



**The United Nations High Level Conference on the  
World Financial and Economic Crisis and its Impact  
on Development – An Assessment from the South**

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Report for the Heinrich Böll Foundation North America  
July 2009

## **The UN High Level Conference on the World Financial and Economic Crisis and its Impact on Development – an Assessment by Jubilee South**

**New York, June 22 – 27, 2009**

This UN Conference was highly polemical from its very origins, understood as part of an effort to galvanize a global response to what is clearly a global crisis and to revitalize the role of the United Nations with regard to the governance of the world's major economic and financial processes and systems, given their globalized nature and impact on all of the most critical issues facing humanity and the planet. It was proposed initially in the context of the diplomatic search for effective follow-up mechanisms to the decisions reflected in the Monterrey Consensus on Financing for Development, and adopted in principle in the Doha Declaration (December 2008) against the backdrop of the rapidly unfolding financial and economic crisis. But the Conference's modalities and final stages of preparation were determined only after the G7 had first organized their own processes to set parameters for how the entire world should respond.

The overriding issue of the Conference was thus not so much what should be done but who should do it: whether the whole body of world governments – the newly-dubbed “G192” – will have some say in the decisions taken on global governance reform, particularly as it applies to the financial and economic spheres, or whether the majority of the world's countries - to say nothing of “we the peoples”-, will continue to be effectively sidelined as has been the case at least since the late seventies/early eighties when the neoliberal, conservative restoration then sweeping the world by and large silenced the voices of the emerging post-independence, anti-colonial and anti-imperial forces, within the UN system and in other global institutions.

*Jubilee South's* participation in the Conference sought to provide continuity, in a general sense, to the action it has been spearheading over the past decade to strengthen the voice and unity of popular organizations and movements from throughout the South in the global struggle to free ourselves from debt domination and build just and sustainable economic systems. More in particular, we sought to advance support for specific outcomes that we have been advocating both within and around these UN-based discussions over recent months. In this regard we could mention, engagement as *Jubilee South* and together with other networks and movements participating in the *International South-North Campaign on Illegitimate Debt*, in the FFD Follow-up process towards Doha, the Doha Conference itself, and the efforts of popular movements and organizations globally from October 2008 onwards to shape and deliver the message that it is neither the G7 nor the G20 but “we the peoples” who must be in the driving seat of new decision-making processes and institutions that recognize the interrelatedness of the financial and economic, food, energy, social, and climate crises, and can act to put the fulfillment of human and environmental rights, respect for the sovereignty and the self-determination of peoples, and the restoration of socio-economic equality and environmental equilibrium, at the heart of new financial and economic systems.

## Principal concerns and Conference Outcomes

*Jubilee South* brought together various networks and movements working on the problem of South country debt, many of which collaborate regularly in the *South-North International Campaign on Illegitimate Debt*, in order to articulate a common set of considerations and demands to governments in preparation for the Conference. Among the many concerns, priority was given to the role of the United Nations itself, the threat of a massive accumulation of new illegitimate debt in the form of “crisis” lending, the urgency of debt cancellation, repudiation and/or non-payment as well as the creation and strengthening of appropriate mechanisms for ensuring needed financial resources and resolving debt-related conflicts, and the importance of comprehensive and transformative responses to what must be understood as a systemic crisis. Rejection of G7/G20 decisions to strengthen the role and resources of the IMF, World Bank and other MDBs and the urgency of building new institutions were also of paramount importance.

These priorities built on concerns and proposals expressed earlier, in the context of the Financing for Development (FFD) process and formal inputs to the UN-GA Presidential Commission of Experts on Responses to the Financial and Economic Crisis (Stiglitz Commission), as well as the *South-North Platform on Sovereign, Democratic, and Responsible Financing*, numerous joint statements in response to the present crises and the G7-G20 action, and growing concern with regard to the severity of crisis impacts and the imminence of a renewed debt crisis for many South countries.

### Conference Outcomes

Many of the policies we called for as civil society organizations from all regions were in some way reflected in the initial *Draft Outcome Document* presented by the GA President in early May. By the time the Conference itself began, however, we had already witnessed how it had been boycotted and most of these proposals blocked or replaced with more “business as usual” considerations and few concrete agreements to act. The relative absence of high-level official representation – with the noteworthy exception of the ALBA grouping – was testimony to the priority that far too many countries, North and South, were giving to other fora and strategies. We thus received with as much surprise and disappointment as many others, the decision of negotiators to accept without further discussion, the final draft outcome document presented on the eve of the Conference opening.

It is no doubt positive that the Conference took place and that it was able to produce by consensus an Outcome Document (OD) which, furthermore, introduces some notable advances at the diagnostic level. It helped to increase attention to the crisis’ impact on the countries and peoples of the periphery, as well as to deepen discussion around some initiatives that could make a relatively greater contribution to mitigating those impacts and preventing their recurrence. Key aspects of the neoliberal agenda undergirding both the Monterrey Consensus and the FFD Doha Follow-up document from as recently as December, 2008, are called into question, beginning with the blind faith in economic growth and the neutrality of the market. Conference conclusions do not, however, offer anything concrete or new for the people and the environment already or soon to be affected by the crisis. Nor do they offer any inkling of hope that the responsibilities of major actors

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and institutions in the generation of the crisis will be sanctioned or compensation provided for their victims.

The Conference was able to establish a “beachhead” from which the G77 and China primarily, notwithstanding all their diversity, can seek to strengthen their positions and proposals. But not only were the G77 and China too weak to wrest momentum, much less control, from the G7/G20, in many key areas the OD simply reaffirms the decisions already taken by that grouping in defense of the very same interests, institutions and policies responsible for the crisis.

The OD clearly recognizes that the “evolving crisis...began within the world’s major financial centers...(and) highlighted longstanding systemic fragilities and imbalances... (para.1)”, and that it is interrelated with other global challenges, including “increased food insecurity, volatile energy and commodity prices and climate changes...(para. 7)”.

It nonetheless stops far short of anything approaching a systemic critique of the crisis, choosing carefully to focus instead on the “inconsistence and insufficient coordination” of macroeconomic policies, the “inadequacy” of structural reforms, “failures” in financial regulation, and “irresponsible” behavior as among the underlying causes (para. 9), thus limiting potential responses to those that might “fix” such shortcomings. Conference conclusions do recognize however, that “insufficient emphasis on equitable human development has contributed to significant inequalities among countries and peoples... (para. 9),” affirming further that this is one of the causes of the present crisis and a situation that must be overcome.

At a more operational level, the OD affirms that “an equitable global recovery requires the full participation of all countries (para. 4)” and a “coordinated and comprehensive response (para. 10)”. It reaffirms a role for the UN as enshrined in the UN Charter. In principle, it also recognizes the differential responsibilities and capabilities of member states not only with regard to the causes and impacts of the crisis but also in the implementation of responses. But once it reaches concrete lines of action and specific measures to be undertaken, the responses become more and more diffuse, closer and closer to the rhetoric and decisions already announced by the G20 – focusing primarily on strengthening the status quo policies and institutions, the IMF chief amongst them -, and further and further from the expectations and the urgent need to transform the very essence of the capitalist economy and the institutions and regulations which support it.

More often than not, the global nature of problems is recognized, while nation-states are left to their own discretion – and hence capacities – to address them. The Conference conclusions leave a door open to continued engagement on the part of the UN, by mandating the establishment of an open-ended working group to report back in 15 months time, but there is still no real blueprint even for further discussion of the comprehensive changes they declare to be necessary. Tellingly, human rights are not mentioned a single time in the 15 page text and much less, the universal rights of nature.

## Specific treatment of South country indebtedness

The imminence of a renewed debt crisis in South countries was highlighted in numerous Conference interventions, both in plenaries, Round-tables and other side events, but references in the final Outcome Document are extremely weak in comparison to the data and projections so widely available. When summarizing the initial “impacts” of the crisis (para. 8), for instance, no reference is made to the direct impact on debt levels. Debt *cancellation* is never mentioned despite its potential for producing immediate positive effects on both the fiscal and the policy space needed by South countries for adopting counter-cyclical measures or dealing with balance of payments difficulties which, taking either UNCTAD or World Bank projections, includes a projected US\$ 1 to 2 trillion short-fall for developing countries this year alone. Rather, the dominant tone of the OD is to affirm simply that *existing* commitments regarding debt relief should be honored (para. 34) and “full use (made) of the *existing* flexibility within the Debt Sustainability Framework” (Para. 33).

With regard to the availability of additional resources, the OD establishes no new commitments. It clearly leaves the G7/G20 in the driver’s seat (Para. 16), welcoming their decision to fortify the role and coffers of the discredited IMF, WB and other multilateral banks and omitting any immodest references to the scandalous relationship between the pittances offered for the support of those who are being forced to continue to pay the cost of others’ crimes, and the fortunes being given away in immediate and unconditional bail-outs of those most responsible for the crisis itself (The OD does acknowledge that G7/G20 commitments do not necessarily imply implementation.). Governance reform at the IFIs is strongly recommended to those same IFIs, but it is not a prerequisite for them to be recapitalized and given star billing in the face of the crisis. The OD further affirms that those governments responsible are clearly unwilling to put an end to the inherent conditionalities of IFI policies and lending, calling instead for their “stream-lining” and “modernization” (Para. 17): tired euphemisms for what in practice is cranking up to be a voracious new wave of highly illegitimate adjustment lending.

The Conference does express concern that developing countries should not be unduly financially burdened by the crisis and its impacts (para. 14), and it reiterates the recommendation made in Doha-FFD that “donors” and multilateral financial institutions should increasingly consider providing grants and concessional loans as the preferred modalities of their financial support (para. 34). But no relationship is established between the responsibility of those same “donors” and multilateral financial institutions in the generation of the crisis, and the protection from or mitigation of its impacts. Several South governments and civil society organizations made reference to the importance of compensation to developing countries for the impacts of a crisis which they had no responsibility in provoking, but the OD fails to reference the need for sanctions, restitution, and reparations, concepts which nonetheless have been introduced recently into other intergovernmental proceedings such as the climate change negotiations.

In a similar vein, this UN Conference once again fails to address the situation of illegitimate debt, limiting itself to concern over debt sustainability without even introducing in that regard either clear reference to internationally accepted core human and environmental rights standards or much less assuming responsibility for the fact that any rise in South country

indebtedness, in response to the situation of crisis provoked by the policies and actions of others, is both unacceptable and illegitimate.

## Debt standstills and work-out mechanisms

It is significant that the final Conference Outcome Document affirms the right of developing countries to “impose temporary capital restrictions and seek to negotiate agreements on temporary debt standstills (Para. 15).” This recognition is carefully constructed so as to diffuse any recourse to unilateral action on debt – and in that regard, quite a distance from the language introduced in the initial UN-GA President’s draft Outcome document which stated that “consideration could be given to debt moratoriums and, where appropriate, partial debt cancellation within the framework of a permanent international debt regime” (Such caution was not enough, however, to prevent the U.S. from making formal note of its disagreement.). It is, nonetheless, an important incorporation post-Doha FFD, reflecting the severity of the debt crisis that many are now foreseeing as well as a recognition of the **rights** that countries already have in this regard.

The possibility of debt-standstills is complemented in the Conference OD with a renewed appeal to States to implement past commitments regarding debt relief – another indirect recognition of the distance that generally separates rhetoric and even agreements from reality – and a modestly-enhanced repetition of the Doha-FFD pledge “to consider ways to explore enhanced approaches to the restructuring of sovereign (sic) debt... (Para. 34)” (The Crisis Conference OD text reads “we will also explore enhanced approaches...”, and perhaps even more significantly, it drops the specific reference to “an important role for the Bretton Woods institutions” in this regard.). It should also be noted that the OD commits States to exploring “the need and feasibility of a more structured framework for international cooperation” in the area of debt\* restructuring.

These two commitments open more forcefully than in the recent Doha-FFD conference, the possibility for advancing key elements of what Jubilee South, and most of the international debt movement, consider a minimum platform for addressing South country indebtedness particularly in the present context. Combined with the recognition that responses to the crisis should not be in the form of new lending, future discussion on the criteria and elements of such a “more structured framework” should advance recognition of the need for South countries and peoples to be respected and strengthened in their capacity to retain and use the resources and wealth they now have and produce, for the sovereign promotion and protection of their basic rights and those of the environment. Debt cancellation, non-payment, and repudiation are essential steps in this direction, recognizing the responsibility of governments everywhere to give primacy to fulfilling their human and environmental rights obligations over any commercial or financial agreements. Respect for the right of countries also to take unilateral action must also be guaranteed in this regard. Together with the importance of undertaking comprehensive and participatory Debt Audits as a means to enable governments

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\* *Note should be taken of the use of the term “sovereign debt” in both the Crisis Conference OD and the Doha-FFD Document. We reject the use of such terminology, introduced in recent years and conducive to the notion that the “debt” is sovereign (capital rights over human/environmental rights) as opposed to the nation-state whose credit is committed when it takes on a “public” debt.*

together with the social movements and organizations of their countries, to establish clearly who owes who and to initiate appropriate actions to secure justice and compensation for illegitimate debt that has been repaid unjustly and its consequences in the accumulation of social, economic, and ecological debt.

## Linkages between debt, trade, investment and other issues, and support for the development of alternatives.

In our presentations to the Conference and throughout the preparatory process, Jubilee South stressed together with many other civil society networks and movements that other problems that cause the huge flow of resources OUT of South countries must also be addressed in order to strengthen the capacity of South countries to respond to the current crises, ensure compliance with universally accepted human and environmental rights and standards, and support the development of alternative financial and economic systems. These include tax havens and holidays for multinational corporations, unregulated profit remittances and capital flows, unregulated commodities trading, the mercantilization and denationalization of basic human rights and services such as land, territorial rights, water, and electricity, and unfair trade agreements and investment protection treaties that now impede countries and peoples from exercising their sovereignty over their resources. We specifically called for the ongoing negotiation of new free-trade agreements to be stopped, for existing agreements to be reviewed and reverted, and for countries to withdraw from cuasi-jurisdictional fora such as the World Bank Group's International Center for the Settlement of Investment Disputes (ICSID).

The Conference Outcome Document contains scant reference to such concerns; by and large, the Conference reiterates a faith in the fundamental goodness of free trade and investment, despite the contrary evidence stemming from the impacts of the present crisis themselves. Indeed, in direct opposition to our calls, the OD appeals to States to conclude the Doha WTO-round (Para. 26), and while recognizing that the development of the international trade and investment regime poses obstacles to the necessary exercise of developing country policy space, merely remits the predicament to individual nation-states with the exhortation that "it is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space".

Similarly, the Crisis Conference Outcome Document makes scant reference to the possibility of creating new international financial and economic paradigms and institutions. It makes no allusion to the challenges of undoing the legal changes that capital has forged over recent decades, seeking to enshrine the notion of capital's "sovereignty" and institute its own "sovereign" jurisdiction (cf. ICSID). Rather than welcome the various regional attempts to establish new institutions and architecture – including potentially such initiatives as still to be created South Bank, the SUCRE, etc. - the Conference places an unwarranted hope in the reform of existing paradigms and structures. It makes reference to the "opportunity" of the crisis for potentializing a "new green economy", but it is clear from the start that there is a huge gap between the ideas and proposals already present in global civil society discourse and action, and the diplomatic salons of New York.

## Follow-up

Jubilee South will continue to press for a more proactive and democratized UN to assume a systemically significant role in relation to the global financial and economic crisis. Responses must be timely, comprehensive, and transformative, reflective of the crisis' interconnectedness with the similarly urgent food, fuel, debt, climate, and social crises and focused on ensuring full compliance with fundamental human, collective, and environmental rights and obligations. In light of Conference conclusions, the following should be highlighted as priority areas for continuing action:

- Recognition of the serious human and environmental rights impacts of the crisis and the imminent threat of a renewed South country debt crisis, together with the right of South countries to stop payment on debt claims that are illegitimate or whose continued service places at jeopardy the lives and wellbeing of the population and the environment.
- Developing principles and guidelines for the strengthening and creation of mechanisms for the resolution of debt-related conflicts that acknowledge the existing rights of peoples and countries and fortify their capacity to take necessary action, including unilateral action as needed, the role of comprehensive and participatory debt audits as a strategy for clarifying claims and mobilizing the social and political power necessary for their resolution, and the challenging and reverting of the and revert the juridical standing that capital has acquired over recent decades, in contraposition to the sovereignty of peoples and the state.
- Establishment of the illegitimacy of increased lending in response to the severity of the present crisis together with the advancement of claims for compensation, restitution, and reparations as both an innovative financing source and a fundamental pillar in the transformation of the present globalized capitalist system and institutions, interconnected with ongoing climate change negotiations.
- Developing new economic paradigms, institutions and financing sources, consistent with the rights of peoples and nature and inclusive of further elaboration of both claims to compensation, restitution and reparations, as well as new regionally-based initiatives such as the South Bank, the SUCRE, ALBA, South-South cooperation in general and debt/investment dispute settlement mechanisms.

The UN Conference and follow-up action in UN fora are important steps. But other scenarios, such as this year's *Global Week of Action against Debt and the IFIs, October 12 – 18th*, coming mobilizations against the G20 policies and processes, and direct engagement with national governments must be strengthened as well in order to advance these concerns and demands and seek to ensure that it is not people and the planet who continue to pay the costs of this crisis, as well as the next...