Canadian Group
Inter-Parliamentary Union

Groupe canadien
Union interparlementaire

Report of the Canadian Parliamentary Delegation to the Annual Parliamentary Hearing at the United Nations

Canadian Group of the Inter-Parliamentary Union (IPU)

New York, New York, United States of America
2-3 December 2010

Annual Parliamentary Hearing at the United Nation

Organized jointly by the Inter-Parliamentary Union and the United Nations

1. Background

The IPU's Annual Parliamentary Hearing brings members of parliament to the United Nations Headquarters in New York for an interactive discussion with high-ranking UN officials, representatives of Member States and experts drawn from think tanks and civil society organizations.

In accordance with the provisions of the General Assembly Resolution on cooperation between the UN and the IPU (http://www.ipu.org/un-e/a-61-L6-e.pdf), the Hearing is a joint event of the two organizations, heralding a greater political commitment on the part of the United Nations to hear the views of parliaments on some of the most urgent issues of our times. Among other things, the Hearing provides an opportunity for members of parliament to meet and hear from the United Nations management team. The conclusions of the Hearing are circulated to the wider UN community as well as to all national parliaments.[1]

2. Programme for the Parliamentary Hearing

The main theme of the Hearing, which took place in New York on 2 and 3 December 2010, was: *Towards economic recovery: rethinking development, retooling global governance.* Panel sessions related to this theme addressed the following issues:

I. Current risks to economic recovery, and the continuing structural imbalances in the global economy

II. Reforming the international financial system: a critical look at key issues on the UN agenda

III. Rethinking sustainable development within the current global economic and environmental framework

IV. Providing leadership in global economic governance: empowering the UN, the role of the G20, and the need for transparency and accountability in decision-making

The full programme, with more details on the theme and the complete list of panellists, may be found online.[2]

3. The Canadian Delegation

The Parliamentary Hearing was attended by parliamentarians from more than 50 countries as well as several regional parliaments. Representatives of Permanent Missions to the United Nations, as well as of intergovernmental and civil society organizations, also participated. The Canadian IPU Group was represented by the

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[1] Source: http://www.ipu.org/Splz-e/unga09.htm

[2] See: http://www.ipu.org/splz-e/unga10/summary.pdf

following parliamentarians: from the Senate of Canada, the Honourable Donald Oliver H. Oliver, Q.C. and the Honourable Dennis Dawson, and from the House of Commons, Mr. Ed Holder, MP.

4. The Parliamentary Hearing

Senator Oliver served as a panellist for Session I and discussed areas where parliamentarians could help prevent a recurrence of the economic crisis. His speaking points are appended to this report.

A detailed summary report (A/65/728–E/2011/72) of the Parliamentary Hearing produced by the United Nations General Assembly, Economic and Security Council, may be found online.[3]

Respectfully submitted,

The Honourable Donald H. Oliver, Q.C., Senator
President, Canadian Group IPU

[3] See : http://www.ipu.org/splz-e/unga10.htm

APPENDIX

Senator Oliver's Speaking Points for Session I: Current Risks to Economic Recovery, and the Continuing Structural Imbalances in the Global Economy

The Global Response to the Financial and Economic Crisis

- There is general agreement with the conclusion reached by the leaders of the Group of Twenty nations at the recent Seoul Summit: "When we first gathered in November 2008 …, we pledged to support and stabilize the global economy, and … to lay the foundation for reform … . Over the past four Summits, we have worked with unprecedented cooperation to break the dramatic fall in the global economy to establish the basis for recovery and renewed growth. … Our relentless and cooperative efforts … have delivered strong results. However, we must stay vigilant. Risks remain."
- Certainly, "the dramatic fall" has been broken. Equally, "**risks remain**." As recently as October 2010, the International Monetary Fund's World Economic Outlook noted that "… downside risks remain elevated. Most advanced economies and a few emerging economies will face large adjustments. Their recoveries are proceeding at a sluggish pace, and high unemployment poses major social challenges. By contrast, many emerging and developing economies are again seeing strong growth, because they did not experience major financial excesses just prior to the Great Recession."
- G20 leaders and the IMF seem consistent in their view: a sustained, healthy recovery depends on strengthened private demand in advanced economies – what the IMF has referred to as internal rebalancing – and an increase in net exports in deficit countries coincident with a reduction in net exports in surplus countries – what the IMF has termed external rebalancing.
- In response to the global crisis, governments and central banks took various actions. Governments implemented **fiscal stimulus measures**, which in a number of countries are in the process of being withdrawn, and central banks took action as well, such as lowering their **target for the overnight interest rate** and – in some countries – such other measures as **quantitative easing**.
- It is widely agreed that the fiscal stimulus measures and the actions taken by central banks were instrumental in helping the economic recovery. That being said, critical efforts continue as parties work to create regulations and other safeguards to prevent a recurrence. Financial system regulation has been a key focus, and **financial sector reform** in advanced economies was noted by the IMF in its most recent World Economic Outlook, which urged acceleration in repair and reform of the financial sector to allow a "resumption of healthy credit markets."
- Consistent with the need identified by the G20 leaders at the Pittsburgh Summit to increase capital requirements for banks, an important initiative has been

developed through the Basel Committee on Banking Supervision. Through this Committee, central bank governors and other banking leaders have agreed upon a **Basel III Accord**, which is designed to prevent the overexposure of banks to risk. The safety and soundness of banks must be assured, given the critical role they play in our economies.

- The Basel III Accord proposes to **strengthen global capital and liquidity regulations** to improve the banking sector's ability to absorb financial and economic shocks. Although details have yet to be finalized and final rules are not expected until the end of this year, the Basel Committee and its governing body have made agreements regarding:
    - a higher **quality of capital**, with a focus on common equity,
    - higher **levels of capital** to ensure banks can better absorb the types of losses like those associated with the recent crisis,
    - better **coverage of risk**, especially for capital market activities,
    - an internationally **harmonised leverage ratio** to constrain excessive risk-taking and to serve as a backstop to the risk-based capital measure,
    - **capital buffers**, which should be built up in good times so that they can be drawn down in periods of stress,
    - minimum **global liquidity standards** to improve banks' resilience to acute short-term stress and to improve longer-term funding, and
    - stronger standards for **supervision, public disclosure and risk management**.
- Regarding supervision and disclosure, it is important to note that **Pillar 3 of Basel II** itemizes the quantitative and qualitative disclosure requirements for affected institutions, which are linked to the institution's nature, size and complexity. In particular, disclosure requirements exist in respect of corporate structure, capital structure and adequacy, and risk measurement and management. These disclosures must be public, although an audit by external auditors is not needed unless required by another authority, such as accounting standards or securities regulations.
- In Canada, the Office of the Superintendent of Financial Institutions supervises the safety and soundness of our banks, and provides guidance about minimum expected standards regarding their asset-to-capital multiple and a risk-based capital ratio. Notwithstanding these standards, the Superintendent has the authority to require an institution to increase its capital. As evidenced by Canada's experiences during the recent global financial and economic crisis, Canadian banks are characterized by safety and soundness, and some have suggested that the Canadian financial sector model is one from which many nations could learn.

- Although the nature and form of supervisory authorities vary across countries, it is generally the case that supervision without "teeth" may not achieve the desired goals. While rules are useful, they are only truly helpful when supervisory authorities ensure **strict adherence** and apply **appropriate legal sanctions** when requirements are not met. Self-assessment and peer review are inadequate, and sanctions must be strong enough to induce the desired behaviour. Political, international or institutional forces must not play a role.
- The benefits of higher capital requirements must be considered in the context of the tighter credit that will come with less leverage. Tighter credit has implications for economic growth, which will likely be slower although perhaps relatively more sustainable. Political pressure may be applied by those who experience relatively greater borrowing constraints.
- International differences must also be avoided. Governments must not be allowed to argue for less stringent requirements for their banking systems. Equally, they should not be permitted to interpret the rules in a manner that will advantage their banks.
- As well, implementation of standards must be consistent across countries, and case-by-case exceptions or judgments to allow variation from the minimum requirements must not be permitted.
- A **rules-based**, rather than a principles-based, approach with **strict and consistent enforcement** as well as **meaningful sanctions** must be the standard. Legislators must ensure the existence of such an approach.

The Global Response, Developing Countries and the Millennium Development Goals

- The global financial and economic crisis affected the world's most **vulnerable people**, although developing nations had no responsibility for the crisis. The impact of the crisis on them has been recognized by such organizations as the IMF. In the spring of 2009, IMF Managing Director Dominique Strauss-Kahn noted that while most low-income countries escaped the early phases of the global crisis, they were beginning to be hit hard, mostly through trade as recessions in developed countries led to reduced demand for goods imported from developing countries.
- Similarly, at the beginning of the crisis, it was expected that the developing world would experience a 20% reduction in foreign direct investment in 2009, relative unavailability of credit and a higher cost of credit when available. There was also speculation about the extent to which foreign aid was likely to fall because of fiscal pressures in donor countries. These types of external shocks created budget crises in developing countries, which were compromised in their ability to provide vital social safety services.
- At the **120th Inter-Parliamentary Union Assembly in Addis Abada**, in April 2009, a unanimous resolution was adopted that addressed the role of Parliaments in mitigating the social and political impact of the international economic and financial crisis on the most vulnerable sectors of the global

community, particularly in Africa. The resolution urged developed nations' governments to "assume appropriate responsibility to help remedy the negative effects on developing countries of the global financial crisis."

- This April 2009 meeting was followed by the **IPU's May 2009 Parliamentary Conference** on the Global Economic Crisis. At that time, and continuing the IPU's focus on addressing the development cooperation agenda, particular attention was paid to the need to mitigate the effects of the crisis on development. The closing statement by the Conference's President, Dr. Theo-Ben Gurirab, spoke about some of the issues mentioned earlier, including thorough reform and repair of financial systems, one aspect of which is the Basel III initiative.
- In September 2010, the **United Nations issued a report** on progress in achieving the Millennium Development Goals. It noted that – with five years remaining – an "(e)xtra push (is) needed on aid, trade and debt to meet global anti-poverty goals." According to the report, despite a record level of aid – $120 billion in 2009 – there is a shortfall of about $20 billion in the annual level of aid as agreed to five years ago by the Group of Eight. Moreover, it said that although aid is expected to reach $126 billion in 2010, that amount will be insufficient to meet the agreed target. The UN called for a recommitment to the target of 0.7% of gross national income for donor countries to be devoted to official development assistance. The report also mentioned the need to "deal comprehensively with the debt problems of all developing countries."
- Legislators in all countries, but particularly in the donor countries that are relatively more able to provide development assistance and to forgive debt, must continue to assist the world's most vulnerable people, notwithstanding the fiscal situation that advanced economies may now be facing. Certainly, such a focus is consistent with the commitment made by the G20 leaders, at the Seoul Summit, to achieve the Millennium Development Goals.

The Timing of Austerity, a Strengthened Recovery and the Creation of Jobs

- As the leaders of the G20 nations, the IMF and others have noted, the global economic recovery remains fragile. As well, the state of the recovery and the extent to which jobs are being created vary across nations. Some nations are beginning to wind down their fiscal stimulus measures, with implications for the demand for goods and services, and some central banks are beginning to increase their target for the overnight rate, which will also affect demand.
- In this context, it is important to remember the conclusion reached by the G20 leaders in Seoul: "Uneven growth and widening imbalances are fuelling the temptation to diverge from global solutions into uncoordinated actions. However, uncoordinated policy actions will only lead to worse outcomes for all." They also spoke about their commitment to "implement a range of structural reforms that boost and sustain global demand, foster job creation, and increase the potential for growth." Importantly, they also highlighted bank capital and liquidity standards, and more effective oversight and supervision.

- As nations begin to reduce their stimulus, they must be mindful that, in many nations, economic growth remains relatively weak and many thousands of people remain jobless or underemployed. In supporting the G20 leaders' recognition of "the importance of private-sector-led growth and job creation," legislators in all nations must ensure the collaborative policy actions – including fiscal consolidation – needed to safeguard the fragile recovery and ensure strong economic growth with the creation of sustainable jobs.

Travel Costs

ASSOCIATION	Canadian Group of the Inter-Parliamentary Union (IPU)
ACTIVITY	Annual Parliamentary Hearing at the United Nations
DESTINATION	New York, New York, United States of America
DATES	2-3 December 2010
DELEGATION	
SENATE	The Hon. Donald H. Oliver, Q.C., Senator The Hon. Dennis Dawson, Senator
HOUSE OF COMMONS	Mr. Ed Holder, M.P
STAFF	Mr. Joseph Jackson, Analyst
TRANSPORTATION	**$1,595.79**
ACCOMMODATION	**$2,162.38**
HOSPITALITY	
PER DIEMS	**$ 639.18**
OFFICIAL GIFTS	
MISCELLANEOUS	**$ 65.73**
TOTAL	**$4,463.08**