



THE GENERAL ASSEMBLY SECOND COMMITTEE: ECONOMIC AND FINANCIAL

Purview of the Simulation

The Second Committee makes recommendations on means to improve the economic development of Member States and maintain the stability of the international financial and trade network.

The economic issues considered by the Second Committee are distinguished from those considered by the Fifth Committee in that this Committee deals solely with financing the economic

assistance to Member States, whereas the Fifth Committee address the budgetary issues within the UN System. The Second Committee does not address social issues that affect development; such issues are considered by the Third Committee. For more information concerning the purview of the UN's General Assembly as a whole, see page 20.

Website: <http://www.un.org/ga/second/index.shtml>

MACROECONOMIC POLICY QUESTIONS

The broad range of Macroeconomic Policy Questions addressed by the UN General Assembly's Second Committee are divided into four subtopic areas that comprise Macroeconomic Policy Issues: International Trade and Development, International Financial Systems and Development, External Debt and Development, and Commodities. The content of debate and draft resolutions shape global economic strategies that address the maintenance of global economic stability, responses to general or specific economic crises, and adjustments to macroeconomic frameworks. The Second Committee works to coordinate the work of various global financial organizations, including the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organization (WTO), the Paris and London Clubs, the Development Assistance Committee (DAC), the United Nations Development Programme (UNDP), and the United Nations Conference on Trade and Development (UNCTAD), among other entities. Additionally, the Second Committee focuses its work on independent UN actions. Additionally, under the topic of Macroeconomic Policy Issues, the Second Committee deals with systemic monitoring mechanisms that consider the quality of global economic patterns, analyzes the progressive effect of policy initiatives, and determines possible remedies. Through extensive debate and multilateral negotiation, regional economic structures, bilateral programs, economic initiatives and proposed regulations are formulated according to one of the four Macroeconomic Policy Issues areas. Each subtopic area is assessed and addressed by draft resolutions independently.

While the potential areas for discussion are broad, recent work has focused on the interrelationship of the four subtopic issues, especially as they relate to the recent global financial crisis and the status of developing nations. At the start of the new millennium, nations around the world embarked on a mission to achieve a set of new goals to meet the needs of the world's poorest people; collectively these were defined as the Millennium Development Goals (MDGs). Many have since concluded that the global recession, which began in 2008, has reversed many of the gains made in the early part of the decade and subsequently jeopardized the attainment of the Goals. The global economic outlook is still uncertain. Some economists tentatively declared that the world was emerging from the recession in early 2010, while others proposed a grimmer outlook, even suggesting the possibility of a "double-dip" economic recession in light of economic events in Europe in the spring and summer of 2010. Unquestionably, however, the international community faces a number of macroeconomic policy issues that stand in the way of further progress towards the MDGs. The relationship of developing nations to the MDGs, the global financial

crisis, and macroeconomic policy issues are deeply interrelated. Take, for example, the case of commodity-dependent developing countries (CDDCs) Given the recent dramatic price declines of some commodities, they may find it much harder to service their debt obligations at a sustainable level.

On the issue of international trade and development, discussion has focused on the Doha Round of World Trade Organization (WTO) trade talks and improving the state of the least developed countries. In this area, actions might include increasing regulation and reform of the international finance system in the wake of the financial crisis. Regarding debt, debate has centered on sustainability and ameliorating the precarious situation of many deeply indebted nations following the global recession. Finally, in regard to commodities, the international community is concerned with volatility in the commodity and capital markets and the plight of CDDCs, which have particularly struggled in the crisis environment. The many booms and busts in the international commodity markets are damaging to these vulnerable economies, as they depend on commodities as a main source of income and employment.

Many past resolutions (e.g. A/RES/64/192, A/RES/64/188) have called for the completion of the Doha Round of negotiations of the World Trade Organization, which many hope will lead to improved market access for many developing nations. At the Sixth World Trade Organization Ministerial Conference, nations agreed to implement duty-free and quota-free market access for the least developed countries, though this has not yet been fully implemented. Launched in 1996, the Heavily Indebted Poor Countries (HIPC) Initiative has provided aid to 26 countries and helped to reduce their debt to sustainable levels. In 2005 the IMF, World Bank, and African Development Fund started the Multilateral Debt Relief Initiative (MDRI), in which those organizations gave up their debt claims for nations that had reached the completion point of the HIPC Initiative. Although these initiatives have helped the overall debt situation in many countries, several others continue to have difficulties fulfilling the obligations and enacting the necessary policies to participate in the HIPC Initiative. Furthermore, some countries that passed the completion point of the program have returned to unsustainable levels of debt. The UNDP has also noted the HIPC has not been comprehensive enough in its coverage to be effective, and the MDRI has failed to address the total scope of global debt.

The Common Fund for Commodities was established in 1989 as an external organization operating outside of a national framework and instead based around commodities. It provides direct funds to produc-

ers in projects focused on single commodities. Over the years, it has expanded its membership to over 100 countries. More recently, the United Nations Conference on Trade and Development (UNCTAD) has taken the lead in the formation of new policy recommendations on commodities through the formation of the Multiyear Expert Meeting on Commodities, held in March 2010. Among its recommendations was a need to increase commodity trade finance, as its scarcity was slowing the growth of developing countries, especially the CDDCs. To help address this need, regional development banks such as the African Development Bank and Asian Development Bank initiated Trade Finance Programs with over \$1 billion in seed capital; additionally, the G20 made a major pledge of \$250 billion in aid for trade finance, a portion of which was dedicated to commodity trade finance. To help develop a coordinated response to the financial crisis, The Conference on the World Financial and Economic Crisis and Its Impact on Development was held in 2009. One highlight from the outcome of the summit was the encouragement for the formation and deepening of regional economic communities (RECs). In the future, these types of organizations would be better placed to help their members through financial challenges such as liquidity shortfalls and short-term balance-of-payment difficulties. In addition, there were calls for the International Monetary Fund (IMF) and World Bank to both loosen their lending practices and loan stipulations as well as offer new programs, such as flexible credit lines. In some instances, global financial institutions are re-evaluating their policies. The ban against capital controls, for instance, is being re-examined because countries may benefit from buffers against the effects of rapid inflows and outflows of capital.

The impact and importance of each interrelated component of Macroeconomic Policy Issues is far reaching and global in scope, having an economic ripple effect on all UN Member States. Intersections of financing, international exchange of trade, currency and credits, domestic governance, and global development all hinge on congruent coordination and sustainable multilateral policy innovations, in order to achieve common wealth and equity in concert with the UN Charter, and the UN Millennium Goals.

Questions to consider from your government's perspective include the following:

- How did the global financial crisis affect your country's economy, especially in relation to the four areas considered by Macroeconomic Policy Issues?
- What area of macroeconomic policy does your nation think is most important to domestic and global economic recovery and the achievement of the Millennium Development Goals? What areas are most important for your main trading partners and allies?
- What regulatory and institutional changes are most necessary in the wake of the global recession and what mechanisms can be used to affect those changes?
- What measures would be the most likely to have positive immediate and long-term effects on the global economy? Which measures are most sustainable? What can the UN do in coordination with other organizations?

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A/RES/64/190

A/RES/64/188

A/RES/63/303

A/64/418

A/64/184

A/64/178

A/64/177

A/64/167

TD/B/C.I/MEM.2/11

TD/B/C.I/MEM.2/10

TD/B/C.I/MEM.2/5

Additional Web Resources

www.wto.org – World Trade Organization

www.unctad.org – United Nations Conference on Trade and Development

www.un.org/millenniumgoals/ – United Nations Millennium Goals

www.worldbank.org – The World Bank

www.imf.org – The International Monetary Fund

PROTECTION OF GLOBAL CLIMATE FOR PRESENT AND FUTURE GENERATIONS OF HUMANKIND

The earth's climate is changing because of human activity, and the rate of warming is accelerating. There is near-uniform acceptance of these facts by the scientific community, though in other circles the causes and consequences of global climate change are still disputed. For the international community, the debate over climate change distills to several questions: how urgent is the situation and how quickly and to what extent should humans act to reverse or halt global climate change? Additionally, the economic implications of climate change and regulation are of major import to UN Member States. Despite many conferences and meetings, the international community has yet to negotiate a legally binding plan that a majority of states – includ-

ing industrialized and developing nations – can agree upon. The most vulnerable nations include the Least Developed Countries (LDCs), the small-island developing nations and African nations. The Second Committee focuses its efforts on the economic questions and policies involved in preventing, reducing, and mitigating the effects of climate change in these regions.

Both industrialized and developing nations must be involved in any agreement on climate change. While every person in the world is affected by weather, the poor are often most vulnerable to changes in climate patterns. In the industrialized world, social safety nets can buffer the impact of climate-related disasters. In contrast, in the developing world, where a majority of the population lives in poverty, there are few social safety nets to cushion any natural disaster. Water supplies have dried up in some regions, while others are impacted by violent storms that have grown in intensity in recent decades.

Environmental protection has been a priority for the United Nations since its inception. However, the protection of the Earth's atmosphere and climate has taken longer to become a priority. The first United Nations Scientific Conference was held in 1949, but the Economic and Social Council (ECOSOC) was the first United Nations body to make climate change an agenda item in 1968. At the first Earth Summit in 1972, governments were warned to be mindful of activities causing climate change, and stations were established around the world to monitor long-term climate trends. In 1985, the United Nations adopted the Vienna Convention for the Protection of the Ozone Layer and similar resolutions aimed at reducing sulfur emissions into the air by thirty percent. In 1988, the Intergovernmental Panel on Climate Change (IPCC) was formed to assess the scientific knowledge on global warming, and it later concluded that there was a broad international consensus that climate change was induced by human activity.

In 1992 the Earth Summit produced the United Nations Framework Convention on Climate Change (UNFCCC) as a step towards action to stabilize climate trends. In 1997, the Kyoto Protocol to the UNFCCC—the most influential climate change legislation at that point—was adopted. The Kyoto Protocol set emission reduction targets for industrialized countries. It has resulted in the stabilization of emissions in some countries, but overall was not successful in significantly reducing emissions in industrialized countries. While the Kyoto Protocol has been the only binding piece of work that the nations have been able to agree on, not every Member State signed on. A few influential industrialized nations protested that Kyoto put too great a burden on industrialized countries to reduce their national emission levels. Some industrialized nations viewed Kyoto as disadvantaging their own national economies while placing too little responsibility on developing nations. The question of the right to industrialize is an important one; the economic impact and costs of climate change and industrial regulation are high, especially for developing nations.

Despite the Kyoto Protocol, emission rates have continued to rise in aggregate, while decreasing within some Member States. In December 2009, Member States met in Copenhagen to design the Copenhagen Accord—a framework for fighting against global warming—and devised a double-track plan which set targets for both industrialized and developing nations. Governments that signed the Copenhagen Accord agreed to make deep cuts in their emission rates as soon as possible, but many developing nations wanted the richer, industrialized nations to make much greater cuts in their emission rates than promised. Under the terms of the Copenhagen Accord, the fulfillment of states' pledges will be reviewed. The Accord also calls for a

slowing in deforestation and an increase in international aid, and it establishes a Copenhagen Green Climate Fund to channel aid and accelerate the use of green technologies.

While the Copenhagen Accord is not likely to be as effective as most nations would desire, it has propelled the international community into negotiations for a better version of the Kyoto Protocol, which would be binding on all Member States and would build on the cooperation of the Copenhagen Accord. The United Nations continues to focus on a strengthened international commitment to fighting global warming while simultaneously pursuing an agenda for sustainable development for developing nations. Throughout 2010 the UNFCCC will spearhead international negotiations on climate change ahead of the 16th Conference of the Parties (COP16) in Cancun in December 2010.

A recent document by the Second Committee (A/C.2/64/SR.29) states that there is wide support for the UN taking an active role in combating climate change in order to achieve a successful conclusion to ongoing negotiations. Member States generally agreed that collective action would be required to mitigate the effects of climate change, that greenhouse gas emissions would have to be reduced, and that the global community should take steps to improve recovery and resilience. They further enumerated linkages between climate change and other problems, including poverty, food security, water resources, land degradation, soil erosion and the reduction of biodiversity. Member States recognized, however, that these measures would be costly. They concluded that industrialized nations, which were historically responsible for climate change, must be involved in providing financial and technical assistance.

In bringing this matter to the attention of the Committee, representatives from both developing and developed nations have been key voices, emphasizing not only global initiatives, but also the importance of regional organizations. Climate change is a global problem that has pronounced local effects, and resolving such issues will take coordinated national, transnational, and international efforts that address the specific concerns of individual countries and regional blocs. Significant hurdles remain. There are still significant disagreements about the specifics of how to measure emissions outputs and their contributions to climate change. The issue of cost and financing has been a major hurdle in working toward international solutions to the climate change problem. Furthermore, countries disagree about the extent to which the Copenhagen Accord should be used as a basis for future negotiations.

Questions to consider from your government's perspective include the following:

- What are your country's policies on curbing contributions, especially related to emissions, to global climate change?
- How do global warming and climate change relate to larger issues of economic and social development? How can Member States be encouraged to implement practices that cut emission levels to contribute to the global reduction?
- How can industrialized Member States contribute to the sustainable development of developing states? What should the balance be between preventing future emissions and lessening current sources of emissions?
- How can the international community address the issues of cost control and the financial implications of climate control and recovery?

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A/C.2/64/SR.29
A/C.2/64/SR.5
A/C.3/64/SR.4
A/C.2/64/SR.3
UNEP/GC /24/2
United Nations Framework Convention on Climate Change
Copenhagen Accord to the United Nations Framework Convention on Climate Change
Kyoto Protocol to the United Nations Framework Convention on Climate Change

Additional Web Resources

- www.europeanclimate.org – European Climate Foundation
www.un.org/climatechange - UN Gateway on Climate Change
www.unep.org – United Nations Environment Program
<http://unfccc.int> – United Nations Framework Convention on Climate Change