

The UN Responds to the Financial Crisis

By Christopher J. Tangney, UNA-USA

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As the financial crisis unfolds and world leaders grapple with potentially more damaging results in the near and long-term future, presidents and prime ministers in the East and the West as well the United Nations are racing to set up summits and deal with escalating economic, social and humanitarian repercussions.

General Assembly President Miguel d'Escoto Brockmann, for one, has established a high-level task force, calling it the G-192 to compete with the G-20 of industrialized nations, to review the global financial system. He will convene an interactive panel on the crisis tomorrow, Oct. 30, reflecting continuing UN efforts to cultivate an international consensus on how to protect the most vulnerable populations in the economic turmoil.

D'Escoto named several high-profile experts to the task force, including Joseph Stiglitz, an economics Nobel laureate, Columbia University professor and a former chief economist at the World Bank, to lead it. D'Escoto said that guidelines for the group's work would be announced after the panel discussion.

Stiglitz will speak on the panel with economists Prabhat Patnaik of India and Pedro Páez of Ecuador, sociologist François Houtart of Belgium, Calestous Juma of Kenya, professor of the practice of international development at Harvard's Kennedy School of Government, and Sakiko Fukuda-Parr of Japan, professor of international affairs at the New School University.

Member-state delegates are expected to discuss strategies with the panelists during the daylong session, which will essentially launch D'Escoto's campaign to build support for reforming the financial institutions established near the end of World War II. D'Escoto's task force tracks his personal mandate as GA president to reform the UN so that it represents developing nations more fairly. Since announcing his goal in September in his opening remarks at the GA, attention on the economic crisis has most recently shifted toward reforming global financial institutions, including the International Monetary Fund and the World Bank.

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"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 and debtor nations," he said in a statement announcing the task force. "As such, developing countries have an abiding interest in a democratic rules-based financial system with effective financing mechanisms and impartial institutions."

Meanwhile, Asian and European leaders concluded a two-day meeting in China last weekend calling for tighter regulatory supervision in the international markets. More than 40 world leaders attended the summit, including Chinese Prime Minister Wen Jiabao, Japanese Prime Minister Taro Aso, German Chancellor Angela Merkel and French President Nicolas Sarkozy. At the end, they signed a statement pledging "to undertake effective and comprehensive reform of the international monetary and financial systems."

Although no specific reform proposals emerged from the Chinese meeting, those gathered were clearly laying groundwork for talks with a broader group of nations next month in Washington, when President George W. Bush will host a global financial summit on Nov. 15. Ban Ki-moon, UN secretary-general, is expected to attend.

Bush has scheduled the meeting for leaders from the G20 nations, which includes the major industrialized countries and main developing nations, to discuss the crisis and assemble preventive strategies for the future. It is to be the first in a series of summits and may include Barack Obama or John McCain, depending on who wins the Nov. 4 presidential election.

Participants at the Chinese gathering reiterated what foreign ministers at the IMF/World Bank annual meeting on Oct. 16 urged -- that the IMF increase lending to developing nations. Merkel said that the IMF should become a "guard for the stability of the international finance system."

The IMF has already agreed to lend Iceland \$2.1 billion after that country's banking system collapsed earlier this month. The IMF is discussing emergency loans with up to a dozen other countries, including Hungary, Ukraine and Pakistan,

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and it is finalizing plans to ease its borrowing requirements for developing nations to help them survive the fallout of the world crisis.

The GA's interactive panel tomorrow comes a week after Ban convened five prominent economists, including Joseph Stiglitz, and Kemal Davis, the head of the UN Development Program to address the impact of the crisis on the Millennium Development Goals and climate change. Besides Stiglitz, the other economists were Kenneth Rogoff and Dani Rodrick of Harvard, Nancy Birdsall, president of the Center for Global Development, and Jeffrey Sachs, director of the Earth Institute at Columbia University.

The concern is how drastically the worldwide economic downturn will affect the ability of developing countries to reach the 2015 antipoverty targets set by the MDGs. Ban has urged industrialized nations to honor their aid commitments.

Ban reinforced this message in a speech he gave at the John F. Kennedy School of Government last week. "We cannot allow the financial crisis to turn into a prolonged human crisis. That is why the race to achieve the Millennium Development Goals by the target of 2015 has become even more pressing," he said. For more information about the secretary-general's speech at Harvard, read Simon Minching's article in this E-Newsletter.

Ban's sentiments were echoed by Anna Tibaijuka, the executive director of the United Nations Settlement Program, on Oct. 23 in London, where she unveiled UN Habitat's State of the Cities 2008/2009 report. The report found that 1 in 3 people residing in cities worldwide live in slums, where the levels of deprivation, including access to clean water and sanitation, are highest.

Tibaijuka said the recent credit crunch and stock market collapses were more evidence that free-market forces alone will never create affordable housing for the one billion people subsisting in slums.

"The financial crisis we are facing today cannot be seen as an event," she said. "It is a process that has been building up over time and has now bust."

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