



The South FACE

An Event Reporting Service of the South Centre

Available online at www.SouthCentre.org > Multimedia > South Face

The Doha FFD Review Conference

“Briefing on the Global Financial Crisis and Possible Multilateral Responses to Systemic Issues: and Beyond”

Joint South Centre, UNCTAD, G-77 Event
31 October 2008, Palais des Nations, Geneva, Switzerland

The current global financial crisis that began in the developed nations has spread to the developing world. Responses to mitigate the effects of current crisis and to restructure the existing global financial infrastructure are imperative on the agenda of the G77 and China at the Doha Review Conference on Financing for Development from 29 November to 2 December 2008. The creation of a new financial order, critical consideration of the existing systems, mainly the IMF, and addressing the financing for development regime were the key focus.

UNCTAD, “Update on the State of Play of the FfD Draft Outcome Document”

- The newest process being created is not transparent or inclusive of developing countries, and the new policies will once again marginalize the developing world. During the drafting session at the UN in New York, the countries of the US, EU, Japan, and Canada were strongly represented, while not one representative of the UN or UNCTAD intervened on the floor.
- The differing perspectives is further visible in the desire of developing countries to have the Doha conference happen at Summit level, while the heads of state of both Japan and the US have stated they will not be attending, and believe the conference is for the participation of financing for development practitioners.
- Another area of concern raised was the upcoming G20 Summit Conference called for in Washington DC on November 15. UNCTAD stated that they did not believe the US saw a large role for the UN in the process, while a UN-centric structure for developing a new financial infrastructure is the desire of the developing world.



Martin Khor, Director, Third World Network: “Issues on the FFD Draft Outcome Document”

- Fears that the desire to conclude the Doha round will result in either an insubstantial result, or one that further restricts the policy space of developing nations.
- The ‘offensive’ objective of the FfD Process is to create: an opportunity for a new financial order that is favorable to developing nations, and greater policy space for developing nations.
- The restrictive policies of the IMF in regards to Iceland, where the stipulations required them to



raise their interest rate, while Western nations were simultaneously cutting their interest rates.

- In addition to the IMF, the policies regarding import liberalization and deregulation of financial and trade flows at a national level need to be reconsidered, given the changes that have occurred since the policies were negotiated.
- Highlighted the importance of understanding how countries with different levels of development, foreign reserves, and trade deficits will be affected differently by the crisis
- Stressed the importance of not allowing climate change to fall off the agenda. He stated that developing countries need to provide the financing to make the necessary adaptations to take the goal of reducing emissions by 65% by the year 2050 seriously.

Detlef Kotte, UNCTAD: “Briefing on Adequacy of Responses from the Breton Woods Institutions Fall Meetings to the Financial Crisis”



- There has not been much response from the IMF regarding the current crisis, but they have responded by endorsing the G7 rescue plan announced by the IMFC, stating that it had the support of all members, including the developing nations.
- The IMFC report acknowledged the need for greater policy coordination, and underlined the importance of strength and surveillance of the IMF member countries to establish early warning systems, including regarding those which have advanced economies and developed financial markets.
- The IMFC stated that there is a need to return to the core mandate of surveillance and monitoring of exchange rates, not to continue in its current capacity of loaning money to needy countries with forced conditionalities.
- A better response by the IMF/IMFC would be the creation of a new, short-term liquidity facility to help emerging market countries address a fallout from the emerging crisis.
- Short-term mandates that include the licensing of financial products are also needed. Finally, exchange rates should be an international policy issue subject to multilateral rules and regulations, and the IMF needs to address the impact of speculation on commodity prices, which they have failed to do thus far.

Dr. Yash Tandon, Executive Director, South Centre, Geneva, Switzerland: “Alternative Approaches to the Global Economic and Financial System”



- Believes that the historically applied theory of neoclassical liberal economic theory does not offer an adequate explanation of the current food, health, and energy crises, but is instead a diversionary strategy. The real reasons include:
 - Financialization of the market (specifically in food speculation) and
 - Control of food production and distribution by a chain of large MNC's,
- Food and fuel crises are not accidental phenomenon, but symptoms of an exploding of the system which has been

- set up
- Solution: Set up regional banking and credit systems, create regional currencies. The role of the IMF would be as a coordinating mechanism at the global level

Irfan ul Haque, South Centre, Geneva Switzerland: “Rethinking the Global Economic Architecture: Deriving a Mandate from the Doha FFD”

- Challenges at Doha:
 - To reform of the governance itself; A fundamental change, because functional problems and moral hazards among employees exist. The problem is bigger than simply securing a larger voice for developing countries.
 - Founding principles need to be addressed: Surveillance and fixed exchange rates were the founding mandates of the IMF, and it should return to such a role
 - Cannot have both flexible exchange rates and free movement of capital: one of these makes the market economically efficient, while both create ‘noise’ and inevitably leads to speculation
 - Regional currencies make sense in light of flexible exchange rates – this is precisely what led to the creation of the Euro
- Challenges Beyond Doha:
 - Minimize the collateral damage of the current crisis by accounting for how each developing country will be affected differently. Ex: Pakistan – if current IMF policies are implemented, things will get much worse
- The assertion of a Southern viewpoint is lacking, even in those institutions mainly composed of countries from the South. There is a need for greater coverage and more support for the governments of the South – institutions such as South Centre could help in disseminating more information faster, allowing quicker mobilization. Need more funding for these types of organizations.



Key Inputs from Delegation Discussions:

Indonesia:



- Need to create a quick and targeted solution for addressing the impact of crisis on developing countries; want to create a proposal based on the discussions during this meeting

Mauritius:

- Do not have a bias on either side of intervention for market stability, but believe that the forces of markets provide an equilibrium in the system regulated by demand and supply.
- How to divert the speculative mood?



Egypt:

- Believe that enhancement of the regional level may allow this to happen better: a greater understanding of the needs of the region can be taken into account
 - Need to redistribute power within the system and find a good architecture
 - Other important policies: look at how to stimulate the economies of developing countries in the coming period
 - Role of the state and the investment in social services and infrastructure?
 - Leadership of governments is very important in the coming period



Iran:

- Existing crisis has shown that the existing infrastructure is not sufficient. This is the fault of the United States, and the culture of the US
- Only option is to create a new international framework with special competence on controlling financial networks. Must be rule based, transparent. Governing structure of new structure must be based on UN members states' mandates
- Would like UNCTAD to study the creation of a new institution to be created for a new financial order



The South Face is a service provided by South Centre (An Inter-Governmental Organization and Think-Tank of South) to provide space to voices and opinions of the South on global issues.

This South FACE is produced by Ms. Amy Schweikert, South Centre, Geneva, while attending “Briefing on the Global Financial Crisis and Possible Multilateral Responses to Systemic Issues: The Doha FFD Review Conference and Beyond” held at the Palais des Nations in Geneva, Switzerland

For more information on this Service and how you can use it to cover events organized by your organization, please contact: Vikas Nath, Head - Media and Communications, South Centre - Geneva

nath@southcentre.org Tel: +41 22 791 8050