



Commonwealth Heads of Government Meeting on Reform of International Institutions

Tuesday, 10th June 2008
Marlborough House, London

Media Briefing

Secretary-General Kamalesh Sharma: The Commonwealth Heads of Government agreed at last year's conference of Heads of Government meeting in Kampala to take forward the reform of international institutions. They called on the Secretary-General to convene a small representative group to take forward the Commonwealth's efforts in this field through advocacy and through lobbying.

The heads, on that occasion, placed an emphasis on wide-ranging reforms. They also asked that attention be given in these reforms to the special needs of small states and least-developed countries. The heads also stressed the importance of continuing efforts to reform the international financial architecture, including the Bretton Woods institutions. It has been pleasing that the IMF Managing Director has been in communication with this group this week to underline the progress being achieved in that organisation. This group has, therefore, started from an advanced position. That point cannot be understated. Heads representing our 53 members, accounting for one-third of humanity and one-quarter of the world's governments, have already determined that reform is required. We are therefore starting from the position that significant reform is required and the heads at Kampala wanted the smaller group to be ambitious, focused and practical. The areas covered in the deliberations also included reform in the United Nations and global environmental governance. The statement which the group will be issuing and has just finalised will become available shortly after the press conference.

Let me now turn to Prime Minister Gordon Brown, who chaired and led the group, to whom I express my deep thanks and appreciation for doing this, who will take the questions now with some introductory remarks from him.

Prime Minister Gordon Brown (UK): Can I thank, first of all, the Secretary-General for hosting this, his first major conference upon taking up the office of Secretary-General and thank him and his staff for all the arrangements that have made possible such a successful event. I also thank my colleagues, representatives from all over the Commonwealth who have come together in London today and last night so that we could look at the challenges that we face as a global society and how we address them for future years. I am grateful to such distinguished colleagues for being part of this group that wants to put forward major proposals for the reform of our international institutions and our global order.

We acknowledged, as we started our work, that we faced and particularly the poorest countries of world faced three major crises: we have food shortages, we have fuel shortages and oil price rises that have been incredibly damaging to all economies, and we have the credit crunch which is affecting finance throughout the world. All these problems, food, fuel and finance, we acknowledged needed global action and coordinated global approaches and we asked during our deliberations whether we did not need better global institutions to deal with these problems. We also acknowledged that while we had immediate problems of food, fuel and finance, we also have the continuing challenges of sustainable development, tackling climate change and tackling and addressing the poverty that so many of our citizens in different parts of the world have to face.

I think we are agreed that we need a major reform of the international institutions that the IMF, the World Bank, the United Nations and other institutions that were built in the 1940s for the problems of the 1940s and beyond are not adequate for purpose, not fit for purpose for the

challenges we face in 2008 and beyond. I think we agreed that we needed a better early-warning system for the global financial markets and that would require reform around the institution of the International Monetary Fund. We required also to deal with climate change and the energy needs of the future and that not only required a new climate change agreement following Kyoto, to which we all are committed, but also requires the funding and financing of alternative sources of energy, which may be through the World Bank or through another institution that could deal with the challenges of development and the environment. We are all impressed by the success of the reform of the United Nations by creating one organisation in individual countries in which it is operating rather than 20 or 30 and we want to see that move forward with urgency from its pilot projects to making sure that it can work for all countries.

We are agreed that major reforms are necessary. These will affect radically the way that the international institutions work. We cannot deal with the global challenges we face without these reforms and so we are asking all organisations that have a remit dealing with these issues to consider whether there is a case for a new Bretton Woods conference similar to that that happened in the 1940s to reshape the international institutions for a new era.

We are agreed that for prosperity to be sustained it has to be shared amongst all populations of the world. That prosperity, like peace, is indivisible and we are agreed that the challenges we address are not challenges about one nation or one state. They are the challenge to fight poverty, illiteracy, disease, hunger, climate change and unemployment and we are committed to the reform of the international institutions so that this can be achieved.

Mike Wooldridge (BBC): Would you then say that the failure so far to have made more progress in reforming international institutions has contributed significantly to the scale and impact of the global food crisis?

Prime Minister Gordon Brown (UK): I think we could have done better and people are trying to do better, but I think we can do better in the future.

President Yoweri Museveni (Uganda): Certainly. For instance, if you look at the food prices in the world, for which Uganda is quite happy, we are very happy with this food problem. Why? Because we produce a lot of food and our problem has been the market. Now we hear that people in the world have no food, and yet for us, we are stuck with food. We produce 10 million metric tonnes of bananas and 40% of it rots because we have nowhere to send it. We have been producing so much milk, we were pouring it until recently when we had this crisis, and we have a processor from India who is processing the milk and we are now feeding the world with our milk. Therefore, it is very true that we could have done better and I think out of all these hiccoughs we may get a more rationalised interaction in terms of the use of our resources, through trade, by removing trade barriers, by removing subsidies, for those who can grow food. I will give you an example. We were recently in Japan. They have a type of beef there called *Kobe*. It goes for \$200/kg. In Uganda, I sell beef for \$1/kg, so you can see the irrationality.

President Jakaya Kikwete (United Republic of Tanzania): In our discussions, it became apparent that there is a big deficiency in terms of the overseeing of the international financial system. That is why the Prime Minister was talking about early warning. For example, the current financial climes. How could it happen that suddenly \$500 billion has evaporated and the world now is in such a big crisis? These are some of those basic issues that really demand that we need to do something about the international institutions. Probably we need an

international institution or to look at the current institutions. The IMF was created when its purpose was to oversee the international financial system, but we found that the IMF is only busy with the poor, developing countries. Who is overseeing Britain with their economic problems? Who is overseeing the US with their economic problems? These are some of those inadequacies which make us think there is need of having a fresh look at the way the international institutions are functioning, so that probably we can come up with a better architecture that is going to address some of the teething problems that are confronting the world today.

President Bharrat Jagdeo (Guyana): The gentleman from the BBC asked whether the financial institutions could have done a better job. I think it is important that we do not ascribe all the problems that we face in the world to the international financial institutions. Some of the current problems we face lie within the policies of member states. Take, for example, the issue of food and the impact of biofuel on food supplies. The Food and Agriculture Organization was warning for a very long time that this would happen, yet many member states disregarded the advice, and pursued a biofuel policy which led, as you know, to the switching of land from producing food for consumption to producing food for fuel. So, it is not just about reforming international institutions; it is also about getting member states to listen to these institutions when they advise them. The advice was there from the FAO, and it is going to be a big challenge to get large countries to comply with the institutions that we create in the future. It needs a commitment on their part.

Take, for example, the credit crunch that these countries now face. Had there been a greater monitoring of the private sector, had there been greater flows from the United States of America to the IMF, and had they heeded the advice of the IMF, then maybe the signal would have been sent earlier that these instruments that were backed by mortgages are very risky instruments, and they should either attract a premium, or banks should avoid investing in them. So, there is a strong case – and I think we all agree – for the need to reform the financial institutions, to make them very focused and to ensure that they are responsive to the problems that we faced long before these three problems emerged in the recent crisis: problems of access, and conditionalities, and one-size-fits-all policies, which have not delivered results for many poor countries. We also need to make sure that the institutions are properly reformed. Thank you.

Mike Jarvis (BBC): You were speaking about reforms. I do take on board what President Jagdeo just said, but what sort of clout, or what sort of influence does the Commonwealth have that it can take away from these institutions if the reforms – whatever they are, because we have not heard any specifics as yet – are not forthcoming fast enough? How do they affect the smaller countries within the Commonwealth? I would like the Prime Minister of Trinidad and Tobago and also President Jagdeo to address this as well. Thank you.

Prime Minister Patrick Manning (Trinidad and Tobago): In fact, you have asked a number of questions in one. Let me address the environmental side of this thing. We believe that there could be no proper discussion on the environment without the recognition that a lot of the environmental problems that are caused are a consequence of hydrocarbons. It is energy that is driving it. Therefore, there can be no proper discussion of the environment without a discussion on energy. In fact, and President Jagdeo made the point a few minutes ago, it is the desire for fuel that has also led, in part, to the food crisis. The energy situation is looming larger and larger in the international community. We find that there is no structured dialogue

taking place between the producers and consumers of energy. Therefore both sides are going in different directions – OPEC is going in one direction, and the International Energy Agency is going in the next – and nobody is meeting around one table to see if we could not come to some kind of consensus on global energy governance.

As energy prices skyrocket, countries are going to begin to exercise what options are available to them, one of which is the nuclear option. In the context of international terrorism, as more and more countries exercise that nuclear option, and as the technology associated with it falls into the hands of developing countries and all the implications of that, there is the possibility that this technology could get into the hands of the wrong people. Therefore, as we seek to pursue this world question of environmental sustenance, a major security problem emerges all around the world. When we met and we discussed earlier this morning we felt that some kind of international agency is now required to proceed with a structured discussion on the energy crisis. The energy sector is not just oil, incidentally. It is also hydro, and the financing of these arrangements, because hydro, as you know, is one of the cheapest sources of energy, but the capital costs are high. The countries that have the option, especially the African countries, are largely in the developing world and short of the financial resources that are required to be able to invest in these forms of energy, and therefore you need some kind of international arrangement that can look after that aspect of the sustainability of energy development. One of the suggestions that came up was the use of the World Bank, but of course I am sure that there will be more. That is the aspect that I wanted to address, and it is a very interesting discussion indeed on that matter.

President Bharrat Jagdeo (Guyana): Thank you very much. I suspect you will want to know what the Caribbean will do if we do not succeed in getting the changes that we are all going to lobby for. It was very interesting at the food summit in Rome that the people who spoke after the summit said that the most important aspect of it was to draw attention to agriculture on a global scale because there are no new initiatives, no new pledges. In our region, in Caricom if you examine our budget, you will see that a very small share of our budget goes to agriculture and we have lost this concept of food security. Therefore, now the big task before the Caribbean is to create a competitive export agricultural sector and also at the same time focus on food security. We have an initiative which we are now working on. Just two years ago we hosted a Caricom agricultural investment conference in Guyana, focusing that on the production of food.

Regarding the environment, I am very concerned that we are not going to have a post-Kyoto framework addressing the concerns of all the groups within the Commonwealth and within the world, particularly within the Commonwealth, because there are some countries in the Commonwealth that have large forests and some countries which do not have forests but need significant funds for adaptation. So far in the discussions that have taken place, there are very few resources for adaptation and even the mechanisms that are provided in the forestry sector for reforestation, for the clean development mechanism are too bureaucratic and will not serve the interests of the Commonwealth. Therefore, we are arguing in the Caribbean that there since deforestation contributes 20% of greenhouse gases, there must be a market mechanism to preserve the forest. Second, we are arguing that there should be significant funds flowing for adaptation because many of these countries do not have the capacity to adapt. So we hope that the Commonwealth here – and it was agreed that we would try to

evolve a position that will influence the negotiations as we move forward to concluding a new post-Kyoto framework.