



**PERMANENT MISSION OF SINGAPORE  
TO THE UNITED NATIONS**

231 East 51st Street, New York, N.Y. 10022 • Tel. (212) 826-0840 • Fax (212) 826-2964 • <http://www.mfa.gov.sg/newyork>

**UNITED NATIONS GENERAL ASSEMBLY  
64<sup>TH</sup> SESSION**

**GENERAL DEBATE**

**STATEMENT BY**

**HIS EXCELLENCY MR GEORGE YEO  
MINISTER FOR FOREIGN AFFAIRS  
OF THE REPUBLIC OF SINGAPORE**

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## THE CHALLENGE OF GLOBAL GOVERNANCE

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President of the General Assembly,  
Secretary General of the United Nations,  
Dear Colleagues,  
Ladies and Gentlemen,

1 When we met at the UN General Assembly last year, financial institutions like Lehman Brothers and AIG were falling like tenpins. For weeks, credit froze as perceptions of risk shot up. The global financial system went into seizure. National governments took emergency measures to rescue banks and keep credit lines open. The US Treasury and the US Federal Reserve, in particular, reacted with extraordinary boldness. For a period of time, it seemed as if everyone was flying blind.

2 After a year, the situation no longer looks as bleak today. In fact, after a sharp contraction of the advanced economies in the first half of this year, there are signs of a recovery. Some of the leading indicators are flashing positive again and the next two quarters will probably register good growth globally. Whether this growth can be sustained is however a different question.

3 It would be a mistake to think that the global economic crisis will soon be over. The crisis came about because of excesses and imbalances which have to be put right. Looking back, we know the excesses were the result of inadequate regulation of banks and quasi-banking institutions. Over the years, clever minds turned non-banks into de facto banks which were not regulated as conventional banks. This unregulated financial sector grew to dwarf the regulated sector. To forestall collapse when the bubble burst, governments and regulators stepped in, taking over financial institutions, guaranteeing liabilities, increasing public spending and pumping liquidity into the economy. These are emergency measures which are needed to get the global economy through a critical phase. They have stabilised the financial sector and prevented the real economy from being too badly affected.

4 However, like steroids administered to reduce inflammation, there is a price to be paid for the temporary relief. First, the expectation that governments will step in when things go badly wrong creates a huge moral hazard. Once governments set a bottom to the consequences of risk-taking, more risks will be taken in the future. Second, the huge increase in global liquidity has slowed down or reversed the fall in inflated asset prices. Worldwide stock markets have benefited from easy money. In Asia, property markets are booming again even though the real economy is still struggling. Withdrawing liquidity without destabilising the economies and asset markets in the coming months and years will be a tricky business. Third, the emergency measures which have been taken reduce the need for painful restructuring. Yet without major restructuring of regulatory systems and businesses, the imbalances which created the conditions for the crisis in the first place can only get worse.

5 Excesses in the financial sector were the trigger of the crisis. The deeper underlying cause was the global imbalance between producers and consumers and between saving and consumption. For too long, the world depended on the American consumer keeping global demand high and lending him the money to keep the game going. To correct this imbalance, Asians have to consume more and save less as a proportion of income while Americans have to consume less and save more. Otherwise, a global Keynesian paradox of thrift will cause the global economy to operate below capacity.

6 Rebalancing the global economy is however not a simple matter at all, and is not only about economics. It is also deeply political. The rise of Asia is altering the global power structure. Nothing expresses this more than the complex relationship that now ties the US and China together. China, with its reserves of over US\$2 trillion, is heavily invested in the US dollar, making it a major stakeholder in the US economy. Without continuing market confidence in the US dollar, not just the US economy but the entire global economy will be put at risk.

7 Looking ahead, however, it is not going to be a bipolar world but a multipolar world. Europe and Japan will remain heavyweights. India, Russia, Brazil and others will become more significant players. A multipolar world means a messier world with a diversity of political systems, values and worldviews. Non-state actors like civil society organisations must increasingly be engaged. At the same time, we are all members of the same human family sharing the same planet. Looking ahead, we will need more effective global governance across a wide range of issues from protection of human rights and international financial regulation to efforts combating pandemics, climate change and terrorism.

8 In a sense, the greatest challenge confronting us today is that of effective global governance. We do not want a global government but we do need better coordination, cooperation and enforcement in many areas. The reform of the UN including the UN Security Council is going to take time. Incremental rather than dramatic change is a more practical approach.

9 For world trade, the WTO, while far from perfect, can still function well with effective political leadership. Once that leadership is supplied, the Doha round of negotiations can be concluded within the next few years. We are fortunate to have a strong Director-General at the helm. But this is a dangerous period because the domestic politics in many countries favour greater protectionism. At all regional and international forums, we must take a clear collective stand against protectionism.

10 Climate change is a long-term challenge for mankind which needs to be addressed with some urgency. While we cannot be sure how much increased CO2 emissions will affect the global climate in the coming decades and centuries, it would be irresponsible for us in this generation not to start acting now. The increased weather volatility we have been experiencing in recent years could be a warning of longer-term trends underway. An international agreement on climate change which aligns our interests and efforts is absolutely necessary to preserve this planet for future generations. For this reason, we must redouble efforts to conclude negotiations for an international agreement by the Copenhagen meeting at the end of this year. It is good that caring for the environment is increasingly becoming a moral norm in the world, especially among the young. We must not fail them. The strong political commitment expressed by many leaders at the Climate Change Summit which was chaired by the UN Secretary-General himself here last week gives us reason for hope.

11 The present economic crisis is a major challenge to global governance. In November last year, then US President George W Bush convened the first G-20 Summit. The second meeting of leaders was held in London in April and the third has just concluded in Pittsburgh under President Barack Obama's chairmanship. The G-20 has now been designated the premier forum for international economic cooperation among bigger developed and developing countries, replacing the G-8.

12 This G-20 process and the swift, decisive actions that it brought about have helped avert an economic depression in the last year. The emergency measures taken by various governments in response to the financial tsunami have bought us precious time to restructure and re-balance the global economy. In Pittsburgh, the G-20 leaders acknowledged that 'a sense of normalcy should not lead to complacency'. We welcome their pledge to adopt policies needed for 'strong, sustained and balanced' growth. If the biggest economies do not persist in this effort, and persisting means pain for domestic constituencies in many countries, the respite we are now enjoying will lead to an even bigger crisis, this time possibly involving foreign exchange markets as well.

13 In the coming months and years, it is important for the G-20 process to develop greater legitimacy, especially as it begins to deal with a broader set of issues. That the establishment of the G-20 leaders meeting was not blessed by the UN or other existing international organisations should not hold us back from giving it support. Though not ideal, it is the most important driver of change that we have right now. The UN itself is too intricate and not structured to deal with issues such as a major financial crisis. The old G-8 lacked representation. G-8 plus was not acceptable because it put the additional participants at a disadvantage. As for the IMF, it was never designed to tackle a crisis of such scale. In any case, the Bretton Woods institutions themselves need reform, which indeed is a major subject on the G-20 agenda.

14 For the G-20 process to be effective and legitimate, however, it is not enough for leaders to confer and make general exhortations. Ministers and experts must also meet and go into details. These should not be confined to the same G-20 countries all the time. We need variable geometry in membership. For different subjects, there could be different groups of participants, including both G-20 and non-G-20 countries. The views of small states, which comprise the majority of UN members, must not be ignored. The meetings should be transparent. There must be wide consultations so that those not included in specific meetings can still table their views. Depending on the subject, this can be done at the UN or at one of the other international organisations.

15 Mindful of the need to widen participation, British PM Gordon Brown invited regional representatives like the Chair of ASEAN, the Chair of the New Partnership for Africa's Development (NEPAD), and the Chairperson of the African Union Commission to the April G-20 leaders meeting in London. President Obama has followed this precedent in Pittsburgh. We in ASEAN certainly hope that the inclusion of the ASEAN Chair will become the norm at future G-20 leaders meetings. It is right that the UN Secretary General was included from the very beginning.

16 A balance has to be struck between effectiveness and inclusiveness. If a meeting is too big, it becomes unwieldy. If too small, it lacks representation and legitimacy. As most members of the UN are not in the G-20, it is important for us to have a say on the role the G-20 should play as an agent of change in global governance. While we should support the G-20 process, we should do so in a way which ensures that our own interests as smaller states are taken into account.

17 A great power shift is taking place in the world. The formal establishment of the G-20 as a new international institution last week marks a new beginning. Power shifts never take place smoothly in history. Without a good system of global governance, we can be sure that the power shift in this century will be a troubled one. Putting that system in place requires our collective effort. We should not be lulled by the temporary easing of the global economy into thinking that the worst is behind us and that we can return to our old ways again.

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