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## Focus on G20 Summit

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### The G-20 Summit, development agenda and the excluded voices



Noeleen Heyzer and Nagesh Kumar

The G20 Cannes Summit takes place this week against the backdrop of a worsening turmoil in the global economy characterized by a serious loss of confidence in the sustainability of the recovery, the deepening debt crisis in the eurozone, and persistent fiscal difficulties and high unemployment in the United States. The slow down of advanced economies is once again affecting the pace of recovery of developing economies as in 2008/09. The

overarching priority for the leaders should be to revive the confidence with expansionary policies in advanced economies in the short term while formulating credible fiscal consolidation plans for the medium term. Beyond restoring global confidence, the leaders should send a clear and strong message that the achievement of key developmental objectives - such as the Millennium Development Goals, narrowing development gaps - and other policies to foster inclusive and sustainable development have to occupy a central place in sustaining growth.

These are some of the messages coming out of the second high-level consultation involving representatives of 28 countries held to discuss Asia-Pacific perspectives on the agenda of the Cannes Summit under the auspices of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok on 11 and 12 October 2011. In an increasingly interdependent world, all countries, large and small, are affected by the decisions taken by the G20.

Therefore, they called for the G20 to make their deliberations as transparent and inclusive as possible and to facilitate a greater degree of engagement with non-members and take into account the excluded voices.

High and volatile commodity prices in recent years, in particular in fuel and food markets, have driven inflation up and threatened the food security of millions of poor people in the region. Increasing commodity prices over the past decade have been driven by fundamental supply and demand factors, while increasing financialisation of commodity markets has amplified the magnitude and speed of price movements. In that context, it is critical to boost agricultural productivity through North-South, South-South and triangular cooperation on knowledge and technology transfer. It is also important to build and efficiently manage regional food reserves. To reduce the amplitude and speed of short-term price fluctuations, the G20 countries should swiftly take and implement appropriate decisions for better regulation and supervision of commodity futures and derivatives markets especially for

agricultural products.

The ESCAP consultation emphasized the importance of the Sepul Development Consensus principle of engaging developing countries especially the low-income countries as equal partners. The financing for development agenda should be kept in view, and the advanced countries should make further efforts to meet their official development assistance and market access commitments to the developing and low income countries. In addition, the Asia-Pacific region could develop mechanisms to intermediate between its savings and investment needs.

The region is characterized by huge gaps in infrastructure development, needing large investments to be closed. The region has substantial savings and foreign exchange reserves of about \$6 trillion largely invested in the advanced countries.

ESCAP secretariat is currently elaborating on the elements of a regional financial architecture that may facilitate such intermediation as per the Commission's mandate.

The global financial crisis was triggered by the build-up of risks in the financial sector that escaped the scrutiny of supervisors. The G20 has made progress in certain areas, such as bank regulations, through the adoption of the new Basel III standards, but their "one-size-fits-all" approach fails to recognize huge differences in financial development and capabilities across countries. The G20 also needs to put forward credible proposals for regulation of the shadow banking system and for curbing the excessive risk-taking tendencies that are responsible for heightened volatility in the financial markets.

The consultation reflected on the important weaknesses of the international monetary system in terms of its inability to provide stable supply of international liquidity. The way forward is to strengthen global financial safety nets and to move towards a diversified reserve system with strong surveillance over reserve issuer countries. As these are complex issues that will take some time to be resolved, it is imperative for Asia-Pacific countries to protect themselves from the consequences of disruptive fluctuations in the volume of global liquidity through appropriate capital account management measures.

Finally, they reiterated that the governance of the Brettonwoods institutions namely International Monetary Fund and the World Bank should reflect the growing importance of Asia-Pacific countries.

To sum up, the G20 Summit has many challenges to address. However, with the changing economic geography and rise of emerging countries in Asia-Pacific and elsewhere as growth poles of the world economy, the entire world economy has a stake in sustaining their dynamism. Hence, development becomes a key issue on the agenda. The new thinking in the post-crisis world is that the achievement of the Millennium Development Goals and the narrowing of development gaps have a central place in achieving strong, sustainable and balanced growth. In this respect, the United Nations and of the leaders of 20 nations should work together to seek a better future for all nations, and for all the world's people.

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