

Issue update

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Rich countries block real change at UN meeting on crisis

In June the United Nations was the site of a battle being waged between the G77, a group of over 130 developing countries, and the United States, Canada, Japan and the European Union. The fight was over how to address the financial and economic crisis and efforts to transform and democratize the global financial system and its institutions. The final outcome document of the *UN Conference on the World Financial and Economic Crisis and Its Impact on Development* is positive in that it represents a truly global response and has opened up space for countries to express their views on crisis. But the document falls short because rich countries blocked it from including more substantive solutions (see JUST THE FACTS). This is particularly distressing given the wealth of ideas generated in the Stiglitz Commission (IU May 2009), one of the key inputs for the meeting.

“People are saying that with a crisis comes opportunity. I want an opportunity without a crisis”, said Raphael Correa, President of Ecuador, channeling the mood of many developing country governments frustrated by a crisis that was not theirs in the making. In the lead-up to the gathering, rich countries denounced the meeting as a soapbox for the radical left by pointing to such outspoken leaders as Mr. Correa and to Miguel D’Escoto, Nicaraguan President of the General Assembly and a former Sandanista. But as many developing countries demanded real changes in their address to the General Assembly, it is now those content to return to “business as usual” that sound distinctly more radical than the countries searching for solutions to prevent such a crisis from ever happening again.

UN Conference on the World Financial and Economic Crisis, <http://www.un.org/ga/econcrisissummit/>

The UN conference on the financial crisis and development: outcomes and follow-up prospects, <http://www.eurodad.org/whatsnew/articles.aspx?id=3738>

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JUST THE FACTS: Outcome Document of UN Conference on Financial Crisis

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Canadian government gives boost to trade finance

This month, Canada's Finance Minister Jim Flaherty and World Bank President Robert Zoellick signed an agreement to contribute \$200 million to a new Global Trade Liquidity Program (GTLP) at the International Finance Corporation, the World Bank's private sector lending arm. The \$50 billion through the GTLP is part of the broader \$250 billion package for global trade finance announced at the G20 Summit in April (IU April 2009).

New funding through the GTLP is expected to reduce the price of global trade finance, which has increased due to scarce global credit, to leverage additional private capital for exporting goods, and to reverse a sharp drop in trade due to the global economic crisis. Trade finance absorbs some of the risks of doing business in developing and emerging markets by ensuring that exporters will get paid by insuring receipts while goods are in transit.

The Canadian news comes as Citi Bank announced \$1.25 billion in funding for the GTLP, and as the IFC announced its plans to double its investments in mining to \$100 million.

Canada and World Bank Finalize US\$200 Million to Support Global Trade Finance
<http://www.fin.gc.ca/n08/09-058-eng.asp>

Harper lays out provisional agenda for 2010 G8 meeting

Confident that the G8 (not the G20 and definitely not the UN) remains the primary vehicle for global economic decision-making, Prime Minister Stephen Harper has laid out the four principal themes for next year's G8 Muskoka Summit in Canada, ahead of July's G8 in L'Aquila, Italy. The summit's four areas of focus are "the global economy, climate change, development and democratic governance". These pick up on similar themes in a letter sent to the Prime Minister by Canadian civil society earlier this month, albeit with a different focus.

Assuming that the global economy will be turning the corner towards recovery, Prime Minister Harper sees the Muskoka meeting as a chance to coordinate actions between the major economies to "lift" some of the policy responses currently in place to combat the crisis. He says nothing of essential global policy and regulatory changes still needed to prevent future crises. The summit will also address the social dimensions of international development, in areas such as "health, education and [...] maternal and childhood wellbeing". On climate change, Harper envisages the G8 and a new partnership amongst developed and developing nations through the US-led Major Economies Forum (MEF) on Energy and Climate as providing "political momentum to the UN Climate Change negotiations". The 2010 summit will then be a chance to deepen global collaboration in the commercial deployment of clean technologies. On governance, leaders are expected to advance the cause of "freedom, democracy, human rights and the rule of law" in "fragile states at risk of failure" (Iraq, Afghanistan and Haiti?).

"The 2010 Muskoka Summit" at <http://www.g8.utoronto.ca/scholar/G8-2009.pdf>

Letter to Stephen Harper on civil society themes for the upcoming 2010 G8,
<http://www.halifaxinitiative.org/index.php/correspondence/1140>

Notice Board - This month...

- ☰ On June 1, the Canadian Network on Corporate Accountability (CNCA) hosted a **public discussion on corporate accountability** in Canada's overseas extractive sector. Speakers included MPs Bernard Patry, Paul Dewar and Johanne Deschamps, as well as Gordon Peeling from the Mining Association of Canada and Michael Casey from Development and Peace. All **speakers expressed** their unequivocal **support for** the recommendations of the **Advisory Group report to the National Roundtables on Corporate Social Responsibility (CSR) and the Extractive Industry in Developing Countries**. The Canadian government ignored those findings in its recently announced strategy on CSR.
- ☰ **EDC will conduct a review of its Environmental Policy** with a view to releasing a revised version in 2009. The Environmental Policy guides EDC decision-making regarding prospective clients. **Public submissions** will be accepted by EDC until August 26, 2009.
- ☰ The Russian city of Yekaterinburg on June 16 hosted **the first official summit of the “BRICs”** or Brazil, Russia, India and China, the four largest and fastest growing emerging market countries. The BRIC nations currently account for 15% of the global economy and 42% of global currency reserves and were predicted in 2003 by Goldman Sachs to **overtake the G7** in economic importance by 2027.
- ☰ The **World Bank predicted the global economy will shrink by three percent this year - double what was predicted in March - but will post a stronger than expected recovery in 2010**. *Global Development Finance 2009*, <http://go.worldbank.org/771Y6SFAT0>
- ☰ On July 6, **German, Austrian and Swiss export credit agencies will officially withdraw their support from the Ilisu dam project**, the last day of an ultimatum given to Turkey to fulfill environmental conditions attached to the project. The three ECAs began their proceedings to withdraw support last October.

New Publications this month

- *“Beyond the London Summit: Assessing the UK government's response to the financial crisis and charting a way forward”*, Put People First alliance, June 2009. This report analyses the progress made at the April G20, demonstrates how the meeting strengthened many of the institutions responsible for overseeing the policies that caused the crisis, and calls on governments to bring about the transformative economic change still needed. <http://www.putpeoplefirst.org.uk/wp-content/uploads/2009/06/ppf-beyond.pdf>
- *“Bail-out or blow-out? IMF policy advice and conditions for low-income countries at a time of crisis”*, Eurodad, June 2009. Despite some increased flexibility, the IMF is still pushing stringent fiscal and monetary policies on low income countries as well as controversial structural reforms. <http://www.eurodad.org/whatsnew/reports.aspx?id=3679>
- *“Country by Country Reporting - Holding Multinational Corporations (MNCs) to Account Wherever They Are”*, Task Force on Financial Integrity and Economic Development, June 2009. This report details a new system of country-by-country reporting for MNCs designed to increase transparency and curtail tax evasion. http://www.financialtaskforce.org/wp-content/uploads/2009/06/Final_CbyC_Report_Published.pdf

Upcoming Events

- Group of Eight Summit, L'Aquila, Italy, July 8-10.

Outcome Document of UN Conference on Financial Crisis

Adopted by consensus, the outcome document reaffirms the important role of the UN in international economic issues, offers an honest diagnosis of how the crisis is unfolding, its causes, impacts and some key challenges, and provides an indication of what needs to change. It falls short in terms of what is “allowed” to change. The following identifies progress beyond the April G20 (IU April 2009) and the Doha FfD meeting (IU December 2008):

- While the IMF has encouraged industrialized countries being encouraged to spend, spend, spend, it has demanded developing countries to cut, cut, cut. The UN document calls for new mechanisms to ensure that **additional resources** are provided to developing countries to enable them to pursue countercyclical (spending) policies (§14) and highlights the need to afford **more space to countries** to pursue such measures (§13, 14, 18), including introducing “temporary capital restrictions” and “temporary debt standstills” (§15). It also calls on the IMF to **streamline conditionalities** and ensure that new programmes don’t contain “unwarranted pro-cyclical conditionalities” (§17);
- Given that the IMF has already noted that 28 countries are in a state of stress - having less than three months of reserves to cover essential imports - there was disturbingly little to address a looming debt crisis. The document simply asks states to honour their debt relief commitments (§34) and do more to prevent a new **debt** crisis (§33). It does, however, open the door to countries initiating temporary **debt standstills** (on debt service payments) (§15) and to “explor[ing] the need and feasibility of a more structured framework for international cooperation” - a small step towards realizing a **debt workout mechanism**.
- From the April G20, the IMF agreed to issue \$250 billion in **Special Drawing Rights (SDRs)**. While allocated to countries relative to the size of their economy - rather than relative to need - SDRs do increase the foreign exchange reserves of central banks, freeing up dollars, yen or euros for spending. They come with low interest and no conditions. The document’s calls for states to review using SDR for development purposes is positive.
- Much has been said of the **inefficient asymmetries in some country’s reserves** (e.g., massive Chinese reserves subsidizing massive US overconsumption) and the global economy’s over dependence on one currency - the dollar. To address this, the document asks states to study “the feasibility and advisability of a more efficient reserve system”.
- While rich countries wanted this conference to be the first and last conversation the UN would have on the financial and economic crisis, two institutional mechanisms for **carrying the process forward** remain intact - an “ad hoc open-ended Working Group of the General Assembly” to follow-up on the outcome document and an “ad hoc panel of expert on the world economic and financial crisis” to provide technical expertise and analysis.

Outcome Document of the UN Conference on the World Financial and Economic Crisis,
http://www.un.org/ga/search/view_doc.asp?symbol=A/CONF.214/3&Lang=E

Civil Society Background Document,
http://www.ffdngo.org/sites/default/files/Final_CS_Background_Document.pdf