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Summary record of the 8th meeting

Held at Headquarters, New York, on Monday, 10 October 2011, at 3 p.m.

Chair: Mr. Zdorov (Vice-Chair) . . . . (Belarus)

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In the absence of Mr. Momen (Bangladesh), Mr. Zdorov (Belarus), Vice-Chair, took the Chair.

The meeting was called to order at 3.05 p.m.

Agenda item 17: Macroeconomic policy questions (*continued*)

(b) International financial system and development (*continued*) (A/66/167 and A/C.2/66/3)

(c) External debt sustainability and development (*continued*) (A/66/164)

1. **Mr. Sammis** (United States of America) said that Member States must redouble their efforts to strengthen economic recovery. Economic growth and poverty alleviation required financial resources; improved governance; an enabling environment for business, investment and entrepreneurship; and an open and transparent decision-making process involving all stakeholders. A broadened donor base was needed in which emerging economies, foundations, non-governmental organizations, private businesses and entrepreneurs played an increasingly important role.

2. United Nations bodies concerned with development should support the global economic recovery and reforms and recognize the comparative advantages of other organizations contributing thereto.

3. Trade should be expanded in order to stimulate market-led economic growth and development. An ambitious and balanced result in the Doha Round negotiations was the key to generating new trade flows and meaningful market opening.

4. The United States was continuing to provide technical assistance to help countries realize the benefits of pro-market domestic reforms and encouraged them to undertake critical reforms and investments needed to diversify exports and improve their competitiveness in the global economy. Emerging economies had gained a greater voice at international financial institutions and must open their markets to trade and investment that created jobs in all countries.

5. His delegation appreciated the work being done by the International Monetary Fund (IMF) and the World Bank, inter alia, to enhance the voice of developing countries, and provide additional resources for low-income countries and welcomed the G-20's work to promote balanced and sustainable growth; it supported cooperation between the G-20 and relevant United Nations bodies.

6. The United States had done much to help countries overcome debt problems, most notably through the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI) and the establishment of the World Bank-IMF Debt Sustainability Framework. The Paris Club should continue to seek solutions to the payment difficulties of its debtor countries on a case-by-case basis. Governments, for their part, should carefully review debt financing arrangements and ensure that transactions were grounded in sound macroeconomic policies and the principles of maximum transparency and accountability to their citizens.

7. His delegation was looking forward to the upcoming High-level Dialogue on Financing for Development. With regard to "innovative finance", it supported exploring new ideas to bolster development and accelerate achievement of the Millennium Development Goals. Those approaches should be voluntary and should be evaluated on a case-by-case basis.

8. Finally, he said that the United States remained a strong supporter of the aid effectiveness agenda and core principles outlined in the Paris Declaration on Aid Effectiveness and was looking forward to the high-level forum on the subject to be held shortly in Busan. Development should be measured not by inputs, but by outcomes showing the movement of people from poverty to prosperity.

9. **Ms. Espósito Guevara** (Plurinational State of Bolivia), noting that the world appeared to be on the verge of the worst economic crisis in history, said that the current tendency to shift losses from the private sector to the public sector must be halted. Developing countries were particularly vulnerable; any crisis-driven slowdown in the developed economies could have severe impacts on the developing countries, which were dependent on their raw materials exports.

10. The United Nations must press for the establishment of a more equitable international economic order focusing on the needs of the poorest members of society and on ensuring that the gifts of nature were used to meet basic requirements rather than for private gain.

11. The Bretton Woods institutions were no longer meeting the needs of the developing countries and should be replaced by new, more democratic and representative financial institutions that supported new development paradigms and guaranteed developing countries their own voice. The crisis should not serve as an excuse to reduce official development assistance (ODA), nor should new conditionalities be imposed; moreover, countries should be allowed the requisite policy space to design their own strategies to address the crisis.

12. Despite existing debt relief initiatives, many developing countries continued to spend significant resources on debt servicing. Developed countries should cancel developing country debt in order to alleviate the impact of the crisis. The ad hoc open-ended working group to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development should continue to meet.

13. **Mr. Hagege** (Ethiopia) said that although his Government continued to meet its international obligations, especially to its creditors, its external debt remained high; Ethiopia urgently required external assistance. Considering that, in 2010, over 65 per cent of his country's capital expenditure had been used to finance pro-poor policies and programmes, the fact that most donor countries had yet to fulfil their commitments regarding ODA was disappointing.

14. A collective response to the global financial and economic crisis was essential; however, a "one-size-fits-all" approach was unacceptable. Developing countries should be given more policy space. Some countries — such as his own — were being punished for pursuing home-grown macroeconomic policies. Ethiopia received half the financial support it deserved, merely because it was pursuing "unorthodox" economic policies. Yet those policies had enabled it to register robust growth from 2004 to 2010.

15. Recently, the Government had launched a five-year growth and development plan focusing on massive investment in infrastructure, education, health services and job creation, the ultimate aim being to reduce poverty from 29 per cent in 2010 to 22 per cent in 2015. While recognizing that the Government and people of Ethiopia bore the primary responsibility for lifting the country from poverty and underdevelopment, international support also played a significant role. His delegation was therefore hoping for a prompt global economic recovery.

16. **Mr. Khan** (India) said that much more was required to ensure inclusive and sustainable development. Unregulated capital flows were highly destabilizing. Many developing countries were more unstable than they had been before the crisis and were unable to implement countercyclical measures. Assistance of some kind was urgently needed. The Financial Stability Board, IMF and the Bank for International Settlements should do further work on effective tools to mitigate the impact of excessive capital flows.

17. The global economic slowdown must not lead to protectionism or the establishment of barriers to the movement of people, services and capital. Macroeconomic policy coordination of the major economies must be pursued and regulatory, surveillance and monitoring frameworks must be tailored to meet the highest standards of accountability. India called for the early implementation of the Basel III framework for bank capital and liquidity regulation and agreed that systemically important financial institutions should have loss-absorbing capacity beyond the general standards set by the Basel III rules.

18. The global economic and financial architecture required urgent reform in order to make it more democratic and transparent. His delegation called for the early implementation of the two-phase package of reforms of the World Bank to enhance the voice and participation of developing countries and of the decision to shift 6 per cent of quota shares in the IMF to developing countries.

19. Given that, the total external debt and debt-servicing burden of the developing world had risen substantially and that a country's debt structure should be linked to its ability to pay, the international community should work towards policies that promoted safe debt instruments and responsible borrowing and that reduced destabilizing capital flows.

20. **Mr. Mohsin** (Malaysia) concurred with the findings in the report of the Secretary-General (A/66/167) and hoped that steps would be taken to strengthen the international financial system, with a focus on addressing the needs of the developing world, particularly the least developed countries. Reforms of the Bretton Woods institutions must ensure that the developing countries were properly represented in

decision-making processes. In addition, more effective early warning systems should be put in place.

21. His delegation reiterated its belief that elements of the Islamic financial system should be considered in the context of the reform of the international financial system. He informed the Committee that the International Islamic Liquidity Management Corporation, a collaboration between 12 central banks and two multilateral development institutions, had been established in October 2010.

22. **Mr. Warraich** (Pakistan) said that, given that the political will to reform the international financial system was lacking, in order to make the system more effective, it was necessary to focus on five aspects. First, the fundamental driver of the international financial system must be efficient mobilization and allocation of resources for sustained economic growth and sustainable development. Second, markets, Governments and civil society must cooperate to guide the workings of the system. Third, timely implementation of the reforms of the Bretton Woods institutions agreed in 2010 was essential and must be accompanied by comprehensive reforms of all their governance structures in order to increase the voice and representation of developing countries and ensure greater transparency. Fourth, regulations governing banks and non-bank entities must be strengthened. Fifth, the United Nations must assume a central role in international economic governance.

23. His delegation agreed that a better understanding was needed of why the HIPC and MDRI initiatives had not succeeded in maintaining debt sustainability in many countries, and that consideration could be given to extending debt relief to other countries. Measures to enhance debt sustainability should include increased grants, concessional loans, debt restructuring and debt-for-development swaps.

24. **Mr. Talbot** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), said that the efforts of CARICOM member States to foster sustainable development had been severely tested by the impact of the global financial and economic crisis and by challenges related to food security and climate change, and volatile energy prices. Due, in part, to their high levels of indebtedness, CARICOM member States had almost no capacity to respond to the crisis with countercyclical measures. An enhanced and predictable flow of ODA was therefore essential. They therefore urged their development partners to honour their commitments to provide sustainable development financing. They also called for robust policy measures to facilitate foreign direct investment suited to their particular needs and for approaches specifically tailored to the conditions of small developing States.

25. CARICOM had taken note of the recent developments in the Bretton Woods institutions and urged the prompt completion of a much more ambitious process of reform of the governance structure of those institutions and of an accelerated road map for further reforms on the voice, participation and enhanced voting power of developing countries. There was also a need for more even-handed surveillance of all major financial centres as well as for incentives to encourage countries of systemic importance to be responsive to policy advice.

26. Given that many heavily indebted CARICOM member States had been compelled to resort to commercial loans, the United Nations and other appropriate forums should accord greater attention to the need for and feasibility of new sovereign debt restructuring and debt resolution mechanisms that took into account the multiple dimensions of debt sustainability.

27. Macroeconomic policy decisions should be closely coordinated with other areas of global governance. Moreover, financing for development follow-up and implementation mechanisms should be enhanced in the interest of a more coherent approach to development issues and greater transparency and inclusiveness in economic decision-making. In that connection, CARICOM had been particularly active with respect to international cooperation in tax matters. During the 2011 substantive session of the Economic and Social Council, it had submitted, together with the Group of 77 and China, a resolution calling for the Committee of Experts on International Cooperation in Tax Matters to be upgraded to an intergovernmental subsidiary body of the Council. It urged Member States to give further consideration to the proposal.

28. **Mr. Fouda Ndi** (Cameroon) said that although ODA certainly was appreciated, enhanced solidarity was essential if the developing world was to recover from the deepening economic and financial crisis. Measures should be taken to promote the flow of private capital to Africa by establishing economic,

legal and institutional frameworks tailored to each country's needs.

29. Given the expanding concept of global public goods, the United Nations should strengthen its role in global economic governance. As a matter of both legitimacy and ethics, it should be involved in formulating norms and mechanisms for ensuring collective economic stability, just as it did with respect to collective security.

30. In keeping with its recognition that every country bore the primary responsibility for the well-being of its people, Cameroon was implementing a 10-year growth and development strategy focusing on its productive, construction and growth-stimulating sectors and targeting job creation. His country offered excellent investment opportunities that would benefit Cameroon and the subregion alike.

31. **Mr. Mero** (United Republic of Tanzania) said that while the global economic and financial crisis had reduced its prospects for economic growth, his country was determined to ensure that major programmes for social and economic services and the productive sector were affected as little as possible. Tanzania highly appreciated the assistance it had received from its bilateral and multilateral partners and appealed for continued support.

32. Given the need for an equitable multilateral trading system that contributed to growth, sustainable development and employment generation in all countries, his delegation was deeply concerned at the lack of consensus in the Doha Round and it called on the parties to the negotiations to show restraint and flexibility so that the world did not resort to protectionist measures.

33. Turning to the issue of commodities, he said that excessive price volatility was a particular concern to developing countries and he called on the international community to institute a regulatory regime to manage speculation and futures trading practices in the commodity and stock markets in order to protect the interests of poor countries.

34. Regarding the issue of debt, he said that, with the deterioration of the global economy, it was now clear that the debt overhang of many countries was worse than it had been five years earlier and he called for the prompt adoption of new initiatives that addressed the issue of debt and development.

35. **Mr. Samaki** (Nigeria) said that widening global economic imbalances and increasing fiscal deficits in most developed countries posed serious dangers to global economic recovery in order to build a global financial system that would restore investor confidence, provision must be made for strong oversight. That would require the adoption of a risk-focused and rule-based international regulatory framework and strong support for policies to limit the volatility of short-term capital flows and encourage long-term investments. The comprehensive new rules in the Basel III framework for bank capital and liquidity regulation should be supplemented by additional measures to reduce the likelihood and the severity of problems emerging at systemically important financial institutions.

36. Regarding debt sustainability, he said that national efforts to achieve development goals must be complemented by supportive global programmes and policies aimed at expanding the development opportunities of developing countries, while ensuring respect for national ownership of strategies and sovereignty. Efforts to ease the debt burden faced by developing nations continued to be plagued by external factors such as adverse exchange rate movements and the unpredictability of official development assistance. He outlined the steps his Government had taken to map out strategies for borrowing and reiterated the call for more debt relief, including outright debt cancellations for poorer nations, and for exploration of more options to restore steady and income-generating development assistance.

37. Financial inclusion had become an objective of many central banks to enable large segments of their populations who previously not had access to formal financial services to utilize such services. Improving access to finance played a crucial role in promoting economic growth and reducing poverty.

38. Developed countries must redouble their efforts to honour their ODA commitments in order to maintain the progress developing countries had made. Debt crises were particularly costly to the poor; accordingly development of mechanisms to prevent crises must remain a top priority on the international agenda.

39. Working within a comprehensive debt management framework, Nigeria was seeking concessionary credit to expand its economic activities, particularly for infrastructure projects. It was also

improving non-oil revenue generation to lessen the risk of a monolithic economy.

40. In conclusion, he reiterated the need for greater cooperation among African banks to develop strategies to enhance their regulatory functions and address financial and economic crises on the continent.

41. **Mr. Lakhal** (Tunisia) said that, notwithstanding the unique economic challenges it faced, Tunisia would continue to honour its commitments to its international donors and he called on the latter to honour theirs, including those made within the framework of the Deauville Partnership. Tunisia also urged its international partners to help it repatriate the assets which the ousted President and his family had stolen; it was grateful to all who had expressed solidarity with Tunisia and their readiness to support its transition to democracy. In that connection, his country would welcome agreements with its partners to convert its debt-servicing obligations into resources.

42. Given that the global financial crisis had triggered deep reductions in the income developing countries received and that, in many cases, their fiscal space had shrunk significantly, greater coordination was needed between the G-20, international economic institutions and the United Nations as well as reforms of the Bretton Woods institutions. IMF should step up its surveillance and pay more attention to the global impact of the economic policies of major countries; monitor markets and cross-border capital flows; and promote national economic policy coordination in order to enhance financial stability. In addition, IMF and the World Bank should redress imbalances that deprived developing countries of their proper voice and representation in its Executive Board.

43. The World Bank should, as a matter of priority, provide the developing countries with short-term liquidity, long-term finance and grants to help address the financing gap that they faced as a result of declining foreign direct investment, trade flows and remittances. In addition, financial institutions should increase technical assistance to developing countries in order to enhance their ability to manage their debts.

44. **Mr. Lukwia** (Uganda) welcomed the report of the Secretary-General (A/66/167) and the recent governance reforms undertaken by the Bretton Woods institutions, which were a step in the right direction. Work on regulatory reform and supervision of the global financial system should, however, continue. Timely and thorough implementation of the agreed reforms was essential.

45. External debt remained a major problem in many developing countries because debt-servicing diverted essential resources from efforts to eradicate poverty. That was true even in Uganda. His delegation therefore welcomed the recommendation (A/66/164, para. 46) regarding the need to find ways of addressing persisting debt problems of developing countries. The new solutions should help all countries, regardless of whether or not they had benefited from the HIPC Initiative.

46. As agreed in the Doha Declaration on Financing for Development, international financial mechanisms for crisis prevention and resolution should be enhanced. Debt resolution was a joint responsibility of all debtors and creditors, both State and commercial. Achievement of the Millennium Development Goals hinged on the provision of adequate and predictable financing, including debt relief and ODA, thus donors should honour their existing ODA commitments.

47. Finally he said that modalities for integrating developing countries into the world economy must be improved by strengthening global economic governance. That would entail addressing financial regulation, the exchange rate system, global economic and financial imbalances, macroeconomic policy coordination and surveillance.

48. **Mr. Ovalles-Santos** (Bolivarian Republic of Venezuela) said that, given the deepening global financial crisis and sharp increase in public debt, the General Assembly must take forceful action to curb financial speculation, in order to boost the real economy. Stricter regulations should be adopted as well. The ad hoc open-ended working group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis must continue its work.

49. The General Assembly should establish a system for controlling the Bretton Woods institutions. All States should have the right to participate fully in decisions on economic and financial matters. In addition, developing countries must break the Bretton Woods institutions’ monopoly on credit. New regional and subregional financial institutions should be created and they should be able, inter alia, to issue special drawing rights.

50. It was also necessary to establish new mechanisms to address external debt. In keeping with the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, an early warning system should be developed, additional resources should be made available and debt cancellation should be an option for debt relief.

51. Finally, he said that the countries of the South had it in their power to design regional financial architecture capable of resolving the problems confronting the global economy. Steps in that direction included the establishment of ALBA Bank, the Unified Regional Payment Clearing System (SUCRE) and the Bank of the South.

52. **Ms. Montel** (France), noting that her remarks were intended primarily as a response to statements made at the previous meeting, said that France welcomed the reforms of the international financial system already adopted under the initiative of the G-20, particularly the Basel III reforms, and called for their early implementation. It also welcomed the proposal by the President of the European Commission to impose a tax on financial transactions.

53. Additional positive developments included governance reforms of the international financial institutions driven by the G-20. More than 6 per cent of IMF quota shares would be transferred to emerging market countries. Two European Union seats on the IMF's Executive Board would be relinquished to emerging market countries.

54. Tools recommended by the G-20 and available to the IMF and the World Bank since 2008 to assist developing countries, particularly those in Africa, in times of crisis had been updated with the agreement under the sixteenth replenishment of the International Development Association to increase funding by 18 per cent over the previous round. All the reforms to which she had referred reinforced both the relevance of the response by the international financial institutions in times of crisis and their political legitimacy.

55. Her delegation confirmed the determination of the French Presidency of the G-20 to include the United Nations in the Group's deliberations. Since France had assumed the Presidency, the Secretary-General had been represented at all G-20 meetings, including meetings of finance ministers, and all relevant United Nations agencies had been represented in deliberations involving coordination with intergovernmental organizations.

56. **Mr. Trangkathumkul** (Thailand) said that despite its robust growth in 2010, Thailand still faced development challenges similar to those faced by other developing countries. His Government was fully committed to people-centred policies underpinned by the "sufficiency economy" philosophy.

57. Reform of the international financial system should be conducted in parallel with measures designed to promote inclusive development. Thailand supported efforts to increase the voice and participation of developing countries in international financial institutions. Regional monetary and financial cooperation arrangements such as ASEAN's Chiang Mai Initiative and Asian Bonds Market Initiative merited support inasmuch as they strengthened financial safety nets and effectively mobilized capital for investment and development.

58. The international trade regime should be transparent, rule-based and equitable for it could contribute to the alleviation of poverty. Liberalization of trade in agriculture — including the elimination of export subsidies — and in manufactured goods was vital to inclusive growth. Political will and flexibility were essential for a prompt and successful conclusion of the Doha Round. At the same time, since inclusive regional integration was a driver of international trade and investment, Thailand looked forward to the establishment of the ASEAN Economic Community by 2015.

59. Given that countries in debt distress were still affected by the global economic and financial crisis, his delegation continued to support the provision of debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative.

60. Regarding commodities, he said that food and commodity price volatility was hampering people's well-being. Thailand had played a leading role in the establishment of the ASEAN Food Security Information System; while recognizing the need to strike a balance between food and energy crops, Thailand supported research in alternative energy and it called for increased capacity-building and technology transfers to developing countries with regard to alternative energy.

61. The thirteenth session of the United Nations Conference on Trade and Development and the United

Nations Conference on Sustainable Development — both of which would be held in 2012 — would provide the international community with valuable forums for reinvigorating constructive collaboration in the interests of sustainable development.

62. **Ms. Barth** (International Labour Organization) said that sound fiscal and monetary policies must be correlated much more closely with employment, social and environmental policies. Action should be taken to set employment targets set as close to full employment as possible and to stimulate investment in the real economy through the promotion of productive enterprises.

63. Social protection was an effective tool for reducing poverty and inequality while sustaining aggregate demand. Fiscal investments in national social protection floors must continue to be supported as part of national development strategies.

64. High priority must be accorded to the real economy and employment must be permanently restored to the centre of the international policy agenda. The principles and objectives set out in the Global Jobs Pact provided relevant guidance in that regard. Measures to achieve strong, sustainable and balanced growth should aim to sustain investment, savings and consumption based on high levels of productive employment and decent work, rather than merely looking at single aspects of financial sector stability. In addition, fiscal consolidation must be socially responsible.

The meeting rose at 5.10 p.m.