Introduction

1. Thank you very much. I am delighted to have this opportunity to talk to you about the British Government’s views on international institutional reform. I would like to express my thanks to the United Nations University for hosting this event today and for their ongoing commitment to raising the public profile of this pressing international issue.

2. My Prime Minister has put international institutional reform high on the British foreign policy agenda. In January and April last year, in speeches in New Delhi and Boston, Gordon Brown set out the reasons why the international institutional architecture needs to change and adapt to new circumstances. In my presentation today, I will review those reasons.

The Economic Crisis

3. The question of reform has been in the air for some time. But is has been made all the more urgent by the global economic and financial crisis, which today should be our point of departure. I won’t attempt an in-depth analysis of this crisis today. But three important points are worth highlighting.

4. First, it crosses continents and affects the developed and developing world alike. The recent rapid expansion of global trade flows and investment renders the concept of ‘decoupling’ of developed and emerging economies no longer credible.

5. Second, the crisis has occurred during – indeed some would say partly because of - shifts in economic power on a scale unprecedented since the industrial revolution. By 2015 China and India alone are projected to account for more than a quarter of world output.

6. Third, the crisis is affecting countries around the world in similar ways. Governments across the globe have had to take action to ensure the stability of their banking systems. Businesses are facing slowing demand for their products, and tougher conditions for
finance. And working people in Europe, East Asia and elsewhere are worried about their job security.

7. So the global economy means that we are all in the same boat in this crisis. But let us please not forget that our growing links together, across the global economy, have also been the greatest driver of the great boom in living standards around the world in recent decades, especially so in East Asia. And these links offer the best way to tackle the new challenges too – working together to rebuild economic confidence and make progress on the pressing global issues of trade, climate change, poverty reduction, prosperity and international social justice.

8. In times of hardship there is always a temptation to look inward: most famously in 1929 when the protectionist instinct took over. We must not give in to this temptation in 2009. Open markets, opportunities for investment and open trade have driven our recent extraordinary period of global growth and the huge progress we have made in eliminating poverty. Difficult though it is, we must try to use the economic crisis as a catalyst for change; an opportunity to forge a new, forward-looking multilateralism. Above all this requires coordination and communication - and working together.

9. This is why we need to look again at the global institutional architecture. Our current institutions are admirable, but they do not fully reflect the modern world nor can they adequately address today's global challenges.

**The International System**

10. International institutions are essential. No country working alone can address global problems. To provide practical and effective solutions, a collective approach is needed. This is evident in our efforts to achieve the Millennium Development Goals, to advance world trade, in the global response to terrorism, in the coordination of international action against Climate Change.

11. Let me pause for a moment on climate change – an issue of critical importance to the world’s future prosperity and security. The establishment of the UN Framework Convention on Climate Change at the Rio Earth Summit in 1992, followed by the negotiation of the Kyoto Protocol here in Japan in 1997, were groundbreaking commitments by the international community. The launch of the Bali Roadmap in 2007 set in motion the next, crucial steps to negotiate a tougher, more effective post-Kyoto framework. The key challenge facing us this year is to agree the main elements of this new framework among the 192 countries of the UNFCCC by the end of the Copenhagen Conference in December. The commitment of President Obama to the UN process is a
huge plus for this international agenda. We in Britain are also fully committed to this. So are our partner countries in the EU – and we have set tough, legally binding, targets to demonstrate that commitment. But we shall all need to find renewed political commitment and a strong, effective negotiating process if we are to reach the goal.

12. In the area of climate change, as in other areas, Britain’s commitment to effective, modern co-operation and multilateralism is nowhere better exemplified than through the EU. The European Union shows how democratic countries can successfully pool economic and political resources in the common interest, even when this means pooling elements of our sovereignty. The EU is a model that can be drawn upon in other parts of the world. The peace and security in Europe that the EU has delivered means it can now also be a force for good in the wider world, working to spread prosperity and stability beyond its borders. Europe must and will work together on a global agenda. With others and in international institutions.

13. The growth of regional multilateral institutions in Asia and the Asia Pacific region reflects a similar aspiration. And while the European experience cannot be replicated in a very different part of the world where very different historical, cultural and political factors are at play, there may be lessons which can be learnt. The UK certainly values the dialogue that has been established in the ASEAN Regional Forum and in ASEM. We want to encourage further regional integration through the development of appropriate multilateral bodies. For example, we hope that the discussions about a North East Asia Peace and Security Mechanism, which are going on in the framework of the Six Party Talks, will be fruitful.

14. So institutions are important because they provide a means for collective action where nation states cannot solve problems alone. They multiply our impact and capacity. They also set international rules to govern human affairs. This, as has been said, is the era of interdependence. But institutional change is now important because many of the issues that worry people most in these times are different to those that were at the top of the agenda when many of our international institutions were formed: financial instability, rising inequality, climate change, international crime and of course threats to global security, including terrorism.

15. So what should institutions do? In the corporate world, in order to thrive in a rapidly changing environment, a business must focus on its unique selling points and its value added, but it must also be open to change and innovation. This is particularly crucial during difficult economic times, when new ways of working and new partnerships are an
essential means to moving forwards. It is the same for governments, countries and international institutions. They need to be focused, efficient and representative.

**Priorities for Reform**

16. So what are the UK’s priorities? Firstly, I’d like to consider the April Summit in London, which follows on from the November Washington Summit, and is a striking example of our willingness to pursue new approaches.

17. The G8 has been and remains a vitally important group for leading international responses to global challenges. The Japanese G8 Presidency and the Hokkaido Summit in July last year produced a series of decisions and commitments which have taken forward the international agenda in the fields of climate change, international development and non-proliferation. But it is clear from the scale of the challenges that we face, and their global impact, that collaboration amongst the G8 countries alone is insufficient.

18. The G20 includes Brazil, India, China, South Africa, Saudi Arabia, Mexico and other emerging economies. It accounts for more than 85% of total global economic output. A genuinely coordinated response to the current economic and financial crisis requires a group of countries of this range and diversity to be around the table.

19. So in the medium-term, I believe we will need to look in depth at the G8’s role and composition. It is unreasonable to expect a group that was created to meet the challenges of the 1970s oil crises to solve the challenges of the new century. Many of us have acknowledged that the G8 will need in some way to expand to incorporate the most influential emerging economies, especially China and India. That path is inevitable, even if it brings with it risks in diluting the like-mindedness of the group and its internal efficiency. G8 members should take the lead in considering how to advance, not allow ambiguity to develop.

20. We have been strong supporters of the Heiligendamm Process of outreach to key emerging economies and will need to consider how this can best be built on and renewed at this year’s G8 summit in Italy. We look forward to working with Japanese and other partners on this. We may not share identical views, but the only way to find a sustainable solution is to enter a wide ranging dialogue within the G8 and with the major emerging economies on an equal footing.
21. In the meantime, these issues should not overshadow the vital work that needs to be done at the London Summit. In Washington in November, leaders debated the financial crisis as well as trade and other issues. They acknowledged that global capital markets require more effective global cooperation and supervision.

22. Follow-up Working Groups are now considering several of the key financial issues, and we will examine progress in London. Recent renewed instability in the banking sector has underlined how important this work is. But the financial crisis has now become a global economic crisis. Coordinated action to restore growth in the world economy must be the first, urgent priority of the London summit.

23. We must also take forward the debate on the reform of the working and governance of International Financial Institutions. We cannot deny that there is a problem here. The UK supports stronger IFI political legitimacy and IFI reform. The deal on quota and voice in 2008 achieved significant progress. But effective IMF engagement with emerging economies and regional groupings such as ASEAN will need to go further.

24. We also want to see the IMF forming part of an improved "early warning system" in the global economy, evidenced through better macro-financial surveillance that identifies risks and incentivises governments to respond. This will require deeper co-operation between the Fund and an appropriately constituted Financial Stability Forum.

25. For the World Bank, the package agreed at the Annual Meetings in October represents a significant step forward. African countries will have a third seat on the World Bank Board of Executive Directors and poorer countries will have more votes. And the next President of the Bank should be selected on merit, through a process that is transparent, with nominations open to all Board members. The same should apply for the heads of other Multilateral Development Banks.

26. The reason it is important to get the World Bank's governance right is that the Bank retains a vital role, particularly in supporting the bottom billion through the current crisis. It must be empowered to deploy its resources quickly and flexibly to help protect and stimulate growth, and to protect the poorest from the impacts of the crisis. To do so it must work in partnership with both donor countries and developing countries.

27. Such partnerships will need to be not just between governments, but with the private sector and civil society too. Alongside G8 country commitments, $3.5 billion for tackling malaria came from Bill Gates, Warren Buffet, and the Malaria No More group. These examples are another type of partnership that we will need to advance at a time when it
will be hard for either governments or the private sector on their own to find the sums of money needed to tackle such global problems. We need outreach and engagement.

28. We also need to consider the way our international institutions tackle global security. In the past decade, there has been a decline in the global number of active major armed conflicts, including by almost half in Africa. But there continue to be outbreaks of violence around the globe. There are now 53 peace operations globally including 24 UN missions; 110,000 military, police and civilian UN peacekeepers deployed; and there were 8 new peace operations launched in the last year alone.

29. So here too, we must look for new approaches, focussing not just on conflict management and conflict prevention but also on creating the conditions required for effective state-building and economic development (both of which are essential for sustainable peace) while encouraging others to do the same. Our goal in this area is threefold: better international leadership through common strategies; increasing national and international civilian capabilities; and more rapid, flexible and predictable funding for early recovery and stabilisation efforts. To achieve this we will need UN Security Council reform, both new ways of working and reform of membership.

30. I know Security Council reform is an important issue here in Japan. Security Council reform – involving Permanent Membership for Japan – remains a priority for the UK. We believe that the Japanese case for permanent membership is irresistible. Japan is, and has been for some time, the second largest contributor to the UN regular budget. It has a remarkable record of support for multilateral solutions to global challenges. Japanese permanent membership of the Security Council would act as a multiplier for our own diplomatic efforts. We look forward to the opening of inter-governmental negotiations next month and hope that they will lead to the formulation of a proposal that can be put to the General Assembly before too long. In the meantime, we believe that there may be a need to consider interim solutions which lead to permanent membership and would welcome suggestions along those lines.

31. Finally, in order to maximise the efficacy of the international architecture as a whole, better management across the board is essential. The UN Regular Budget has doubled since 2002-03 and is growing; this rate of increase is unsustainable. That is why the “One UN”/ System-Wide Coherence agenda, and administrative and management reforms are so necessary.
Conclusions

32. I have not covered every issue. For example I have not considered the WTO, whose dispute settlement mechanism represents a groundbreaking approach to international rules enforcement, but whose large membership appears to be making the negotiating of new multilateral trade deals almost impossible. My central point is this. The financial crisis has made even more apparent the need for a global response to global problems. We must seize this opportunity to renew our commitment to multilateralism and move forward, not revert to isolation, protectionism or nationalism.

33. This means collective, coordinated action. And in turn this means we need to reform our international financial architecture both to help us deal with the present crisis and to ensure such a crisis cannot happen again. We need coordinated action by the key countries to stimulate growth, better global cooperation and supervision of financial markets, improved governance of the World Bank and an IMF that acts as an ‘early warning system’, to identify risks and enable governments to respond.

34. And more generally, if our international institutions are to remain credible, we must make them more representative. This means moving forward with UN Security Council reform. It also means G8 reform, although the exact direction of this will need to be considered carefully. It means finding an effective but inclusive process to negotiate a broad international agreement to reduce carbon emissions, as well as promoting a low carbon model for the world economy of the future.

35. We must develop the ability of our international organisations to prevent conflict. To do this we must improve coordination, develop structures to enable quicker stabilisation efforts and increase national and international civilian capabilities.

36. We must think creatively and build new partnerships, bringing in non-state actors from the private sector and civil society. For example - the innovation and drive of the private sector is essential to develop and disseminate the low-carbon technology we need to tackle climate change; as is the commitment of civil society to play its part in changing behaviours and lifestyles.

37. There is much to do. This is not an abstract theoretical preoccupation of diplomats and academics. We have an urgent agenda to find better ways to work together. We are in a time of crisis: crises stimulate innovation and create opportunities. As two of the world’s leading liberal democracies, Japan and Britain are well placed to champion and give leadership to this process of change. The incoming American administration may create new opportunities. We should seize them in 2009.