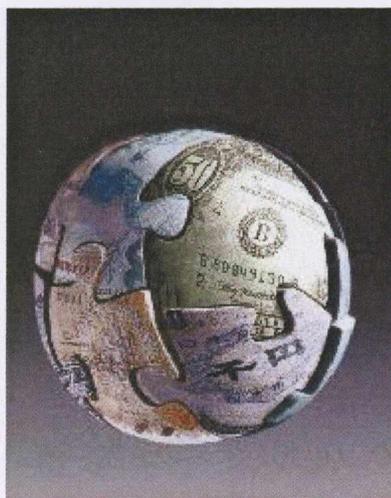


The case for a UN Economic and Social Council: a question of legitimacy

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Globalization and the rapid development of new technologies have opened the door to tremendous opportunities for growth. The economic performance of China and many other East Asian countries, joined in the last decade by India, has meant that never before have so many human beings been able to escape poverty in a given time period. Nonetheless, multiple crises, a deep sense of insecurity and large pockets of extreme poverty remain defining characteristics of early 21st century globalization, threatening our confidence in the future and undermining our ability to harness knowledge and technology to create the security and prosperity which should be within reach.

In the political/security domain, the debate about Iraq has shown how little agreement there is on what constitutes legitimate international action or what can be defined as an imminent or future threat. The crisis in Iraq and the Middle East is clearly nowhere near being resolved. The failure in Iraq should be a powerful signal underlining the need for more effective multilateralism and the need for any military action to be perceived as *legitimate* if it is to be effective. In our age, no amount of military hardware can replace legitimacy.

In the economic domain, despite an unprecedented potential for greater prosperity, a great deal of discontent is predominant throughout the world. Africa, the Middle East and Latin America have (with the exception of a few countries) stagnated over the last two decades. Many European countries still suffer high unemployment rates and in the United States, labour-saving technical progress and global outsourcing have slowed the job creation that had been expected to accompany rapid GDP growth.

The 'international system', as it operates today, is not well prepared to tackle efficiently the global challenges we face. It is a huge paradox that so much knowledge and so much growth come with heightened insecurity and so much conflict. However, the solution for many of the problems in the security as well as the economic domain does not lie in a rejection of globalization or a retreat into new forms of autarchy. It depends on our capacity and willingness to invent and build a new institutional setting that will govern the process of increasing interdependence and integration among countries, regions and people of the world. We must work towards a set of practical proposals that will improve democratic governance and provide us with security and justice. We should try to extend the synthesis between social solidarity and the working of a market economy, which has emerged during the 20th century at the national level, into the global sphere.

There have been various proposals, for example by the Belgian Prime Minister Guy Verhofstadt, to replace the Group of Eight (G8) by the Group of Twenty (G20), including regional unions, such as the

European Union (EU), the Association of Southeast Asian Nations (ASEAN) and others, and to make it the central part of global economic governance. This is certainly a step towards greater legitimacy and a more balanced representation, but would it not be 'better' to make this progress within the framework of a renewed United Nations?

Other proposals suggest giving networks, clubs, non-governmental organisations (NGOs) and civil society a more central role. I agree that this constitutes beyond doubt a very important dimension of the 'problem-solving process' at the global level and should therefore be complementary to the work of international institutions. However, networks can mobilise opinion, conduct research, collect data and encourage reform, but they cannot, by themselves, ensure coordination or the implementation of decisions; nor can they satisfactorily answer the question of legitimacy.

What is needed instead is to renew and reinforce *multilateralism* in a system of *multi-level governance*, based on subsidiarity and reaching from the communal, local and regional to the national, supra-national (with the EU as the most advanced example), but *also* global level. The global level should not and cannot replace the others but neither can today's world function without it. Rethinking global governance and reforming the United Nations should be on the top of the political agenda.

A renewed United Nations with two Global Governance Councils at the top

The overall design for a renewed 'international system' ought to be based on *two global governance Councils* at the top of the UN system, each attempting to reflect both the requirements of legitimacy and the need for efficacy and realism:

> On the one hand, a renewed UN Security Council (UNSC), responsible for political and security affairs, and

> On the other hand, a newly created Economic and Social Council (UNESC), with broad oversight and top-level governance functions (but not management) for economic and social affairs, including trade.

The question of legitimacy is at the heart of the 'international system'. Legitimacy nowadays requires a certain degree of 'global democracy' that can gradually increase over time. At the same time, realistic global governance cannot ignore existing power relations in both the economic and military sense. A blueprint which ignores the resources controlled by various actors and their relative weights in the world would lead nowhere. The reform agenda must try to balance three divergent requirements:

> Global democracy, which in some fundamental sense must give equal weight to each human being;

> Recognition of the endurance of nation states which do have 'equal' legal status as sovereigns and remain fundamental 'units' of the international system; and

> Taking into account the divergent economic and military 'capabilities' of nation states.

It is important to stress that a United Nations adapted to the needs and realities of the 21st century should be the overall institutional setting for both the political and the economic sphere. The current arrangements still reflecting the post Second World War settlement need to be replaced by new ones, based on representation of *constituencies*, *weighted votes* and *universal participation*, and the policies of the institutions must adjust to the needs of today's world.

In the following, I will explain how greater legitimacy could be obtained in the economic domain without disrupting what actually does work reasonably well, while strongly improving the mechanism through which nation states interact with, and determine the governance of, the key international economic institutions. I would like to stress, however, that reform in the political/security domain is even more important than reform in the economic domain which is the limited focus of this article. Without a new, better and more legitimate Security Council any progress made in the economic and social sphere risks being undermined and overwhelmed by the costs of political and military conflicts.

Tackling the 'Legitimacy Deficit' of the International Economic Institutions

The World Bank (WB) and the International Monetary Fund (IMF) – the two major Bretton Woods Institutions (BWIs) - have never been able to overcome fundamental doubts about the legitimacy of their role and the 'impartiality' of their advice. The WTO, also, suffers from suspicions and the perception that it is dominated by the rich and powerful, although in fact small countries have more de facto power there than anywhere else in the international system because most decisions have to be taken by consensus. In the borrowing developing countries, the public perceives the BWIs as organisations belonging to and furthering the interests of the rich countries. They are perceived as 'external' forces, despite the fact that the borrowing countries as a group actually 'own' more than 38 per cent of these institutions. Europeans view the BWIs as 'American' institutions, although the EU of 25 countries has twice the voting strength of the US on the boards. Finally, in the United States, the public is not very sympathetic either, perceiving the institution as using American money to subsidise the world.

A fundamental set of reasons explaining why the BWIs have such a serious problem with legitimacy relates to their governance, including the not very transparent process of appointing the President of the WB and the Managing Director of the IMF; the location of the BWIs in Washington, close to the White House and the US Treasury; English as the only working language; the dominant influence of the world of high finance and of treasuries and central banks on the workings of these institutions and, most importantly, the fact that the G-7 have organised themselves to be the real governing 'directoire' of the economic and financial sphere of the international system.

The nature of the governance of the BWIs, the WTO and other international institutions is important, both because of its impact on how policies are perceived, as well as the actual nature of these policies. Perception is important in itself, because if policy prescriptions are perceived as being driven by illegitimate 'foreign' interests, it is impossible to build a sense of domestic *ownership* to support these policies. Without sufficient ownership, there is always the danger of policy reversal, and reforms that are otherwise quite justified will suffer from being viewed as imposed from abroad.

Furthermore, suspicions, true or false, about governance can infect the necessary debate about economic policies and reforms. For example, instead of arguing about the nature of economic and social policies, people argue about the possible motives of World Bank and IMF management and staff, as well as about various foreign plots behind the policy advice given.

In order to overcome this fundamental problem with all its repercussions, the governance of the individual institutions should be part of the overall framework of a reformed and renewed United Nations. Without destroying the positive features of the existing system that has served them well, it is necessary, however, to bring the BWIs and others under the broad legitimising umbrella of the UN.

The best way to achieve this would be through the creation of a new *United Nations Economic and Social Council*. This proposal, already made by personalities such as Jacques Delors and Joseph Stiglitz, has long had strong support within progressive circles (i.e. the 'UN Commission on Global Governance' and the 'Socialist International Committee on the Economy, Social Cohesion and the Environment'). As Poul Nyrup Rasmussen states in his report 'Europe and a New Global Order', "such a Council would ensure coherence between the various specialist agencies and organisations. [...] It would be the arbiter of conflicts and would be able to provide for coherent action that we do not now have". The time has come to think through this idea and to make it more precise.

A Balanced Representation within the UN Economic and Social Council

We can no longer ignore the increasing importance of countries such as China and India for the global economy. Nor can we neglect the majority of humanity that lives in developing countries. We must take into account their weight and this has to be reflected in the architecture of global governance. The UNESC would ideally function with a system of weighted votes and constituencies. The voting strength would be determined by three main criteria: a country's share in world population, GDP, and contributions to the UN global goods budget. The voting powers that result from such a scheme must have two essential characteristics: they must appear reasonable and appeal to the demand for legitimacy present in world public opinion, and, they must be acceptable to the nation-states that would have to agree to the reform.

With regard to the participation in the UNESC, it is clear that participation of all states in General Assembly style meetings would be impractical. Smaller meetings as currently exercised in the UN Security Council allow discussion and creative debate. Therefore, the practice of having the most important members as permanent members and having others as rotating members has advantages and could be combined with a weighted voting system.

In this respect, my proposition is as follows: The US, the EU, Russia, China, India and Japan would be permanent members, each having one seat in the Council. They would have different voting weights, however, determined by a formula described above. Other countries would form part of constituencies, as is already the case on the Board of the BWIs. There could be the following constituencies: Other Europe, Other Asia, Africa, the Arab League, and Latin America/Caribbean/Canada. Each one of these constituencies could have from one elected seat up to three elected seats, depending on the total weight and the number of countries the constituency represents, which would rotate every two years. Each member of the UNESC so elected would 'own' a share of the weighted regional vote determined by the votes received during the bi-annual elections in that constituency.

The proposed Council would have a mixture of permanent members and non-permanent members – although no sharp distinction between them – representing multi-country constituencies. If one applies the proposal outlined above it would give one seat to Other Europe, two seats to Other Asia, two seats to Latin America/ Caribbean/Canada, two seats to Africa, and one seat to the Arab League. Adding these eight seats to six permanent seats would lead to a UNESC of 14 members. This is a number that would allow productive meetings with real discussions.

A UNESC as Strategic Framework for Global Economic Governance

The UNESC would operate at two levels. It would normally meet at the level of heads of government once a year during the annual meetings of the UN in New York in September. In addition, every second year, at the General Assembly meeting, the world community would elect a new UNESC for a two-year period. This UNESC would thus consist of 14 full-time 'permanent representatives' who would meet regularly. They would have to satisfy certain criteria in terms of experience with designing and implementing economic and social policies at the national, regional or global level. These criteria should be explicit and binding and the world of finance should not dominate the UNESC. The permanent representatives would normally not be career diplomats, but senior personalities with distinguished careers in the economic and social sphere. The UNESC would *not* replace the existing governing boards of the individual institutions.

The UNESC would be the governance umbrella for *all* specialised economic and social agencies currently in the UN system, such as the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the International Labour Organization (ILO), and so on as well as the BWIs and the WTO. It is important to underline, however, that the UNESC would not interfere in the workings of the institutions themselves. It would not go beyond providing strategic guidance, promoting communication and public discussion, and evaluating performance. It would not have any executive function at all. The independent management and the technical professionalism of the BWIs and of the other agencies have to be preserved.

The mission of the UNESC would be to provide an overall framework of coherence and efficiency to international institutions and cooperation in the economic and social sphere. It would elaborate guidelines to avoid duplication, work on long-term reform and cooperation strategies, evaluate the effectiveness of all institutions and their programmes, conduct some comparative research focused on effectiveness, and be accessible to civil society networks and their criticisms and proposals for change in policies and practices of the various institutions.

Finally, and this is crucial, all heads of institutions would be appointed with the help of transparent search procedures and criteria which would include professional qualification and experience, a track record of leadership and good management, and overall gender, race and geographical balance in the top management of international institutions. The *de facto* requirement that the head of a particular institution should come from a particular country would no longer apply.

Towards a stronger and more efficient multilateralism

Reforming governance must, of course, go hand in hand with reforming important parts of the strategies and policies supported and pursued by the international institutions. A great deal of effort has gone into improving the policy advice and the quality of the conditionality in BWI supported programmes but some of the most difficult issues remain unresolved. At the root of the problem one often finds a schizophrenic attitude towards conditionality. One cannot be against all kinds of conditionality and, in particular, argue against specific requests relating to economic policies while, at the same time, arguing that the BWIs should impose tough social-political conditions on the borrowing countries. This problem is clearly linked to the problem of legitimacy. If governance of BWIs were considered and perceived more legitimate, conditionality would become more acceptable. That is why the reform of policies must be linked to the reform of governance and vice-versa.

The proposal outlined here could effectively strengthen the global level in a system of *multi-level governance*. It would create a UNESC which acts as a strategic board for the entire international system in the economic and social sphere, a UNESC which has the very important function of appointing heads of agencies and which reviews independently of any one agency. It would reflect the hopes, aspirations and concerns of humanity, promoting cooperation and evaluating effectiveness. It would do so trying to represent the world as a whole rather than being perceived as reflecting the interests of one particular group or set of interests. It would be a source of strengthened legitimacy for all institutions, particularly the BWIs, and thus give multilateralism the necessary fortification, desperately needed in order to tackle efficiently the global challenges we face.

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