

Reforming world governance

Contribution by the Economic and Social Commission to the reflection
adopted by the Brussels Central Council (12 December 2008)

The Economic and Social Commission of ELEC, meeting on 28 October 2008 in Paris, has wished to contribute the following thoughts to the current debate, illustrated *inter alia* by the conclusions of the G20 meeting in November 2008:

noting the world-wide repercussions of the financial crisis which struck first the United States, then Europe and all the other continents;

noting that this crisis will require substantial measures exceeding the individual capabilities of the countries concerned;

observing that after the measures adopted by the US Congress, European States have been able to work together, albeit without recourse to any joint economic authority and despite the reservations of some governments, to decide that financial means would be exceptionally provided in each country to save banks in difficulty, ensure the financing of economic activities and limit the social damage which would be caused by a recession;

- **recognises** that Central Banks and governments have endeavoured to provide the necessary aid;

- but **notes** that no worldwide organisation has the means or the authority required to protect the world economy from such malfunctions;

- **expresses** the wish that, alongside the initiatives expected of the European Commission and without waiting for the establishment of a permanent presidency of the European Council, a joint euro zone organisation be set up to meet the current emergency, and that this group of countries should play an active part in providing advice and proposals to the forthcoming work of the G20 and other multilateral (OECD) or global organisations;

- **welcomes** the start of a "new Bretton Woods" process to which it will make a contribution and suggests that this process include the analysis and proposal of measures, regulations and institutions which would make it easier to prevent such crises and could play a part in improving global economic governance;

- **urges** that attention should be given in particular to the following proposals:

* in the institutional domain:

◇ **the transformation** of the United Nations Economic and Social Council from a consultative body to one composed of representatives of civil society rather than of states. The council should be responsible for recommending lines of action and for coordinating the work of the UN's specialist institutions in this field;

◇ **the consolidation** of the multiple bodies operating in the environmental field (UNEP, the Global Environment Fund etc.) into a world environmental organisation (WEO) and the establishment of links between this WEO and the specialised financial (IMF, World Bank) and commercial (WTO) institutions;

- ◇ **the extension** of the UN Security Council remit to economic matters, and a review of its composition. The continued expansion of the "G8" to other industrialised countries, with representation from every continent;
- ◇ **the possibility of instituting** a world parliamentary assembly that would bring together elected representatives from national parliaments alongside the UN General Assembly which represents the states.

* in the regulatory domain:

- ◇ **the extension** of prudential supervision to the financial sectors not hitherto covered: new financial instruments, hedge funds, rating agencies. In this last case, prevent these bodies from carrying out both ratings and financial operations, and establish a method of remuneration which is independent of the bodies rated;
- ◇ **action** on modes of compensation which are too closely linked to short term results, and too detached from the risks actually taken;
- ◇ **encouragement** for a thorough-going revision of accountancy standards to clear them from any procyclical character;
- ◇ **the limitation** of opportunities for tax evasion and fraudulent financial operations offshore; the submission of operations with uncooperative tax havens to increased supervision;
- ◇ **a re-examination** of the systematic unanimity rule in tax matters within the European Union;
- ◇ **the establishment** of prudential joint regulation and the **gradual introduction** of joint European supervisors in the financial markets, banks and insurance companies;
- ◇ **learning** the lessons of crisis management in order to establish common principles in this area for the future.

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