



SOCIAL WATCH

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UN General Assembly's Committee on Economic and Financial Affairs: Tensions and interests on macroeconomics hide behind "consensus"

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The [Second Committee](#) of the UN General Assembly, in charge of Economic and Financial Affairs, concluded its 2019 deliberations last November 27. Fifty resolutions were passed and discussion was closed on all but one agenda item: the Revitalization of the UN General Assembly. The range of the [resolutions](#), dealing with sustainable development, macroeconomics, operational activities for development and countries in special situations show that the UN is relevant in macroeconomic and financing matters. More attention will be demanded in the coming year to the issue of Revitalization of the work of the General Assembly through the lens of coordination for sustainable development, while the old debate about the role of consensus in the Committee's deliberations was reopened.

UN Role in Macroeconomic Affairs

Member States in the Second Committee have very different views regarding the scope of the UN involvement in macroeconomic affairs. On agenda items such as International Trade and Development, the International Financial System and Development, Illicit Financial Flows, External Debt Sustainability, and Financial Inclusion for Development there are significant areas of disagreement amongst governments on the role of the UN in addressing these topics.

While these tensions might not be evident in the resolutions adopted, the various iterations of draft resolutions and proposals as well as statements made upon a resolution's adoption and voting procedure all shed light on disagreements along the way. A great deal of the global macroeconomic policy is not "governed" by the UN, but rather through bilateral trade and investment agreements, the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD) and Multilateral Development Banks (MDBs) as well as the International Financial Institutions (IFI) members of the UN system - the International Monetary Fund (IMF) and the World Bank. These fora, some of which are not universal in their membership and operate outside of the UN Charter and its instruments and agreements, have varying degrees of engagement with the UN system.

On the topic of Illicit Financial Flows (IFFs), the [21 October Proposal](#) by the G77 and China requested the Committee of Experts on International Cooperation in Tax Matters, currently an ECOSOC subsidiary body, be upgraded to an intergovernmental body. The draft also requested the Secretary-General present a report on challenges in combating illicit financial flows and action to accelerate their elimination. The [adopted resolution](#) requests a report on IFFs and

identifies the United Nations Conference on Trade and Development (UNCTAD) as the lead agency to prepare it:

“...in consultation with relevant entities of the United Nations system, including the United Nations Office on Drugs and Crime, to inform the General Assembly at its seventy-fifth session of the implementation of the present resolution, through a dedicated section of the Sustainable Development Goals Pulse report and of the Trade and Development Report, elaborating in particular on the challenges that Member States experience in combating illicit financial flows and recovering and returning stolen assets and on the options available to help to accelerate the elimination of illicit financial flows and to return stolen assets”.

The resolution’s emphasis on involving the UN Office on Drugs and Crime (UNODC) and its insistence on the “return of stolen assets” and on criminal activity (theft and terrorism) reflects the lack of an internationally agreed definition of “Illicit Financial Flows”. While many see IFFs as a term to address cross-border and extraterritorial issues related to tax avoidance and trade malpractice, others make an effort to restrict the definition to issues of domestic corruption, embezzlement and theft of cultural assets.

The United States representative repeatedly expressed discontent regarding the scope of the resolution, although the final version was adopted by consensus. The European Union also focused on combatting IFFs through the lens of anti-money laundering and terrorist financing, and suggested that the [Financial Action Task Force](#) (FATF) should be included in the resolution. The FATF, a non-universal membership body, represents a displacement of governance outside of the UN, with decisions taken by the FATF reflecting solely the interests of its 36 member countries. The EU also recommended that the Committee bi-annualize or tri-annualize the resolution on IFFs, which would further weaken the Committee’s ability to offer policy guidance on macroeconomic affairs.

On International Trade and Development as well as External Debt Sustainability, some of these tensions became even clearer. The [adopted resolution](#) on Trade and Development does note the need for a “universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system” and “emphasizes the urgent need to combat protectionism in all its forms”. However, in terms of actionable outcomes, authority remains vested in the WTO with UNCTAD as a supporting actor in the “areas of finance, technology, investment and sustainable development, and in contributing to supporting the implementation of the 2030 Agenda”. The Secretary-General and UNCTAD have been requested to present a report on trade and development at the 75th Session of the General Assembly, “including concrete recommendations to accelerate the implementation of the Addis Ababa Action Agenda” (AAAA).

The [adopted resolution](#) on External Debt Sustainability and Development also illustrates a struggle for a substantial role in macroeconomic policy. The [15 October Draft Proposal](#) by the G77 and China included measures like interest-free financing and restructuring funding to

states affected by climate change as well as action to create a debt workout mechanism. Neither of these appear in the adopted resolution while various references to the World Bank, IMF and MDBs appear, acknowledging their work and authority to make macroeconomic policy decisions independent of the General Assembly, UNCTAD and AAAA. Again, this shift towards vesting power and authority in institutions where the Global North keeps majority voting power and controls the agenda, signals a shift away from multilateralism.

Consensus Paralysis

Paradoxically, while some Member States are working to diminish or remove issues of macroeconomics on the UN agenda, thus undermining multilateralism, in the debates of the Second Committee many of them have also stressed the importance of adopting resolutions by consensus as a means to uphold multilateralism. 20 of the Committee's resolutions were put to a recorded vote, often requested by the United States or Israel, while the remaining resolutions were all adopted by consensus.

Some Member States stated the need to achieve consensus on draft resolutions prior to voting. For example, the European Union noted that in negotiations on the resolution on Illicit Financial Flows, "certain Member States view inclusion of the Financial Action Task Force as unfavourable, as regrettably it wasn't referenced in the resolution to achieve consensus". This pendulum also swings the other way, preventing developing countries from including preferred language in the interest of consensus as well. Nevertheless, in the closing segment of the final meeting on 27 November after voting on all draft resolutions, the Representative of the G77 and China reflected on the Committee's work and emphasized developing countries' collective "objective of reaching consensus on matters of importance to the work of the committee".

Consensus is seen as necessary to ensure a resolution's implementation. However, this emphasis on consensus could be an impediment to the substance of the Committee's work. At the same final meeting, the Representative of Kenya noted that the UN General Assembly "provides a platform for all Member States to discuss important issues that may not have consensus" but that it is "good to practice agreement" when possible. In the same session, critiquing the resolution titled [Harmony with Nature](#), the Representative of Mexico also noted, "multilateralism means working together, not imposing majority vision on the minority". While the trend towards achieving consensus on resolutions may present the Second Committee as dedicated to strengthening multilateral cooperation, how and why that consensus was achieved remains relevant.

During a recent high-level dialogue between the General Assembly, ECOSOC and the Security Council. Secretary-General Antonio Guterres discussed the drawbacks to an overreliance on consensus at this meeting, noting:

"the concept of consensus is something that I believe needs to be redesigned.

Sometimes we tend to have a confusion between consensus and unanimity and consensus is not necessarily unanimity. Consensus means that there is an effort to bring together and to have a clear overwhelming direction in when in one line but not

necessarily that every single entity, countries or whatever other we are discussing are 100 percent in agreement with whatever is finally decided.”

How can such overreliance on “consensus” (or unanimity disguised as consensus) hinder the Second Committee’s work? While many emerging and challenging issues remain on the agenda, a fear of “political” conversations prevents the Committee from developing the substantive policies that the issues demand. Topics such as illicit financial flows, external debt sustainability, international trade, and climate change require political solutions, but is a “win-win” outcome driven by unanimity at all possible or practical in any of these issues?

Revitalization of the Second Committee

A main focus of the Second Committee’s work is on sustainable development and various agenda items have crossovers with the work of the High-level Political Forum on Sustainable Development (HLPF) and the Economic and Social Council (ECOSOC). Ranging from Financing for Development (FfD) to Operational Activities for Development (OAD), the substance of the Second Committee’s agenda holds implications beyond the General Assembly’s role in developing policy guidance.

With 2019 as a quiet year for the Quadrennial Comprehensive Policy Review ([QCPR](#)), the Committee’s work steered away from the reform processes associated with the ECOSOC, OAD and matters related to the QCPR process, as it will be thoroughly reviewed in the 75th Session of the Committee in 2020. Instead, the focus turned to issues of macroeconomics, FfD, and development policy. This opens the door for more subtle reform through the Committee’s work on the [Revitalization of the work of the General Assembly](#).

On 27 November, the Second Committee adopted a provisional agenda for the 2020 Committee Session, under the Agenda Item 121, Revitalization of the work of the General Assembly but did not conclude its discussion on the topic. Established with the aim of considering the role and authority of the General Assembly as well as working methods and agenda-setting, this agenda item appears in each General Assembly Committee as an opportunity to take stock on the Committee’s work and identify ways forward. At the closing of the Second Committee, Chair Cheikh Niang of Senegal announced that the Committee would conduct a series of informal consultations across December 2019 and January 2020 to discuss the agenda item in more detail before taking action at a plenary meeting in January 2020.

In the Second Committee this year, various Member States from the Global North have expressed interest in finding greater synergies with the 2030 Agenda and other related UN processes. At the Opening of the Second Committee on 2 October, the European Union remarked on “the need for the 2030 agenda to be fully and effectively mainstreamed in the Second Committee’s work”. As such, the European Union announced it would create “an informal working group that would look at issues related to improving working methods of the second committee and reflect on the elaboration of proposals for addressing gaps, overlaps, duplications and implement measures” as related to the 2030 Agenda.

While action taken on this informal working group has been largely opaque, the postponement of Agenda item 121 on Revitalization suggests disagreement on the topic, particularly since the European Union, United States and Canada, Australia and New Zealand (CANZ) have all suggested the bi-annualization and tri-annualization of a variety of topics, some championed by members of the global South.

The coming informal dialogues on Revitalization should shed light on the future of the Second Committee's agenda, as well as hold potential implications for ECOSOC and the positioning of the 2030 Agenda as the United Nations' "crown jewel" and driving force. Secretary-General Antonio Guterres [spoke at the ECOSOC Operational Activities Segment](#) of the need "to ensure that the UN development system is well-positioned to help Member States implement the 2030 Agenda." The separate process on Repositioning of the UN Development System (A/RES/72/279) is taking place alongside the ongoing Revitalization work, the 2020 Review of the HLPF, and the upcoming 75th Anniversary of the United Nations.

At the final session of the Second Committee on 27 November, Mexico delivered a cross-regional statement on behalf of over 20 middle and upper income countries and Australia delivered a statement on behalf of CANZ on the topic of Revitalization. Mexico's statement noted an "overloaded program of work" and its burden on small delegations, despite the fact that no Least Developed Countries or low-income countries were signed onto the statement. Mexico emphasized that,

"a lack of progress on revitalization is no longer acceptable. The Second Committee, if it is to achieve its full potential, must advance in tandem with the UN Secretary-General's pursuit of ambitious reform of the UN, including of its development system. The UN needs to be fit for purpose in order to support the achievement of the Sustainable Development Goals".

With this shared perspective, Australia also supported the Revitalization informal consultations as an opportunity "to reflect on what worked and what didn't this year" and serve as "a litmus test of second committee's ability to remain effective and pertinent".

The extent to which these informal consultations will truly transform the agenda is unclear, but it is a safe bet that behind its nondescript façade, the Second Committee will continue being an arena of struggles for power and control far beyond the resolutions it adopts in each session, with implications for its role in multilateral governance.