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1 INTRODUCTION

The global agenda is changing fast. Instead of a pre-occupation with East-West Cold War and nuclear security, there is finally a rising concern with many issues of human security.

While economic and social issues are rising to the top of the global agenda, paradoxically, there are no global institutions of economic governance able to handle these issues effectively and on a regular basis. Institutions of global economic governance have weakened exactly at a time when global interdependence has increased. A serious vacuum is emerging in global economic management which is being filled in at present through *ad hoc* improvisations.

It is in this milieu that the establishment of an Economic Security Council (ESC) within the United Nations has become imperative. In fact, after 50 years of experimentation with the UN and Bretton Woods systems, this may be the most revolutionary and indispensable innovation for the 21st century. It is necessary that ESC is created not through stealth but through a thorough understanding of the role of global economic governance which is presently wandering in search of leadership. It is also essential that ESC should enjoy a clear and comprehensive mandate for decision making in agreed areas of social and economic governance. This article explores these issues.

2 PRESENT FORUMS

There are some who argue that a new forum like the Economic Security Council will be impossible to establish since it will require a change in the UN Charter and a political will of heroic proportions. They recommend instead a strengthening of the present forums or a gradual enlargement of the role of these forums over time, as a substitute for the creation of an Economic Security Council. Such

advice, well meant though it is, misses the point since bureaucratic skill can never replace political will. If political will is lacking, it is lacking just as much for giving a more meaningful role to the present forums. Often a courageous new step helps focus the collective human mind: minor adjustments in existing arrangements go unnoticed and have little impact. This was the thinking behind the edifice of global economic governance that was erected in the 1940s.

The thesis for enlarging the role of the present forums is, however, quite pervasive and it cannot be dismissed so lightly. It must be dealt with effectively before turning to the need for a new Economic Security Council.

There are several forums which perform the role of global economic governance, in one form or another, with often overlapping mandates. The following are the most important forums:

G7: The most powerful for global economic management at present is the Group of Seven industrialized countries with some of the largest economies in the world (USA, Japan, Germany, France, UK, Canada and Italy). Their annual summits, with quiet bureaucratic coordination throughout the year, normally set the tone for financial and monetary policies at the global level.

There are two major problems with this format. First, of course, is its limited country coverage. All the developing countries and former socialist bloc are left out of its composition. Even some of the ten largest economies in the world (in PPP-adjusted US dollars) are not members of G7: China, India, Brazil and Russia. The G7 membership represents only 12 per cent of the world's population. While G7 has tried to co-opt Russia as well as the European Union by inviting their representatives to its annual summits, this is more a cosmetic gesture

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than of any real significance. Nor can it make up for the absence of the developing world. Any further co-option, like inviting a few powerful nations of the developing world, will hardly be meaningful, unless there is equality of rights in decision making, in which case we are already approaching the format of the Economic Security Council.

A second problem with G7 is its policy focus. The issues that G7 normally considers fall within a narrow range of macroeconomic management, particularly in the monetary and financial fields. It neither considers nor takes any far-reaching decisions on some of the most urgent problems confronting the global community: for example, population growth, environmental degradation, drug trafficking, flow of refugees, food security, child survival, women's empowerment, human development. These are certainly some of the most urgent issues of human security. Yet G7 has deliberately interpreted its mandate more narrowly, confined to monetary and financial issues where it felt that it could exercise greater clout. Even that role is currently challenged by the emergence of many new centres of financial wealth in the developing world. But the main point is that there is no way that G7 can deal with some of the broader issues of human security which require a wider international consensus and the willing consent of many nations.

Thus, G7 can continue to play a useful role in co-ordinating the policy frameworks of some of the most powerful industrial nations. But its mandate to step beyond this role into larger issues of global governance will be increasingly challenged in the 21st century.

Development and Interim Committees: These are the guiding forums of the World Bank and the IMF. They certainly represent some of the most powerful policy makers in the world, normally Finance Ministers or Governors of the Central Banks of around 24 countries, representing various constituencies. They meet at least once (or often twice) a year to review the global economic situations and to take some major decisions regarding the policy directions and operations of the Bretton Woods twins, the World Bank and the IMF.

While these are fairly important chains in global economic governance, they suffer from even more

flaws than G7. They certainly do not enjoy the power and the clout of G7 and their agendas are more narrowly focused on issues of particular concern to World Bank and IMF. While developing countries are certainly represented in these forums – and are also assisted by the professional work of their own G-24 – their voices and influence are fairly limited. Again, while these forums can continue to play a useful role in certain specialized areas, they are not in a position to deal with the larger issues of human security nor will they ever be trusted with such a mandate.

Economic and Social Council (ECOSOC): The ECOSOC was set up within the UN to deliberate on many of the socioeconomic issues which are now on top of the global agenda. The question is often asked: has ECOSOC played such a role so far? And can it be revived at this stage to play a more effective role in future? Unfortunately, the answer to both these questions is a resounding no.

There are many things that went wrong with the workings of the ECOSOC right from the start. Industrial countries never trusted its governance pattern based on one-country-one-vote. They preferred to take important economic issues to their own forums (like G7 in recent years) or to multi-lateral institutions dominated by them (like World Bank and IMF). The ECOSOC became a fairly unwieldy forum for any serious decision making, with a total membership of 54. It lacked a professional secretariat which could distil and present attractive policy options to the international community. It quickly degenerated into a talk-session, all noise and no action. Its annual sessions, lasting over a month, became pointless exercises. After some time, even the ministers from developing countries lost interest in attending ECOSOC sessions, let alone the more powerful industrial nations.

There is an influential segment in the UN that has argued for a revival of ECOSOC with more effective powers. There are some well meaning observers who suggest that a gradual evolution of the proposed Economic Security Council can best be secured by first setting up a small Executive Committee of ECOSOC (or through expanding its present Bureau) and using it for ministerial level consultations and decisions. While many such proposals are attractive on paper, there is little chance that they will ever succeed.

There are always many hurdles in tinkering with existing forums. Developing countries are unlikely to accept a more limited ECOSOC: some of these countries have been arguing for a more universal body so that they can all get their representation. Moreover, old traditions die hard. Each time an innovation is tried, many bureaucrats will hold it up in the name of established practice. Trying to convert useless talkathon forums into streamlined decision making forums is like trying to turn a tortoise into a swan. The miracle may happen but it is never a good idea to bet on it.

The most important reason for opting for a new Economic Security Council rather than a refurbished ECOSOC is a different one. If institutions of global economic governance are to be strengthened, it would require tremendous political leadership and courage. Why waste such political capital on retooling an old jalopy when a new car can be designed to fit new needs? Those who believe that an effective ECOSOC can be created while it is impossible to set up a new ESC are guilty of a self-serving error in logical reasoning. Normally, it would be far more difficult to get the attention of policy makers to restructure old forums than it would be to argue that new realities require new institutional responses since we have already experimented with the present institutions of global governance for the last 50 years. The ESC proposal offers the option of designing a new framework that can serve the interest of all nations and all important constituencies.

Summits and UN Conferences: Another *ad hoc* improvisation for global governance that has become fairly popular over the last two decades is the holding of periodic international conferences or summits, often under the umbrella of the United Nations. Such events have been organized on many diverse topics: for example, population, women, children, education, health, environment. While these events have greatly raised the awareness of the world about several of these issues and some of the summits/conferences have been extraordinarily successful, e.g. the Children's Summit, Earth Summit, Population Conference, most of them have seldom had a lasting impact, or led to more financial support, or resulted in some effective implementation mechanisms. There is increasingly a tendency to view periodic summits as a substitute for a carefully considered solution to global problems or even as a tribute to the

entrepreneurs who organize them. In any case, summits are seldom a substitute for a durable mechanism for global decision making where nations meet and debate their problems, reach several areas of consensus, and create sensible systems for implementation of their decisions, often through an uneasy process of compromise.

3 WHY AN ESC?

The foregoing discussion exposes the limitations of present forums of global economic governance. It does not, however, answer the question: why do we need a new Economic Security Council? And why would such a forum be acceptable to industrial or developing nations? We turn to these questions now.

The need for an Economic Security Council rests squarely on the new imperatives of global human security. Issues such as global poverty, narcotics control, population growth, ecological security, international migration, the spread of deadly diseases (like AIDS) cannot be resolved by a single nation acting alone. They require collective action on the part of many nations. These are the real issues that are going to shape the global agenda in the years ahead. Macroeconomic coordination, particularly in the monetary and financial fields, will continue to be needed. But they will be less effective in a world that is politically and socially unstable and where the security of individuals in one nation is threatened by what happens to the security of individuals in another nation.

This development is not unexpected. It was anticipated at the birth of the United Nations 50 years ago. In 1945, in a report to the President on the establishment of the UN, the US Secretary of State stated:

The battle of peace has to be fought on two fronts. The first is the security front where victory spells freedom from fear. The second is the economic and social front where victory means freedom from want. Only victory on both fronts can assure the world of an enduring peace ... No provisions that can be written into the Charter will enable the Security Council to make the world secure from war if men and women have no security in their homes and their jobs.

It is refreshing to review this perspective in the light of the actual developments in the last five decades. The onset of the Cold War, immediately after the birth of the United Nations, got the UN constantly embroiled in many conflicts between nations. Almost all of these were on the soil of the Third World where the Cold War was being fought by proxy between the two superpowers. The development of nuclear weapons had made any conflicts too risky on the soil of the industrial nations.

The UN learned, and perfected, many of its peace keeping techniques during this period. Whenever an actual conflict broke out between nations, the first order of business was to arrange a ceasefire, separate the combatants, even organize zones of peace, and initiate a dispute settlement mechanism. Security Council powers were often invoked (under Chapter VII) to impose embargoes against the aggressor nation, particularly on arms shipments and on some forms of trade (like the embargo on oil shipments from Iraq). There were conventions and treaties to cover all phases of the war between nations: e.g. prohibition of biological warfare; censure of bombardment of civilians; humane treatment of prisoners of war under the Geneva Convention.

Most of the real action in the last 50 years was within the Security Council, even though the Council was paralysed at times by the rivalries between the superpowers. The rest of the UN system merely limped along, with inadequate resources and a weak performance in socioeconomic fields. The first pillar of national security consumed most of the attention in the corridors of the UN. The second pillar of socioeconomic security was largely ignored. The fact that the UN missions were often staffed by Foreign Offices and the additional reality that the UN represented an inter-governmental mechanism, not an inter-people organization, merely contributed to this neglect. Most of the economic action moved to the Bretton Woods institutions, which enjoyed greater donor confidence. Even in technical assistance, which was supposed to be the exclusive preserve of the UN agencies, World Bank and bilateral donors took over 75 per cent of the task.

The end of the Cold War has caught the UN off-guard, unable and unwilling so far to adjust to the new realities. It has not recognized as yet that most of the conflicts are now within nations not between nations: as many as 79 out of 82 in the last three years. It has not yet adjusted to the fact that 90 per cent of the casualties in these conflicts are now civilians, not soldiers. It has not yet accepted that these people-centred conflicts require a new concept of people-centred security.²

The recent interventions of the UN in the trouble spots Somalia, Rwanda and Bosnia betray this lack of adjustment to new realities. Soldiers are being sent to countries crying out for socioeconomic reforms. External intervention is being organized, hastily and thoughtlessly, in situations which can be handled only through domestic action, however long it may take and whatever the cost. After all, who are the combatants in Somalia or Rwanda? Who are the embargoes meant to punish? Who are the UN soldiers dispatched to separate? It is a radically different situation when people fight within a nation than when nations fight. Yet, the UN is applying to these new situations the same methods of peace keeping as it applied to conflicts between nations. Neither its concepts nor its operations have changed. As a result, the UN spent over \$4 billion on its peace keeping operations in 1993, more than it spent on peace keeping in the preceding 48 years. And what results does it have to show for these operations?

It is time for the UN to adjust to the new imperatives of global human security. This requires at least the following five steps:

- an early warning system to forecast 'potential Somalias';
- a reinterpretation of Chapter VII to define circumstances and modalities through which UN can intervene in internal crises;
- organization of a permanent peace corps so that assistance is given to countries upstream to tackle their socioeconomic problems;

² However, the Secretary-General of the United Nations, Boutros Boutros-Ghali, made an eloquent reference to the issue of human security in a speech to the Preparatory Committee of the World Summit for Social Development (22 August 1994): 'The Summit is a time to respond to the new imperatives of human security all

over the globe ... Human security can no longer be considered as an exclusively national concern. It is a global imperative ... The United Nations can no longer fight the battles of tomorrow with the weapons of yesterday.'

- a major enlargement in the developmental role of the UN system; and
- an apex body, like the proposed Economic Security Council, to consider the nature of global human security crises and to take prompt decisions to resolve them.

The threats to global human security emerge not only from internal conflicts within nations (whether civil wars, ethnic conflicts, explosions of poverty and unemployment), they also emerge from what can be best described as 'shared global crises'. All nations of the world have an increasing stake in the resolution of these crises. Let us mention a few of them since the case for a new Economic Security Council rests on the premise that all nations – North and South – have a major interest in attending to these crises.

Narcotics trade: The total volume of drug trafficking is estimated at present at around \$500 billion a year. The OECD estimates that \$85 billion in drug profits is laundered through financial markets each year. These drugs are killing people all over the world – often prematurely cutting down the promise of youth. No viable solution is possible unless all nations collaborate in controlling demand and supply of narcotic drugs and jointly police the laundering of huge financial gains from drug trade. Any effective plan must include alternative production/employment opportunities in the supplying countries, relevant information and education in the consuming countries, and a stricter monitoring of financial markets.

HIV/AIDS: Deadly diseases respect no border: they require only one person as a carrier in this fast-integrating world. Again, any viable plan to control the international spread of such deadly diseases will require upstream investment in preventive health care as well as downstream investment in containment, cure and research. It has already cost the international community over \$240 billion in research, curative measures and lost productivity from HIV/AIDS during the last decade: probably an upstream investment of \$10 to \$20 billion in preventive health care and sex education could have avoided most of this financial cost, and the tremendous loss of human lives.

Global pollution: Pollution is another global threat that carries no national labels, that stops at no

national frontiers, that can be checked only through collective international action. This is not only true of global warming, or the depletion of ozone layers, or loss of biodiversity, or pollution of oceans, or depletion of resources of soil or water or forests. It is also true of pollution of poverty – the accumulation of national despair that disrupts all global channels. Any viable strategy requires the willing cooperation of all nations. Besides various treaties and charters, what is urgently needed is the enforcement of the principle that polluting nations must pay at the international level just as polluters are being obliged to pay within nations. This may require tradable permits for environmental emissions, or a tax on the consumption of fossil fuels, or other means of pricing the market in environment. But this cannot be done unless nations meet, discuss and take decisions by consensus through an established forum.

International terrorism: Terrorism is also beginning to travel on a global scale. Modern communications have enabled terrorists to ply their trade across many international borders. Between 1975 and 1992, there were an average of 500 international terrorist attacks a year. The peak was reached in 1987, with 672 such attacks. No nation, no individual, no building is now safe from the threat of such international terrorism. It requires a willing cooperation of all nations to contain these emerging threats to human security.

International migration pressures: International migration has increased significantly in the last three decades. At least 35 million people from the South have taken up residence in the North during this period. Around one million more join them every year. The number of illegal international migrants is estimated at 15 to 30 million. Besides, there are around 19 million refugees worldwide and nearly 20 million internally displaced persons in developing countries. With the rapid improvements in travel and communication, this raises many disturbing questions about the future. Can any national walls contain these migration flows unless all nations cooperate and unless attention is paid to the fundamental underlying causes of deepening poverty and unchecked population growth?

These are only selected instances of emerging global threats. They kill no less certainly than do the occasional wars – and perhaps, more regularly

and on a larger scale. They pose a persistent threat to human security, both in rich nations and poor. They demand a new concept of global human security. And they require the establishment of an Economic Security Council.

4 ESC MANDATE

What is the mandate of an Economic Security Council that emerges from this discussion? At the very least, there are four areas in which an ESC could fill in some critical gaps in the present system of global economic governance.

First, the shared global economic crises mentioned above. This will particularly be of interest to rich nations since they are a shrinking minority in a fast expanding global population and they can no longer protect their people exclusively through their own efforts. They need the cooperation of the majority of the world's population. The incentive for developing countries will be the increased global attention to their poverty problem that an ESC will bring, since many of these global crises cannot be resolved without attacking the root causes of deepening poverty in the developing world.

An ESC will be a logical culmination of the present *ad hoc* and ineffective arrangements. Often, these issues are dealt with by various UN specialized agencies in isolation, without an adequate mandate or sufficient resources or necessary follow-up. From time to time, high-level international conferences or summits are convened on each subject, which leave behind few mechanisms for implementation of their grand-sounding resolutions. What is needed is continuous attention to these issues, professional analysis of various issues taken together, presentation of some strategic policy options to the global community, provision of adequate financial resources, and establishment of follow-up actions and monitoring systems. This is precisely what an Economic Security Council can provide.

Second, an ESC can help establish an early warning system and modalities for global assistance in internal conflicts. The present Security Council is wholly inappropriate for this task. It should confine its role to peace keeping operations for

conflicts between nations. For conflicts within nations, an entirely different system should be evolved through the proposed Economic Security Council. Preventive diplomacy requires an advance warning system about what is to be prevented and when. There is an urgent need for the UN to consult the best expertise in the world and to evolve a comprehensive early warning system.³ The ESC secretariat will continue to monitor the situation in potential trouble spots around the globe and alert the Council members where international action is warranted and at what time. The UN is currently reaching places like Somalia and Rwanda when it is already too late and when its intervention often compromises its own credibility.

New guidelines must be prepared as to where the UN should intervene, with what objectives, and for how long. UN intervention can be helpful mainly in undertaking preventive development much before the situation deteriorates. What UN needs to land in these countries is real development rather than soldiers. And it needs to do this sufficiently upstream to prevent an internal explosion. The international community must recognize that it cannot police internal conflicts, it can only hope to prevent them.

Some developing countries are nervous that human security can be interpreted as an 'interventionist' concept – providing a new excuse for UN intervention in domestic crises. This anxiety is obviously based on a misunderstanding. It is the present system that is needlessly interventionist, where a handful of powerful nations in the Security Council decide where to intervene and how, and where soldiers are sent to police socioeconomic conflicts between people or between ethnic groups. It is far less interventionist if development is sent to poor lands rather than soldiers. And, in any case, it is best to design some agreed rules of the game instead of the present *ad hoc* system, and to take decisions in an Economic Security Council where developing countries will be represented far more adequately than in the present Security Council.

Third, the proposed Economic Security Council will be responsible for strengthening the UN development system. Several structural reforms are in order though they will require tremendous political

³ The 1994 Human Development Report mentions five quantitative indicators of an early warning system for human security: income and job security, food security, human rights violations,

ethnic and other conflicts, military spending to social spending ratio. This is a useful start but a lot more professional work is required in this area.

courage and a process of continuous dialogue through the ESC. For instance, the existing dispersed, under-financed and uncoordinated UN development funds and agencies should be integrated into a single UN Development Authority. Such an Authority will command sufficient resources and mandate: in fact, it will disburse grants totalling over \$5 billion a year (larger than IDA) and can have a major impact on the development of poor nations.

An adequate resource base must be developed for multilateral initiatives, preferably through exploring the possibilities of international taxes or fees. Many proposals are currently on the global agenda: e.g., a 'Tobin tax' on speculative movements of international foreign exchange; a tax on fossil fuels; tradable permits for global emissions; a tax on arms shipments. These require continuous dialogue at the highest political level.

The UN development programmes should be brought together under a single human development umbrella with a common development message, a single field office, and consolidated country missions and development strategies. The present proliferation of field offices, development reports, and turf battles must come to some merciful end, both in the interest of recipients and donors.

The UN development system must be based on greater professionalism, and less political influence, both in the selection of staff and in the analysis of country development issues.

These are far-reaching reforms. They cannot be made through periodic reviews of the UN system in which the UN bureaucracy excels. International bureaucrats, however brilliant, often deliver only cosmetic changes. Nor can these reforms come through a restructured ECOSOC. In order to arrive at a consensus on such fundamental reforms, we need a political forum – such as the proposed Economic Security Council – where all policy options are discussed on a continuous basis and where new groundwork can be laid, step by step, for the emergence of an effective UN development system.

Fourth, the Economic Security Council will also have to establish its mandate in giving policy leadership on macroeconomic management. This will be more difficult and more vigorously resisted.

Many present forums, like the G7 and Bretton Woods institutions, will be unwilling to concede this role to the ESC. A pragmatic solution will be to build sound credentials for such a role over time, by concentrating on the first three mandates described above and by gradually winning the confidence of both industrial and developing nations. One point should be made clear. The case for an ESC is sometimes argued exclusively in term of its macroeconomic role: in aid and trade, debt issues, monetary stability and global economic growth. This is a mistake. There is a distinct role for the ESC, without it having to challenge the role of existing forums. Once the ESC is established and proves its effectiveness in managing many issues of global human security, it would only be a matter of time before the compulsions for a more democratic global economic governance attract many issues of macroeconomic management to such a forum.

5 THE COMPOSITION OF THE ESC

When the present Security Council came into existence in 1945, the world looked a lot different. There were only 51 members instead of the 184 today. A few superpowers watched benignly over the birth of the UN: many in the rest of the world were silent bystanders.

The world has certainly changed since then. Japan and Germany have emerged with two of the most powerful economies. Developing countries have won their freedom. Some Arab States have acquired enormous financial wealth through oil. The Russian empire has broken up. The dominant economic influence of US has waned, from 50 per cent of global output in 1945 to around 20 per cent today.

One of the advantages of establishing a new Economic Security Council is that its composition can reflect this new balance of economic and political power. It may be argued that this could be accomplished through a restructuring of the existing Security Council as well. But that is likely to prove much harder. The existing permanent members are not going to surrender their seats or their veto powers, while most nations, particularly the developing countries, are unlikely to agree to the induction of more permanent members with the same veto power. It is best to start afresh and reflect in the new ESC a more balanced representation of the nations of the world and the abandonment of the concept of veto power by individual nations.

There are several considerations which must guide the composition of the proposed ESC:

- It should give a balanced representation to the world of today.
- It should be kept small and manageable.
- It should include those countries as permanent members which are either most populous or have the largest real economies so that their economic influence is recognized and respected.
- The permanent members should enjoy no individual veto power. In order to reassure both rich and poor nations that their interests will be protected, it should be agreed that each decision will require a simple majority of both industrial and developing nations represented on the ESC.
- All important geographical regions or political constituencies (like the European Community or island economies) should be able to elect a representative on a rotating basis to reflect their interests.

Several specific formulas can be suggested which meet these criteria. During actual negotiations on the composition of an ESC, much hard bargaining will take place and many uneasy compromises reached. It is neither necessary to anticipate these negotiations nor wise to pre-empt them.

6 OPERATIONS OF ESC

The proposed Economic Security Council can function well only if it is backed up by a competent professional secretariat. The Council members must be presented with relevant policy options on a continuous basis. Such a secretariat must function under a top development leader, maybe a Deputy Secretary-General, second in his/her power and influence to only the Secretary-General.

The ESC must meet on a regular basis, more often than the present political Security Council. The rotating members can send their top-level economic ministers to New York for the duration of their membership while the permanent members will have to find a second ambassador with impressive economic credentials. Some important meetings of ESC can be held at the finance/development minister level or even at the summit level.

The ESC must be supported by some clear source of funding. Advice without resources often does not go far. That is why it is important that work on some global sources of revenue or international taxation should be undertaken by the ESC at a fairly early stage so that its decisions or recommendations can be backed up by real financial clout.

The ESC will be an apex body that will supervise the policy direction of all multilateral institutions, including the Bretton Woods system and UN development agencies. It will have to develop modalities for this purpose over time. Whether ECOSOC stays in its present form or is restructured can be decided by the ESC itself. There may be some virtue in establishing ECOSOC as a universal body, abolishing the present Second Committee (for economic matters) and Third Committee (for social matters) of the General Assembly and to use the discussions in ECOSOC as a sounding board for the decisions which are finally referred to the ESC.

Some analysts have argued that it may not be possible to change the UN Charter and to establish a new Economic Security Council on these lines. We have already commented on the fallacy of seeking marginal remedies through a restructured ECOSOC or changes in the role and composition of the existing Security Council. If political will is missing, none of these other devices will work. And if it is there, why not pick up one of the greatest challenges we face in redesigning global economic governance?