Preserving the values of multilateralism to promote peace and security, development, and human rights.

José Manuel Salazar-Xirinachs[1]

The multilateral system based on clear and predictable rules and a high level of respect towards multilateral mechanisms to settle disputes between sovereign states and to which the world has become accustomed over the last seven decades, has gradually changed. (ECLAC 2023 (b)). The affirmation of regionalism and nationalism in commercial, supply and national security matters have given way to protectionism, isolationism and a system less based on rules and more based on the use of force and geopolitical considerations.

Following the devastation of World War II, a new phase of global integration began, in which international institutions for technical, financial, and commercial cooperation developed, while trade in manufactured goods expanded. The United Nations came into being with the maintenance of international peace and security as its central mission. A new international monetary system, the Bretton Woods system, was created to provide financial stability, postwar reconstruction, and economic development to less developed countries. The Bretton Woods institutions would also seek to address the lack of cooperation among the countries that characterized the inter-war period where competitive devaluations and restrictive trade policies had been prevalent. The final quarter of the twentieth century, was marked by the gradual spread of free trade, the growing presence of transnational corporations operating as integrated production systems, the expansion and notable mobility of capital that coexisted with restrictions on the movement of labor. (ECLAC, 2002).

During the first quarter of the twenty-first century, escalating trade tensions between the two largest economies in the world, the disruptions in supply chains brought along by the Covid-19 pandemic together with climate change concerns, re-opened the discussion about the advantages of having shorter, regionalized supply chains, governments enacted trade barriers and investment restrictions to promote reshoring of some manufacturing industries, diversification of supply sources and to promote self-sufficiency in some industries.

With the conflict in Ukraine, what was already a clear rivalry of technological competition around the digital revolution turns into a geopolitical clash. In the new

[1] Executive Director of the Economic Commission for Latin America and the Caribbean (ECLAC)

scenario, the economic interdependencies that were previously celebrated create geoeconomic and geopolitical vulnerabilities. In this setting, not only multinationals would seek to diversify the origin of their supplies away from certain countries or regions, but also governments would design policies that increased the risk of fragmentation of trade and investment. Some of the world's leading economies are undertaking industrial policy initiatives that could lead to a major reconfiguration of the global value chains in the coming years, with the goals of self-sufficiency in energy, food and security manufacturing (ECLAC, 2023 (b)).

The growing divide between countries with respect to access to affordable financing for development presents a danger to any country. Global cooperation and multilateral action are urgently needed to preserve global peace, security and development.

The COVID-19 pandemic revealed the different resources available to developed and developing countries[2] in the face of global challenges. While developed countries adopted expansionary fiscal and monetary policies that enabled them to invest in recovery and have largely returned to pre-pandemic growth paths, developing countries were unable to do so, in part because their currencies would be under pressure. Financial conditions have become tighter for developing countries as well; they face higher interest rates and withered capital inflows. Tighter global financing conditions have been devastating for countries with high debt levels. Over 40 per cent of people living in extreme poverty live in countries with severe debt challenges. (UN, 2023)

In addition, the climate crisis has a disproportionate impact on least developed countries and small island developing States. While developed countries can afford to pay for adaptation and resilience, developing countries cannot (UN, 2023).

"Without the necessary means to invest in sustainable development and transform their energy and food systems, developing countries are being left behind" “A dual world divided between the haves and the have-nots is a clear and obvious danger to any country. We urgently need to restore global cooperation and find solutions to the current crisis by acting multilaterally.", Secretary General of the United Nations, António Guterres, foreword to the Financing for Sustainable Development Report 2023: Financing Sustainable Transformations. (UN, 2023)

The post-World War II international financing system needs a serious revamp since its institutions are expected to deliver on an ambitious agenda: continuing the fight against poverty while also preserving global public goods, such as climate, biodiversity, and pandemic preparedness and prevention.

"If we do not deliver a reformed international financial system while scaling up investments in the Sustainable Development Goals (SDGs), we will not deliver on the

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[2] More than 60 international organizations led by the United Nations released the Financing for Sustainable Development Report 2023: Financing Sustainable Transformations on 8 April 2023. **The recently released 2023 *Financing for Sustainable Development Report*[2] describes a growing divide between countries that can access affordable financing for development, and those that cannot.**

shared commitment of the 2030 Agenda for sustainable development," said the United Nations Deputy Secretary General, Amina Mohammed. (UN, 2023)

An effective and reformed international financial architecture that provides for sustainable transformation must include, among others, revised schemes for international tax regulations; the scale and mission of multilateral development banking system; a climate change loss and damage fund; debt relief and a major improvement in the international debt resolution architecture; multilateral trade rules to review the approach and resolve current tensions in relation to green subsidies.

The ongoing discussions on the World Bank Group's (WBG) *Evolution Roadmap* have raised concerns among middle and low-income countries since the new vision and mission could create the potential for tradeoffs in investments and policies. The G-24 Ministers made it clear in the Press Communique at the last Spring Meetings of the International Monetary Fund and World Bank, that these tradeoffs should not come at the cost of development finance. "In addition to climate change, conflict and fragility, and pandemic preparedness and prevention, the WBG needs to scale up support for access to affordable water, food and energy, human capital development, digital development and debt sustainability." Furthermore, the G-24 called for closer cooperation with other multilateral organizations including the UN Green Climate Fund, other Multilateral Development Banks and Regional Development Banks to explore comparative advantages, seeking complementarity and synergies as the guiding principle for the WBG reform.

Additional financial capacity to avoid an unfunded enhanced mandate for the WBG will be required[3]. This would be achieved, in part, by optimizing the use of the WBG balance sheets, better leverage of existing capital, and increased efficiency and lower transaction costs on trust funds. In addition, a capital increase in the medium term should also be considered.

- **Latin America and the Caribbean**

The effects of the series of shocks that affected the global economy, including the global financial crisis, economic tensions between major powers of the global economy, the COVID-19 pandemic, the war in Ukraine and the resurgence of inflation, in a context in which the environmental emergency is worsening and the technological revolution is

[3] "The scale of the new ambition and ongoing high cost of addressing multiple challenges highlights the need to substantially scale-up the WBG's financing capacity. We reiterate that this should be done while preserving the Bank's financial sustainability, AAA ratings and preferred creditor status. Current loan prices should be maintained to avoid increasing the burden on borrowing costs. The WBG should optimize its balance sheets, better leverage existing capital, including from financial intermediary funds, and increase efficiency and lower transaction costs on trust funds. Leveraging existing resources should not necessarily foreclose capital increase in the medium-term, which remains the most powerful mechanism for increasing financing capacity with the lowest risk. We urge MDBs to increase their efforts to discuss and implement recommendations from the G20-convened Independent Expert Panel on Capital Adequacy Frameworks and encourage strengthened communications with credit rating agencies to support methodological revisions that would better factor in MDBs particularities." Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development Communiqué, April 11, 2023.

accelerating have also reverberated in the Latin American and Caribbean countries where investment and production conditions have deteriorated significantly.

The combination of external and domestic factors stemming from the policy decisions made, or from the absence of such decisions, has reduced the capacity for economic growth and quality job creation and hampered its fight against poverty and extreme poverty. Its economic and social structures have weakened and have fallen into situations that reinforce the inertia of a weak economic performance. In parallel, the region faces the challenge of implementing ambitious adaptation and mitigation strategies to address the climate emergency, while at the same time accelerating the pace of social, economic, and institutional progress, all within narrowing fiscal space. (OECD et al., 2022)

A transition to a low-carbon and inclusive economy requires the mobilization of vast amounts of financial resources. Fiscal policy, national and multilateral development banks, and the private sector will have to play a stronger and more coordinated role to catalyze investment, develop market instruments and regulatory tools, and compensate the most affected and vulnerable populations. A legitimate and politically viable transition requires a broad consensus on its objectives and proceeds through reforms that result from a collaborative and inclusive dialogue. This is particularly important in a region where support for green policies is high, but where trust in public institutions has seen a sharp erosion. New forms of cross-border partnerships and cooperation will be crucial, as national efforts will not suffice. Addressing climate change and decarbonizing economies require coordinated global action. Boosting international partnerships, can help Latin America and the Caribbean adapt to the "greening" of trade norms and regulations, attract greater investment, access new technologies and decisively contribute to shaping global norms and actions (OECD et al., 2022)

In terms of financing for development, ECLAC proposes an agenda for the recovery of the region: i) expand and redistribute liquidity from developed countries to developing countries; ii) strengthen regional cooperation by increasing the lending and response capacity of regional, subregional and national financial institutions, and strengthening their links with multilateral development banks; iii) carry out an institutional reform of the multilateral debt architecture; iv) provide countries with a set of innovative financing instruments, v) integrate liquidity and debt reduction measures into a resilience strategy.

- **Multilateralism and international cooperation to address global challenges.**

Even if the macroeconomic consequences of the conflict in Ukraine and their spillover effects dissipate in the near term, many challenges remain that require international cooperation. Global issues such as climate change, geopolitical tensions, humanitarian and migratory crises necessitate collective attention and action. Climate change is affecting billions of people worldwide, contributing to further poverty, hunger and instability and making the transition to greener economies more urgent.

"We must find the necessary political will to overcome the growing political tensions, the breakdown of alliances between countries and the worrying trend towards nationalism and seize the present moment to urgently invest in our common future." Li Junhua, head

of the Department of Economic and Social Affairs, the United Nations Assistant Secretary General[4].

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[4] Li Juhua was *in charge of the preparation of the inter-institutional report2023 financing for development.*