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Summary record of the 8th meeting

Held at Headquarters, New York, on Monday, 13 October 2008, at 3 p.m.

Chairperson: Mr. Hoppe (Vice-Chairperson) . . . . (Germany)

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08-54639 (E)

In the absence of Ms. Ogwu (Nigeria), Mr. Hoppe (Germany), Vice-Chairperson, took the Chair.

The meeting was called to order at 3.10 p.m.

Agenda item 47: Macroeconomic policy questions (*continued*)

(b) International financial system and development (*continued*) (A/63/96)

(c) External debt and development: towards a durable solution to the debt problems of developing countries (*continued*) (A/63/181)

(d) Commodities (*continued*) (A/63/267)

1. **Mr. Al-Hurabi** (Saudi Arabia) said that, as the world's biggest oil producer, his country's economy was the largest in the Middle East and played a major role in regional development. It was a leader in inter-Arab import and export trade, and ranked highest in the Arab world as regards foreign investment. Its development banks and development funds had done much to spur internal economic development, and it had recently established four new "economic cities" in addition to two industrial zones that had existed for decades, each of which focused on a particular aspect of its diversifying economy.

2. **Mr. Raja** (India) said that the ongoing financial crisis had made the most forceful case possible for multilateral governance of the international financial institutions. The Bretton Woods institutions needed to be reformed under United Nations oversight to give a greater voice to developing countries. The Development Cooperation Forum of the Economic and Social Council needed to address factors that compounded the flow of resources away from developing countries, such as the speculative and temporary nature of many private capital flows and the decline in official development assistance (ODA). It was also clear that debt relief was being improperly counted as part of ODA. The need for assistance should be considered separately from the ability to repay, and a distinction needed to be made between solvency and liquidity problems. Any new mechanisms such as an international debt commission, which he supported, should make provision for adequate participation by developing countries.

3. While the commodities boom had benefited some developing countries, lack of diversification continued to undermine commodity-based development efforts, and commodity prices seemed in any case poised for a decline. He supported the decision taken by the United Nations Conference on Trade and Development (UNCTAD) at its twelfth session, held in Accra, to strengthen its Commodities Branch.

4. **Mr. Hamzah** (Malaysia) observed that recent events had demonstrated the fragilities in even the most sophisticated financial markets, bringing to the forefront issues of financial intermediation, financial innovation and the related regulatory and surveillance systems. Equally importantly, the events had called into question the fundamental assumptions underpinning the global financial system.

5. The underlying causes of the catastrophe had been at least threefold: firstly, the combination of a misaligned incentive system, a favourable economic environment and heightened competition had generated excessive risk-taking by financial institutions; secondly, there had been significant gaps in the extent and manner of disclosures by financial institutions regarding their on- and off-balance sheet risk exposures, and consequently market discipline had not come into play as expected, while regulators, relying on that discipline, had not acted pre-emptively; and, thirdly, developments in the regulatory, accounting and macro-surveillance frameworks had neither anticipated nor provided for the complex interlinkages of the modern financial system.

6. What was to be done? Firstly, it was necessary to jettison the notions that regulations were inherently evil and that, left to themselves, financial markets would be self-correcting. That might ultimately be the case in the very long term, but the societal costs could well be too high and self-correction take too long. It was therefore necessary to find the optimum balance between a level of regulation that would prevent extreme volatility in the financial markets and therefore protect society from its effects, on the one hand, and would continue to promote innovation in the financial markets on the other. Secondly, regulators must be vigilant in enforcing rules and prudential standards. Since the full ramifications of some of the more exotic financial instruments were not yet fully understood, it would be right to err on the side of caution in setting capital adequacy standards. The third need was to get back to basics: the main purpose of financial markets was to allocate capital most efficiently to the most productive investments and

activities, not to enable financial charlatans peddling false alchemy to get rich.

7. Finally, a mechanism must be found that would promote rapid multilateral responses to situations such as the present one. With global financial markets so closely interrelated, no country on its own could effectively stem the contagion. At the same time, recent events had demonstrated that capital too easily fed on its own fears. Both of those factors made for a rapid downward spiral, making quick, effective and coherent responses from governments vital.

8. The dramatic fall in share prices all over the world indicated that exchanges in the developing world had yet to decouple from those of the developed world. Further, it was inevitable that the drop in global consumption would affect exports from the developing world. But the effects of the financial meltdown would go beyond the stock markets and trade. Perhaps most worrying was the potential for a protectionist or isolationist drift, perhaps taking the form of introduction by the developed world of new barriers, such as green tariffs ostensibly to help address the climate change challenge. Alternatively, as sovereign wealth funds played a bigger role in global markets, there could be unfounded but growing fear that their activities would lead to foreign control over strategic assets. Finally, it was very possible that ODA levels would fall.

9. The developed world must recognize and rectify its mistakes and nurse the global economy back to health, including through the measures outlined earlier. It would also be necessary to give the emerging economies their rightful place in the international economic system, recognizing that there had been a fundamental change in the international economic structure. Currently, the governments of Asia and emerging oil exporters controlled $7 trillion of financial assets, which could rise to $15 trillion in 2013, but in the present situation the emerging economies were continuously being pressured to act without being given any inducement to do so. Finally, steps should be taken to ensure that the developing world as a whole, and not just the emerging economies, would be able to act as engines of growth in the event of a future downturn. That meant that ODA and related measures needed to be increased. Through no fault of the developing countries, the turbulence surrounding the international financial system had made it increasingly difficult for them to achieve their development goals. Consequently, the reform of the international economic structure needed to focus on the development aspirations of the world's poor.

10. **Mr. Benfreha** (Algeria) said that the current financial crisis might have multiple effects on markets as a whole and consequently on world growth. The extreme volatility of the financial markets which was the underlying factor in the knock-on crises affecting the markets for food products and energy products was having significant effects on the real economy. A joint effort was required from the entire international community, involving multilateral monitoring of macroeconomic policies in order to remedy global imbalances and to combat the speculative practices which lay behind the present turmoil in the markets. The current trend towards globalized markets did not favour the growth and sustainable development of the developing countries, but paradoxically contributed to the marginalization of a large portion of them by creating structural obstacles and was wiping out progress made towards achieving the internationally agreed development goals, including the Millennium Development Goals.

11. The global partnership for development remained a prerequisite for implementation of the development agenda so as to counter the risks arising from the structure of the international financial system. The system absolutely had to be reformed in order both to correct its structural shortcomings and to make allowance for the ever-growing role of the developing countries in the world economy, by giving them a corresponding share in the decision-making processes. Such a reform needed to create prudential, non-discriminatory and transparent rules for the system, and effective multilateral monitoring in order to shield vulnerable economies from cyclical financial crises.

12. Cooperation between the Bretton Woods institutions and the United Nations should move onto a higher plane in order to allow implementation of the commitments undertaken under the Monterrey Consensus. The Bretton Woods institutions, working in close cooperation with the United Nations, should establish systemic strategies capable of promoting development and protecting vulnerable economies from the impacts of international economic and financial instabilities.

13. The international financial system was the most effective means for promoting development and reducing poverty, through mobilization of the necessary external funding by facilitating international capital flows, consolidating ODA at the target level of 0.7 per cent of gross national income of the developed countries and implementing the external debt relief commitments already undertaken.

14. The increase in net transfers of financial resources from the developing to the developed countries remained a matter for concern. Made necessary by the architecture of the international financial system, those reserves served essentially to provide a cushion against transitory interruptions in the flow of development funding.

15. Despite the reduction in the external indebtedness of some of the developing countries, debt still weighed on the economies of a large number of them. Their heavy burden was due in part to the failure by their development partners to live up to all of the commitments they had previously undertaken.

16. **Mr. Asare** (Ghana) observed that poor countries, already dealing with rising food and fuel prices, were facing a triple hit as the financial troubles continue to spread. For countries like Ghana, the costs of the crisis could be devastating. A fall in exports from advanced economies would trigger a drop in investments, while deteriorating financing conditions, combined with monetary tightening, would trigger business failures and possibly banking emergencies in developing nations. The financial crisis would also take a turn for the worse if countries responded by erecting barriers to trade and turning to protectionism. It was illusory to suggest that African countries would not be hit very hard by the current crisis, because of their limited integration into global financial and capital markets. Any austerity measures taken by donors to cut assistance to poor countries would have a devastating impact on the provision of social services and efforts to eradicate poverty.

17. Africa was richly endowed with natural resources and environmental diversity, which presented a vast potential that could be harnessed for the continent's development. Over the past few years, many African countries had achieved modest but sustained economic growth, demonstrating that with the right combination of sound domestic policies and adequate external support Africa could overcome the scourges of poverty and disease to rival other regions in economic growth and prosperity. The international community had over the years recognized the need to engage African countries in efforts to address the plight of the continent, leading to the adoption of several plans and programmes of action. The continent had also, for good or bad, served as the testing ground for external policy prescriptions, some of which had not been helpful and had even perpetuated the continent's vulnerability to external shocks. Consequently, despite favourable developments such as the recent commodity price boom, prevailing conditions in the international environment continued to impinge on the continent's ability to derive the maximum benefits from exploitation of its natural resources. Indeed, the World Bank had estimated that as much as seven years of progress in achieving the hunger targets under the Millennium Development Goals could be wiped out by high food prices. Given that a large number of African countries depended on exports of primary commodities for a major portion of Government revenues to finance development, all countries had a shared interest in ensuring that commodity markets did not become a source of macroeconomic instability.

18. Thanks to the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, Africa had seen a reduction in the nominal value of its debt stock from $230 billion in 1998 to $194 billion in 2007. Debt relief had helped many of the beneficiary countries to increase their expenditure on social services such as education and health, but it would be wrong to assume that developing countries no longer had debt problems: there were still a number of low-income developing countries that had not yet benefited from any of the debt relief initiatives. The basic principles to be respected included: joint responsibility of creditors and debtors; development needs rather than financial needs as the main foundation for debt reduction and cancellation; responsible lending practices in extending new loans to countries emerging from debt crisis; transparency in national and international financial institutions; additionality of debt relief to ODA.

19. Since trade could generate gains surpassing any form of international economic cooperation, all countries, in particular the developed countries, must demonstrate the political will and flexibility for a successful Doha Round. Ghana joined others in stressing the need to ensure that the global trading

system would remain open to support the development efforts of all countries, particularly the developing countries. If trade talks continued to stagnate, causing countries to lose confidence in multilateral negotiations as a means to achieve a more equitable global trading system, negotiating momentum would shift to regional and bilateral trade deals, some of which would not be in the best interests of developing countries.

20. **Mr. Khan** (Pakistan) said that the Committee's deliberations assumed a special significance as the world faced a development emergency triggered by an unprecedented confluence of multiple crises of finance, food and fuel. Faced with those daunting challenges, the world economy was teetering on the brink of a severe global downturn, possibly a global recession. There was a global consensus that the situation demanded immediate and collective action in the form of a comprehensive strategy seeking to: stop the free fall of the financial markets; contain the contagion by helping to avoid potentially damaging effects on other countries, particularly the developing countries; overcome uncertainty and restore investor confidence; protect the growth and development achieved so far in the developing countries; and address the factors at the root of the current crisis.

21. There were several lessons that could be drawn from the unfolding crisis. Firstly, if political will and commitment were present, huge financial resources could be generated at very short notice to help those who needed them the most. Secondly, capital flows could not be left exclusively to market forces. Thirdly, there was a lack of transparency and a serious regulatory deficit in global financial markets. Fourthly, it was important to bring greater transparency to the work of the credit rating agencies. Fifthly, increased use of newly invented risk transfer instruments in globalized markets entailed serious shortcomings. Finally, investments from the developing world appeared to have played an important stabilizing role.

22. For most developing countries, any further deepening of the financial crisis might undo years of hard work and economic gains. Net food- and fuel-importing countries like Pakistan were still reeling from a growing trade deficit caused by high food and fuel prices and rising inflation. Pakistan therefore fully agreed with the recommendation in the Secretary-General's report that the international community should expand and strengthen instruments to support low-income countries facing sharp rises in food and energy prices. It was important that such stepped-up assistance should be additional to ODA.

23. A more inclusive, broad-based and strategic discussion was needed to develop a holistic and integrated approach to the current range of crises. Rather than relying on exclusive forums of the select few, it was time for the United Nations to take the lead in promoting a truly global and inclusive dialogue to find durable and development-friendly solutions to today's challenges. The Secretary-General and the President of the General Assembly might wish to consider launching a special initiative to that effect.

24. The welcome debt relief under the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative might have released resources for development-related expenditure in the developing countries, but such resources were completely inadequate in terms of helping them to achieve the internationally agreed development goals, including the Millennium Development Goals. Debt relief had been too slow and had not been additional as planned, and should be expanded to cover those countries that needed it and were not covered by either of the Initiatives. Debt sustainability must be linked to a country's capacity to achieve its national development goals.

25. Commodities were important for the development process of developing countries, in particular the most vulnerable among them, and must therefore top the international community's agenda. The recent turmoil in commodity markets had underlined the shared interest of all countries in ensuring that commodity markets did not become a source of global macroeconomic instability and social and political upheaval. It was also important to identify and agree on the best ways to strengthen the nexus of trade, food and energy security and industrialization, based on the lessons from experiences of countries that had succeeded in achieving growth from a commodity base. A related issue was the unfair nature of global agricultural trade, resulting from the North's continued high protection through subsidies and tariffs. The two issues would have to be addressed if countries were ever to achieve the internationally agreed development goals.

26. **Ms. Zemene** (Ethiopia) said that increased trade, financial flows, technology transfer and information exchange had created a more conducive environment

for the expansion of the world economy. However, substantial net transfers of financial resources from developing to developed countries, soaring food and fuel prices and the instability of the international financial system had now become issues of serious concern. Thus, despite the welcome efforts under way to improve the governance structure of international financial institutions, further urgent measures would be needed to help low-income countries cope with the impact of the deepening economic crisis. In that respect, it was particularly important to increase the involvement of major development partners, especially international financial institutions, and to ensure their support for the multilateral financial measures designed to address the unfolding crisis in low-income countries, such as the Rapid Access Line of the International Monetary Fund (IMF).

27. International trade with and foreign direct investment in least developed countries such as Ethiopia would undoubtedly be seriously affected by the global financial crisis. The depreciation in the value of the United States dollar was also expected to discourage exports, which were an important source of foreign currency earnings for developing and least developed countries. If allowed to continue, the current crisis would ultimately erode the confidence of investors to engage in the economies of those countries and much of the progress already made would be lost. Her delegation therefore attached considerable importance to the establishment by the multilateral financial institutions of a mechanism that could help developing countries to cope with the current international financial situation. The crisis had also made it increasingly important to put in place mechanisms to ensure that development partners fulfilled their solemn development commitments.

28. Ethiopia had clearly stated in its five-year development plan that external financing had an important role to play in filling the gaps that could not be covered by its own domestic resources. The alignment and predictability of ODA would therefore be critical and the recent decline in ODA was a cause for concern. Nevertheless, her delegation had high expectations that the outcome of the forthcoming Follow-up International Conference on Financing for Development would provide a solution to such problems.

29. Ethiopia had benefited from the debt relief provisions under the Heavily Indebted Poor Countries (HIPC) Initiative and was already eligible for debt relief under the Multilateral Debt Relief Initiative. While both initiatives had made it possible for the Government of Ethiopia to finance priority social and economic sectors, more resources should be made available so that it could carry out its national poverty alleviation programmes, particularly with a view to achieving the Millennium Development Goals.

30. The continuing surge in food and energy prices posed a significant threat to economic growth, employment, good governance and even peace and security. Her Government had therefore taken a number of measures to lessen the impact of the price surge on national household income, including subsidized local distribution of basic staple foods, removal of taxes on imported food and continuation of fuel subsidies.

31. **Mr. Al-Allaf** (Jordan) said that external debt, combined with rising food and energy prices, was becoming an unbearable burden for developing countries. It increased inflation and decreased competitiveness, while debt servicing was diverting funds from development projects. After the economic crisis of 1989, his country had embarked on a reform programme in cooperation with the international financial institutions that by 2004 had restored competitiveness and improved the investment climate. Its 2007 buyback agreement with the Paris Club had reduced its external indebtedness substantially. Nevertheless, as in all developing countries, the debt burden continued to consume resources that could otherwise be invested in reducing poverty and unemployment and achieving the Millennium Development Goals. Additional innovative sources of funding were needed to alleviate the negative impact of indebtedness on the societies, economic systems and security of developing countries.

32. **Mr. Sergeyev** (Ukraine) said that his delegation welcomed the steps taken by international financial institutions to address the new global challenges, including the financial crisis, and supported the UNCTAD policy aimed at strengthening regulation and increasing the transparency of financial instruments and institutions. Urgent measures should be taken to strengthen macroeconomic policy in order to prevent a global recession.

33. New initiatives were needed to mobilize more predictable and stable sources of financing. However,

it was also important to raise new issues relevant to financing for development both before and during the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus.

34. External debt was one of the main obstacles to sustainable development. Debt relief and debt cancellation helped to release resources that could then be directed towards attaining sustainable growth and development in priority areas. While his delegation welcomed the fact that developing countries and countries with economies in transition had made progress inasmuch as they held net debt assets of about $350 billion, lending rates remained too high in most such economies. The importance of avoiding the accumulation of new unsustainable debts should therefore also be recognized.

35. His delegation welcomed the governance reform at the Bretton Woods institutions, including efforts to give developing countries a stronger voice to ensure their effective participation in decision-making within the World Bank and IMF. Such reforms were essential to the continued effectiveness and credibility of those institutions.

36. The Government of Ukraine was taking all necessary measures to minimize the impact of the global financial crisis on its national economy and encouraged intensive cooperation within the United Nations on macroeconomic policy issues.

37. **Mr. Prasittirat** (Thailand) said that, in a globalized world, national efforts to tackle the food, fuel and financial crises would not succeed unless they were supported by a sound international economic environment. Ideally, international organizations would foster such an environment. However, the guidance provided by international institutions, particularly in the financial sector, had thus far proven to be inadequate. The international financial system clearly needed proper regulation to restrict the capital flows that destabilized financial markets and the Bretton Woods institutions should actively monitor financial irregularities and issue early warnings where necessary. However, the greatest challenge for each country was still how to maintain investor-friendly market conditions while minimizing exposure to short-term capital flight.

38. In the context of the global food crisis in the short term, his country would not impose restrictions on its food exports in the hope that such action would help to calm the fears that had led to soaring food prices. With regard to global food security in the long term, his delegation welcomed the establishment of the High-level Task Force on the Global Food Security Crisis and its comprehensive framework for action. Cooperation between the United Nations agencies and other relevant international organizations for the promotion of a “green revolution” could also make a significant contribution towards food security by increasing agricultural productivity.

39. His country was committed to improving energy security through the efficient development of alternative and renewable energy sources that did not affect agricultural output. For example, biofuels had been successfully produced in Thailand from crops that were surplus to domestic food consumption.

40. Speculation in commodity markets and market distortions in international trade had exacerbated the food crisis. A successful conclusion to the Doha Round would significantly reduce such distortions and allow developing countries to trade themselves out of poverty through better market access. His delegation therefore called on the members of the World Trade Organization (WTO) to show the necessary political will, flexibility and ambition in order to conclude the negotiations in a timely manner.

41. **Mr. Patriota** (Brazil) said that the international community must work together to avoid any further deterioration in the world economic outlook. The present crisis should be seen not only as a consequence of lax monetary policy, insufficient regulation and irresponsible finance, but also as an opportunity to carry out the deep changes required in the regulatory framework. It was imperative to put an end to the policies of unfettered deregulation.

42. The present crisis underscored the need for a durable and comprehensive solution to the persistent problem of external debt. While international initiatives, such as the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative, had helped to reduce the debt burden of a number of developing countries, many such countries had not been able to sustain low levels of indebtedness. Brazil recognized the merit of the debt sustainability framework. However, that World Bank and IMF model should not be used to create undue difficulties for new entrants to the international credit

markets and the position of traditional lenders should not impede the provision of funds by new participants under balanced and equitable conditions. As international liquidity was constrained, there was a clear risk that developing countries might face difficulties in rescheduling their debt commitments. The international community must therefore be particularly sensitive to the needs of developing countries, including middle-income countries. Every effort must be made to maintain the position of developing countries in the credit markets, otherwise the effects of the financial crisis also threatened to envelop them.

43. His delegation shared the concern that the recent increases in international commodity prices would lead to higher inflation and balance of payments imbalances, particularly in developing countries. Given the extent of the economic slowdown, it was also important to bear in mind the potential consequences for the export earnings of developing countries. In the light of such multiple challenges, the international community must guarantee its commitments to financing for development. The Follow-up International Conference on Financing for Development provided an important occasion not only to reaffirm the Monterrey Consensus, but also to adopt an enhanced mechanism to follow up on the implementation of the agreed commitments.

44. **Mr. Meñez** (Philippines) recalled that the current financial crisis had been predicted by Professor Nouriel Roubini, who had spoken before the Committee the previous year and whose prescriptions to avert a global economic depression had included more extensive guarantees of bank deposits and larger interest rate cuts. Given that some Governments were seriously considering adopting such practices, it might be useful to invite him to speak before the Committee again.

45. The recent panel discussion on “Challenges and emerging issues in external debt restructuring in the context of the current financial crisis” had provided the Committee with a glimpse of what it could expect from future negotiations on debt restructuring. All four speakers on the panel had noted that the current debt sustainability framework was not alleviating the overall debt burden of many developing countries or adequately addressing their future debt sustainability needs. There had also been a common call for the Follow-up International Conference on Financing for Development to consider the new reality brought about by the financial crisis and to gather political support for a more comprehensive approach both to debt issues and to the necessary adjustments to the entire international financial architecture.

46. The ongoing discussion of the draft outcome document on reviewing the implementation of the Monterrey Consensus urgently needed to address the impact that the financial crisis would have on the Monterrey Consensus. Indeed, the gravity of the situation should compel all Governments to seek immediate and long-term solutions at all possible levels.

47. In a globalized world, there was no way to escape the economic effects of a slowdown in the world economy, especially on trade. For that reason, regional forums such as the Association of Southeast Asian Nations (ASEAN) would need to consider coordinated responses as part of a wider approach.

48. **Mr. Lolo** (Nigeria) said that working class and poor people in developed and developing countries alike were suffering helplessly as a result of the current financial crisis, characterized by imbalances, double standards and lack of transparency in the management of the international finance system. Unfortunately the international community had still not grasped that message or done anything to change the situation.

49. There was therefore a need for sober reflection not only on governance, but also on the basic assumptions and attitudes to development issues. Developing countries were watching with keen interest to see how the Group of Seven (G-7) would respond to the financial crisis. With the necessary commitment and political will, resources could be mobilized in time to offset the worst effects of the crisis in the short term and effective regulatory measures could also be put in place with a view to providing long-term solutions.

50. Against that background, the continued trend of net outward transfers of financial resources from developing to developed countries should be reversed; the G-7 could and should do more to fulfil its ODA and other commitments; donors should take the opportunity to get back on track to meet their commitments to Africa, which in the long run could be the continent worst affected by the current financial crisis; and urgent measures should be taken to reform the current international financial system. In that connection, Nigeria supported all the conclusions in paragraphs 75 to 80 of the Secretary-General report on the

international financial system and development (A/63/96).

51. There was a strong case to be made for a rule-based, impartial, comprehensive and transparent debt restructuring mechanism. The current system, which was heavily biased in favour of creditor countries, needed to be fixed. It was also important to question some of the fundamental assumptions about debt sustainability and to respond appropriately.

52. Developing countries such as Nigeria needed to be able to scale-up their expenditures in critical development areas in pursuit of their development objectives. The General Assembly should therefore send a clear signal that some of the budget ceilings imposed by IMF seriously impeded development efforts in developing countries.

53. Risk sharing should underpin lending policies to protect borrowers from predator lenders and rating agencies should be held accountable for their ratings. In that context, Nigeria would welcome efforts to devise an equitable, transparent, predictable and flexible mechanism that could guarantee a speedy resolution to debt crises and also ensure fair burden-sharing between creditors, debtors and rating agencies. More should also be done to address the uncertainty, speculation and depreciation associated with commodities.

54. Finally, in order to meet the development challenges ahead, the international community must show understanding and flexibility in its discussion of the outcome document on reviewing the implementation of the Monterrey Consensus and, above all, make every effort to ensure the resumption of the Doha Round.

55. **Mr. Murakami** (Japan) said that his country's Government had taken a number of measures to counter the likely slowdown in the world economy, including coordinating actions with other central banks to provide dollar liquidity and supporting interest rate cuts taken by other major central banks. With a view to minimizing chain reactions in the global financial crisis, the Government of Japan had also recently proposed creating a scheme under IMF to offer emergency loans to countries experiencing extreme difficulty in dealing with the financial crisis. Under the scheme, foreign reserves would be utilized as necessary. Japan called on other countries to participate in the scheme.

56. **Mr. Briz Gutiérrez** (Guatemala) said that no country was immune to the financial crisis, the velocity and intensity of which confirmed the interdependency of a globalized economy and the need for a multilateral response.

57. The likely global recession, compounded by scarcity of capital, would make it more difficult than ever to achieve the Millennium Development Goals, particularly for the least developed countries. At the same time, the current crisis would necessarily lead to a review of the conceptual framework that had inspired some of the major developed economies, allowing them to operate obstacle-free. The Committee's discussions should focus on a more pragmatic approach — that of a market regulated in the interests of stability and more inclusive growth.

58. He hoped that the Committee's work would contribute to the successful conclusion of the Doha Development Round and, ultimately, to a more equitable, balanced, stable and development-oriented financial system. In that sense, the biennial topic of commodities could not be more relevant. The food and energy crises, the causes of which were complex and interconnected, had significantly impacted Guatemala's development and future prospects. The international community must come together in order to find an effective solution.

59. Failing to give priority to agricultural and rural development in the international development agenda had proved a mistake, in light of the current food crisis. In addition, subsidies continued to distort international markets. The international community must examine production sustainability criteria in terms of food and the environment, rather than just production incentives. He hoped that, in dealing with the financial crisis and its consequences, the developed countries would take fully into account its impact on the poorest countries and that a global response would incorporate development and poverty eradication.

60. **Mr. Alahraf** (Libyan Arab Jamahiriya) said that the global ramifications of the current financial crisis had demonstrated the need for greater participation by developing countries in the international financial institutions. Although commodities, especially given recent high prices, were a major source of funding for development, countries that were dependant on the export of a single commodity were uniquely vulnerable to trade shocks and financial crises. Such countries

were in particular need of assistance with diversification and access to markets, and he stressed the role of UNCTAD in that regard. He renewed his call to the developed countries to exhibit flexibility in the ongoing Doha Round and not to retreat into protectionism and bilateral initiatives designed to weaken the negotiating power of the developing countries. Africa's recent progress in building up its democratic institutions and economic framework, guided by the shared vision of the African Union and supported by the New Partnership for Africa's Development (NEPAD), was being jeopardized by the decline in ODA and he stressed the importance of implementing the call for increased assistance contained in the political declaration adopted on the occasion of the recent High-level Meeting on Africa's Development Needs.

61. **Mr. Mero** (United Republic of Tanzania) said that the current global crises affected all countries, with especially severe consequences for low-income countries like his own. Multilateral action was needed to deal with such challenges, lest the policy gains made over the past decade be undermined. The launch of the United Nations Second Decade for the Eradication of Poverty was timely in that regard and should focus on full employment.

62. Over the past few years, the United Republic of Tanzania had enjoyed strong economic growth while maintaining a cautious fiscal policy. As a result of global economic instability, however, inflation had risen sharply over the past nine months. To respond to that and other challenges, the Government intended to adopt a judicious economic policy mix and a supportive fiscal policy in the short term, by pursuing active monetary and fiscal policy aimed at combating inflation. With such policies in place, the outlook for 2008 to 2009 was uninterrupted economic growth drawing on robust export performance and continued dynamism in the construction industry.

63. His country continued to address the challenge of debt by meeting debt sustainability benchmarks, including debt repayment and adoption of effective borrowing policies. Prudent measures were being taken to reduce the country's budget dependence on external resources, including by financing the recurrent budget with domestic revenue.

64. Multilateralism was critical to achieving a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that contributed to growth, sustainable development and generation of employment. The failure of the Doha Round was a great disappointment to least developed countries, which relied heavily on agriculture. He was deeply concerned by the lack of consensus and called for the parties in the Doha Round to act in a spirit of give-and-take and to refrain from protectionist measures.

65. The rising prices of commodities, especially food and agricultural products, as well as the lack of an inclusive, rules-based and fair mechanism to facilitate trade in agriculture, conflicting policy advice regarding agricultural sector reform, supply side constraints, and costly inputs, presented major challenges. He called on partners to address the root cause of the crises by committing to the Aid for Trade Initiative and to reconsider the terms of trade at the next round of WTO negotiations.

66. To facilitate the participation of the least developed countries in the global market, the pillars of international trade and development, international finance and debt and commodities must be reinforced simultaneously. In that connection, he looked forward to a successful outcome of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus.

67. **Ms. Safaa Ahmed** (Iraq) said that her country had made great progress in addressing its indebtedness, inherited from the previous regime, through bilateral agreements with all the Paris Club members and numerous other countries, as well as, most recently, its February 2008 Stand-by Arrangement with IMF. However, Iraq was still in need of debt relief so that it could continue to devote resources to reducing inflation and unemployment, restoring basic services to both urban and rural areas, and investing in the agricultural sector. She expressed gratitude to the United Arab Emirates for cancelling the Iraqi debt it had held, and urged other countries to do the same.

68. **Mr. Mchumo** (Common Fund for Commodities) said that it was clearly impossible to address the major development challenges without taking into account the commodity sector. Commodities were vital for ensuring global food security and were also the economic mainstay of the vast majority of developing countries, especially least developed countries.

69. The current food crisis was merely a symptom of broader, more complex issues related to the commodity

sector. It was important to address the long-term underlying and structural conditions of the commodity sector in order to reach an effective solution to the crisis. The world was again entering a phase of decreasing commodity prices, which would have a serious impact on the economies of commodity-dependent developing countries.

70. Taking temporary mitigating measures designed to ease emerging pressures was not a lasting solution; in fact, such measures only exacerbated the long-term trend as the effects of structural factors re-emerged with even harsher consequences. It was necessary to agree on a global framework to address the commodity problem in a comprehensive, holistic manner and thus reach a sustainable solution. The Common Fund for Commodities, together with UNCTAD, the United Nations Development Programme, and the African, Caribbean and Pacific States, had jointly established the Global Initiative on Commodities to underline the importance of commodities in the development process.

71. The Global Initiative had identified four systemic issues that had a direct bearing on commodity producers' income and well-being, as well as on opportunities for economic growth and sustainable development of vulnerable economies: the supply capacity limitations under which commodity producers operated; lack of diversification of commodity producers' production and export base; effective participation in the value chain; and the need for an international enabling environment, including an equitable, predictable and rules-based international trade system.

72. The Global Initiative on Commodities could act as the mechanism to mobilize widespread support for a global commodity agenda for development, and ultimately to address the systemic issues of the commodity sector. More resources were also necessary; in that connection, he called on the international community to implement past General Assembly resolutions on strengthening the resource base of the Second Account to allow the Common Fund to finance more projects and to provide adequate assistance to commodity producers in poor countries, with a view to enhancing their participation in the international market.

The meeting rose at 5.40 p.m.