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**The United Nations: beneficiary or
collateral damage of the global
economic and financial crisis?**

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The United Nations: beneficiary or collateral damage of the global economic and financial crisis?

Bonn, 25 May 2009. From 1 to 3 June 2009, the United Nations (UN) is set to hold a high-level conference in New York on the world financial and economic crisis and its impact on development. In view of the heated disputes that have broken out in advance of the conference, it is still uncertain whether the 192 member states will be able to reach agreement on a joint final declaration and just how meaningful a consensus document of this kind would be. Indeed, there is still some doubt about whether the conference will even take place on the date set for it. It is nevertheless a matter of extraordinary importance that industrialised and developing countries bring the UN conference to a successful conclusion.

First, there is an urgent need for joint action to meet the crisis. It is, in today's increasingly integrated and networked world, less possible than ever before to look at welfare and security in North and South in isolation from one another. At the same time, developing countries, without themselves having contributed to the outbreak of the crisis, are hardest hit by it and will be unable, on their own, to sufficiently mitigate its impacts. Second, an equivocal final document, or indeed a failure of the conference itself, would inevitably entail collateral damage for the UN. In the medium to long term, however, even new institutions like the G20, a group of industrialised and emerging countries, would offer no alternative to the UN's inclusiveness and legitimacy. Only together with the UN will such new institutions prove able to form pillars of an effective and legitimate global governance architecture. Third, many of the proposals on the negotiating tables in New York are innovative in nature, and they could serve the world as useful tools, not only in seeking to master the present crisis but also in preventing future crises. One example here would be the proposal on the establishment of an International Panel on Systemic Risks in the Global Economy, a body that would be mandated to pool global scientific expertise on future risks like pandemics, climate change, or food scarcity and analyse their causes, interactions, and possible impacts on the world economy and global development. There are other proposals relating to the establishment of a new credit facility designed to mobilise additional funds for developing countries, the creation of a new global reserve system, and the establishment of a global economic council in the UN framework.

The decision to hold the upcoming UN conference was taken – against the resistance of several industrialised countries – at the Follow-up International Conference on Financing for Development last autumn in Doha. In substantive terms, the conference will be based on reports from the Secretary-General and UN organisations as well as on the recently published recommendations of the so-called Stiglitz Commission, which was appointed in 2008 by the President of the UN General Assembly. This expert body, which is chaired by the Nobel laureate Joseph Stiglitz and counts German Development Minister Wieczorek-Zeul among its members, has elaborated a set of comprehensive proposals on reform of the international monetary and financial system.

The preparations for the conference have been marked by a number of serious disagreements over substantive issues that, assuming the guise of procedural questions, have taken on an



unusually sharp tone. To all appearances, the lines of the dispute run squarely between the developing and industrialised countries, while a closer look reveals that the two camps are in fact not at all so clearly delineated. The industrialised countries, accentuating the need to alleviate the ongoing crisis, prefer to focus on the development policy dimension. Their main concerns are to avoid having to make any new financial commitments and to prevent the UN from assuming any more extensive role when it comes to economic and social issues (going beyond development policy). At the same time, they are determined to gain the UN's blessings for the decisions taken at the London G20 financial crisis summit. On the other hand, several developing countries, led by the so-called ALBA group (the "Bolivarian Alternative for the Americas" launched in 2001 by Hugo Chavez), envision adopting a comprehensive set of measures to bolster and enhance the UN. In their eyes, the main reason for the present crisis is the economic and social model that has come to dominate the international picture, and they are calling for a radical change of course at the global level. This stance is reflected very clearly in the first draft of the final document presented on 8 May by the President of the UN General Assembly. The draft was rejected by the industrialised countries as a basis for talks – not least on account of a number of serious procedural errors. Non-governmental organisations, on the other hand, have welcomed the content of the draft, praising it for adopting – similar to the recommendations by the Stiglitz Commission – many of their demands, if not indeed going beyond them.

The intensity the dispute has taken on needs to be viewed against the background of the power shifts underway in the international system. The 170 non-G20 countries, thus far largely excluded from participation in international crisis management, are now demanding a voice in such matters, pointing out that they themselves are the principal victims of the crisis. Even though a homogenous set of shared interests in the developing world seems to be on the decrease, countries of the South are rallying, at least for appearances sake, around a group of leaders bent on polarisation. They are contributing in this way to deepening existing divisions while reinforcing the conviction widespread among the industrialised countries that the UN is not the right place to deal with economic and financial issues. While the emerging countries invited to attend the London G20 financial summit would be in a position to assume an intermediary role, they show no signs of working openly, in the UN context, to avert any further polarisation between North and South. What this suggests is that the dispute between industrialised and developing countries at the UN could lead to a scenario as oppressive as it is possible: growing radicalisation – with the emerging nations and smaller developing countries doing little or nothing to alleviate the situation. Hobbled and even further marginalised when it comes to economic and financial issues, the UN could end up in the role of the collateral victim of efforts to come to grips with the present crisis. That said, though, it is in the interest of all nations to have a strong world organisation, even when the concern is not the UN's irreplaceable role as the setter of global norms and standards. The G20 are in need of a legitimacy base, the developing countries stand only to benefit from the principle of sovereign equality and from the technical assistance and the voice with which UN membership provides them, and those



industrialised countries that have little to say when it comes to G20 decision-making processes need a strong UN in which they can gain a hearing for their own positions.

But another, more optimistic, scenario is also conceivable for the UN: a positive turn of events set in train by the ongoing crisis. The Obama administration is far more sympathetic to the UN than its predecessor, and this bodes well for efforts to improve the conflict-fraught atmosphere at the UN. The G20 countries would be well advised to acknowledge the UN's true value as the indispensable core of multilateralism, and to work to strengthen the organisation - that is, to come out unambiguously in favour of reforms. The G20 countries could serve, constructively, as a bridge between North and South. The upcoming conference on the economic and financial crisis and its impact on development would be a good place to start. Germany should work to ensure that, in the months to come, use is made of the UN as a forum for reaching decisions on overcoming the present crisis (follow-up process). At the same time, Germany should use its influence within the European Union as well as with partners like Japan and the US to induce them to offer some concrete concessions. Yet whatever happens, it would be of the utmost importance to ensure that the ODA goals already agreed upon – 0.7% of a country's GDP - are not placed, once again, on the negotiating table, the more so when their achievement currently seems problematic. They need, instead, to be regarded as the point of departure for all other issues on the agenda.

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