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**Research Report**

## L20 and ECOSOC reform: complementary building blocks for inclusive global governance and a more effective UN

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## L20 and ECOSOC Reform: Complementary Building Blocks for Inclusive Global Governance and a more Effective UN

The ongoing power shift within the global economy calls into question the established structures of multi-lateral decision-making. Mainly two factors are responsible for the growing governance gap in international affairs. As the emerging powers of the South gain new prominence, the G7/G8 summit of the leading industrial countries, correspondingly, loses in significance. And as ever before, the United Nations do not provide effective mechanisms for policy coordination and collective action in economic and social affairs. In order to

simultaneously enhance the effectiveness and legitimacy in global governance two complementary tracks need to be undertaken in tandem: First, the UN's ECOSOC has to be reformed in a way which allows it to function as an effective platform of global policy advocacy and coordination on economic and development issues. Second, the present G20 of Finance Ministers and Central Bankers needs to be elevated to the level of heads of state and government to become a Leaders' 20 Summit or L20.

### Shift to Asia

The global economy is going through a major process of restructuring. The power shift towards Asia, most notably China and India, and other emerging economies such as Brazil and South Africa, is not yet reflected in the institutional set-up of global governance. The G7/G8 summit arrangements of the leading Western nations do not any longer include all relevant global players, as was the case when this forum was established 30 years ago. Even with the addition of Russia, the G7/G8 is far from representative and suffers from an increasingly apparent legitimacy and efficiency gap.

The Monterrey Consensus of 2002 emphasizes the need to enhance the effective participation of developing countries and transition countries in international dialogues and decision-making processes. The document particularly refers to expanding the position of these states in the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO) and ad hoc groupings. Bringing the rising nations of the 21<sup>st</sup> century into a new summit grouping has the symbolic advantage of providing a tangible and transparent bridge across the North-South divide at the apex of the global order. But there are also salient instrumental advantages for moving beyond the status quo. The group of states included in the G7/G8 is simply not sufficient for tackling the most pressing issues on the international agenda, whether in the financial, trade, or non-economic domain.

### A The growing gap in global governance

Several factors have converged in pushing for dramatic reform. The end of the bipolar world, after the downfall

of the Soviet Union, and the more or less uncontested reach of the neoliberal model have effectively broken down all political boundaries with regard to economic globalization. The introduction of modern information and communication technologies in unison with the installation of a global cyberspace have 'flattened' the world and immensely strengthened the competitive position of China, India and other emerging economies, as the recent book by Thomas Friedman attests. The industrial countries can no longer pull the strings as they used to do. This shift in power was evident at the 2003 Cancún conference, which broke down when key Southern countries would not accept Western solutions to international trade issues any longer. The existing mechanisms for global policy coordination in the economic arena, however, do not yet reflect the recent developments. In particular, the summits of the G7/G8 do not mirror the transformation of global power relations, though leaders from the South are being invited increasingly to some side events on an ad-hoc basis. (President Mbeki of South Africa has been invited to the last five events!).

### Response to financial crisis

In the wake of the Asian financial crisis, G7/G8 Finance Ministers and the heads of their Central Banks reached out to their colleagues from the most important Southern countries. In 1999, they established the G20 as a regular forum for dialogue (not to be confused with the G20 of developing countries formed at the Cancún trade meeting). The G20 Finance grouping also includes Australia, the European Union and representatives of the IMF and the World Bank. The G20 has become an effective platform for debate on financial poli-

## G20 Members

The members of the G20 are the finance ministers and central bank governors of 19 countries:

### G7 of leading industrial countries:

- Canada
- France
- Germany
- Italy
- Japan
- United Kingdom
- United States

### Further industrial country representation:

- European Union (represented by the Council presidency and the President of the European Central Bank)
- Australia

### Transition country:

- Russia

### Emerging powers of the South:

- Argentina
- Brazil
- China
- India
- Indonesia
- Korea (South)
- Mexico
- Saudi-Arabia
- South Africa
- Turkey

### Ex-officio members:

- International Monetary Fund: Managing Director and Chairperson of International Monetary and Financial Committee
- World Bank: President
- Development Committee of the IMF and World Bank: Chairperson

cies. The group has agreed on common principles for sound domestic economic management; broadened the so-called Washington Consensus to include social sectors such as health and education and agreed on measures to fight the financing of terrorism. However up to now, the G20 does not address larger political issues.

The influence of ECOSOC, the UN's Economic and Social Council, has been even more limited. It has been constantly overshadowed by other institutions beyond its control, most notably the IMF and the World Bank. The formal oversight role of the Council towards UN specialized agencies (such as the Food and Agricultural Organization and the World Health Organization) and in relation to its subsidiary bodies, such as the Commission on Sustainable Development, has not given it any

real clout. It has basically remained a talking shop and has not been taken seriously by member states or actors outside of the United Nations. The most powerful UN organ, the Security Council, has mostly stayed within the narrow realm of its mandate on peace and security, not involving itself with economic root causes for conflict and violence or examining the connection between development and peacebuilding.

## B Possible solutions

One focus of institutional improvement that is steadily moving up the international agenda is a meaningful reform of ECOSOC. In his report 'In Larger Freedom', UN Secretary-General Kofi Annan advocates pragmatic and focused changes such as streamlining ECOSOC debates, concentrating the agenda on selected issues and establishing an executive board. He also supports turning the Council into the global forum for development and the Millennium Development Goals (MDGs). This role would be a substantial move beyond the donor dominated Development Assistance Committee of the Organisation of Economic Cooperation and Development (OECD). In addition, ECOSOC's role according to Annan should be strengthened by the assumption of joint responsibility with the Security Council for the proposed Peacebuilding Commission, and by establishing a commission of its own on the relationship between security and development.

One important step for strengthening ECOSOC would be to avoid duplication in its work with the agenda of the General Assembly's second (economic and financial) and third (social, humanitarian and cultural) committees. Moving beyond this duplication, ECOSOC could be empowered to become independent of the General Assembly and to make binding decisions.

## No hope for a new Council

Other reform proposals go further by calling for a new Council of Economic Security, that would carry the same political weight as the Security Council. Such an approach, sometimes called the Global Council, was presented in the Zedillo report to the 2002 Monterrey conference on Financing for Development. The ILO World Commission on the social dimension of globalization also referred to this concept in its 2004 report.

Recently, the German Advisory Council on Global Change introduced the notion of a Council on Global

### Shares of G20 countries of global total:

Gross domestic product	93 %
Foreign direct investment	87 %
World trade	75 %
Population	67 %
Source:	Eichel 2004

Development and Environment, which would assume the overall responsibility of setting binding guidelines for multilateral institutions such as the IMF, World Bank and WTO. ECOSOC would be disbanded to make room for this new body. It would be much smaller in order to increase its effectiveness. One proposal calls for 11 permanent members from the major industrial and developing states as well as threshold nations. Additionally, 11 rotating members representing the world regions would be elected. Decisions would be adopted by a double majority of all industrial and developing nations voting as separate blocks, as already practiced successfully by the Global Environment Facility (GEF) and the Montreal Protocol. Permanent members would not be able to exercise veto power.

From a long-term perspective such a Council may be the appropriate road to take. At present however, the tone of the ambitious reform schemes in that direction has been a poor fit with ECOSOC's past record, the need for resources and authority to buttress such a leap, and perhaps most significantly, ripeness in terms of a supportive coalition for change. Since the Council requires a change of the UN Charter and would need the support of all veto nations in the Security Council, it is hard to imagine how this could be accomplished within a reasonable time-frame.

### Strengthening ECOSOC

Letting the Security Council take charge in the interim is not a convincing solution. Due to the general distrust and fear of Southern countries with regard to external interference, the Security Council should not be charged with additional tasks in the economic arena, irrespective of its possible enlargement. Therefore, the only pragmatic option within the UN system is to strengthen ECOSOC through the measures proposed by Kofi Annan and others like streamlining the agenda, setting up an executive organ and becoming independent of the General Assembly. Its status as UN organ lends ECOSOC a measure of legitimacy that any institution outside the world body would find difficult to match.

However, empowering and upgrading ECOSOC is by no means sufficient to put global governance on a sound basis. As a result of the UN's universal membership, intra-organization decision-making is a cumbersome and time-consuming process. Powerful nations will not be ready to commit themselves to the vagaries of a process managed by the 'one country – one vote' principle of the UN, if they do not have a decisive say in shaping the options under discussion. The urgency and the multi-dimensional aspects of global challenges such as hunger, humanitarian crises, violent conflicts, international terrorism and environmental degradation require an effective platform for consensus building among the powerful nations. If directed in the proper manner such an institutional arrangement would not work around or against the UN, but would instead focus on global concerns in a complementary manner and

prepare possible answers which are universally acceptable.

### A new leaders' forum

It is here that the proposed L20 comes into play. Based on the composition of the G20 Finance, its membership would represent two thirds of the world population and around 90 per cent of global income. The G20 Finance could be used as nucleus for a balanced committee of leading Northern and Southern countries at the level of heads of state and government: a Leaders' 20. The old G7/G8 could be dissolved or it could be kept alive as an informal network of a limited country grouping.

In order to formalize the link to the UN system, ensuring focused access to the L20 by the Secretary General and the ECOSOC presidency becomes a priority. To increase the representative nature of the body, one or two poor countries of the LDC category might also be included. All in all, membership could go up as high as 25: the number considered in the ongoing reform of the Security Council.

Other important attributes of an L20 would be a high degree of transparency and accountability, as well as consistent networked links to stakeholders such as parliaments, nongovernmental organizations, the private sector and think tanks. Moreover, this newly created body should not act as a traditional club, with membership strictly confined to state leaders. Rather it needs to be networked in a way that allows access on an issue-specific basis to representatives of the UN system. Organized properly, the L20 can function as a legitimate forum of consensus building where the leading economies of North and South prepare the ground for effective responses to global challenges. Their proposals for collective action would, in turn, be submitted to the UN to be approved by ECOSOC or the General Assembly.

ECOSOC reform and L20 are essential ingredients of a new framework for global governance. ECOSOC is strong on legitimacy but weak on effectiveness. For L20 it is just the other way around, as a variety of states (including some middle states) will still be excluded under any formula of membership. Implemented alone each of the two reform initiatives will face serious tests. But taken as an integrated package they could make a tremendous difference for coming to terms with the credibility and delivery gap presently faced by the global system. And possibly in the long run, the twin arrangement of ECOSOC and L20 could merge into a new Council which might be fully integrated into the UN system.

### C How to make it happen?

The upcoming Millennium+5 summit (September 2005) could be the catalyst for a serious reform drive. It is something like the integrated package of ECOSOC reform and L20 which could open the gate for a much broader North-South consensus. Revitalizing ECOSOC without concurrently constructing a forum of big pow-

ers will not satisfy the growing appetite for institutional change. On the other hand, establishing the L20 without strengthening ECOSOC could instigate suspicion on the part of those countries that are not included. The countries left out could even present serious obstacles to this agenda.

Considering the complex nature of the issue and the complicated negotiations in the UN, we should not expect a definite decision to be reached this fall. The summit should instead set up a commission of the General Assembly, charged with devising a scheduled implementation plan to be decided upon later by all member states. NGOs and the private sector should support this approach by calling for strict rules of transparency, accountability and stakeholder interaction.

#### **D A crucial role for Germany and Canada**

The German government has played an active role in the present reform process of the UN. Together with the Belgian government, it has presented a proposal for ECOSOC reform which aims to strengthen the Council by streamlining debates and providing better leadership through an executive body. Germany not only hosted the first meeting of the G20 but has also recently chaired the 2004 meeting on the occasion of which German Finance Minister Hans Eichel stated: *'On this basis policy co-operation could be broadened.... If the G20 continues to develop along these lines and becomes even more effective, I think we could in theory expect to see a G20 comprising the heads of state and government set up at some time in the future'.*

Under the leadership of Prime Minister Paul Martin, Canada has unquestionably been the most vocal advocate of the L20. And historically, the country has been a staunch supporter of the United Nations. The two countries together could become the driving force in pushing for the necessary changes in global governance. Of course, they need to find allies within the 191 member General Assembly and among the powerful nations in North and South. Inside the UN they could look to countries such as Tanzania, which assumed a strong role in the ILO World Commission, and Finland, which presently promotes the Helsinki process on democracy and globalization. It is also quite realistic to expect, that the European Union and the U.S. as well as the emerging powerhouses of the South could be convinced of the need for global governance innovations that balance effectiveness and legitimacy. It is not too late yet to have a decisive impact on the September summit and beyond.



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