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An Economic and Social Security Council at the United Nations

Frances Stewart and Sam Daws[1]

The founders of the UN created no effective institutions for world economic and social governance, nor for protecting the poor at a world level. They are needed because: neither markets nor national governments fully take into account what happens beyond their borders - for example pollution of the ozone layer, or the effect of interest rate policy in one country on capital flows elsewhere; some activities cannot be controlled nationally: for example international movements of labour and capital, which governments may wish to regulate or tax; there are worldwide agreements that extreme poverty should be ended, and yet many governments lack the resources, or power, or will to act.

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EXECUTIVE SUMMARY

The founders of the UN created no effective institutions for world *economic and social* governance, nor for protecting the poor at a world level. They are needed because:

? neither markets nor national governments fully take into account what happens beyond their borders - for example pollution of the ozone layer, or the effect of interest rate policy in one country on capital flows elsewhere.

? some activities cannot be controlled nationally: for example international movements of labour and capital, which governments may wish to regulate or tax.

? there are worldwide agreements that extreme poverty should be ended, and yet many governments lack the resources, or power, or will to act.

Globalisation

There has been a huge change in the nature of economic activity over the past few decades. Markets have become global in response to technological change and to deregulation:

Trade has grown rapidly but unevenly - with falls in exports concentrated amongst poor countries; commodity prices, which halved between 1980 and 1998, need to be tackled.

Financial flows have vastly increased, and can create sudden havoc with domestic economies. They need regulation.

Transnational corporations (TNCs) dominate trade and technology flows. They are far larger than the national economies of many countries, and often inadequately taxed. They can only be effectively regulated and taxed at an international level.

Globalisation has contributed to economic growth, but inequalities have increased and the numbers in poverty have risen.

Institutions

There are evidently a number of important economic, social and environmental issues for which global action is needed. Yet despite their large number, the present set of international institutions do not fulfil the functions needed at a world level. The most powerful financial institutions (the IMF and the World Bank) basically operate on a country-by-country basis and not globally. Moreover, the industrialised countries alone determine the agenda of the IFIs. The remit of the WTO is confined to conditions of international trade, implementing rules agreed internationally. Various organs of the UN, notably the General Assembly and ECOSOC, have global social and economic functions but, in practice, do not use them effectively. This is partly due to their large size, and partly to their ?democratic? structure, which means that the economically powerful countries can be overruled by developing countries in these arenas which limits the responsibilities the major economic powers will agree to give them.

A World Economic and Social Security Council

We propose an Economic and Social Security Council (ESSC) to cover economic, social and environmental arenas, with a role similar to that of the Security Council in security matters. It would provide a flexible forum where urgent global issues could be considered at a very high level.

The ESSC would operate by requesting action from existing institutions. For international institutions, including the World Bank, the IMF, the WTO and other UN specialised agencies, the directions of the ESSC would be mandatory. National governments could not be compelled to take action, though penalties could be applied if they systematically rejected requests. Where existing institutions are inadequate - such as in regulating TNCs, perhaps - it could set up new ones.

To be effective, membership would have to reflect the realities of power, yet ensure representation for states at all levels of development. We propose a body of about 20. The ten countries with the greatest economic power would have semi-permanent membership. Decision-making would require a two-thirds majority, to ensure the consent of each of the major groupings of the world.

To be effective, it would also have to be prestigious, attended by Ministers of Finance, with Prime Ministers or Presidents, if particularly important decisions were to be made.

At a time when international aid flows are falling, poverty rising and environmental problems increasing, a new impetus is needed behind the implementation of global resolutions on world poverty and environmental controls. One of the functions of the ESSC would be to review progress in these areas, and to take action. The establishment of an ESSC would be a signal that the world intends to act as well as talk.

I. INTRODUCTION

The main structure of international governance was devised over fifty years ago, with the creation of the United Nations (UN), the International Monetary Fund (IMF) and the World Bank (WB). There was a basic flaw in the design. It failed to include any significant institutions with responsibility for world economic governance, any responsible for global environmental issues, or any organisations to protect the poor at a global level.

The omission is even more glaring today. First, the globalisation of markets in recent decades has created a new need for global economic policies. Second, increasing global environmental problems and consciousness of their importance have highlighted the urgent need for action at a world level. Third, the issue of world poverty and the moral, political and legal basis for action to eradicate it, are higher on the world agenda then they were in 1945.

Since 1945, institutional progress on these issues has been mixed. On the negative side, the world institutions created in 1944/5 have not made a major contribution to world economic governance. Their role has been less significant than expected and certainly less extensive than was envisaged by Keynes, one of the chief architects of the post-World War Two institutions. For the most par, *ad hoc* solutions were consequently adopted, which are unsatisfactory from many points of view. The most important global institutional innovation since the 1940s was the establishment of the World Trade Organisation (WTO) in 1994 with responsibility of promoting freer trade. There has also been some progress in the development of global institutions in relation to poverty and social needs. Examples include UNICEF, the UN Children's Fund; the United Nations Development Programme (UNDP); and the International Development Association (IDA). There have also been steps towards the international recognition of social and economic human rights. Although poverty eradication has been accepted as a key objective, the achievements in this area have not been proportionate to the size of the problem. Moreover, efforts to protect the environment and promote sustainable development worldwide have been *ad hoc*, inadequate, and often unimplemented.

There is an urgent need for a new institutional approach to world economic and social governance. Despite much talk about the need for such reform at the 50th Anniversary of the founding of the UN and Bretton Woods institutions, no major changes were initiated. The decision-makers of 1944 and 1945 showed unusual imagination and boldness in designing a new international monetary system and institutional structure that was intended to prevent a recurrence of the economic and social devastation that followed the First World War. There is an equally pressing need for bold and far-reaching initiatives today.

It is our view that the creation of an Economic and Social Security Council at the United Nations would provide a structure to deal with issues of world economic governance and to promote action on poverty, social needs, sustainable development and environmental governance, in a systematic and politically realistic way. This paper is intended to explain why such a Council is needed and what its functions and structure should be.

Section II of this paper considers why neither national governments nor the market can, by themselves, solve the problems of world economic and social governance. It identifies the economic and social functions needed in institutions at a global level. Section III reviews the inadequacies of existing international institutions. Section IV develops the case for an Economic and Social Security Council (ESSC) and presents an overview of its potential structure and functions. Section V considers functions, composition and procedures in more detail. The final section draws conclusions, and compares composition and voting mechanisms of the proposed Council with those of existing international institutions.

II. THE NEED FOR WORLD ECONOMIC AND SOCIAL GOVERNANCE

Global institutions are needed to tackle world economic and social problems including poverty and international inequality, in situations where neither governments nor markets are likely to do so. The primary problem with national action is that governments act chiefly in pursuit of their own objectives, taking little account of the international repercussions of their actions. This may be rational from the perspective of maximising national welfare in the short-term, but, given the scale of interactions between countries, each nation can suffer when other nations behave in the same way. Moreover, high levels of poverty within countries are not only morally unacceptable to the global community but are increasingly acknowledged as posing a threat to international security. Global institutions are essential to ensure that the international implications of national action are taken into account. National governments and markets need to be influenced to act in a way that will promote global welfare.

There are three main reasons why such global action may be needed. These parallel the reasons for government action within a nation. The first is that neither governments nor markets necessarily take into account the full global consequences of their actions beyond their borders. The second is that some activities cannot be controlled domestically. The third is that there are some objectives which are agreed at a world level, but which are not effectively implemented either because they are not shared by particular governments, or because governments cannot meet their commitments due to limitations in their resources or power.

Collective action because of externalities

In principle, international institutions should provide a basis for the collective action necessary to promote world welfare, which neither governments acting on their own, nor the market can provide. This applies in two particular arenas at a world level. The first concerns environmental issues, where national action has international effects - e.g. damage to the ozone level; excessive carbon dioxide emissions; sea pollution etc.[2] International environmental regulation is essential because in many such cases, there exist global 'public goods' which have to be protected at a world level. The second arena concerns national economic activity with world repercussions. Interest rate policy in one country can affect capital flows elsewhere; budgetary policy can have global consequences; tariffs affect not only the domestic market but also the markets of others. In the 1930s, the competitive tariff escalation came to be known as 'beggar-thy-neighbour' policy because of its international repercussions.

Phenomena that cannot be nationally controlled

There are some activities that cross borders and are impossible to control without international cooperation. These include activities which governments dislike and wish to control, such as international criminal rings; drug production and traffic; some types of arms production and trading. They also include more desirable activities, such as international movements of labour and capital, which governments may wish to guide, regulate or tax.

World objectives, especially in relation to economic and social rights

There is formal agreement, embodied in the International Covenants on Human Rights, as well as a number of other legally-binding agreements, that people throughout the world are entitled to the protection of a range of human rights including political liberties and access to social and economic

[2] See e.g. Christian Aid (1999a).

goods.[3] There is worldwide acceptance that extreme poverty should be eliminated wherever it occurs, and that certain human rights abuses, such as have recently occurred in Rwanda, Bosnia or Kosovo, are not to be tolerated. National action cannot be relied on to secure these rights and objectives, either because the governments in question lack the resources or power (financial, administrative or political) or because they lack the will. International action then becomes imperative; and international institutions are needed to implement or supervise that action.

Changes in the last half century have increased the need for global action of all three types. There have been dramatic political and economic changes, increasing the need for collective action at a world level - hence the imperative of institutional reform. Political realities have altered, rendering previous decision-making structures inadequate.

The end of colonialism and the growth in the number of nations

An early and radical political change was the dismantling of colonialism and the creation of independent states. 51 countries constituted the United Nations in 1945. By 2000, 188 countries were members.[4] Most of the countries which acquired independence over the intervening years had very low incomes and were faced with appalling social conditions. With political independence came the desire to acquire economic independence and to catch up economically and socially with the industrialised countries.

The end of communism

The second dramatic political change concerns the revolutions of 1989 and the dismantling of the old Soviet sphere of influence. This, too, has had major implications for the functioning of world institutions. It has increased the number of countries seeking assistance from international financial institutions (IFIs) - to aid their transition to a market economy. Like the ex-colonial countries, these countries are greatly affected by the IFIs but do not have any power over them. The change has meant, in the short term at least, that the UN Security Council has been rejuvenated, released from the paralysis of the Cold War. There was an exponential rise in the number of Security Council resolutions passed annually, from 13 resolutions in 1988 rising to a peak of 93 resolutions in 1992.[5] The 1990s also saw a widening of the peace and security remit of the Security Council, with Council debates on matters ranging from humanitarian assistance to the effect of AIDS in Africa.[6]

Changing economic power

In 1945 the countries which came to be named the 'Third World' were similar in many respects: poverty was a dominant characteristic of their economies, they had limited industrial sectors, low savings and very poor health and education, life expectancy and literacy. Since then, however,

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[3] The International Covenant on Economic, Social and Cultural Rights, and the Covenant on Civil and Political Rights both came into force in 1976. Both 'civil and political' and 'economic, social and cultural' rights were originally embodied in the Universal Declaration proclaimed by the General Assembly in 1948.

[4] The Security Council recommended on 17th February 2000 that Tuvalu be admitted to UN membership. Upon General Assembly approval it will become the 189th UN Member. UN Security Council Record S/PV. 4103.

[5] See Sydney D. Bailey and Sam Daws *The Procedure of the UN Security Council*, 3rd Edition. (Oxford: OUP, 1998), p. 265.

[6] UN Security Council Debate, 'Maintaining peace and security: Humanitarian aspects of issues before the Security Council', 9th March 2000, S/PV.4109 (and Resumption) and S/PV.4110.

developments have diverged markedly. Some countries have grown at a spectacular pace – notably those in east Asia (the recent financial crisis in that region notwithstanding). Others jogged along slowly for some time, but recently have accelerated impressively, including countries in south east Asia and China. Others did fairly well until the 1980s and then collapsed under the weight of deteriorating commodity prices (as in much of Africa) and the debt crisis (Latin America). Among the industrialised countries, too, performance differed. In Europe there was rapid recovery from the devastation of war, followed by sustained growth, and increasing economic power as a result of the formation of the European Community. Japan achieved very high growth rates for three decades after 1950, but subsequently stagnated. US economic growth was sustained over the period (with fluctuations), accelerating in the most recent decade.

The net effect of economic developments since 1945 has been a massive change in the world distribution of output. US and European dominance has been greatly reduced as the economic status of Japan, and latterly developing countries, has increased, though the US remains the most important economic power. These changes in political status and economic development since 1945 have not been properly reflected in the structure of decision-making in world institutions. 'Democratic' institutions such as the General Assembly have expanded their membership and voting rights, as new countries joined the United Nations. But the structure of those institutions whose membership and/or voting rights is intended to reflect countries' political or economic power in the world, such as the Security Council and the IFIs, has not changed in accordance with these new realities.

Globalisation

'Globalisation' describes the growing importance of international links - of finance, trade, technology transfer and migration - stemming from the accelerating expansion of global markets and changing technology. Inevitably, globalisation has widened the repercussions of interactions between nations, thereby increasing the need for world institutions to address them. Globalisation has expanded opportunities for some countries and people, but not for others, leading to uneven development and reinforcing the need for international redistributive processes to assist those countries and people who have suffered rather than gained.

Globalisation has followed changes in technology, regulations and economic structure. Trade expansion, for example, is the product of new technologies and cost reductions in transport and communications; the progressive removal of trade restrictions; increasing convertibility of currencies; and changes in economic structure which increased the potential for international specialisation. The growth of international capital movements also stems from technology change and deregulation of capital markets, with the removal of controls in many countries. The massive investments necessary for some new technologies, such as in electronics and aircraft, have meant that in these areas the world economy is dominated by a very few multinational enterprises. Consequently, global trade in capital, technology and labour are expanding. Each is becoming larger in relation to the domestic use of resources (i.e. resources produced and used in the same country).

Globalisation of the world economy means that international repercussions of domestic activity are becoming increasingly important; it also means that national action alone cannot regulate or tax many cross-border transactions. Hence the need has increased for global institutions to regulate such activity.

Major elements in globalisation are:

• *the growth in world trade*

International trade has grown faster than production for many decades. In aggregate, world trade grew annually more than one and a half times as fast as output, from 1950-98. Over this period, output increased more than five-fold while the value of world trade multiplied nearly fifteen times. The proportion of world output accounted for by exports more than doubled between 1965 and 1996, rising from 10% to 22%. This means that countries are increasingly dependent on world markets - i.e. on events outside their own country - for the dynamism of their own economy.

The growth of world trade has been uneven, leading to increasing disparities among developing countries. Eight countries had export growth of over 10 per cent per annum between 1980 and 1997; and another twenty-five had growth of between 5 and 10 per cent. Yet, over the same period, twelve developing countries experienced increases of less than 2 per cent per annum, and exports fell in four countries. The rapid export growth was more concentrated among middle-income countries (over three-quarters of the countries with over 10 per cent annual growth), while the slow growth was more concentrated among low-income countries (seven of the twelve countries).[7] The poorest countries in the world have seen their share of world trade halve over the last 20 years. According to a Christian Aid Report, the poorest 10 per cent of the world's population participate in less than ½ per cent of world trade.[8]

Low-income countries suffered especially from the almost unprecedented fall in commodity prices, which occurred over this period. Between 1980 and 1998, a weighted index of commodities (excluding energy) fell by 50 per cent.[9] Within manufactures, also, the terms of trade for products produced by developing countries worsened (although not as sharply as primary products). The beneficiaries were producers of high technology products.[10]

• *the growth in international financial markets*

International financial markets expanded first on the basis of the recycled earnings of the oil-producing countries in the 1970s. Large surpluses (and deficits) in the world have continued to fuel the markets, while deregulation and technological change have led to the effective internationalisation of many of the world's financial markets. The daily turnover in foreign exchange is estimated to exceed $US 1.5 trillion each day (UNDP, 1999). Portfolio and other short-term capital flows totalled $7 trillion in the late 1990s, almost three times the level of the 1980s (UNDP, 1999). Unregulated financial flows can cause severe problems for both developed and developing countries. For example, the major source of problems for many Latin American countries in the 1980s was the excessive bank lending of the 1970s. While this was cured, at least temporarily, by the Brady initiative and debt rescheduling, a new problem has arisen with the resumption of capital flows, especially those focused on portfolio investment. Money that can enter a country fast can exit equally fast, wreaking havoc on the domestic economy.

Mexico's experience in December 1994, followed by the east Asian financial crisis of 1997, provided clear examples and warnings for countries with similar dependence on capital inflows. Speculation on financial markets may lead to sharp exchange rate fluctuations, unjustified depreciation or

[7] Data from World Bank 1999.

[8] Christian Aid, 1999b, p1.

[9] United Nations 1999.

[10] UNDP 1992 estimates that nominal prices of manufactures produced by industrialised countries rose by 35 per cent over the 1980s, while those produced by developing countries rose by 12 per cent.

appreciation, and can cost governments billions of dollars in one day, effectively transferring resources from governments to those (the upper 1 per cent of the world's income earners) who participate in financial markets.[11]

The distribution of capital flows among countries is uneven, demanding corrective action at a global level. In general, capital markets favour middle income countries. Low-income countries, which accounted for 70 per cent of developing country population, received 14 per cent of net disbursements in 1997.[12] Just twenty countries received more than 80 per cent of foreign direct investment and over 90 per cent of portfolio and other short-term capital flows to developing and transition economies.[13]

• *Transnational corporations*

TNCs have acquired increasing significance. By 1997, dealings between the 100 largest amounted to an estimated 52.5 per cent of global trade.[14] Global sales of foreign affiliates in host countries are estimated to have grown by over 15 per cent a year from 1985 to 1994,[15] much faster than the growth of output. TNCs dominate international technology flows: in the US, receipts from royalties and license fees by affiliated companies amounted to 70 per cent of total receipts in 1997, and the proportion was similar, at 65 per cent, for Japanese companies and 73 per cent for Germany.[16] Even in less direct forms of technology transfer, technology suppliers largely consist of the 'same multinationals which dominate direct foreign investment"[17]

The rising importance of transnational companies necessitates some international authority to regulate and tax them - since they are far larger than the national economies of many developing countries, and these countries cannot control their activities. Nor, indeed, can much larger countries.[18] Again, the distribution of investment presents a problem. Developing countries as a whole receive about 30 per cent of TNC investments.[19] FDI is concentrated in a few mainly middle-income developing countries: from 1987-1998, 72 per cent went to just ten countries: Brazil, Singapore and Mexico received over a quarter of the flows; China, with 7 per cent of the total, was

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[11] For example, on 'Black Wednesday' in 1992 the British government lost around $US 3bn.

[12] OECD, 1999.

[13] UNDP, 1999.

[14] United Nations World Investment Report, 1998 (WIR).

[15] WIR, 1998.

[16] WIR, 1998.

[17] Lall, 1987.

[18] A study by Ernst and Young of 210 TNCs found that 49 per cent were being investigated over transfer pricing in the UK and 83 per cent had been involved in a transfer pricing dispute at some time. In 1994-5 the Inland Revenue collected £6.1 billion from companies and individuals for non-compliance, equivalent to 3.5p on Income Tax. (*Financial Times*, 23/11/95)

[19] Data from UNDP 1992.

the only low-income country among the 'top ten' recipients.[20]

- *Information technology and communications*

‘The fusion of computing and communications - especially through the Internet - has broken the bounds of cost, time and distance’ (UNDP, 1999, p57). A 40 page document can be sent from Madagascar to Cote D’Ivoire by courier, taking five days and costing $75, or by email in minutes, for less than 20 cents. The communications revolution has linked people and markets across the globe much more closely. Yet like the other aspects of globalisation its effects are highly uneven both between and within countries. For example, in mid-1998, industrial countries had nearly 90% of the users. South Asia with one fifth of the world’s population had over half the internet users. Within countries, richer people make much greater use of the new technologies than poorer people.[21] The revolutionary changes in global communications requires new forms of global regulation to prevent tax evasion or avoidance, the use of the new technologies for criminal activities, and evasion of widely accepted national regulations -e.g. towards pornography.

- *Globalisation and poverty*

‘The world today is wealthier than it has ever been. But also much more sharply uneven’.[22] Poverty has not been eliminated - indeed the numbers below the poverty line are growing. Estimates for 1997 suggest that over 1.3 billion people fell below the poverty line:[23] in Sub-Saharan Africa 254m (46 per cent), in South Asia over 620m (45 per cent), and in Latin America 125m (25 per cent). In a few countries, poverty rates as high as 70 per cent of the population or more have been noted. High infant and maternal mortality rates and malnutrition, low levels of education especially among females, poor access to water and sanitation are other symptoms of deprivation in many poor countries.

Globalisation has left a vacuum in governance. National governments cannot regulate, monitor, or tax many international activities adequately; nor do they redistribute resources on a significant scale to the world's poor. There are many areas where a global authority could potentially introduce, regulate or coordinate taxation (and other forms of regulation), where national authorities find it difficult or impossible because of globalisation - for example, in relation to capital flows, international public resources, such as those of the sea and the air, the Internet. If globalisation continues at an accelerating pace, which seems likely as a result of further deregulation and technological changes, the hole in world governance, like that in the ozone layer, will become dangerously large.

New objectives

As is to be expected over half a century, particularly one that has seen such major political and economic changes, the objectives widely accepted by the world community have also changed.[24]

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[20] WIR, 1998.

[21] In the U.K. 30% of users had annual incomes above $60,000 (UNDP, 1999, p 62).

[22] Lockwood and Madden, 1997, p1.

[23] I.e. below a poverty line of $1 a day, calculated using purchasing power parity dollars. Poverty estimates from UNDP, 1999.

[24] 'World' objectives are not, in general, agreed and enunciated. Hence there is inevitably some

The main economic objectives of the post-World War Two institutions were high levels of employment and the establishment of a prosperous world economy based on the promotion of free movement of goods, services and capital.[25] In the event, in the first twenty years after the system was initiated, the industrialised countries experienced near full employment and their dominant economic problem then appeared to be inflation rather than unemployment. Subsequently, when unemployment reappeared in the industrial countries and underemployment emerged as a growing problem in developing countries, the IFIs seemed to have lost sight of the employment objective, placing prime emphasis on inflation control, sometimes at the expense of employment and output. A resurgence of monetarist philosophy contributed to this prioritisation.

A number of important economic and social objectives have gained prominence since 1945. These include:

• *Development of poor countries* (and now *promotion of successful transition*). This emerged naturally after developing countries acquired political independence. The World Bank undertook this objective as its major remit at an early stage.

• *Elimination of poverty*. At first, it was believed this would be the automatic outcome of development, but as the failure of 'trickle down' became apparent, 'Basic Needs' was accepted as an objective by the World Bank, soon to be displaced, however, by 'stabilisation and adjustment'. In the 1990s, poverty reduction has again emerged as an important world objective. The donor community has agreed on a series of targets for halving world poverty by 2015.

• *The fulfilment of Economic and Social Rights.* This objective is closely related to both the poverty elimination and development objectives. Whilst the rights approach to poverty elimination and development has been handled within the UN in the Committee on Economic, Social and Cultural Rights, the poverty objective has generally been regarded as the remit of the World Bank.

• *Human Development* has come to be widely regarded as a central objective, encompassing development, poverty, and human rights. Initiated by the UNDP, Human Development is defined as the enhancement of human capabilities and choices by the 'creation of an enabling environment for people to enjoy long, healthy and creative lives' (UNDP, 1990, p1).

• *Participation and democracy* are viewed as essential political components of the development agenda as part of the right to representation and voice, as well as instrumentally helpful for the achievement of other objectives.

• Problems of the unregulated market system for the *environment*, at many levels (ranging from soil erosion in particular villages to the world greenhouse effect), as well as concern for poverty and human development, have given growing weight to environmental considerations, often formulated within the objective of *sustainable development*.

• Finally, because the employment objective so clearly enunciated at Bretton Woods was subsequently neglected, it has become necessary to reintroduce *high levels of employment* as an

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subjectivity in identifying them. The objectives above are deduced from international treaties as well as from declarations by the UN and prominent political leaders.

[25] See the Articles of Agreement of the International Monetary Fund, or the preamble to the General Agreement on Tariffs and Trade (GATT).

objective, both in developed and developing countries.[26]

The objectives listed above are broadly accepted by the international community, in rhetoric if not in action. There are other objectives arising from our analysis of globalisation on which there is, as yet, no agreement at an international level, but which would require international action, if and when agreement on them were reached. These include the need to monitor and regulate international markets, such as:

- capital markets, where unregulated transactions have proved destabilising, and where the need for regulation is gaining increasing recognition;
- commodity markets, where fluctuating prices and adverse terms of trade continue to present severe problems, especially for the poorest countries;
- TNCs, whose income is often inadequately taxed;
- technology markets (encompassing TNCs) where unjustifiably high prices are often charged and intellectual property rules limit technology transfer and dissemination, and tend to favour the creation of US or EU-based monopolies. This is especially apparent in the area of health technology, where there is widespread recognition of the need to combat the failure to develop vaccines against common developing-country diseases, such as malaria, and to reduce the high price of drugs (notably for AIDS relief).

Why we need global economic and social institutions

To summarise: global institutions are needed so that national economic and environmental externalities can be incorporated into decision making; to help regulate international transactions; and to contribute to world social and economic justice, especially the elimination of poverty. The need for world institutions to fulfil these functions has grown significantly over the past fifty years, partly because globalisation has increased the problems caused by unregulated transactions and partly because global markets have been associated with divergent performance across the world and have not eliminated poverty. The market cannot be relied on to eliminate such uneven development; rather it tends to promote it. Hence the need for international action to secure redistribution between and within nations. Finally, growing consciousness of the harmful social and economic effects of environmental degradation has created a new need for international regulation.

III. DEFICIENCIES IN EXISTING INTERNATIONAL INSTITUTIONS

The Charter of the United Nations provides that:
"the United Nations shall promote
a. higher standards of living, full employment, and conditions of social progress and development;
b. solutions of international economic, social, health and related problems; and international cultural and educational cooperation; and
c. universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion" (Article 55).

In principle, then, the Charter requires the United Nations to fulfil the functions of world economic and social governance discussed earlier in this paper. In practice, a large range of international institutions - some would say too many - in the UN family have economic and social functions. Yet none of them adequately fulfils the global functions that we have identified above. Existing institutions which might appear to have the desired global functions include: ECOSOC (reporting to

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[26] This is led by the ILO, which published its first *World Employment Report* in 1995, and has developed the concept of 'decent work' to encompass the quality as well as the quantity of work and also social protection.

the General Assembly) at the heart of the UN, with both economic and social functions; the Commission on Human Rights and the Committee on Economic, Social and Cultural Rights (both of which report to ECOSOC), particularly in their role in the definition and implementation of the International Covenant on Economic, Social and Cultural Rights; and the two international financial institutions - the IMF and World Bank - which were assigned some central economic functions and were instituted as specialised agencies of the United Nations, in principle subject to the overall coordination of the UN General Assembly and ECOSOC.[27]

As originally conceived at Bretton Woods, the UN was to be responsible for macro-economic policy coordination, development planning and aid; the IMF would provide the international liquidity necessary to achieve stable exchange rates, world growth and full employment; and the World Bank (called the International Bank for Reconstruction and Development) would provide financing for projects in Europe and in developing countries.[28]

In practice, this is not how responsibilities worked out. The UN (through the Security Council, General Assembly, and ECOSOC) has had minimal international economic functions. It has not been tasked with either macro-economic coordination or development planning. The aid for which it has been responsible has been on a small scale relative to other multilateral and bilateral flows. Development planning (or policy making) functions, as well as a major part of international aid, have been assumed by the World Bank. No international institution has taken systematic responsibility for macro-economic coordination.

The UN Charter gave the *Security Council* primary responsibility for the maintenance of international peace and security; uniquely in the UN system, it can take decisions under Chapter VII of the UN Charter which are binding on all UN Member States of the UN. It consists of five permanent members (China, France, Russian Federation, UK and USA) and ten members elected from all UN members, for a period of two years, thereby ensuring the participation of States from all the major geographical regions of the world. There have been calls for the Security Council to expand its interpretation of "a threat to international peace and security" to include economic and social factors, and, to a small degree, recent interventions to provide humanitarian assistance and a recognition of the role of peace-keeping in post-conflict peace-building are steps in this direction. However, while, in theory, there is latitude for the Security Council to interpret its remit to embrace social and economic dimensions of peace and security, in practice the traditional division of labour has been preferred. This means that economic and social issues have been left to the General Assembly and ECOSOC. Moreover, the absence of Japan and Germany from permanent membership, coupled with the veto power, make the Security Council, as presently constituted, an unsuitable body for global economic and social decision-making.

ECOSOC

Responsibility for discharging the major economic and social functions in the Charter was given mainly to ECOSOC, acting under the authority of the General Assembly. ECOSOC was authorised to undertake studies and report on international economic, social, cultural, educational, health and related matters, to make recommendations on any matter to the General Assembly and to prepare draft conventions for the Assembly. ECOSOC was also authorised to coordinate the activities of the

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[27] The authorised history of the World Bank in its first quarter of a century states: 'the Bank and Fund became specialised agencies of the United Nations. But they became rather “special” specialised agencies'. (Mason and Asher, 1973, p58).

[28] Singer, 1995.

specialised agencies in the economic and social arena.

ECOSOC has 54 members, a considerable enlargement from its original membership of 18. Each year one third of the membership is subject to election for a three-year period. Although there is no formal distinction between permanent and non-permanent members, four of the five permanent members of the Security Council - France, UK, US and the USSR/Russian Federation - have also always been *de facto* permanent members of ECOSOC.[29] The other members consist of representatives of all the major regions of the world, thirty-five from developing regions, thirteen from developed regions, and six from Eastern Europe.

Each member of the Council has a vote and decisions are made by a majority of those voting. Consequently, developing countries, with the majority of membership, can dominate decision making. ECOSOC discharges most of its work through commissions and committees. There are ten functional commissions including the Commission on Human Rights, five regional economic commissions, four standing committees, including the Committee for Development Policy and the Committee on Economic, Social and Cultural Rights.

It is widely agreed that ECOSOC has been ineffective. According to one observer, in practice 'its contribution has been very limited indeed'.[30] Another comments that 'The Council has proved superfluous to the UN system for substantive purposes'.[31] ECOSOC has not served as the locus of world economic and social decision-making.

Various reasons have been suggested for this:

- the membership is too large for the body to be effective;
- it is overloaded with work. In spite of efforts to streamline its agenda and working methods, the Council has some 150 bodies reporting to it;
- its agenda overlaps with that of the General Assembly;
- it has insufficient power to be able to ensure coordination, especially vis-à-vis the UN specialised agencies. The powers of recommendation that ECOSOC *does* possess are often not used to the full; instead, like the General Assembly, it often adopts decisions and resolutions which "mostly represent consensus-seeking compromises of great generality."[32]

World economic and social decision-making must receive the assent of the major economic powers. Without this, resolutions will inevitably be impossible to implement. Given the democratic structure of representation and voting in ECOSOC and the General Assembly, these will never be accepted as the locus of world economic decision-making by the economically powerful nations.

The Commission on Human Rights

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[29] The other permanent member of the Security Council, China, was a member for all years except 1961 to 1971.

[30] Quinn in Alston (ed.), p97. All recent evaluations agree on this. See e.g. Childers and Urquhart, 1994; the Nordic UN Project, 1991; and the report of the Independent Working Group.

[31] O'Donovan, p124 in Alston (ed.).

[32] The Nordic UN Project, p 37, cited in Arnold, 1995, p 26.

In principle, the Commission on Human Rights can make a contribution to the social and economic aspects of world governance by promoting the implementation of the International Covenant on Economic, Social and Cultural Rights and the Declaration on the Right to Development. In practice, the Commission has mainly confined its attention to Civil and Political Rights, where it has investigated and condemned the human rights situation in a large number of countries. Its achievements in relation to Economic and Social Rights have hitherto been limited.[33] The vast majority of the Commission's thematic rapporteurs and working groups focus on civil and political rights, and it is only relatively recently (since the mid-1990s) that there have been any economic, social or cultural rights Rapporteurs or working groups at all.[34] The spring 2000 session of the Commission, for instance, adopted twice the number of resolutions on civil and political rights issues than it did on economic, social and cultural issues. With respect to extreme poverty, the Commission's role was confined to drawing the attention of the General Assembly and all United Nations bodies to the issue, urging ECOSOC to give it 'the necessary attention' and requesting the Sub-Commission to study it.

The Committee on Economic, Social and Cultural Rights

This is an independent expert body, established by ECOSOC in 1985.[35] The Committee's principal activity is consideration of the reports submitted by States Parties on steps taken, and difficulties encountered, in implementing the Covenant on Economic, Social and Cultural Rights. The Committee has clarified the norms contained in the Covenant, expanded the information base and set in place a system of monitoring country performance.[36] However, the Committee has no effective power of enforcement if States are not fulfilling their obligations under the Covenant.

The Committee for Development Policy[37]

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[33] According to Alston, 'The Commission's lengthy debates have done very little to promote the core normative content of economic rights let alone the human rights dimensions of debt, world trade and development cooperation'. Alston, 1992, p191.

[34] Such current working groups of the Commission on Human Rights include the Open-ended working group on the right to development and the Open-ended working group established to elaborate policy guidelines on structural adjustment programmes and economic, cultural and social rights. Independent experts (notably not Special Rapporteurs) of the Commission on Human Rights have been appointed to address: human rights and extreme poverty; structural adjustment policies; and the right to development.

[35] This replaced the *Sessional Working Group on the Implementation of the International Covenant on Economic, Social and Cultural Rights* established nine years earlier by ECOSOC res. 1988 (LX) (1976). It was renamed the *Committee on Economic, Social and Cultural Rights* by ECOSOC res. 1985/17. The current Committee's composition, organization and administrative arrangements differ from the Working Group's it replaced, most notably in that its members are independent experts, whereas the Working Group was composed of governmental representatives.

[36] Its system of monitoring could, in principle, provide the basis for international action with respect to economic and social rights within particular countries. Some commentators have suggested that the Committee could play a role in ensuring that the legally-binding standards contained in the Covenant are respected by States and international organizations, including International Financial Institutions.

[37] This committee was previously called the Committee for Development Planning. It was suspended between 1992 and 1995 following the Secretary-General's recommendation that it be disestablished. After the ECOSOC review of its subsidiary bodies initiated by GA res. 50/227 it was re-established

This, too, is an international committee of experts which meets annually. Its functions include evaluation of the programmes of the UN organs and specialised agencies relating to economic planning and projection and proposed improvements, and the study of development policy issues. It has no powers, but can make recommendations to ECOSOC. Hence its effectiveness is limited by the use ECOSOC makes of its reports.

IMF and World Bank

In principle, the IMF and World Bank, as specialised agencies of the UN, are subject to the overall coordination of the UN General Assembly and ECOSOC. But the frequent attempts by the UN General Assembly to strengthen the relationship between the UN and Bretton Woods institutions have enjoyed only minimal success. As Singer notes, 'In practice it would be difficult to think of any example where the Bretton Woods Institutions have been in any way influenced by UN resolutions'.[38] Both Boutros-Boutros Gali and Kofi Annan, the most recent Secretary-Generals of the UN, have made particular efforts to work with the executive heads of the Bretton Woods institutions.[39] In spite of these efforts, there has been continued reluctance by the governing boards of the IFIs to make their organisations subject to coordination of any UN organs dominated by developing countries. The IFIs have their own decision-making structures, with boards of directors, where voting power is proportionate to financial contributions to the institutions. This means that the US and Western Europe dominate the decisions of these institutions.

The system of weighted voting in the IMF[40] is based on each member being assigned a quota in the form of 'Special Drawing Rights' (SDRs) reflecting a county's economic position and strength. The assessment of the quota is determined by economic data such as GNP, currency reserves, foreign trade potential etc. Each member is given a basic stock of 250 votes plus one vote for each part of its quota, equivalent to 100,000 SDRs. The regulations governing voting in the Fund are dispersed over the entire Agreement, and are very complex. Generally, decisions require a simple majority of votes cast. Certain important decisions (such as the determination of charges for the use of the Fund's facilities) call for a majority of 70 per cent of the total voting power. Amendments to the Fund's Articles of Agreement or decisions such as changes in quotas, the use of IMF gold, the allocation and cancellation of SDRs or modifications to the principles of their valuation, require a majority of 85 per cent. Since the USA holds almost 18.5 per cent of the total voting power, this gives it the power of veto over any decision which requires this majority.

To be a member of the World Bank, a country must first be a member of the IMF, then it must buy a share or shares of the capital stock of the Bank, each share being valued at $US 100,000. Less than 10 per cent of this money must actually be physically paid to the Bank, the remainder being "callable" if the Bank needs to fulfil contractual obligations. The distribution of such capital shares

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under its new name by ECOSOC res. 1998/46.

[38] Singer, 1995.

[39] Boutros Boutros-Gali was the first UN Secretary-General to address the Development Committee of the IMF and WB. Under Kofi Annan, the first high-level meeting of representatives of ECOSOC and the Bretton Woods institutions was held. Whilst this meeting amounted more to dialogue than a coordination of work, there have been moves toward coordination at the country level.

[40] The information on the voting procedure of the IMF and World Bank sections has been taken from Wolfrum (ed.), 1995 pp 656-657 and pp 726-727.

provides the basis for the apportionment of voting rights within the organs of the Bank. In a similar formula to that used by the IMF, each member has 250 votes plus one further vote per share of stock held. The result is that seven industrialised States, namely the USA, UK, Germany, France, Japan, Italy and Canada control just under 50 per cent of the votes. Industrialised countries as a whole hold a majority of votes in the World Bank.

This difference in decision-making is a key element in explaining (i) why in practice the IFIs have acquired so much more power than the UN[41] in economic matters; (ii) how they have interpreted their mandate and (iii) why they have not performed their role satisfactorily from a world perspective.

Both the IMF and the World Bank are powerful economic actors on the world stage - much more so than the UN. In certain regards, they have acquired more power than was originally envisaged, especially through policy-conditionality. As a result of the active use of such conditionality, both the IMF and the World Bank have been enormously influential in determining the economic policy of borrowing countries - i.e. the majority of developing countries - although their power has rarely extended to the non-borrowing industrial countries. It is clear that the World Bank has come to be a much more significant world player than originally envisaged. It has acquired responsibility for a large proportion of total aid flows, it dominates thought about development through its voluminous publications, and it has extended its policy-conditions way beyond broad policy directions, such as enhancing the role of the market and encouraging openness of trade regimes, to detailed meso and even micro policies.

While both institutions frequently dominate the economic policy-making of the borrowing States, they have not fulfilled the requisite role of *global* economic institutions. Instead they have dealt with countries one by one. The IMF is, perhaps, particularly culpable in this regard, as at Bretton Woods it was intended that it should be responsible for ensuring adequate world liquidity to support global full employment and economic growth. But the Bancor recommended by Keynes, intended for this purpose, was not agreed at Bretton Woods. In the 1970s, tentative steps were taken in the direction of ensuring adequate world liquidity through the issue of Special Drawing Rights, but the experiment was not repeated, even during the world depression of the early 1980s.

Thus, although both the IMF and the World Bank are in some sense world institutions - i.e. their operations cover the world - in essence *they are not global institutions.* They do not take into account interactions of one country with another, even when they are giving advice to a series of countries, nor do they ensure that there is coherence between the policies of different ministries within one country. The IMF and the World Bank do not coordinate world economic policy. They rarely propose global solutions to global problems. For example, neither institution proposed a global solution to the debt problem of the 1980s, although this was essential, and eventually one was introduced by the US Secretary to the Treasury. On the environment, an issue taken up enthusiastically by the World Bank, the approach adopted has been to insert environmental safeguards within particular projects, not to consider global (or even national) regulation.

The Asian financial crisis clearly revealed deficiencies in global governance. Neither the IMF nor World Bank predicted the crises, nor were they able to call on adequate resources or to propose an appropriate policy response.[42] Despite the widespread recognition of the need for what came to be

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[41] Since the IFIs are, in principle, part of the UN, one ought to say 'the rest of the UN' but the huge gulf between the IFIs and the rest of the UN means that they have come to be regarded as quite distinct entities.

[42] ‘During the period August to December, the IMF programs failed dramatically to meet the

called 'new financial architecture', to provide financial support during crises and assist in orderly debt workouts, virtually nothing was achieved.[43]

The issue of poverty reduction is now accepted as an important consideration by both institutions. Yet the Bank and Fund's programmes have done little to reduce poverty, sometimes indeed themselves contributing to worsening poverty, while specific programmes to reduce poverty have been so small-scale as to be almost negligible in relation to the size of the problem.[44]

The World Trade Organization (WTO)

The WTO is a rules-based organization whose remit is to 'help trade flow smoothly, freely, fairly and predictably'.[45] The voting structure of the WTO gives a legal equality to developing countries in decision-making unlike in the IFIs. Enshrined in the Agreement that established the WTO is the provision that the WTO shall 'continue the practice of decision-making by consensus followed under the GATT 1947…where a decision cannot be arrived at by consensus, the matter at issue shall be decided by voting.' In meetings of the Ministerial Conference and the General Council each member of the WTO has an equal vote. Despite this *de jure* equality, the direction and agenda of the WTO is generally agreed by consensus, a consensus that is commonly led by the agenda of the developed countries.[46] Although the preamble to the Agreement establishing the WTO acknowledges the objective of sustainable development, and the WTO has a number of bodies whose mandate is to promote development, it has not ensured that the social benefits of increased and freer trade have furthered development for all sectors of society. There are strong indications that freer trade has done little for the very poor, and that companies from the richer countries benefit most from freer trade, 'often at the expense of smaller traders from developing countries'.[47]

None of these institutions thus fulfils the functions needed of a world or global economic and social institution as identified above.

Consequences of the deficiencies in existing institutions

Despite the plethora of institutions, none plays the pivotal role needed in global economic and social issues. The consequences of this lacuna are that some issues are left without any form of

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objective of restoring confidence... The most important measure of failure of the IMF programs lies in the outcomes on economic growth.' Radelet and Sachs, 1998, p 30.

[43] A US Congressional Committee recognised that the 'frequency and severity of recent crises raise doubts about the system of crisis management now in place'. Yet its own recommendations essentially reduced the role of both the IMF and World Bank (*Financial Times*, March 7th 2000).

[44] See Stewart, 1995.

[45] Christian Aid, 1999b.

[46] This is a useful reminder that more majoritarian voting structures in themselves are not sufficient to ensure equality of influence between North and South in international institutions.

[47] Ibid., p1. One study finds that an open trading system is associated with lower income growth among the poorest 40% of the population, but strongly and positively correlated with higher growth among higher income sections of the population, indicating that the costs of adjusting to trade reform are borne by the poor (Lundberg and Squire, 1999).

international governance; others are solved only on an *ad hoc* basis.

Until 1999, world economic reviews, appraisal of necessary coordination and recommendations for policy changes were conducted by *ad hoc* groupings of the most powerful industrialised countries - primarily the G7/G8 (consisting of the US, Germany, France, Japan, the UK, Italy, Canada and Russia), or the G5 (the same group excluding Italy, Canada and Russia) and occasionally the G3 (the US, Germany, and Japan). Developing countries were completely excluded from these discussions and decisions. The macro-economic coordination achieved by these groupings has been unsystematic and largely ineffective.[48]

In recognition of the growing economic power of developing countries, in 1999 the G20 was initiated, a grouping encompassing both industrialised countries and major developing countries, with the objective of reviewing 'policy issues among industrialised and emerging markets with a view to promoting international financial stability'.[49] Membership includes Argentina, Brazil, China, India, Indonesia, Saudi Arabia, South Africa, South Korea and Turkey as well as the major industrialised countries. At major meetings of the G20, it is intended that finance ministers and central bankers should attend as well as the managing director of the IMF and the president of the WB. Although its remit is limited, and its functions only advisory, this is a welcome effort to incorporate developing countries systematically in global economic discussions, and thereby partially to address the democratic deficit at this level. To date, however, the G20 has met rarely and major economic discussion and decision-making at a global level remains with the industrialised countries, meeting in the G8.

More democratic and effective forms of international regulation have been achieved in specific areas, where international discussions are initiated involving all the main parties affected and international agreements are subsequently reached. Some environmental issues have been dealt with in this way: e.g. global warming, toxic chemicals, and endangered species.

A third approach has been to convene world meetings on particular subjects: 'Human Settlements' in Istanbul in 1996; 'Social Development' in Copenhagen, and 'Women' in Beijing, in 1995; 'Population' in Cairo in 1994; 'Human Rights' in Vienna in 1993; and 'The Environment and Development' in Rio in 1992. These conferences were genuinely participatory, allowing NGOs as well as States to attend and contribute. They have drawn attention to issues, but lack effective follow-up mechanisms to implement agreed programmes of action. The possibilities of more effective implementation, however, were strengthened after the recommendations contained in the programmes of action were endorsed by DAC, and taken up by major donors. The institution of further meetings on each issue five years after the major meeting also provides an opportunity to review progress and suggest further action.

The fourth solution is a non-solution: it is neglect. This was what happened to the debt situation for much of the 1980s, until eventually the US saw how costly failure was and helped to bring about a solution. But in many other areas neglect continues: there are no effective policies against violations of social and economic rights; multinational companies are able legitimately to avoid taxation; short term capital flows are unregulated; commodity prices fluctuate and deteriorate without any international intervention; many environmental abuses continue unchecked.

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[48] 'Moreover, this body [G7] is considered no more effective than the UN General Assembly or ECOSOC. It has not even proved effective in coordinating policies among the seven member countries.' Singer, 1995.

[49] News Release of G-20: http://www.fin.gc.ca/activty/G20/g20221199_e.html.

Ad hoc solutions are often better than inaction, but they do have serious defects:
- in general, response is late because the problem has to deteriorate before it is noticed, then it takes time to convene specific meetings and to devise solutions;
- issues are not looked at as a whole, but one by one – eg. 'Women' on one occasion, 'Children' on another;
- the membership of the particular groupings can be arbitrary, and is often undemocratic, dominated by a few powerful nations;
- there are, as has been noted, major omissions, such as the lack of any systematic policy towards world income distribution and the enforcement of human rights.

IV. THE CASE FOR A WORLD ECONOMIC AND SOCIAL SECURITY COUNCIL

It is clear that there remains a large gap in the coverage provided by world institutions which urgently needs to be filled. There is neither economic nor social governance at a world level. As a consequence, world depressions (or inflation) can emerge through the uncoordinated action of national governments; world income distribution is the outcome of myriad unrelated actions, resulting in huge differences in income levels among nations and people; there is no world enforcement of internationally agreed social and economic rights; and the unregulated power of TNCs and international capital is growing, sometimes leading to instability in national economies.

There has, however, been progress towards recognising the need for world economic and social governance since the first version of this paper was produced in early 1996. One step was the acceptance of the overwhelming need to reduce world poverty by all major donors. A second was the recognition of deficiencies in current global management in the aftermath of successive financial crises. A third step was the formation of the G20, including ten developing countries, which indicates general acceptance of the need to incorporate major developing countries into world decision-making. These steps suggest greater political readiness to reform the system of world governance.

We believe that the creation of a World Economic and Social Security Council (ESSC) is needed to fill the gap in world governance. The ESSC would replace the present Economic and Social Council (ECOSOC) and would have the mandate of ensuring that key economic and social functions required at an international level are implemented. We do not envisage elaborate new structures. The ESSC would not itself execute decisions, but would request other institutions - e.g. the IFIs, the WTO, as well as national governments - to take action that it identified as necessary. However, where no suitable institution existed it would be able to create one. The ESSC would need a small permanent secretariat to guide its work, and three advisory panels of experts, one focusing on the Council's economic, one on its social, and one on its environmental functions.

Its membership would be small, consisting of the ten countries with the greatest economic power, based on average GNP over the previous five years, and ten members elected for potentially renewable terms. The constitution would contain provisions for reviewing the membership selected on the basis of economic variables every twelve years. Decision-making would not require unanimity, like the present UN Security Council, but would be on the basis of a two-thirds majority such that decisions could not be made without the consent of each of the major groupings in the world, but no single country would be able to veto decisions.

The broad directions of the ESSC's mandate would be prescribed. But it could add to its functions over time, as it felt appropriate. This would allow it to react creatively to new issues that may require international action.

The ESSC would have high-level meetings twice a year to review progress in the world economy as a whole, to discuss social and economic rights and poverty reduction; to receive reports on actions taken in response to requests it had previously made; and to identify and consider any major new problems. Special interim meetings could be convened if a particular crisis arose. It would be expected that Ministers of Finance attend meetings. Prime Ministers/Presidents would attend if particularly important decisions were to be taken. Between the high level meetings, routine functions would be undertaken at a lower level (by the permanent representatives to the UN, supported by the Secretariat).

The ESSC would have a similar relationship with the as the present Security Council does: i.e. broadly working in parallel, receiving reports and recommendations from the General Assembly, while the General Assembly would have the responsibility of selecting the elected members[50]. The ESSC could both take decisions and make recommendations in the economic and social fields without further resources to the general Assembly'.[51]

We spell out the ESSC's proposed functions, structure and operational rules in greater detail below. Here we wish to explain why we believe this sort of Council could succeed where existing structures have failed.

The first reason is that the Council would reflect the reality of economic and political power in the world, through its permanent membership and voting structure. A major problem with ECOSOC is that developing countries have a majority, so the developed countries refuse to give it any power. A 'democratic' structure which fails to give any additional voice in decision-making to the economically powerful countries will not be in a position to take effective action, as the story of ECOSOC shows. Consequently, decisions are taken in bodies where developing countries are excluded completely (e.g. G3, G5, G8), or where they can always be overruled (IMF, World Bank). The proposed ESSC would incorporate developing countries and countries in transition. They would be in a position to raise issues they wished to be considered, and, collectively, to veto action they did not like.

Secondly, the ESSC would be small (membership of approximately 20) making it a much more manageable body than ECOSOC.

Thirdly, it is intended that the political standing of those participating would be high, so those present would be in a position to commit their governments to implement their decisions.

Fourthly, the ESSC would not itself execute any of its decisions, but would request other (normally extant) bodies to do so. Hence the functions of existing institutions would not be duplicated and a large bureaucracy would not be needed. For International Institutions, including the IFIs and other specialised agencies, the directions of the ESSC would be mandatory, overruling those of their own Boards of Directors. National governments would be recommended to take action, although the ESSC might at some stage devise penalties if national governments systematically rejected requests.

V. FUNCTIONS, COMPOSITION AND PROCEDURES OF THE ESSC

A. ***The main functions proposed are:***

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50 'The relationship between the Security Council and the General Assembly is intricate and fluid." See Bailey and Daws, 1998, p 281, which expounds the relationship.

51 In this respect the ESSC would be very different from ECOSOC, which it would replace, as ECOSOC reports to the GA.

i) to review the functioning of the world economy and identify major problems from the perspective of ensuring sustained economic growth and high levels of employment; to act on any problems, and request action from governments, the IFIs, specialised agencies of the UN and the WTO; to institute further studies; and to convene international meetings;
ii) to review progress in the promotion of social goals and poverty reduction; to take action at both international and national levels, as for economic problems;
iii) to review world environmental problems and identify appropriate action;

B. The composition and procedures of the UN ESSC

Five main issues need to be addressed. On each, considerable negotiation would be needed in order to settle on a formula that would be acceptable internationally. Here we make some suggestions as a starting point for discussions.

(1) Optimum overall size of the Council
The optimum size for any entity depends on the size most likely to maximise its efficiency and effectiveness. A Council of just one or two members, for example, would be very efficient, but clearly not effective as it would lack the legitimacy conferred by a more representative membership. However, a Council with too many members would be in danger of being both inefficient and ineffective. The experience of other UN bodies, including that of ECOSOC, suggests that a membership of twenty to twenty-five members, would be the best solution. With this size the geographical distribution of UN membership can be represented adequately, yet the Council would still be small enough to allow the genuine exchange of views, complex negotiations and executive decision-making, in contrast to the bland, consensus-oriented decisions that so often characterise larger UN bodies such as ECOSOC and the General Assembly.

(2) *Categories of membership*
The Council would have two types of semi-permanent members: those selected according to economic criteria (such as GNP) and those elected by the UN General Assembly on renewable three-year terms.[52] The list of States selected according to economic criteria could be reviewed every 12 years, to allow for major changes in economic status. Elected members would be nominated by their regional electoral group and approved by the UN General Assembly. The decision to allow elected members to be immediately re-elected to the ESSC might work against the election of smaller powers to the Council. A variation would be to designate some or all or the ten elected seats as ineligible for such immediate re-election[53]

(3) *Criteria for membership and method of election*
There are no criteria for selection of permanent members of the Security Council, who were chosen in 1945 for political reasons and have not been reviewed since. This has led to some serious anomalies. The method outlined above, combining objective economic criteria with elections based

[52] A precedent for this can be found in the 9 October 1946 Constitution of the International Labour Organisation. Article 7(2) of the Constitution of the ILO states that, of the twenty-eight persons representing governments on the ILO Governing Body '…ten shall be appointed by the Members of chief industrial importance'.

[53] Whilst the League of Nations Council had a limited number of semi-permanent members who were permitted to stand for immediate re-election, this model was rejected by the UN Charter which established that the non-permanent members of the UN Security Council must wait for one year before being eligible to re-election.

on geographical distribution would provide a workable yet more democratic alternative in the proposed ESSC. The distribution of elected members could be roughly proportional to the size of existing UN regional electoral groupings, but with flexibility to allow for the further representation of regions under-represented in the economic criteria membership category.[54]

[54] Formula contained in General Assembly Resolution 1991 (XXVIII) of 17 December 1963.

On the basis of GNP (by Purchasing Power Parity) in 1998, the list of semi-permanent members would be:

US, China, Japan, India, Germany, France, UK, Italy, Brazil, and the Russian Federation.

Proposed membership distribution of the ESSC

Regional groups	No. of members selected by economic criteria	No. of elected members
Western European and Other States [a]	5	3
Eastern Europe	1	1
Asia	3	2
Africa	0	3
Latin America and the Caribbean	1	2
Developed countries	7 (inc. Russian Fed.)	4 (inc. E.Europe)
Developing countries	3	7

a. The category of 'Western Europe and Others Group' (WEOG) exists as an electoral grouping in the United Nations for elections of regional candidates to non-permanent seats on the Security Council and for other electoral purposes. As well as Western European States, this category includes Australia, Canada, New Zealand, and the USA. There have been calls at the General Assembly for a reconfiguration of the electoral group system including WEOG. If this occurs, the distribution of seats in the proposed ESSC would need to be amended accordingly.

(4) *Voting Procedure*
Each member would have one vote. A voting procedure is needed that is more flexible than the unanimity rule of the Security Council, where the vote of just one country is enough to veto action; but is more stringent than purely majority voting so that major groupings in the world cannot be outvoted when they act together. Whilst it is hoped that consensus decision-making would be the norm, it is proposed that if voting is necessary, a majority of two-thirds of those States present would be required for both procedural and non-procedural issues. This means that neither developed nor developing countries can pass resolutions without at least some support from members from the other category.

(5) *Relationship to other UN bodies and to other intergovernmental and nongovernmental entities*
The procedure for participation of non-members, consultation with other interested parties, and the receipt of communications from non-governmental entities would be modelled on *The Provisional Rules of Procedure of the UN Security Council.*

C. ***Advisory Commissions***

Three Advisory Commissions would identify issues to be addressed by the ESSC in the economic, social, and environmental areas. These would replace the present Committee for Development Policy, Commission for Social Development, and Commission for Sustainable Development.

D. ***Place of the ESSC in the UN system as a whole***

The ESSC would be a new Principal UN Organ, replacing ECOSOC. The major UN specialised agencies in the economic and social spheres, including the World Bank and the IMF, would report to the ESSC. The reform would provide an opportunity to review the work of the functional commissions, standing committees, expert and ad hoc committees, reducing their number and streamlining their functions. Many of the functions of these bodies are already duplicated elsewhere in the UN system. Certain bodies could come under the umbrella of the UN Development Programme or UNCTAD, or be merged with existing programmes or committees of these two organizations. Some of the existing commissions and committees under ECOSOC could be subsumed under the three ESSC Advisory Commissions. Following these reforms, the abolition of the following bodies should be considered: The Committee on Energy and Natural Resources for Development, the Commission on Science and Technology for Development, the Committee for Development Policy, and the Meeting of Experts on Public Administration and Finance. The ESSC should also review, rationalise and streamline the functions of the specialised agencies in the economic, social and environmental spheres.

E. ***History of proposals for an Economic Security Council***

The idea of creating a high level Council at the UN to oversee major international economic developments is not new. Over the past decade there have been a series of proposals for the creation of a high level Council at the UN with economic (and sometimes social) functions, similar to that proposed here.[55] It is worth reviewing these briefly to indicate the wide support the idea has from independent observers of the UN system:

• A report to the UN's Joint Inspection Unit recommended the establishment of an Economic Security Council to act as a UN forum to deal with economic problems[56];
• the Nordic United Nations Project recommended a high level International Development Council to give effective guidance and cohesion to the executive organs of the UN's operational activities[57];
• the UNDP's *Human Development Report 1994* proposed an Economic Security Council which would be a 'decision-making forum at the highest level to review the threats to global economic security and agree on the necessary action.' (p10);
• The Report of the Commission on Global Governance also supported the establishment of an Economic Security Council[58];
• The Report of the Independent Working Group on the Future of the United Nations recommended the establishment of two Councils: an Economic Council and a Social Council. The Economic Council 'should, in consultation with the Social Council, the Security Council and the General Assembly, be empowered to formulate guidelines to integrate the work of all UN agencies and

[55] These are described by Arnold, 1995.

[56] Bertrand, 1985.

[57] The Nordic UN Project, 1991.

[58] The Report of the Commission on Global Governance, 1995.

international institutions, programs and offices engaged in economic issues.[59] The Social Council 'should be empowered to supervise and integrate the work of all UN activities related to Social Development'.[60]

• Ul Haq et al. proposed the establishment of a Development Security Council 'to provide a decision-making forum at the highest level to ensure global human security.. to review critical social and economic threats to people all over the globe and to reach political agreement on specific policy responses'[61]

• Former UN Secretary-General, Boutros Boutros-Ghali, while not directly advocating the establishment of an Economic Security Council, argued that "the Economic and Social Council might introduce a flexible high-level inter-sessional mechanism in order to facilitate a timely response to evolving socio-economic realities"[62] In October 1995 he reiterated his call for such a mechanism as a means by which ECOSOC could be invited to provide the Security Council with "reports on situations in the economic and social areas which, in its opinion, constitute threats to international peace and security".[63]

• In 1998 the Indian government proposed the establishment of an Economic Security Council, 'with wide-ranging representation including World Bank, International Monetary Fund and other relevant financial bodies'.[64]

• Support for the idea has also come from, among others, contributors to the 'Agenda for Development' discussions at the General Assembly; 'The People's Summit Core Document' prepared for The Other Economic Summit, May 1998; the former Secretary General of the Commonwealth, Shridath Ramphal; and papers from various branches of the UNA.

All of these recommendations have been justified by similar reasoning to that put forward in this paper - that there is an absence of economic and social governance at a world level and that severe adverse consequences flow from this.

VI. CONCLUSION

There are evidently a number of important economic, social and environmental issues for which global action is needed. There are currently a large number of international institutions, but these do not fulfil the functions needed at a world level. The most powerful economic institutions (the IMF and the World Bank) basically operate on a country-by-country not a global basis. Moreover, the industrialised countries alone determine the agenda of the IFIs. Various organs of the UN (notably the General Assembly and ECOSOC) have global social and economic functions but, in practice, do not use them productively. The ineffectiveness of these institutions is partly due to their large size, and partly to their 'democratic' structure which means that the economically powerful countries can be overruled by developing countries in these arenas.

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[59] Report of the Independent Working Group, 1995, p29.

[60] Ibid, p36.

[61] Ul Haq et al., 1995, p 10.

[62] UN Secretary-General, Report of the Work of the Organization, 1992, cited in GA/50/697, 27 October 1995.

[63] General Assembly document no. GA/50/697, 27 October 1995, p.23

[64] Address by the Indian Finance Minister, Yashwant Sinha, to the Commonwealth Finance Ministers, Ottawa, Sept. 30th 1998.

The current vacuum in decision-making has led to various *ad hoc* solutions which are unsatisfactory because they are unsystematic and often exclusionary (i.e. developing countries are left out of decisions which affect them), while some issues are completely neglected.

The creation of a new Principal organ of the United Nations has been proposed in this paper - an Economic and Social Security Council - which would overcome many of the weaknesses in the current system. To ensure that the ESSC is perceived to be legitimate by all sectors of the international community, its membership and voting structure would reflect the reality of economic power in the world, yet ensure representation and a voice for States at all levels of development. In this paper we have made a specific proposal to balance power and representation within the context of an efficient and effective new UN organ. We do not claim to have got the balance exactly right, or to have found the perfect solution, and we welcome other formulations for a composition and voting structure that would achieve the objectives outlined in this paper. A summary of our proposals for the membership and voting structure of the ESSC is outlined below, with illustrations of how these compare with existing UN bodies:

Comparison of composition and voting mechanisms in the World Bank, IMF, ECOSOC, Security Council and the proposed ESSC

	Developed[a]	Developing	Voting Mechanism
IBRD/IDA Average	71%	29%	Weighted voting for each member dependent upon quota formula of financial contributions. Decisions require between 50% and 85% of total voting power.
IMF	69%	31%	
ECOSOC	35%	65%	One vote per member. Decisions require a simple majority of those States present and voting
Security Council			
♦ Permanent Members	80%	20%	One vote per member. Decisions on non-procedural issues require the *affirmative* vote of at least 9 members, including the *concurring*[b] votes of the 5 permanent members
♦ Non-Permanent Members	30 - 40%[c]	60 - 70%	
♦ Total[d]	53%	47%	
Proposed Economic and Social Security Council			
♦ Members selected by economic criteria	70%	30%	One vote per member. Consensus decision-making the norm. When voting takes place decisions require a two-thirds majority of those present and voting, for both procedural and non-procedural issues.
♦ Elected members	36%	63%	
♦ Total	52%	48%	

a. This category includes Eastern European States.

b. Thus strictly speaking an abstention by a permanent member of the Security Council should count as a veto, however in practice an abstention has been regarded as a concurring vote; see Bailey and Daws, 1995, p.22.

c. The range here results from the fact that one of the Asian electoral group "seats" for non-permanent membership of the Security Council frequently goes to an industrialised Asian country (often to Japan). For the same reason the figures for ECOSOC have varied in the past. The inclusion of Japan and India in the economic criteria membership of the ESSC makes this variation less pronounced in the new body. In the early 1990s a number of the former Republics of the USSR joined the Asian electoral grouping and the Group of 77 developing countries.

d. Based on membership in 1997.

The ESSC would replace ECOSOC. The ESSC would not itself have any administrative duties, but would operate by requesting action from existing institutions, including the IFIs, UN agencies and national governments. Consequently the changes proposed would not represent a further burgeoning of the UN. Indeed the replacement of ECOSOC and the abolition of some of the bodies reporting to it would lead to a slimming down of the UN as a whole, with an increase in its effectiveness.

The virtues of a Council of this kind would be similar - in the economic and social arenas - to those of the Security Council in security matters. I.e. it would provide a flexible venue where urgent global issues could be considered at a very high level. It would not, of course, compel world leaders to take action that they disliked. But it would ensure systematic discussion of major issues, leading to action in those areas where sufficient consensus existed.

Ad hoc solutions to particular problems can sometimes be more effective than action at a world level. But these can also be partial and unrepresentative. The new ESSC would not prevent *ad hoc* initiatives, but would ensure that they were reviewed at a world level.

International institutions cannot create consensus where none exists; but they can encourage and facilitate more "one world" and less nationalistic and piecemeal approaches to global developments. This is a contribution that we believe an ESSC would make.

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