October 30, 2008

We appreciate the interesting presentations and frank discussions we heard this morning. We recognize the UN's important role in convening such forums and look forward to reporting the results of these discussions back to our capital.

As noted, we meet today during unprecedented and challenging times for the global economy. The world's financial markets remain severely strained and risks to global growth are significant.

We must work together to address this instability and restore the health of the world economy because this crisis affects us all. In the United States, we realize that our own financial system is in need of reform, a constant process that has taken on new urgency. To help rebuild the strength of and confidence in our markets, the United States has worked to implement the findings of U.S. experts in the President's Working Group on Financial Markets (PWG) and international experts in the Financial Stability Forum (FSF). These bodies made recommendations on transparency, prudential regulation, risk management, and market discipline. Additional reforms of our regulations, regulatory structure, and international institutions will most certainly follow. We must do this while also maintaining a level-headed and balanced view of the role of regulation and reaffirming our shared commitment to economic freedom, open markets, and open investment regimes.

In recent weeks, the United States, both independently and in concert with governments around the world, has taken aggressive, systematic action to protect the financial security of both the United States and the global economic community. The immediate, coordinated response to the financial crisis by the G7 and other global partners has been to shore up important financial institutions, unfreeze credit and money markets by ensuring banks have continued access to funding, and provide substantial new protections for responsible consumers, businesses and investors.

These steps have significantly strengthened the capital position and funding ability of global financial institutions and should enable them to perform their role of underpinning economic growth globally. They are bold, yet not unprecedented in the U.S., and are a means to strengthen, not undermine, the free market and democratic capitalism.

Governments must also continue to provide much-needed liquidity and strengthen financial institutions. We must also take care to ensure that our actions are closely coordinated and that communication is effective. Two weeks ago, the leaders of the G8 issued a statement underscoring our commitment to work together to resolve this crisis. The crisis has also highlighted the importance of continued cooperation among major economies through such fora as the G-20 and the Financial Stability Forum. To

strengthen efforts to work together to address the longer-term financial and economic challenges that confront us, President Bush has invited leaders of the G-20 countries, as well as the IMF Managing Director, World Bank President, UN Secretary-General and Chairman of the Financial Stability Forum to a summit on November 15 in Washington.

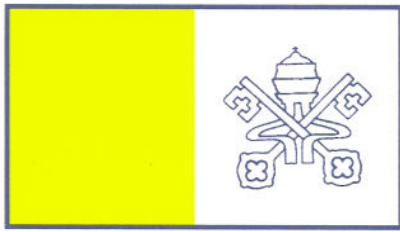
This summit will provide an opportunity to review progress being made to address the current crisis, advance a common understanding of its causes, and, in order to avoid a repetition, agree on a common set of principles for reform for regulatory bodies and institutions related to our financial sectors. While the specific solutions pursued by every country may not be the same, agreeing on a common set of principles will be an essential step towards preventing similar crises in the future. The summit, which is envisioned as the first in a series, will also provide an opportunity to discuss the effects of the crisis on emerging market economies.

Current circumstances have also made clear the important role of international financial institutions in providing assistance to those countries that are experiencing especially challenging conditions. Several countries have approached the International Monetary Fund and World Bank about assistance or possible programs. These institutions are particularly well equipped to provide assistance to countries in need, and the U.S. stands ready to work with both individual governments and multilateral lenders to ensure that countries under pressure can benefit from the expertise and financing that international financial institutions bring to the table. The present crisis must also not become an excuse to walk away from development commitments. Donors must follow-through on their past pledges. As President Bush said last week, "America is committed – and America must stay committed – to international development for reasons that remain true, regardless of the ebb and flow of markets."

A key component of the broader response to current turmoil in the global economy must be to reject protectionism and commit to renewed action to promote global trade and development. We must seize this moment as an opportunity to intensify efforts to conclude the Doha Round for the expansion of a more open, global trading system because that is the best way to create prosperity for all of our citizens. Increased trade and investment have played an important role in lifting hundreds of millions of people out of poverty in recent years.

In short, global growth and prosperity are more dependent on the synergies of interaction and cooperation than at any time in history. Openness to international trade and investment has been, and will continue to be, the linchpin of economic growth for the global economy. A central task for nations around the world is to embrace the benefits of openness to trade and investment while addressing the challenges of extending these benefits to all.

The United States is confident that, working together, we will overcome the present difficulties, and return our economies to the path of stability and long-term growth.



HOLY SEE

PERMANENT OBSERVER MISSION OF THE HOLY SEE TO THE UNITED NATIONS 25 EAST 39th STREET, NEW YORK, NY 10016-0903 (212) 370-7885

Check against delivery

**Statement by H.E. Archbishop Celestino Migliore
Apostolic Nuncio
Permanent Observer of the Holy See**

63rd session of the UN General Assembly

Interactive Panel on the Global Financial Crisis

New York, 30 October 2008

Mr President,

Many economists and analysts are agreed that the crisis can be blamed on the lack of a complete and effective regulatory system, but even more on a widespread disregard for regulatory and supervisory structures, to say nothing of the rules of accounting and transparency.

My delegation endorses this view and would go one step further: the real crisis does not appear to be merely financial, economic and technical. Rather, it extends to the broader realm of ethical codes and moral conduct. Unbridled profiteering and the unscrupulous pursuit of gain at any cost have made people forget basic rules of business ethics.

Our reaction should not be limited to deploring the crisis and offering formal expressions of sympathy to the poorer countries and social strata which have been affected. We need to come up with the ways and means to avoid similar crises in the future.

In some cases, governments and institutions which rigorously implemented rules at the lower customer level were lax in maintaining that same rigor at the higher level. The same could also be said with regard to the economic systems of poorer countries. International financial institutions which strictly implemented conditionalities and oversight in developing countries neglected to do so when overseeing developed economies. Now that the latter have collapsed, the former also have to bear the consequences.

Government is the exercise of the virtue of prudence in the enactment of legislative and executive measures capable of directing social activity towards the common good. The principle of subsidiarity requires that governments and large international agencies ensure solidarity on the national and global levels and between generations.

A second observation pertains to the responsibility of those who work in the financial sector. Lending is a necessary social activity. Nonetheless, financiers are responsible for ensuring that lending fulfils its proper function in society, connecting savings to production. If lending is seen merely in terms of trading off financial resources without regard for their reasonable use, it fails to be a service to society. When attempts are made to conceal the real risk that loans will not be repaid, savers are cheated and lenders become actual accomplices in theft.

It must not be forgotten that at the edges of the financial system there are retired persons, small family businesses, cottage industries and countless employees for whom savings are an essential means of support. Financial activity needs to be sufficiently transparent so that individual savers, especially the poor and those least protected, understand what will become of their savings. This calls not only for effective measures of oversight by governments, but also for a high standard of ethical conduct on the part of financial leaders themselves.

A third, and perhaps even more basic, observation has to do with the general public and its choice of values and lifestyles. A lifestyle, and even more an economic model, solely based on increased and uncontrolled consumption and not on savings and the creation of productive capital, is economically unsustainable. It also becomes unsustainable from the standpoint of concern for the environment and, above all, of human dignity itself, since the irresponsible consumer renounces his own dignity as a rational creature and also offends the dignity of others.

Looking towards the future, there is a need to restore credibility and authenticity to lending, which always needs to be a part of the product chain of goods and services, and not an independent activity.

Above all, however, there is a need to invest in people. Once the inevitable financial salvage operations are over, governments and the international community should invest their money in aid to the poorest populations.

The relatively recent and positive experience of microcredit shows that, paradoxically, those who, from the standpoint of cold hard financial calculation, seem least suitable to receive credit, are by and large the most serious and reliable borrowers.

The history of developed countries also demonstrates that grants for health, education, housing and other basic services benefiting the weakest socio-economic levels of society, families and small communities, ultimately prove to be the most profitable investments, since they alone ensure the harmonious functioning of society as a whole.

Thank you Mr President.



THE PRESIDENT
OF THE
GENERAL ASSEMBLY

16 October 2008

Excellency

As the global financial crisis deepens, it is even more evident that we are facing global challenges that can produce serious setbacks in the efforts to reduce poverty and achieve the Millennium Development Goals and other international agreements.

In this context and in anticipation of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, I would like to invite you to an Interactive Panel on the Global Financial Crisis to be held on Thursday, 30 October 2008 beginning at 9 a.m. The purpose of the panel is to give Member States the opportunity to address this issue and interact with a well-recognized number of economists and sociologists in order to place the current crisis into a macroeconomic and social context. It represents an important step in an ongoing effort to develop proposals regarding the economic and development agenda of the United Nations and the role that the United Nations should play in the search for new policy initiatives.

The panelists that I have invited to lead this discussion are: Prof. Joseph Stiglitz (USA); Dr. François Houtart (Belgium); Prof. Prabhat Patnaik (India) and Dr. Pedro Paez (Ecuador). The concept and programme of the Panel is attached herewith for your information.

Your opinions, points of view and comments will greatly contribute to clarify not only where we are but in which direction the United Nations should move.

Please accept, Excellency, the assurances of my highest consideration

A handwritten signature in dark ink, appearing to read 'Miguel d'Escoto Brockmann', written over a horizontal line.

Miguel d'Escoto Brockmann

All Permanent Representatives
and Permanent Observers to the
United Nations



THE PRESIDENT
OF THE
GENERAL ASSEMBLY

24 October 2008

Excellency,

In reference to my letter dated 16 October 2008 on the Interactive Panel on the Global Financial Crisis that will take place on Thursday 30 October 2008 in the Trusteeship Council Chamber at United Nations Headquarters, I have the pleasure to provide further information about the organization and focus of the Panel.

In addition to the four panelists already listed in my earlier letter - Prof. Joseph Stiglitz of the United States, Dr. François Houtart of Belgium, Prof. Prabhat Patnaik of India and Dr. Pedro Páez of Ecuador -, two more panelists have been invited. They are: Prof. Sakiko Fukuda-Parr of Japan and Prof. Calestous Juma of Kenya.

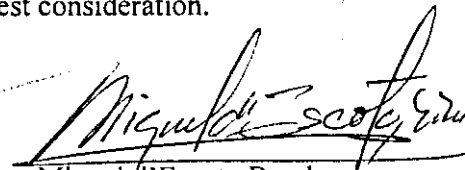
The Interactive Panel will consist of two sessions: from 9 a.m. to 12:30 p.m. and from 3 to 6 p.m. The morning session will start at 9:00 a.m. sharp. There will be a presentation by three of the panelists in the morning and three in the afternoon. After the presentations, an interactive exchange of views will follow. In order to accommodate as many Member States wishing to take the floor, interventions should not exceed more than 5 minutes each.

I am attaching herewith for your perusal a guideline for the panelists that I hope will be useful for Member States in preparing for this Panel discussion as well as the programme of the event.

I invite Member States to make use of this timely opportunity for a frank and stimulating discussion on the most urgent and complex issue confronting us today, with the hope that the exchange can shed some light on the way forward in finding a just and sustainable global solution.

I also wish to inform you that I have appointed Nobel Laureate Professor Joseph Stiglitz as the Chair of a high-level Task Force of Experts to undertake a comprehensive review of the international financial system and to suggest steps to be taken by Member States of the United Nations to secure a more just and stable global economic order. The terms of reference of the Task Force will be announced on 31 October, and I would welcome your suggestions and contributions on the functions and scope of this Task Force before that date.

Please accept, Excellency, the assurances of my highest consideration.



Miguel d'Escoto Brockmann

All Permanent Representatives and
Permanent Observers to the United Nations
New York

24 October 2008

Interactive Panel on the Global Financial Crisis

Guidelines for Panelists

Background

Recognizing the urgent need for responses to the confluence of uncertainties facing the world community, the President of the United Nations General Assembly is convening an Interactive Panel on the Global Financial Crises on 30 October 2008 in New York. The aim of the meeting is to give Member States the opportunity to address the issues and interact with a panel of economists and sociologists in order to place the current crisis into a macroeconomic and social context. It represents an important step in an ongoing effort to develop proposals regarding the economic and development agenda of the United Nations and the role that the UN should play in the search for new policy initiatives.

There is a widespread concern that the global economic governance arrangements, set in place in 1944 at a meeting in Bretton Woods, New Hampshire officially called the “United Nations’ Monetary and Financial Conference,” need to be radically reformed to be responsive to current economic conditions. The onset of the food, fuel, and now the financial crisis throws a spotlight on the inadequacies of the current set of global institutions in enforcing accountability for economic decisions and maintaining growth and stability for the majority of the world’s peoples.

Developing countries now represent a much larger proportion of world economic activity than they did when the Bretton Woods institutions were founded but their voices and interests are not sufficiently represented in the global councils of economic governance. Developing countries – as a group – are now net creditors to the global economic system and have an abiding interest in a rules-based and impartial revamping of global financial policies and institutions.

The President of the General Assembly has welcomed the initiatives and declarations of the leading industrial countries and developing countries that are actively expressing their concern regarding the current situation and calling for urgent action. As the pressure for change builds up, the design of the new architecture must necessarily be inclusive and democratic to be credible and sustainable. Hence, such an initiative should be convened by the 192 Member States through the General Assembly. The Organization continues to represent the most legitimate forum where the interests of all countries can be articulated.

Guidelines

Your intervention should lead off discussion among participants and may consider among other issues the following:

1. What are the global consequences of the current financial crisis and its impact on the growth and development prospects of developing countries?
2. What can be done to address the systemic root causes of this crisis, including the establishment of a transparent and accountable global system of policy coordination and fundamental reform of the global financial architecture?
3. What should be the underlying ethical and social bases for reforming the current international economic governance system? What are the practical arrangements, decisions, and processes that must be undertaken to justly and democratically implement the needed reforms?
4. What are the long-term challenges to sustaining public oversight and accountability over global market processes and what could be the transformation required in international relations between developed and developing countries and the Global South.
5. What are the developing country concerns and capabilities in playing an active role in global economic governance? What initiatives should developing countries undertake to establish a just and development-promoting economic system?
6. What kind of agreements should the international community reach at the United Nations' Review Conference on Financing for development to contribute to finding a durable systemic solution to the present crisis?
7. What are your views on possible actions required, including deep reform of the global financial architecture and what should be the role of the United Nations General Assembly?

Procedural guidelines for presentations

- Each presentation should last some 20 minutes.
- There will be three presentations in the morning and three in the afternoon. Following the presentations, there will be a Q & A period.
- Each panelist will have 15 minutes for final responses.
- The panel discussion will be webcasted followed by the production of DVD for worldwide distribution.

Programme

- I. The morning interactive session** will be held from **9:00 AM to 12:30 PM** and will be organized as follows:

09:00 - 09:15 AM Opening remarks and presentation of panelists by the President of the General Assembly.

Panel discussion I:

09:15 - 09:35 AM Prof. Joseph Stiglitz (USA)
09:35 - 09:55 AM Prof. Prabhat Patnaik (India)
09:55 - 10:15 AM Prof. Sakiko Fukuda-Parr (Japan)
10:15 - 11:45 PM Member States exchange their points of view, comments and opinions in a dialogue format.
11:45 - 12:30 PM Each panelist will have 15 minutes for final responses.

- II. The afternoon interactive session** will be held from **3:00 to 6:00 PM** and will be organized as follows:

Panel discussion II:

03:00 - 03:20 PM Dr. Pedro Páez (Ecuador)
03:20 - 03:40 PM Prof. Calestous Juma (Kenya)
03:40 - 04:00 PM Dr. François Houtart (Belgium)
04:00 - 05:00 PM Member States exchange their points of view, comments and opinions in a dialogue format.
05:00 - 05:45 PM Each panelist will have 15 minutes for final responses.
05:45 - 06:00 PM Closing remarks by the President of the General Assembly.