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Press Conference on Global Financial Crisis by Civil Society Organizations

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PRESS CONFERENCE

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At a United Nations Non-governmental Liaison Service-sponsored press conference at Headquarters, in which Jo Marie Griesgraber of New Rules for Global Finance Coalition and John Foster of the North-South Institute also participated, he said that richer people, if they received money for stimulus, would just save it out of fear for the crisis, while the poor, whether living in developing countries or in rich countries, would spend every penny they received.

The press conference was organized to highlight today's "warm-up event" at the Economic and Social Council, consisting of panels on the "Civil Society perspectives on the Financing for Development Agenda", for: the high-level ECOSOC meeting with the International Monetary Fund (IMF), World Bank, World Trade Organization and United Nations Conference on Trade and Development (UNCTAD) on 27 April; and the General Assembly Conference on the World Financial and Economic Crisis and Its Impact on Development from 1 to 3 June.

Mr. Bissio said that the global crisis was having a terrible social impact. As growth was decelerating, had stopped or had even become negative in some countries, developing countries were suffering from a drop in commodity prices, a drop in remittances and scarce credit, while they had to compete with protectionist measures from other countries. While stimulus plans were needed, the developing countries were not in a condition to spend more. The IMF could not assist them in maintaining their social services -- as was suggested by the G-20 recently in London -- because of conditionalities, such as decreasing government spending.

John Foster of the North-South Institute, based in Canada, said civil society organizations had been very active lately, most recently at the Global conference on Financing for Development in Doha, Qatar, in November 2008, in making proposals to address the need to meet the challenge of legitimacy. Groups such as the G-20, the G-8 and others lacked the "fundamental grounding in representation". Those not represented in such groups suffered most from the global crisis.

He said the existing process of financing for development must be strengthened. There should be a more comprehensive representation at United Nations financing for development meetings, not only involving ministers for development, but also including ministers of finance and of health, for instance. Those meetings should also be held more regularly. Non-governmental organizations also supported the recommendation by the United Nations Commission of Experts led by Joseph Stiglitz to establish a Global Economic Coordination Council, provided it was fully representative at a high level, had the power of sanctioning, and was assisted by a global advisory group of leading experts, including from civil society. There was a hope that such a Council would replace the G-20.

Jo Marie Griesgraber, of the New Rules for Global Finance Coalition, pointed to the need for a more inclusive mechanism for financing for development than official development assistance (ODA), which could be seen as a charity. ODA was a volatile source of financing for developing countries, as it mostly came at the bottom of donors' budgets after everything else was paid for. The G-20 was wrong in thinking that the United Nations was the only organization responsible for foreign assistance. The United Nations included the Bretton Woods institutions, the World Trade Organization, UNCTAD, civil society and the private sector.

She said the IMF could not be designated as the economic "security council", as it was now run by the major shareholders. Before the IMF could get new, major responsibilities, changes in the organization must include who was hired, from which country, with which education and experience. She noted that most people at the IMF started after graduation and remained there their whole career. The IMF's policy towards poor countries had been consistent, resulting in recession and contracting economies. Emerging markets, such as Poland and Mexico, could get better deals, while rich countries could ignore the IMF. There was a need for better policies, diverse staff, accountability and transparency. After all, the IMF was a United Nations agency, under a treaty between the United Nations and the IMF.

Answering correspondents' questions about the connection between the Bretton Woods institutions and the United Nations, Ms. Griesgraber said it was a "legal fact" that the IMF and the World Bank had treaties with the United Nations, which, although they established a great deal of independence for the institutions, made them formally and legally United Nations institutions.

Mr. Foster pointed out that the official name for the 1944 Bretton Woods Conference, where the IMF and the World Bank had been established, was "United Nations Monetary and Financial Conference". The aim of the financing for development process was to bring the institutions and the United Nations within the same tent, such as during the yearly high-level ECOSOC meetings in the spring. The World Bank had been enthusiastic about those meetings, the IMF less so, and the World Trade Organization had to be "dragged in, kicking and screaming". Strengthening of the financing for development process depended on Governments. It was, therefore, important that representation not only included ministers for development, but also ministers of finance.

It was not clear yet whether the Obama Administration followed a different approach towards the IMF than the Bush Administration, Ms. Griesgraber answered to another question. She had, however, seen a greater openness on the part of the United States Administration to use the IMF in a different way. There was a commitment to extend the quota system and to change the selection process for the President.

Asked about the proposals for a currency transaction tax, Mr. Foster said that, at the recent Doha conference, non-governmental organizations had campaigned strongly for such a tax. Some Governments, in particular the Government of France, had shown interest in the proposals, but there was a lack of leadership. France, for instance, would support any Government that took the initiative for such a tax. France had also taken the initiative for establishing a "leading group" consisting of some 50 countries, to address innovative financing items.

Answering other questions, Mr. Bissio said that the idea of the United States dollar as the international reserve currency was being challenged more and more, especially as the United States economy did not meet IMF standards. The United States was now borrowing from surplus countries, such as China and oil-exporting countries. Regions were now pulling their reserves together to face the crisis. Without involving the IMF, China had extended a line of credit to Argentina, without conditionalities -- such as Argentina having to buy Chinese products for that money.

Ms. Griesgraber added that, although the United States dollar was weak, other currencies were weaker. The problem with using the IMF's Special Drawing Rights (SDRs) as an alternative for the dollar's role in international financing was that the SDRs could not be spent outside of the institution.

Responding to questions about the "Global Compact" and consumer protection against predatory financial practices, Mr. Bissio said consumer protection required mandatory supervision and mandatory codes of conducts, which should be established by the United Nations. Voluntary codes of conduct did not suffice.

Mr. Foster added that the Global compact had advanced the discussion at the level of research, but had failed in recommending mandatory standards for corporate behaviour.

Responding to another question, Ms. Griesgraber said the IMF credit to Mexico of $47 billion was "a good thing". It was different from other IMF interventions, in that the $47 billion consisted of a "line of credit" in the eventuality that Mexico needed it, without conditions. It showed some more latitude on the part of IMF for some countries. Poor countries, however, still got the "same old, same old" conditions that helped stability, but stunted growth.