Economic and Financial Affairs Council

Oxford GlobalMUN

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This Study Guide is ONLY for Oxford GlobalMUN-SFLS Model United Nations Conference 2015, co-hosting by WELAND International, Oxford Global Education Development and Shanghai Foreign Languages School affiliated to Shanghai International Studies University.

HISTORY OF THE COMMITTEE

The Economic and Financial Committee, also known as ECOFIN, is the second of the six committees of the United Nations General Assembly. It was formed with the rest of the General Assembly when the UN was established after the Second World War in 1945. The committee first met in London in January 1946. Since then, the committee meets once every year in October for a 4-5 week session. Its primary roles include addressing issues related to economic growth and development with specific regard to macroeconomic policy on international trade and external debt sustainability, securing financing for sustainable development, poverty eradication and globalization and interdependence.

The 70th session of the GA took place in September and October 2015, where the announcement of the Sustainable Development Goals on September 25th gave ECOFIN a new purpose. This is in addition to work remaining from the Millennium Development Goals and restructuring and regulating in the aftermath of the 2008 financial crisis. The ECOFIN is open to all 193-member nations of the UN, each of which has equal representation and voting rights. Though resolutions adopted by the committee are not enforceable, they carry the weight of the international community's will. The GA also has the power to convene an emergency special session and act to ensure peace and security.

The ECOFIN is administrated by one chairperson, three vice-chairpersons and one rapporteur. The ECOFIN regularly updates its working methods and practices to enable deeper debate and greater impact of the committee's deliberations and decisions. These efforts include streamlining the agenda, holding "question time" sessions with the secretariat officials after the presentation of substantive reports and reducing the number and length of draft resolutions adopted. The Committee currently holds a dialogue with the Executive Secretaries of the Regional Commissions as well as a number of side events as part of its programme of work.

TOPIC A: MITIGATING THE GROWING WEALTH GAP AND THE RESULTING EFFECTS ON ECONOMIC GROWTH AND LONG-TERM STABILITY.

The wealth gap, also known as economic inequality, is defined as the inequitable distribution of wealth, assets and income in a given population. While sociological, psychological and economic arguments have been made to claim that economic inequality is, to a certain degree, beneficial to economic growth, members of the international community in economics and politics unanimously agree that the levels of inequality that currently exist within and between countries not only affects the equality of outcome and equality of opportunity, ideas central to most economic and political ideologies, but also hinders the ability of a population to effectively govern itself and ensure health, safety, peace, education, development and economic happiness.

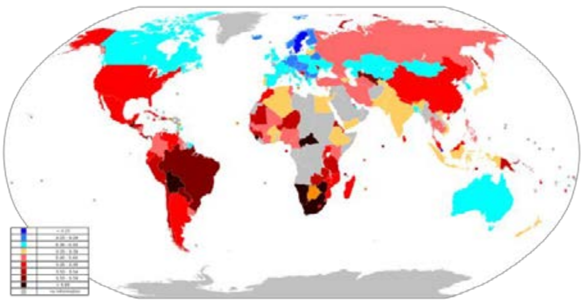
Of particular interest is the effect that economic inequality has on the ability of countries to maintain stable economic growth in the long term. Economic inequality has been increasingly focused upon due to two recent events. The first is the 2008 Financial Crisis in the aftermath of which many have blamed the increasing control of financial markets and 'corporate greed' displayed by the richest 1% as a major or contributing cause. The second is the recent fall in growth rates and the instability in emerging economies such as Brazil, which were poised to be the next economic superpowers.

The wealth gap is an issue that transcends the classification of countries as being developed or developing. While LDCs, such as Comoros and Haiti, have among the highest levels of inequality, the World Bank Gini suggests that the economic superpower that is the United States of America has a higher level of inequality than other LDCs such as Sierra Leone and Congo and has the fifth highest Wealth Gini. In 2009, the three richest individuals, Americans Bill Gates and Warren Buffett and Mexican Carlos Slim owned more financial assets than 48 of the poorest countries combined. Figure 1 shows Gini coefficients of various countries. Note the relatively high levels of inequality in the BRIC countries, USA and countries in Southern Africa.

Topic History

Income inequality in OECD countries is higher than it has been in the past 50 years. Data suggests that as of 2011, the richest 10% of the population in these countries currently earn 9 times of what the poorest 10% earn. It is even more alarming that this figure rose to its current level from 7 times over a period of just 25 years. While some developed countries such as Germany, Denmark and Sweden have seen a slower increase in inequality from a 5:1 gap between the rich and poor to 6:1 over a period of 30 years, others such as the United States of America have consistently had the highest levels of economic inequality in the developed world since the 1950s. While Chile and Mexico have the highest Gini coefficients in the world and a 25:1 gap between the rich and the poor, they are two of the very few countries that have shown any improvement at all in recent times.

Figure below shows the development of income disparity in selected countries since about 1950.



As shown by the ratio of wealth in the top and bottom 20% of the population, countries conventionally viewed as economically prosperous and stable may have greater levels of inequality than those known to have stagnant or unstable economies.

Regarding inequality within countries, income and wealth levels vary dramatically between them. Figure 4 shows the 2011 GDP(PPP) based on World Bank and CIA figures and demonstrates the inequitable distribution of income across countries.

Dannz Quah's 'twin peaks' divide the world into 2 groups. The first, comprising of 13% of the world's population in USA, UK, Germany, Japan, etc. earn 45% of the world's PPP income while the other, comprising of 42% of the world's population in India, Indonesia and China earns 9% of the PPP income.

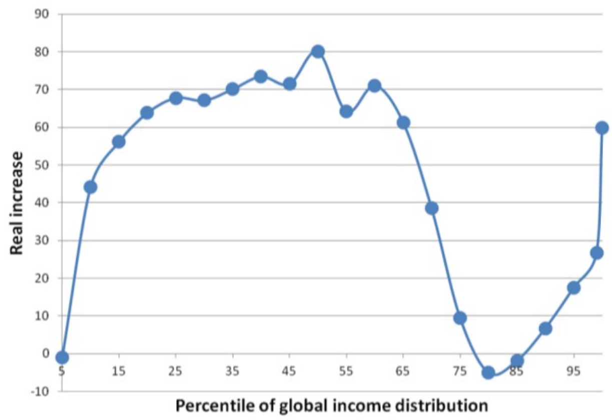


Figure 5

Figure 5 shows the real income (in constant PPP dollars) at various percentiles of global income distribution between 1988 and 2008. The real income rose by 80% at and 70% around the median. This median refers to the emerging global middle class. Between the 50th and 60th percentile lie 200 million Chinese, 90 million Indians and 30 million each from Indonesia, Brazil and Egypt. The real income of the poorest 5% has remained stagnant over the past 20 years, and that of the people above the 75th percentile but not in the richest 1% has shown little increase and even partial decline. Meanwhile, the richest 1% are earning 60% more than they used to. This clearly demonstrates the growing economic inequality. The World Bank's figure of the 'absolute poor' or people whose per capita income is less than 1.25 PPP dollars per day has gone down from 44% to 23% over the same 20 years but this seemingly encouraging figure is misleading when considering the fact the real income of the first 33% apart from the poorest 5% rose by 50-70%. The Lorenz curve in Figure 6 shows the cumulative income vs. the cumulative global population, both in percentages, and supports this data.

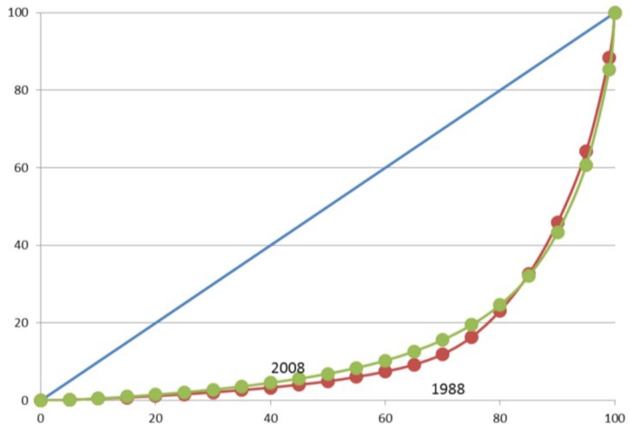


Figure 6

The median income earners in China went from the global 10th percentile to the 50th, In India from 10th to 27th, in Indonesia from 25th to 39th and in Brazil from 40th to 66th. The position of large European countries and USA stayed about the same between the 80th and 90th percentiles. On the other hand, the median Nigerian went from the 16th to 13th percentile and the median Kenyan from 22nd to 12th percentile. The 2008 financial crisis is likely to have made the richest populations in Europe and USA slightly poorer on the global scale.

Historically, different countries have approached economic equality in very different ways, based on their political, social and economic ideologies. Marxist nations have prioritized an individual's needs over his ability to produce and this leads to an equitable, not to be confused with prosperous, society. Meritocratic economies are based on an individual's capabilities and are likely to lead to inequality due to variation therein. Classical liberal and libertarian states believe in equality under law and do not act on inequality while socially liberal states will aim to preserve capitalism while correcting large income gaps.

One of the most widely discussed developments in modern times has been the Occupy protest movement against social and economic inequality. With protests in over 82 countries, this movement has had debatable success in raising awareness about and affecting tangible change related to 'corporate greed', unhindered by the nature of the global financial system.

In recent times, several UN conferences and UN organs have contributed to research debate and coordinated action on the issue of economic inequality and have made its resolution central to the global development agenda.

At the UN Conference on Sustainable Development held in June 2012 in Brazil, world leaders committed to promote sustained, inclusive and equitable economic growth, reduce inequality and foster equitable social development. The issue of the development gap between developed and developing countries was highlighted and key areas of cooperation for addressing it were identified. Social inclusion through inclusive and people- centric development was also emphasized (see GA resolution 66/288, annex.).

At its 2012 annual ministerial review, the Economic and Social Council identified economic growth models that promote job creation and are sustainable, inclusive and equitable. It was, however, conceded that this would not be sufficient to achieve the Millennium Development Goals and that effective social legislation for social justice, protection and cohesion would have to compliment them.

The recent announcement of the Sustainable Development Goals has emphasized decreasing inequality. The adoption of GA 70/1, a firm commitment to the Goals, offered an inclusive development agenda to achieve this purpose. Most notable for the discussion about global inequities are Goals 4 (Quality Education), 8 (Decent Work and Economic Growth), and 10 (Reduced Inequalities). Goals 5 (Gender Equality) and 9 (Industry, Innovation, and Infrastructure) are also important.

The Social Protection Floor Initiative was established in 2009 as a joint UN crisis response initiative to focus on social protection with the aim of combating poverty and inequality. It recognized linkages between social security, healthcare, nutrition, education and employment and suggested that all countries can afford a basic floor of social transfers while recognizing that LDCs may require initial assistance. In June 2012, The International Labour Conference too called for a basic social protection floor to provide healthcare and income security. An ILO Recommendation (No. 202) further provided guidance to states to establish and operate social protection floors as an integral part of national social security. These measures were also adopted as a new international labour standard by the International Labour Conference.

Significant research has been conducted on or related to the issue of economic inequality. The World Bank Report of 2008 identified links between income inequality and globalization. The World Bank has developed the Human Opportunity Index to monitor children's personal circumstances that determine the opportunities they receive in adulthood. It also took on the issues of inequity and development in 2006 and gender equality and development in 2012, in its World Development Report. The Human Development Report 2005 identified inequality as one of the primary obstacles in achieving the MDGs and the UNDP subsequently included an inequality-adjusted Human Development Index in its Human Development Report 2010. The Africa Progress Report 2012 specifically identified inequality as a threat to economic growth in the Africa. Meanwhile, The UN Research Institute for Social Development as well as the Secretary-General at the 67th session of the GA (A/67/394) released reports specifically identifying causes of inequality and solutions to mitigate it.

In a resolution from 1998, the ECOSOC addressed the right to education in the context of inequality. In it, controversial policies of positive discrimination were introduced and the quality of education through technology, training, redesigning enrolment policies and reworking regulation was stressed.

While there are numerous NGOs and organizations working on combating poverty, direct efforts to reduce inequality have conventionally been in the form of government legislation on fiscal policy to use progressive taxation and government spending on social security. Minimum wages, unions and subsidies have also been traditionally used for this purpose.

Introduction II

Moments of high-lived economic prosperity, as was the case in Britain and the United States after the Second World War, are rare. Although it is not unusual for countries to experience small episodes of growth, it is difficult to sustain these instances and foster long- term economic development. A growing number of nations seem unable to maintain an uplifting economic trend.
For substantial economic growth to occur the IMF (International Monetary Fund) established that an approximate equal income distribution is one of the key requirements. Countries will often find that developing income equality can also improve the efficiency of their economy over a longer period of time.
Some economists argue that a more balanced distribution of earnings reduces the stimulus to work and invest.
Governmental efforts to narrow the wealth gap, through tax code benefits and minimum wages can be an overall expensive remedy. Experts claim that although money can be transferred from the wealthy to the

poor, a large portion of it is lost in the commonly badly administrative system. Poorly coordinated measures to reduce the wealth gap could not only be counterproductive but also undermine growth. One example of such an attempt was the People's Republic of China's efforts to decrease the wealth gap between the prosperous coastal provenances and western landlocked settlements. The government's funding mainly flowed into large- scaled infrastructure programs and heavy industry instead of focusing on smaller projects such as microcredit's to raise the living standards of farmers in the region.

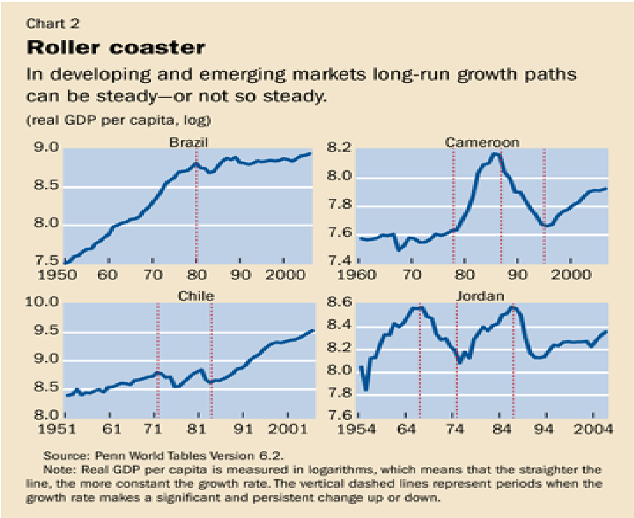
Large portions of the designated funds never reached the intended parties but were diverted into the pockets of corrupt officials. Beijing's efforts to redirect foreign investment into the more impoverished areas of the country were soured through wastage and corruption.

Other pressing problems included ethic and labour unrests, which continued to strain the authorities attempt to encourage economic development.

Long-term economic growth in countries such as Britain and the United States is a slow, steady development of increase in real income. Countries, which still feature emerging economies often bare witness to unique and irregular pathways. To be able to understand the needs of each economy one must be able to closely analyse its turning points.

These crucial periods can provide the answer to why some countries are able to generate growth over longer periods of time whilst others fail after only a few years of exponential growth. It seems as if for many countries, the difficulty rests in sustaining growth and not sparking it. Well-known factors such as political instability and a lack of macroeconomic security affect the length of growth episodes. A research study by the IMF has shown that external debt, foreign perplexities and ethnic fractionalization are additional common causes for an abrupt end to a growth episode.

Income inequality is commonly measured by the Gini Index, which provides us with a brief of information on income distribution but not with data about the characteristics of the distribution. The Gini Index is calculated on market income and disposable income; it measures the inequality of income without drawing on the effects of taxes and social expenditures. The Gini coefficient theoretically ranges from 0, where every individual earns the same amount, to 100 (or 1) where one individual receives the gross combined income of society. The average Gini Index score lies at around 40, which is considered a normal or 'healthy' value. Today, the world's top economies all have Gini coefficients in the low to mid 40s. Most of Africa and Latin America are ranked in the upper 50s, in some extreme cases even the low 60s. There has been a global increase in Gini Index scores for the past 200 years, most notably in the past two decades.



MEDCs and OEDCs

A vast majority of MEDCs (More Economically Developed Countries), such as Britain and the United States have been experiencing a rigorous widening of the wealth gap throughout the last two decades. Since 1967, the domestic income for the United States upper class has grown by 67%, whilst the bottom half has only risen by 20%. Experts believed that such trends revolved in cycles, predicting the wealth gap to narrow in the 1990s when the worldwide economy improved. These predictions remained unfulfilled.

Due to the large variety of factors involved, government administrations struggle to agree on the causes of the widening wealth gap. The Canadian government, for example has considered an array of contributors, ranging from fast paced technological development to a decline in union membership. This presents an obvious difficulty when it comes to resolving the issue at hand as parties cannot come to an understanding over the contributing factors.

Some believe globalization to be a prime cause, as wages for unskilled workers are unlikely to fluctuate in emerging and developing economies, already developed economies cannot compete to produce similar goods with more costly labour. Experts however argue that this cannot explain the reason for all inequalities as income gaps are also developing in industries, which are not threatened by inexpensive imports.

Self-employment could also play a role, as these wages and salaries tend to be clustered around lower income groups. However since self-employment only contributes to a small share of gross labour income in most nations, it can only account for a small part in the overall inequality increase.

A paper recently published by the Organization for Economic Co- operation and Development (OECD) stated, that member state's top 10% of domestic households earning rose much quicker in comparison to their bottom half during the last two decades. These measured differences were particularly prone in European and North American countries.

The most recent numbers show a widening of the wealth gap between the rich and poor in countries, which already show a high inequality in income, such as Israel and the United States. However countries such as Germany, Sweden and Denmark, which have commonly fostered a low rate of income inequality, have now also reached this critical point. Inequality has grown more in these three countries than in any other OECD member states over the past ten years.

The increase in domestic inequalities in OECD nations has been largely guided by changes in wage distribution, which make up 75% of the household incomes of working age adults. With a few exceptions (Spain, France and Japan) the earning shares for those on top have been growing steadily and those at the bottom, declining. These inequalities in earnings have shown to be depended on labour and work arrangements. One prominent example of this is the rapid growth of the women employment market which has developed at a much more prominent speed compared to that of men. However, since many women work part time and therefore earn less, it also provides an explanation of the broad gap in earnings amongst the workforce. Part time-employment has increased sharply over the last few years, most noticeably in Europe.

A more controversial cause of income inequality in OECD member states is the influence of income from capital, property, private transfer, investments and savings, which has created a wider gap between income classes in the last two decades. Capital income, one of the most notable categories has been growing over the last twenty years, particularly in Nordic countries and Israel. Compared to labour income this is a relatively small contribution to the household earnings, but it has risen in past decade.

OECD countries have increased their foreign direct investment from 5% of their GDP (Gross Domestic Product) in the 1980s to close to 50% in the 2000s. OECD member states have expanded their involvement in overseas operations and offshore sourcing of production. Moving activities offshore usually results in impairing low skilled workers. Economies have been experiencing a shift from the traditional demand for low skilled workers to those with expertise. The rapid adaptation of new technologies often comes as a disadvantage for those workers who do not posses the necessary skills. This phenomenon is referred to as 'skill-bias'. A report published by the OECD in 2007 stated "technical change is a more powerful driver of increased wage dispersion than increased trade".

Over the last two decades, many MEDCs have introduced regulatory reforms to enhance their ability to compete on the market for services and products. These reforms are aimed at providing a more adaptable workforce to the market. Anti-competitive product-market regulations are just one example of these reforms. Many countries have reduced the degree of employment legislation protection for workers. Temporary contracts, for example have become more benign. The processes of setting wages has also been altered, union membership has fallen and minimum wages, compared to relative wages have sunken since the 1980s. In a large number of countries, unemployment benefits have been reformed, in an attempt to promote employment of the low skilled workforce. These changes have had a positive impact on employment levels. As more workers from the lower income group are integrated into the employment market, the more skilled workers benefit from a diverse economy.

Lobbying for employment opportunities for the weakly represented groups could potentially increase the domestic income for specific households and therefore narrow the income gap. Putting this policy into practice however, is less straightforward. Recent social changes have had a noticeable effect on household structures in a majority of MEDCs. There are more single headed households, either with or without children than ever before. The smaller the household the less they are able to benefit from combining financial resources and splitting expenditures. The likely trend towards a development of smaller households would also result in an increase of income inequality. Some experts argue that the alterations in family formations are the prominent reason for the rising inequalities in income distribution in MEDCs.

Income taxes and social benefit systems play an extensive role in most MEDC countries. Public cash transfers, income taxes and social security contributions are designed to curtail market income inequality. These measures are estimated to reduce about a fourth of working age inequality in OECD member states. The efforts are most effective in Nordic countries, Belgium and Germany whilst it remains low in Chile, Iceland, Korea, Switzerland and the United States. In a majority of countries the degree of redistribution has increased over the last few decades. Therefore, on a whole tax- benefit policies have been effective in increasing financial equality but have rendered to do so productively over the past ten to fifteen years. The global market inequalities have continued to grow without taxes and benefits being able to achieve the desired stabilization effect. In fact, some countries taxes and benefits systems have become less effective in redistributing wealth over the past decade. These adjustments in redistributions are mostly driven by alterations of benefit receiving criteria's. Reforming tax and benefit policies are regarded by many government administrations as the most direct and compelling technique to increase the capability of redistribution.

Governmental transfers both in cash and through other services are important procedures as they guarantee that low-income domestic units do not fall back further in income distribution, especially during recessions. It remains important to acknowledge the relative financial stability of high-income groups compared to 'blue collar' workers when planning redistribution schemes. In some cases it might be necessary to review whether current tax provisions are still appropriate in the light of the current situation. However one must remember that governmental redistribution schemes are not the sole answer to the pressing problem. They are neither sufficient enough nor financially sustainable. The OECD encourages countries to draft policies, which provide access to employment for those who are struggling to gain representation. Such measures require the creation of new jobs, employment that enables people to escape poverty. Recent research has shown an increase in 'in-job poverty', meaning that job quality and income has suffered over the last few decades. Policies, which invest in human capital as a workforce, are required. This calls for better training and education for lower skilled workers. Over the past twenty years, the need for extensive education has been one of the most significant factors in fighting against increasing wage inequalities over longer periods of time. Therefore it seems reasonable to back policies, which promote education and training.

LEDC's and BRIC Nations

As mentioned above, widespread education has been proposed as one of the solutions to sustaining and developing growth. However, for many countries, it is not as simple as this. Education, which is broadly accessible to society as whole, is difficult to achieve unless society already has a relatively evenly distributed income policy.

The Kuznets curve argues that in the least industrialized societies, almost everyone is equally poor; therefore there is high income equality. The inequality begins to rise once a larger section of society moves away from low- productivity agriculture to an industrial setting, where the average income usually is higher. However as society begins to reform as whole, the rural farming and urban industry gap is abridged, pensions plans, unemployment benefits and other social schemes are introduced to lower inequality.

The Heckscher-Ohlin- Samuelson theory concentrates on the relationship between international trade and inequality. LEDCs tend to specialize themselves on one product or industry, which requires low skilled cheap labour, for example textiles. This increases the demand for low skilled workers, raising the wages of those with lower skills relative to those with more training. Using this ratio, between low and high skilled workers the inequality too, should decline. Scenarios in China heavily dispute this theory. China, a BRIC (emerging economy) country holds a comparative advantage in unskilled, inexpensive labour-intensive products. The Heckscher theorem predicts that inequality would fallen due to the wages of low skilled workers related to that of high skilled labour. Quite the opposite is true, as China's Gini Index has risen from 30 in 1980 to 45 today.

An economically poorer country in its earlier stages of growth and development is likely to display a rising domestic income inequality. If the country continues to develop it is expected to show a decline in inequality. Usually the government begins to expand on social security measures, tax benefits and other forms of state support. One example of such a country would be India, which has enforced a policy aimed to guarantee rural employment.

Post- Communist countries such as Russia and eastern European nations have experienced one of the most climatic increases in income inequality. After the Soviet Union collapsed in the 1990s, the Russian Federation's Gini Index rose to equal three times that of the United States. The driving force behind these developments was the immense privatization process of once state owned assets by the politically powerful. This created wide gap between those who earned extremely well and those who earned next to nothing or became unemployed. The once well- established social safety measures, which were often provided by either the state or the employer, had disintegrated together with the communist administration.

Several central European nations, such as Slovenia, the Czech Republic and the Slovak Republic were able to keep their Gini coefficient comparatively low. Many central eastern European nations have undergone post-communistic transformation, coupled with equitable income distribution and policy alterations through for example, the European Union.

A vast amount of Latin American countries have been able to decrease their domestic inequality over the past few decades. This trend is particularly apparent in Brazil, where the Gini Index dropped from the low 60s in the 2000s to below 57 today. Inequality has declined in a similar fashion in Argentina and Mexico. These advancements have been accredited to social programs such as Oportunidades in Mexico and Bolsa Familia in Brazil. The changes observed in Latin America were mostly due to an increase of access to education and training. It was estimated that the decline in Brazil's Gini Index would lengthen the duration of its economic growth by 40%. But even with these alterations, Latin America remains one of the most unequal regions in terms of income distribution, Brazil being amongst the top five. Narrowing even half of the inequality present in Latin America and Asia would more than double the expected growth ratio.

The United Nation and other Global Efforts

Until the 1990s, financial equality was not a priority in terms of human development. Most government administrations choose to focus on poverty rather than on unequal income distribution. The 1995 United Nations Summit on social development, for example choose not to address the redistribution of incomes. Until recently the United Nations rarely choose to address income inequalities, focusing instead on other social forms of equity. For years there has been an unspoken agreement between NGOs (Non- Government Organizations) to put poverty above income inequality on the list of priorities. Yet, it seems as if there is not one convincing argument to why poverty deserves this preferential treatment. The UNDP (United Nations Development Program) was one of the first organizations to put domestic inequality back on the agenda and although they printed an impressive statistical analysis, the UNDP report did not include any possible political courses of action. According to the World Bank however, poverty and equality are not two unrelated concepts, poverty reducing measurement could lead to a 'optimal inequality' which is small enough not to obstruct poverty reduction but large enough not to obstruct growth.

In 2006 the United Nations published a report on the current resolutions of social justice, which were aimed at reducing domestic income inequality and increasing basic welfare. The resolutions passed included rights for labour unions, gender labour equality and healthcare. The simply phrased draft resolution entitled "Education for All" was repealed.

In advance of the Sustainable Development Goals, the post-2015 task force highlighted how highly unequal societies tend to grow more slowly, sustain growth over shorter periods of time, and recover more slowly from economic slumps than those with a more equal income distribution. They made clear the need for country's investment in their people and the benefits to be reaped from such investments. The Sustainable Development Goals, taking up the legacy of the Millennium Development Goals to form a more just and equal environment where modern day international relations met fairness and uniformity, intend to achieve "sustainable development in its three dimensions – economic, social, and environment – in a balanced and integrated manner." Yet they also note how the progress of the Millennium Development Goals was uneven, particularly in Africa and Least Developed Countries. There is much work to be done on inequality.

One of the most recent General Assembly Resolutions, known as 67/230, asks for the President of the General Assembly to hold an informal thematic debate on the topic of inequality. Members committed themselves to "seek to reduce inequalities, increase opportunities and access to resources and income, and remove any political, legal, economic and social factors and constraints that foster and sustain inequality." Older resolutions, such as Resolution 62/213 recognized the inequality within and among countries, drawing into consideration agreed development aims, such as the Millennium model.

One issue, which has been criticized by numerous experts, is the lack of a uniformed method for not only measuring inequality across a population but also deciphering its characteristics. The HDR (Human Development Reports) criticize the shortage of opportunities to analyse financial inequalities in the light of other social aspects. UNICEF (United Nations International Children's Emergency Fund) condemns the fact that economic decisions are often taken without considering their distributional and social impact. Therefore, the United Nations development agenda should, according to UNICEF combine social and economic policies to create the best alternative policies.

The IMF has drawn parallels between the recent global financial crisis and the impact it has had on economic activity in terms of income inequality and growth sustainability. The economic pressure has led lower-income individuals to sustain their consumption through borrowing and lending, which can come at a high price for society. An improved inquiry in macroeconomic and financial sector relations can lead to more appropriate financial regulations. The 1980s debt crisis and the following difficult period of beneficial structural alterations made it apparent that benefits where only effective when they were shared. A more equality-centralized outlook could aid both growth and equity, especially in a time of economic downturn. The World Bank notes that "equity and equality overlap quite extensively".

The Future

Now that the international community has formally recognized the widening wealth gap as an issue through the Sustainable Development Goals, there must be action. The Goals are ambitious but achievable and definitive long-term targets, with intermediate short-term targets to monitor progress at regular intervals. The international community has committed to these principles, so it is an advantageous time to work on financial inequality.

With specific emphasis on monitoring techniques, current methods of measuring inequality have widely been criticized for not accounting for varying wealth and income distribution across the entire spectrum of affluence. While the Human Opportunity Index and the latest Human Development Index do account for inequality, current methods of measuring economic growth take a very primitive approach to income inequality if any at all.

Inequality as it is currently measured is rendered inaccurate by high levels of corruption in the form of embezzlement, such as in India, where the fraudulent appropriation of government funds by politicians and other forms of corruption to the extent of anything between 0.4% and 2% of the country's GDP, are taking money away from the poor who are already given few social benefits and have led to a rise in affluence of the political class, not accounted for in their income or wealth for obvious reasons. Tax evasion and illicit capital flows to tax havens have exacerbated the problem of lack of financial resources. Any future solution to inequality at a global scale will have to address issues of corruption.

Social Enterprise, public-private partnerships and non-profit companies and organizations are currently at the helm of finding innovative solutions to elevating the economic status of the poorest sections of society. The Grameen Bank, which provides microcredit loans in Bangladesh, Kiva, which does the same at a global scale through member donations, and the India Food Banking Network, which is using the unique distribution model of food banks to connect food donors to the poor, are examples of the novel approach that is required in enterprise. Furthermore, small and medium-sized enterprise needs to be encouraged as they form the backbone of most successful economies. The use of technology in the form of crowd-sourcing small projects such as through Kickstarter has been successful in this regard with limited scope and could be expanded.

India FoodBanking Network

To have each district of India accessible to one FoodBank by 2020

Another particularly interesting use of technology is that of biometrics and smart-card technology by the Unique Identification Authority of India to eliminate inefficiencies and corruption in the payout of social benefits as well as to correct the exclusion of the poorest sections of society from access to financial services due to their lack of documentation. This project, although in its early stages, has already been successful.

Bolsa Familia, a social welfare program in Brazil that covers a quarter of the population, provides direct cash transfers to families on the condition that all children are attending school and have been vaccinated. It is also credited for reducing child labour and malnourishment, but most importantly for reducing inequality by 17% in just 5 years as well as a fall in infant mortality and a projected decrease in illiteracy. The Conditional Cash Transfer model as implemented by Bolsa Familia is being developed in various countries and cities across the world with the assistance of the World Bank.

Bolsa Familia, as mentioned above, is part of a wider effort to provide universal access to social protection in order to reduce poverty and inequality. The establishment of a social protection floor or widening the scope of existing social programs is of utmost importance in ensuring that any future growth is inclusive and equitable, which will in turn lead to faster growth. In the long term, social protection is expected to facilitate the build-up of human and social capital and livelihood prospects, address underlying causes of poverty and enable the workforce to realize its full potential. Studies suggest that almost three-quarters of the world's population does not have access to adequate social protection, but that progressively implemented social protection is affordable in most countries with initial assistance in the form of international aid. Studies conducted in Asia and Africa suggest that the cost of this would be between 2.2% and 5.7% of GDP with individual components being more viable in the short term.

Factors that could worsen the current situation are strongly related to vulnerabilities of particular sections of society. These vulnerabilities may be cultural, such as laws and cultural norms that keep women out of the labour market; social, such as imposed limitations on the kinds of employment that members of specific castes may seek; or simply related to the availability of employment such as in Spain where the youth unemployment is 56.6% compared to total unemployment of 26.3%. Policies to aid these vulnerable sections of society can provide a targeted and possibly more effective approach at combating inequality.

A policy related to the one above is that of positive discrimination or affirmative action. This controversial policy has been adopted in education and business. It aims to correct the long term disadvantages incurred by vulnerable sections of society due to discrimination based on race, religion, sex or national origin by ensuring that they aren't underrepresented. This helps provide equality of opportunity, integral to ensuring equity.

Development in technology is partly responsible for the widening income gap between skilled and unskilled labour. Asia, in particular, has seen increased use of technology in industry, especially manufacturing. Furthermore, in many countries, 25-35% of total income inequality can be attributed to a mismatch of skills and available employment. Globalisation is also responsible, in part, for depressing wages for unskilled workers. All of these factors are expected to more and more relevant in the future and any future measures to combat inequality will have to account for education and training.

The Raspberry Pi is a $25 computer that was developed with the intention of being distributed in low-income communities to enable children to be familiar with the technologies that have now become an integral part of education. Code.org is another initiative pushing for computer science education by bridging the gap between teachers and learners.

The importance of infrastructure in connecting rural communities to the mainstream economy as well as in enabling economic activity cannot be ignored. JustGiving is facilitating crowd- sourcing for small educational projects to give people skills such as brick-laying, building roads and setting up small-scale green energy solutions. Operating well-funded schemes like this and supporting the influx of capital and expertise from the private sector in setting up budget schools in rural areas could be a part of the long term solution.

It must be kept in mind that while a globally coordinated solution is required, the nature of inequality in the developed world is not the same as in the developing world and unless solutions specific to the underlying problems are implemented, the wealth and income gap is likely to increase far into the foreseeable future.

Points that delegates are encouraged to address during debate and in resolutions are as follows:

- The difference in the causes of inequality within nations and between them
- Approaches suitable to specific socioeconomic conditions such as in developing vs. developed economies
- Balance of priority between overall economic growth of an economy and ensuring equity
- The difference between income redistribution i.e. channelling economic resources from the rich to the poor or poverty alleviation whereby the poor are directly empowered economically
- The interconnected nature of education, employment, healthcare, economic growth, economic development, social security and inequality
- Ensuring that policy models and successful initiatives are scalable and replicable
- The impact the Sustainable Development Goals will have on the battle against drastic wealth gaps

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http://daccess-dds-ny.un.org/doc/UNDOC/LTD/S01/211 /18/PDF/S0121118.pdf?OpenElement

http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G98/18 6/60/PDF/G9818660.pdf?OpenElemen t

http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/65/120
http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/65/223

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http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N12/43 9/27/PDF/N1243927.pdf?OpenElemen t

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Further Reading:

http://unctad.org/en/Publication sLibrary/osgdp20124_en.pdf

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TOPIC B:

THE FUTURE OF GLOBAL FINANCIAL REGULATION TO PROMOTE GROWTH.

Introduction

For more than two decades, globalization fuelled unseen levels of both economic growth and economic risk. Financial markets gained more openness, which allowed firms and governments to invest more freely. But as global finance grew bigger, it also grew more complex. Faster-flowing capital became more volatile and economic risk harder to track. Domestic regulators struggled to keep up with evolving financial practices, many of which they did not fully understand. To make matters worse, most national governments refused to cede regulatory authority to a global institution, limiting the extent of international oversight over global markets. International cooperation was based on a patchwork of ad hoc arrangements with limited scope.

After the global financial system collapsed in 2008, policymakers around the world scrambled to respond. The Group of Twenty (G20) designated itself the world's premier forum for economic cooperation, but has struggled to implement necessary reforms. The International Monetary Fund (IMF) was also retooled to better reflect shifts in the global economy. Similarly, regulators from twenty-seven countries forged new rules, known as Basel III, in an effort to prevent similar crises in the future. But despite these efforts, mitigating financial risk and coordinating global economic policy remains a challenge.

Topic history

"Gold standard"

The late 19th and 20th centuries were characterized by a highly integrated world economy.

From approximately 1870 to 1914 it was supported by an international financial arrangement known as the "gold standard" where each country defined the value of its currency in terms of gold. At this time gold was a commonly used as an official capital reserve. Since the value of each currency was defined in terms of gold as a common denominator, exchange rates of different currencies were fixed.

In 1914 the countries involved in conflict of the World War I suspended the convertibility of their currencies into gold, which led to the breakdown of the old financial system. Attempts to return to the gold standard failed.

A new attempt to rebuild the pre-World War I gold standard in 1922 succeeded but due to the gold shortage at this point of history it differed from the previous one. Countries that were not important financial hubs did not hold gold as official reserves but instead other currencies which were "gold- convertible". This new financial system was known as the "gold-exchange standard" which aimed to set major rates at their pre-war levels.

At a system-wide level each major rate was set to gold ignoring the implied rates among the various currencies, which led to a pile of centre countries which were directly tied to gold and, so called, periphery countries holding these centre- country currencies as reserves. More and more countries joined this system until 1930 nearly all were operating under this system.

However this designed system contained inventive problems for periphery countries. Suppose a periphery country expected that the currency it held as a reserve was going to be devalued against gold it would be in the countries interest to sell its reserve before the devaluation took place not only to preserve value of its total reserves but also to obtain additional value. This puts even greater pressure on the centre currency. This happened in 1931 when Britain was forced to cut the pound's tie to gold, leading many other countries following suit, due to the fact that the pound was set at an overvalued rate at the founding of the "gold-exchange standard" a year earlier.

This problems led to the disaggregation of the "gold-exchange standard" until by 1937 no countries remained on it.

The lack of international financial coordination helped contribute to the economic crisis of the decade. International economists have even seen the "gold-exchange standard" as the major contributor to the Great Depression.

The Bretton Woods System

During the World War II the United States of America and Great Britain began to plan for the post-war economic system and hoped to avoid the same mistakes made after World War I. So after the Great Depression there was a need for an organization to create a new system for exchange rate stability. The affects of World War II urged the need for reconstruction in well-developed nations on the one hand and on the other development in the lesser development nations.

In the 1940s a proposal for a monetary system by Harry Dexter White (USA) and John Keynes (UK) led to the foundation of the International Monetary Fund (IMF) with the goal of establishing the value of each currency, eliminate restrictions and certain practices on trade and assistance for post-war reconstruction.

In 1944 at the Bretton Woods Conference white largely got his way and the conference produced a plan that became known as the Bretton Woods System.

The essence of the system was an adjustable gold peg, which pegged the US dollar to gold at $35 per ounce. Other countries were to peg either to the US dollar or directly to gold. In the end this resulted in the US dollar as the base currency of the new international financial system.

The Bretton Woods System became the foundation of the International Monetary Fund. The IMF is an international financial organization comprised of 183 member countries as of September 2013.

The Major decision-making body is its Board of Governors where each member state appoints a Governor and an Alternate Governor and meets annually. Day-to-day operations are in the hands of Executive Board composed of 22 Executive Directors, which are appointed by largest IMF quota holders.

The IMF engages in four areas of activity:

i. Economic surveillance or monitoring
ii. Dispensing of policy advice

iii. Technical assistance

iv. Lending money (which is perhaps the most important aspect)

Systematic financial crises

Systematic financial crises frequently result in major financial regulatory initiatives. The United States is a typical example: The key historical milestones of US financial regulation before the current crisis were the creation of the First Bank of the United States in 1791, as a consequence of the states' difficulties repaying the debt from the War of Independence; the creation of the Second Bank of the United States in 1816 in the wake of the inflation and financial difficulties associated with the war of 1812; the Legal Tender Act of 1862 and National Banking Acts of 1863 and 1864 to deal with the challenges of financing the Civil War; the Federal Reserve Act of 1913 in the aftermath of the banking crisis of 1907; the New Deal legislation, particularly the Securities Act of 1933, the Banking (Glass-Steagall) Act of 1933, and the Securities Exchange Act of 1934 after the Wall Street crash of 1929 and the banking panic of early 1933; the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991 as a reaction to the Savings and Loan crisis; and the Sarbanes–Oxley Act of 2002 after the Enron collapse and a string of other financial reporting scandals.

Similarly, in Japan much of the current financial policy framework was introduced in the late 1990s and early 2000s following the financial turbulence that accompanied the country's "lost decade."

In the European Union, a distinct driver of financial reform in the two decades preceding the crisis was the effort to create a single market for financial services, particularly after the introduction of the Euro in 1999. Landmark corresponding pieces of legislation include the 1989 Second Banking Directive, which encouraged the creation of cross-border branches; the 1993 Investment Services Directive, which established a single "passport" regime for investment banking operations throughout the European Union; the 2002 Regulation on International Accounting Standards, which paved the way for the European Union's adoption of International Financial Reporting Standards (IFRS) in 2005; the 2004 Markets in Financial Instruments Directive (MiFID), which broke the monopoly of national stock exchanges and established the basis for EU-wide competition among trading platforms; the 2006 Capital Requirements Directives, which transposed the Basel II Accord and paved the way for a harmonized regulatory framework for bank capital requirements; and the 2009 Solvency II Directive (the preparation of which started long before the crisis), which established a parallel capital regulation framework for insurance companies.

EU harmonization efforts have themselves been a powerful stimulant or enabler for global regulatory projects. The two most prominent pre-crisis examples in this respect are IFRS and the Basel II Capital Accord. In the case of accounting, the European Union's decision to adopt IFRS, made at the political level in 2000, finalized through the above-mentioned 2002 regulation, and implemented in 2005–06, was the trigger for their subsequent adoption by a significant number of jurisdictions that now represent about half of the aggregate market capitalization of large companies worldwide. In the case of Basel II, the European Union was instrumental in the negotiation of the accord in the first place, and was among the first to implement it with the adoption of the Capital Requirements Directives and subsequent rulemaking in individual member states. According to the Basel Committee on Banking Supervision, by

September 2011, implementation of the Basel II Accord was complete in 21 of the committee's 27 member countries, with at least two more countries planning to join in 2012 (BCBS 2011b).

Since the start of the crisis, financial reform has resulted from a sometimes complex and iterative combination of discussions and initiatives, at both at the individual jurisdictions and international levels.

From 2007 to Now

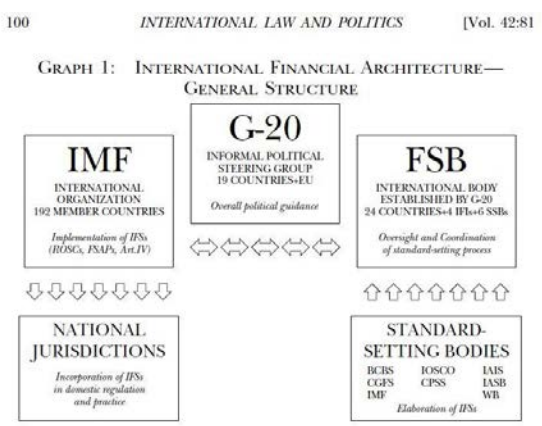
The 2008 global financial crisis was the consequence of the process of financialisation, or the creation of massive fictitious financial wealth, which began in the 1980s, and of the hegemony of a reactionary ideology, namely, neoliberalism, based on self-regulated and efficient markets. Although capitalism is intrinsically unstable, the lessons from the stock-market crash of 1929 and the Great Depression of the 1930s were transformed into theories and institutions or regulations that led to the "30 glorious years of capitalism" (1948-77) and that could have avoided a financial crisis as profound as the present one. It did not because a coalition of rentiers and "financists" achieved hegemony and, while deregulating the existing financial operations, refused to regulate the financial innovations that made these markets even more risky. Neoclassical economics played the role of a meta-ideology as it legitimized, mathematically and "scientifically", neoliberal ideology and deregulation. From this crisis a new capitalism will emerge, though its character is difficult to predict. It will not be financialised but the tendencies present in the 30 glorious years toward global and knowledge-based capitalism, where professionals will have more say than rentier capitalists, as well as the tendency to improve democracy by making it more social and participative, will be resumed.

The banking crisis that began in 2007 and became a global crisis in 2008 will probably represent a turning point in the history of capitalism. Besides being the most serious economic crisis that capitalist economies have faced since 1929, it is also a social crisis since the International Labour Organization (ILO) predicts that unemployment will grow from around 20 million to 50 million by the end of 2009. And according to the Food and Agriculture Organization (FAO), as the incomes of the poor are falling due to the crisis but the international prices of food commodities remain high, the number of undernourished people in the world will increase by 11 per cent in 2009, and, for the first time, will exceed one billion. The questions that this major crisis raises are many. Why did it happen?

The global financial crisis of 2007-2009 has generated signs that the norms of financial governance are in flux, with many advanced market economies having implemented dramatic measures that at the time flew in the face of long-held policy beliefs. Central bankers and governments unleashed an extraordinary monetary and fiscal stimulus that saved the financial systems from collapse, but also pushed government budget deficits and debt profiles to the brink. Many governments, most notably those on the periphery of the Eurozone, now find themselves in the throes of a sovereign debt crisis. Asia, on the other hand, has rebounded much more sharply from the global downturn that followed the collapse of Lehman Brothers in September 2008. Indeed, the world economy appears to be on course for a multi-speed recovery.

The crisis has resulted in a flurry of international regulatory initiatives. The reform agenda has been wide-ranging in scope. While many of the details are at this point unresolved and significant differences remain among key players, it is clear from the reform debate that many of the pre-crisis policy norms and regulatory templates have been discredited. The crisis has also accelerated the on-going shift in the balance of financial power and clout from West to East. Indeed, one of the most significant outcomes thus far has been the breakthrough in the form of international financial governance, which has led to the Group of 20 (G20), rather than the Group of Seven (G-7), being convened to develop the reform agenda.
G20's summits convened in the light of addressing the crisis were multi-faceted and variedly perceived by different stakeholders, experts, leaders and in the academia.

Below a brief overview of the result of the summits:



Nov. 2008, during the worst economic crisis. This crisis threatened to the entire global economy. Objectives: The Leaders discussed the causes of the global economic and financial crisis and agreed to First G20 Leaders' Summit: Nov 14- 15, 2008, Washington D.C., USA implementing an Action Plan around three following main objectives:

1. Restoring global growth;
2. Strengthening the international financial system;
3. Reforming international financial institutions.

Action Plan established focused on:

1. Strengthening transparency and accountability;
2. Enhancing sound regulation;
3. Promoting integrity in financial markets;
4. Reinforcing international cooperation;
5. Reforming international financial institutions.

Second G20 Leaders' Summit, April 2, 2009, London, UK, available to support growth in emerging markets and developing countries:

1. The largest fiscal stimulus & comprehensive support program for financial sector;
2. The Financial Stability Board was established;
3. Make an additional $850 billion of resources available to support growth in emerging markets and developing

countries;
4. Reform of the international financial system.

Third G20 Leaders' Summit, September 24-25, 2009, Pittsburgh, USA:
1. Agreement was the launch of the Framework for Strong, Sustainable and Balanced Growth;
2. The G20, at the Leaders' level, as the key forum for international economic cooperation;
3. Additional measures to strengthen the recovery e.g. to improve better capital requirements; to reform compensation practices; to improve the OTC derivatives markets; to establish global accounting standards;
4. New topics were added to the G20 agenda, such as energy security.

Fourth G20 Leaders' Summit, June 26- 27, 2010, Toronto, Canada. Agreements were reached on the following:
1. More effective financial supervision;
2. Resolution mechanisms for financial institutions;
3. Policy recommendations to effectively address problems associated with systemically important financial institutions (SIFIs).

Fifth G20 Leaders' Summit, November 11-12, Seoul, Republic of Korea:
1. The Seoul Action Plan;
2. Agreement to develop "indicative guidelines" to identify currency imbalances;
3. Comprehensive IMF quota and governance reforms;
4. Additional agenda such as: the fight against poverty, the creation of quality jobs, inter alia.

Sixth G20 Leaders' Summit, November 3-4, 2011, Cannes, France:
1. The Cannes Action Plan for Growth and Jobs;
2. Reforming the international monetary system;
3. Guide the management of capital flows; common principles for cooperation between the IMF and Regional Financial Arrangements; Action Plan for local currency bond markets;
4. Remove further obstacles to growth, such as protectionism, and to improve global governance and poverty mitigation;
5. The Euro zone crisis.

Discussion of the Problem

Initiatives taken in 2008 and 2009 to strengthen the global financial architecture and international financial standards.

When it became apparent that the domestic U.S. subprime crisis had developed into a full-fledged international financial crisis, a variety of initiatives were taken at the international level with a view toward reforming the international financial architecture and enhancing and supplementing the existing IFSs in order to eliminate dangerous gaps in the supervision and regulation of international financial markets.

These international initiatives are mainly of a preventive nature as they aim to make the international financial system more crisis-resistant. However, they also look to improve cross-border crisis management and establish early warning systems.

It should be noted that the measures taken to overcome the current crisis, namely a variety of rescue packages for the financial sector and later for the larger economy, were all pursued at the domestic level and financed by national governments.

Even the initiatives taken within the EU merely focused on the coordination of the national rescue plans and on ensuring that they were compatible with European competition rules. Discussions both in the US and in the EU to make more efficient the respective fragmented supervisory authorities, including the idea of creating an integrated European supervisory authority for the financial markets, have also been internally-oriented.

Interestingly, at the international level, the approach chosen was to revive the G20, "an informal forum that promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability," which had been more or less dormant since its inception in 1999, and to establish it as the main forum for reforming the international financial architecture. A first conference at the level of heads of state or heads of government ("Leaders' Summit") was held in Washington, D.C., on November 15th, 2008, and a second meeting took place on April 2nd, 2009 in London.29 In other words, the "horizontal" approach of intergovernmental co- operation (through the "Gs" and the standard-setting bodies) was preferred over an institutional "vertical" approach (involving an international organization such as the IMF to head the process). In short, the G20 established itself as the main forum for reforming the International Financial Architecture, which under the guidance of the G-20 would comprise a reformed IMF and an enhanced FSF. Furthermore, the G20 decided that the FSF should be enlarged to include all G-20 members, and invited the BCBS and other standard-setting bodies to expand their membership.

At the November 2008 Washington summit on the international response to the global financial and economic crisis, the G20 Finance ministers were tasked with work in five areas, namely:

1. strengthening transparency and accountability;
2. enhancing sound regulation;
3. promoting integrity in financial markets;
4. reinforcing international cooperation; and
5. reforming the International Financial Institutions (IFIs).

To this effect, the G-20 chair created four working groups, each with representatives from all the G-20 countries and co-chaired by two senior officials, one from a developed economy and one from an emerging market economy. These working groups are:

WG 1: Enhancing sound regulation and strengthening transparency (chairs: India and Canada);

WG 2: Reinforcing international co-operation and promoting financial integrity in financial markets (chairs: Mexico and Germany);

WG 3: Reforming the IMF (chairs: South Africa and a special envoy on the international economy);

WG 4: Reforming the World Bank and other Multilateral Development Banks (MDBs) (chairs: Indonesia and France).

The first two working groups are of particular relevance regarding IFSs and the international financial architecture. WG1 made recommendations to strengthen international standards in the areas of accounting and disclosure, prudential oversight, and risk management, while developing policy recommendations to dampen cyclical forces in the financial system and to address issues around the scope and consistency of regulatory regimes.

WG2 was in charge of developing proposals to enhance international co- operation in the regulation and oversight of international institutions and financial markets, to strengthen the management and resolution of cross-border financial crises, to protect the global financial system from illicit activities and non- cooperative jurisdictions, and to strengthen collaboration between international bodies and monitor expansion of their membership.

Taken together, the landmark decisions made by the G20 at the 2008 Washington and 2009 London summits constitute an unprecedented effort to overcome the current crisis and to reform the international financial architecture, no doubt the most significant movement in this field since the 1944 Bretton Woods Conference. Two points deserve to be highlighted: First, these decisions build on the continuing activity of the various standard-setting bodies and the FSF over the last thirty-five years; and second, they illustrate the shift from an institutional monetary system of the Bretton Woods type to the oversight of globally integrated financial markets.

Other (non-G-20) initiatives in this connection include the establishment of a UN taskforce of experts to review the workings of the global financial system. The UN Commission of Experts that was created to this effect, was chaired by Professor Stiglitz, who is known to favour the establishment of a UN World Economic Council, which would include not only the G20, but also all UN member countries. The UN Commission of Experts' report on reforms of the international monetary and financial system (published on March 19, 2009) contains a number of proposals regarding the international financial architecture, such as:

• The creation of a new global reserve system and reforms of the governance of the IFIs;

• The establishment of a Global Economic Coordination Council, at a level equivalent to the UN Security Council or General Assembly, to "provide a democratically representative alternative to the G-20";

• Reform of financial markets regulation and supervision focusing on financial products safety (including the creation of a Financial Products Safety Commission), comprehensive application of financial regulation, and regulation of derivatives trading and credit rating agencies;

- Enhancing and expanding the FSF to be made accountable; and

- Laying the groundwork for a Global Financial Regulatory Authority.

A think tank called the Group of Thirty (G-30) has taken a further initiative for global financial reform. On January 15, 2009, the G30 Working Group chaired by P. Volcker published the report Financial Reform – A Framework for Financial Stability, which addresses flaws in the global financial system.

The report provides eighteen specific recommendations to improve supervisory systems, enhance the role of central banks, improve governance and risk management, address pro-cyclicality via capital and liquidity standards, strengthen financial infrastructure, and increase international coordination. The core recommendations deserve to be highlighted:

I. Gaps and weaknesses in the coverage of prudential regulation and supervision must be eliminated. All systemically significant financial institutions, regardless of type (including private pools of capital), must be subject to an appropriate degree of prudential oversight.

II. The quality and effectiveness of prudential regulation and supervision must be improved. This will require better-resourced prudential regulators and central banks operating within structures that afford much higher levels of national and international policy coordination (including with a view to avoiding excessive leverage).

III. Institutional policies and standards must be strengthened, with particular emphasis on standards for governance, risk management, capital, and liquidity. Regulatory policies and accounting standards must also guard against pro-cyclical effects and be consistent with maintaining prudent business practices.

IV. Financial markets and products must be made more transparent, with better-aligned risk and prudential incentives. The infrastructure supporting such markets must be made much more robust and resistant to potential failures of even large financial institutions. This entails restoring confidence in securitized credit markets, enacting rating agency reforms, providing oversight of Credit Default Swaps and Over-the-Counter markets, ensuring transparency of structured product markets and establishing appropriate resolution mechanisms for defaulting financial institutions in countries where they do not already exist.

It should be noted that most, if not all, of the recommendations of the G30 report have been taken into account by the G20 in its decisions, in particular the Action Plan agreed to at the Washington Summit and the Declaration on Strengthening the Financial System established at the London summit.

The reformed international financial architecture, as it now appears following its 2009 restructuring, is based on three dissimilar entities: the G-20, the reformed IMF, and the Financial Stability Board. Each of these institutions has a different membership, mission, and legal status:

1. The G20 is an informal political steering group, comprised of nineteen countries and the EU, which has taken up the mission of strengthening, reforming, and overseeing the overall functioning of the international financial architecture, in particular through enhanced financial regulation based on financial standards agreed upon at the international level;

2. The reformed IMF is an international organization with universal membership based on quotas; it focuses on surveillance and the implementation of international financial standards, in

addition to its traditional tasks, with increased resources;

3. The Financial Stability Board (FSB) is the successor to the Financial Stability Forum, which now includes representatives of twenty-four countries (in addition to the IFIs and the standard- setting bodies), coordinates the standard- setting process, and oversees the standard-setting bodies.

The other actors involved in this process are the standard-setting bodies themselves, which differ widely in legal status and membership, and the national jurisdictions, which, with the notable exception of the European Union, have the exclusive competence to incorporate the IFSs into their national legislation, regulation, and supervisory process. Twelve key standards defined by the FSF (now the FSB)

1. Code of Good Practices on Transparency in Monetary and Financial Policies (IMF)

2. Code of Good Practices on Fiscal Transparency (IMF)

3. Special Data Dissemination Standard; General Data Dissemination System (IMF)

4. Insolvency and Creditor Rights (World Bank)

5. Principles of Corporate Governance (OECD)

6. International Accounting Standards, IAS (IASB)

7. International Standards on Auditing, ISA (IFAC)

8. Core Principles for Systemically Important Payment Systems (CPSS); Recommendations for Securities Settlement Systems (CPSS/IOSCO)

9. The Forty Recommendations of the Financial Action Task Force; Special Recommendations Against Terrorist Financing (FATF)

10. Core Principles for Effective Banking Supervision (BCBS)

11. Objectives and Principles of Securities Regulation (IOSCO)

12. Insurance Core Principles (IAIS).

However, there is little doubt about the IFSs' bearing on regulations, codes of conduct, and administrative practices— and their relevance for the interpretation of and closing of gaps in the legislation— as the IFSs represent a consensus of supervisors or experts from the jurisdictions of the major financial centres. It should also be noted that the financial intermediaries are not directly the addressees of the "recommendations" contained in IFSs, which are rather aimed at national legislators, regulators, and supervisors who are "invited" to implement them in their respective jurisdictions.

Unlike the case of domestic soft law (codes of conduct, etc.), there is no threat of legislative intervention in the case of non-compliance with IFSs. This being said, the implementation of IFSs is "encouraged" by a number of incentives, both official incentives (FSAPs, ROSCs, peer pressure, etc.) and market incentives. Furthermore, according to the Declaration of April 2, 2009, the members of the FSB commit to pursue the maintenance of financial stability, to implement IFSs (including the twelve key standards), and to undergo periodic peer reviews and FSAPs. In certain areas, such as "tax transparency," the G20 now envisages taking agreed action against non-cooperative jurisdictions (as was already the case in connection with the FATF recommendations on money laundering and terrorist finance).

It was by no means evident that the G20 should be the main forum tasked with reforming the international financial architecture. Like all the other "Gs,"64 the G20 is a sort of club created at the initiative of a group of influential countries.

It is "an informal forum that promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability." This group was established in 1999 in the wake of the 1994- 1995 "Tequila" crisis and the 1997 Asian economic crisis as an enlargement of the G7. The G20 was intended to be a broader forum which would bring together large emerging and systemically important economies to hold informal discussions on monitoring risks in the international financial system.

During the first ten years of its existence, the G20 kept a low profile and it was not significantly involved in sponsoring the international standard-setting process. However, at the Washington and London summits, the Leaders of the G-20 acknowledged their will to reform the financial regulations at the global level and to take whatever action was necessary to do so.

In addition to the G7 countries, the G20 now includes the four "BRIC" countries, inter alia.

IMF´s Role

Since its creation in 1944 to monitor the Bretton Woods international monetary system, the IMF has strayed from many of its initial functions and has struggled to refocus its mission and activities. The last decade has seen an increased focus on surveillance, with particular emphasis on the implementation of IFSs (through ROSCs, FSAPs and Art. IV). This surveillance function has been "officialised" by the G20 and now appears as one of the major missions of the IMF in connection with the global financial system. However, it seems that ROSCs and FSAPs are based on the (voluntary) technical assistance provided to the Fund by its members, and not (or only marginally) on Art. IV surveillance activities. Could this be a problem for the efficient implementation of international financial standards in the future? All G20 and FSB members committed themselves to undertake FSAPs and to support the transparent assessment of their national regulatory systems. Furthermore, the IMF, as the overarching institution for macro-financial supervision with universal membership and macro- economic expertise, was invited to take a leading role in drawing lessons from the current crisis, consistent with its mandate, and to conduct early warning exercises in cooperation with the FSB.

Unlike the G20, the IMF is not a selective club of a number of influential countries, but a full-fledged international organization with a solid institutional underpinning and universal membership. For this reason, it is no doubt much more representative than any of the "Gs," although the system of quotas and, even more so, the allocation of quotas have given rise to some discontent. At the April 2009 London summit, the leaders reached a broad agreement to enhance the representation of emerging- market economies through a revision of quotas. It remains to be seen whether there will be consequential changes in the composition of the Executive Board.

The BCBS

The Basel Committee on Banking Supervision (BCBS), created in 1974 by the G-10 central bank governors, is the oldest and arguably the most prominent international financial standard-setting body. The BCBS has made clear progress in enhancing its legitimacy by expanding its membership in March 2009 to twenty members, with the addition of representatives from Australia, Brazil, China, India, Korea, Mexico, and Russia, and in June 2009 to twenty-seven members, with the addition of representatives from Argentina, Hong Kong SAR, Indonesia, Saudi Arabia, Singapore, South Africa, and Turkey. It remains to be seen whether the BCBS functions as efficiently as it did before in its new larger and less homogeneous form.

As regards the undefined legal status of the BCBS and its lack of legal personality, one can refer back to the corresponding remarks on the FSB, which is in a similar situation. As for the FSB, the BIS provides the infrastructure and hosts the staff.

The BCBS is a member of the FSB and will report to it without prejudice to existing reporting arrangements or independences The essential principle inspiring the reformed international financial architecture, and consequently the contents of the international financial standards, is the following:

All systemically important financial (1) intermediaries, (2) markets and (3) products irrespective of type must be subject to appropriate regulation and supervision (4) in all jurisdictions.

Furthermore, financial supervision should not only be exercised institution by institution ("micro-prudential" supervision), but it should also encompass the good functioning of the whole financial system ("macro- prudential" or systemic supervision).

The future

"While multilateral institutions were important in the past, they are even more important for our future" – Christine Lagarde (incumbent Directress IMF)

The IMF has recommended that Europe focus on structural reforms to boost economic growth, such as product and services market reforms, as well as labour market and pension changes. The fund has also urged Eurozone members to make a more determined, collective response to the crisis by taking concrete steps toward a complete monetary union, including a unified banking system and more fiscal integration. In light of the sovereign debt crisis hitting the euro area in 2010, the IMF focuses largely on Europe, an idea that would have been unthinkable before the outbreak of this crisis. In particular, the Fund had to play a major role when France and Germany were unable to agree on a purely European solution to Greece's short-term debt needs. In late 2011, the Fund took aggressive steps to help stop the debt crisis from spiralling out of control. It announced that it would offer credit to countries in relatively good fiscal shape facing liquidity problems. During the period 2010-2012, another two members of the euro area - Portugal and Ireland – received access to IMF resources in order to help overcome their fiscal and external imbalances. In March 2012, European leaders agreed to bolster the IMF firewall (the permanent European Stability Mechanism) from 500 billion Euros to 800 billion Euros. As of mid-2012, the IMF had arrangements with 10 countries in Europe with commitments totalling to €124.06 billion, resulting in the 62% of the IMF's total disbursing and precautionary commitments.

The IMF has repeatedly sought discussions with governments on the policies that are needed to put their economies back on the path of sustainable economic growth and job creation and help ensure that foreign banks remained engaged in Eastern Europe. Such goals have been pursued through the Funds' engagement in two major cooperation programs with the European Commission and the European Central Bank (known as Troika), and in addition, amongst others, the European Bank for Reconstruction and Development, in the European Bank Coordination Initiative (Vienna Initiative). The Greek Crisis and the threat of Greek's exit from the European Union this past summer has made such conversations all the more urgent.

Risks have been reduced by a strengthening of the euro area's anti-crisis firewall, lending by the European Central Bank, and the introduction of the new fiscal compact. But with the recession continuing, and unemployment high and on the rise in many countries, policymakers need to do more, both long-term and short-term solutions are needed.

Structural reforms, product and services market reforms, as well as labour market and pension changes, should be implemented without delay.

Access to IMF resources for Europe is being provided, amongst others through the following:

1. Stand-By Arrangements (SBA);
2. Flexible Credit Line (FCL);
3. Precautionary and Liquidity Line

(PLL);

4. Extended Fund Facility (EFF).

A revival of growth seems key to reversing the vicious cycle of poor confidence, flagging growth, fiscal weakness, and bank vulnerability. The Union would benefit from increasing its common pools of resources, whilst always bearing in mind that structural reforms need to tackle many of the pre- crisis or "older" challenges. While some policies are applicable at the euro area level, granularity is necessary, as there is no one-size-fits-all strategy.

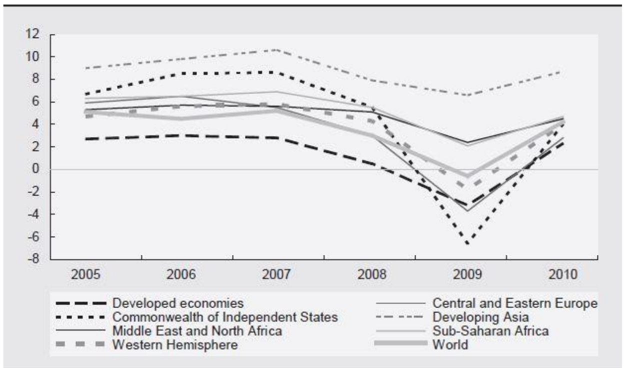
What can the ECOFIN and its international members do to face the challenges of re-designing global financial architecture and landscape remains certainly an uneasy, but rewarding task.

2 SEBASTIAN DULLIEN, DETLEF J. KOTTE, ALEJANDRO MÁRQUEZ AND JAN PRIEWE

Figure 1

ANNUAL GDP GROWTH, 2005–2010[a]

(Per cent)



Source: IMF, 2010.
Note: Country categories are those used by the IMF.
a Data for 2010 are estimates.

Bloc Positions

United States of America: steady growth but potential problems in the future

During the second quarter of 2015, economic growth in the United States accelerated significantly to an annualized rate of 3.7 per cent from 2.4 per cent for the second quarter of 2014. The continuously low prices of oil along with strong domestic demand were responsible. Most analysts predict an annualized growth rate of 2.5 per cent for 2015, effectively the same as the 2.4 per cent of 2014. 2016 is expected to have the same percentage rate, and the domestic production of oil might even increase it.

There are two major concerns for the future. The first is the impending raise of interest rates by the Federal Reserve, which might spook the markets. It will also decrease investment as more money is put into savings. The other is a general slowdown of economies that the United States frequently trades with, such as China, Japan, and Brazil. The increasing economic clout of India might head these concerns off. Regulation could help.

Canada: facing increasing headwinds

After several years of expansion, the Canadian economy contracted 0.1 per cent in the second quarter of 2015. There was a slight increase in exports of 0.4 per cent (quarter over quarter) but struggles with business investment because of the low price of oil more than offset it. GDP growth for the year will likely end up being weak, with most economists predicting between 1 and 1.5 per cent. The recent election of Justin Trudeau has not yet had an obvious impact on the economy but is certainly an important factor.

China: recovering from a flash crash, trying to stimulate growth

The recent if brief economic crisis in China has shaken up markets around the world. China is one of the most important players in the international market because of its massive consumption of raw materials and extensive foreign investment. For that reason, the August drop in stock market prices was of serious concern for all countries. China, led by Xi Jinping, has now recovered much of the ground lost but growth is still slowing. The recent cut in interest rates on October 23rd confirmed this.

A major concern for China is its extensive industrial and real estate debt. Local governments in particular have taken on a massive amount of debt to build infrastructure. Some analysts have even gone so far as to draw comparisons with the debt precipitating the 2009 economic crisis. There are, however, several bright spots. These include increased property sales and steady income growth and consumption. Regional regulation might be viewed positively.

Japan: wavering on the brink of recession

Japanese Prime Minister Shinzo Abe has had only limited success in his efforts to stimulate the economy. In the second quarter GDP contracted 1.2 per cent, after expanding 3.9 per cent in the first. Abe's plan includes "three arrows": monetary easing, structural reform, and fiscal stimulus. There are various concerns about his ability to achieve his full economic agenda as he simultaneously uses political capital to reinterpret the Japanese Constitution. There is effectively no inflation as of September 2015 (month over month), another sign of economic weakness. Japan's future is highly uncertain. The Trans-Pacific Partnership will likely not come into effect until the spring of 2016, a potential boost to its economy. Continued worries about growth in China, Japan's largest trading partner, also are present. Any substantial future growth will have to come from extensive legislation, as Abe takes on entrenched labour laws that promote the difficulty of firing and laws supporting lax corporate governance. Increased trade partnerships, similar to the Trans-Pacific Partnership, might be valuable. Otherwise, there is limited hope for the future of the Japanese economy. There is little surprise that only 25 per cent of voters believe Abe's plan will be good for the economy.

Australia: a commodities-based power tries to regain its momentum

The slowdown in purchases of commodities from developing economies like China and Brazil has hit Australia hard. Substantial investments made during the commodities super-cycle in mining and oil production now seem foolish. The intention of the government is to encourage higher consumer spending to account for this decrease in production. To do so, the Reserve Bank of Australia reduced its interest rate to 2 per cent in September. Growth in the first quarter of 2015 was 0.9 per cent, while growth in the second quarter dropped to 0.2 per cent. Forecasts for the year indicate 2.25 per cent growth, but this might be too optimistic because of the recent troubles. Still the growth rate is considerable compared to other developed countries. The election of a new Australian Prime Minister Malcolm Turnbull, from a political party with similar economic ideas to the old one, has not greatly increased confidence.

Western Europe: strong countries balanced by far weaker ones

Overall Western Europe has grown

reasonably well in the past year, with 0.5 per cent growth in the first quarter and 0.4 per cent in the second. Other highlights include annual growth of 1.7 per cent for Germany, over 2 per cent for Britain, and over 3 per cent for Spain Several countries that were formerly in trouble are now growing considerably, such as Ireland with annual growth of over 7 per cent. There remain countries in serious trouble, most notably Greece with negative growth over the past year and projected negative growth in 2016.

Several factors have contributed to the positive growth. The first is the low price of oil, which has boosted consumer spending. The second is the significant quantitative easing undertaken by the European Central Bank since last March. The euro has remained weak as a result, creating favourable conditions for exporters. A somewhat acceptable solution to the Greek sovereign debt crisis also restored faith in the European markets.

There is a positive outlook for Western Europe despite concerns with the weakening economies of emerging markets. The euro in particular is destined to gain strength over the next year. The risks of suffering because of decreased exports (as is occurring with Germany) will likely be offset by further loosening of the money supply from the European Central Bank. The influx of refugees because of the Syrian Crisis might also cause a stimulus; governments will spend money to ensure they are properly clothed and fed, with the result that the money is spread throughout the country. The EU, long a fan of financial regulation, might act.

The Commonwealth of Independent States

Many members of the former Soviet Union now belong to the Commonwealth of Independent States (CIS). The member list includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Because of close ties with the Russian economy, these countries are suffering as strict sanctions against Russia remain in effect. Coupled with the crisis in Ukraine, the past two years have not been good for the CIS. The general economy of the CIS contracted 3.1 per cent in the first quarter of 2015, a similar percentage in the second quarter, and looks to have done the same in the third. Annual GDP predictions for 2015 indicate a contraction of 2.6 per cent. Even the outlook for 2016, given that the Russian economy has likely hit bottom and will now improve, is grim: analysts expect GDP growth of no more than 0.5 per cent.

The economies of CIS remain highly dependent on external developments. This is clearly evidenced by their loss of GDP growth in the face of the Ukraine situation. Remittances, predominantly from Russia, have fallen sharply. The drop in oil prices also has heavily affected these countries, many of whom are key energy exporters (Azerbaijan, Kazakhstan, Russia, Turkmenistan, and Uzbekistan). Even the lower prices of global commodities, which are a boon for more developed economies, are difficult for some of these countries which export such commodities. Finally, many of these countries’ currencies have been significantly devalued recently. This will restrict credit expansion and weaken private consumption. The only bright spot is the establishment of the Eurasian Economic Union of Armenia, Belarus, Kazakhstan and Russia, which will hopefully increase trade in the region. This is still in somewhat early stages. The countries of CIS must quickly and effectively adapt to the new normal of low commodities prices, high volatility in foreign exchange markets, and a Russian recession. Regulation could help if cooperation with the West were possible.

South-Eastern Europe: a troubled area beginning its growth

GDP growth for this region is expected to be 1.4 per cent in 2015 and a solid 2.5 per cent in 2016. These will not substantially reduce the unemployment rates of such countries. For instance, unemployment in Serbia is approximately 18 per cent and in Macedonia 27 per cent. There has also been a trend of very low inflation, worrying for economic growth. Increased investment from the European Union and growing domestic demand should bolster these countries in 2016.

Developing economies

Since mid-2011, developing economies have seen their economic growth slow down for several reasons. While it is unlikely that there will be a crisis in these emerging markets similar to that of the 1990s, several countries with unsuitable fiscal policy might well face long periods of restrained growth. One of the most important reasons for the slowdown in these countries is a reliance on exporting commodities. As the price of commodities has declined in some cases 50 per cent since that time, countries are receiving less in return for the same number of exports. There has been both an increase in the supply of these goods, such as the American shale gas revolution, and a decrease in demand caused by the slow down of large economies, most notably China.

Another factor is the increasing geopolitical risks, particularly in the Middle East, West Asia, and Africa. Terrorism and instability are prevalent in certain parts of these regions; both heavily depress economic growth. They reduce the eagerness for business because of uncertainty about the future. While for the most part these conflicts have remained on the sub-regional level and not caused extensive economic disruption, there would be great consequences for any spillover.

One final concern is the appreciation of the US dollar and the depreciation of many developing countries' currencies. Frequently international debt is denominated in dollars, making repayments increasingly expensive. If the US Federal Reserve decides to raise interest rates, the dollar will appreciate and this problem will become especially acute. Particularly important for developing economies is global trade growth. Analysts predict expansion of 3.8 per cent in 2015 and 4.8 per cent in 2016. Increased integration of developing countries into the global system of trade is vital to take advantage of this growth. Plans to do so are relatively limited.

Africa: high growth but decreasing

The low prices of commodities combined with weakening currencies are slowing growth in Africa. There is a stark divide between those countries that export oil and those that import. There are also more serious troubles, such as the civil war in Libya and the terrorism in Nigeria. This has resulted in downward revisions of growth projections for most countries in northern and eastern Africa. South Africa, the second largest economy on the continent after Nigeria, is also experiencing problems because of its lacklustre energy infrastructure. The projection for the average growth of the continent as a whole, however, remains 4.0 per cent for 2015 and 4.8 per cent for 2016. East Africa is particularly responsible for these numbers as growth in service-based industries continues.

Inflation in Africa continues to decrease, as it is projected to drop to 7 per cent over the course of 2015 and then to 6.5 per cent in 2016. Despite this, monetary policy as a whole will likely remain unchanged. Most policies will be broadly expansionary, especially in countries that have upcoming elections. Deficits are expected to decrease as the majority of countries benefit from the lower oil prices. Growth in exports has a mixed outlook: countries that trade predominantly with developed markets, such as South Africa, Egypt, Morocco, and Tunisia, while countries that export to emerging markets, such as Sudan, Ghana, and Senegal, might suffer.

For Africa to continue growing steadily, there must be significant investments in infrastructure along with targeted economic policies. Ethiopia has done this well, growing its manufacturing sector at an average of 10 per cent annually between 2006 and 2013. This was the result of targeted economic policies and consistent courting of foreign investors. The countries must also take advantage of their abundant natural resources without becoming fully dependent, as Angola has with oil. These imports also increase the value of their currency, making it easier to import foreign manufactured goods and limiting local manufacturing. For fast growth, African countries must shift workers into the productive industries. They also need to stimulate domestic demand, which at the moment accounts for only 2 per cent of world demand despite having almost 15 per cent of the world's population.

East Asia: key drivers of global growth

Growth in this region is predicted to be 6 per cent in both 2015 and 2016, a similar rate to that of 2014. Papua New Guinea and Thailand in particular are having strong years thus far and will likely continue to do so. Production of liquefied natural gas accounts for the growth of the first; improved political stability in the latter will increase trade and attract more tourism. As most economies in this region trade extensively with developed countries, there is unlikely to be repercussions from any Chinese slowdown. Inflation is projected to be at 1.7 per cent for the year and then rise to 2.4 per cent in 2016. The central banks of Indonesia, the Republic of Korea, and Thailand even cut their interest rates at the beginning of 2015. Some legitimate concerns remain about debt levels and strong currencies, so most central banks in this region are holding off on any additional monetary easing. Government spending will none the less increase over the course of

2015 and into 2016, helping to spur growth of investment and demand.

South Asia: robust domestic demand drives economic growth

The outlook in this region is highly favourable. GDP growth is projected to be 6.7 per cent in 2015 and 6.9 per cent in 2016 after growing 6.3 per cent in 2014.

This growth was revised upward from forecasts made earlier in 2015 especially because of India' strengthening under Narendra Modi. India's growth predicted to be 7.6 per cent in 2015 and 7.7 per cent in 2016. The prospects for Iran have also improved in light of the Iran nuclear deal's clauses to raise sanctions.

Throughout this region, the primary driver of economic growth will be buoyant household consumption and the continued return of investment, both local and foreign. Considerably lower inflation than in past years will also create a better macroeconomic situation. Analysts expect inflation to fall to a ten-year low as a result of the drops in oil and commodities prices. This has given rise to expansionist monetary policy, particularly in India and Pakistan. A few questions remain about long-term growth because of weak infrastructure, political unrest, chronic corruption, and a lack of reliable energy.

Narendra Modi, prime minister of India, this region's largest economy, has set out to fix many of those challenges impeding economic growth. Modi came to power in 2014 promising to do so. Since then, he has spent much time travelling around the world in order to increase the prominence of India on the world stage. Combined with several large Indian companies such as Tata Motors making increased efforts to expand beyond the Indian market, Modi seems to be moving in the right direction. India's central bank is supporting the prime minister's actions by lowering interest rates as recently as October. Despite steady rates of inflation, there are concerns about weakening demand in the global economy.

Nepal continues to recover from a devastating earthquake last spring, which has greatly limited economic growth for the year. Singapore, on the other hand, is driving growth through its world-leading rate of GDP per person and firmly pro-business policies.

Western Asia: growth trajectories shaken by unrest

The countries of this region are predicted to grow 3.0 per cent in 2015, a similar number to growth in 2014. However, 2016 will likely see an increase to growth of 3.6 per cent. Lower oil prices weigh especially heavily on this region, with countries like Saudi Arabia, Kuwait, and the United Arab Emirates. Many of these oil-exporting countries do have significant reserves built up over the past few years and intend to use this money for fiscal stimulus through infrastructure investment. Countries with more diversified economies, such as Turkey, will benefit from the low price of commodities and increased flexibility of monetary policy to grow.

The one fundamental concern remains regional stability, especially as the Islamic State of Iraq and Syria (ISIS) retains a firm hold on its caliphate on the border **o**f

Turkey. The recent conflict in Yemen could also have negative impacts on the growth of these countries. And if oil prices remain at their depressed levels, the members of OPEC in Western Asia could have strict limits on their growth.

Latin America and the Caribbean: generally worsening growth with a few bright spots

Throughout this region the potential for growth has been steeply restricted by lower commodities prices and continuous domestic challenges. The overall economic growth is expected to be just 0.5 per cent in 2015, down from 2.6 per cent in 2014. Even growth in 2016 is forecast as weak at 1.7 per cent. The average masks important differences in performance across countries.

Central America and Mexico are seeing sustained economic development. Their benefits are tied to increased economic activity in the United States. Meanwhile, South America continues to struggle and see decreasing investment. Venezuela under president Nicolas Maduro has fallen further into recession; Brazil's economy, because of extensive corruption and the crash of the Brazilian state oil company, is estimated to shrink 1.1 per cent this year. Argentina's debt continues to loom, and its economy will shrink 0.4 per cent in 2015. Bolivia, Paraguay, and Peru are a stark contrast.

All are expected to grow more than 4.0 per cent in 2015. Caribbean countries have a similarly favourable outlook, with expectations of growing 3.1 per cent. This increase would be similar to that of 2014.

South American countries have been struggling to adapt to the new prices of oil and other commodities. This has weakened their current accounts as well as limiting investments. In response, many countries have lowered their interest rates or engaged in quantitative easing. Brazil exceptionally has not done so and has continued to limit the money supply. These policies have been generally effective except in Venezuela and Argentina. In those two, inflation is expected to remain high.

Domestic demand in many countries in this region remains inspiring. Shares in Walmex, the arm of Walmart in Mexico, have increased in value by 30 per cent this year alone. Retail sales overall are up by 6.2 per cent in the first nine months of 2015 after growing less than 1 per cent in the same period of 2014. Structural reforms begun by governments in this region will help consumer demand to boost the economy. Changes such as more flexible labour markets, better infrastructure, and more positive business conditions take time to impact the economy. The governments must begin.

Some Questions the Resolution should address:

How do the Sustainable Development Goals impact approaches to increasing economic growth?

How can post-crisis countries build on their existing capacities to assume primary responsibility for their own sustained growth? What new mechanisms could be considered and are the existing ones out-dated and how could they be better implemented?

How can countries establish the conditions for self-sustaining, inclusive growth in a global economic slowdown?

How much should concerns about the environment factor into resolutions for growth?

How can international regulation efforts be better integrated? How can more citizens become aware of them?

To what extent can scientific methods and research help to re-design global financial systems?

What is the desired balance between governmental intervention and laissez-faire financial markets?

What is the relationship between regional financial institutions and international organizations with regards to setting standards and regulating trade?

How can governments and international organizations come together to reduce the risks of another financial crisis?

Do nations have the policy space to deploy capital controls in order to prevent and mitigate financial crises?

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