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Summary record of the 7th meeting

Held at Headquarters, New York, on Monday, 10 October 2011, at 10 a.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 10.10 a.m.

Agenda item 17: Macroeconomic policy questions

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

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

1. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs) introduced the report of the Secretary-General on the international financial system and development (A/66/167), and highlighted its salient points. In particular, the recent economic and financial crisis had underscored the need to strengthen multilateral surveillance. Since the finalization of the report, the International Monetary Fund (IMF) had issued new spillover reports for the world's five largest economies, as well as a consolidated spillover report, stressing the importance of financial channels for transmitting global shocks. Action should be taken to develop tools to mitigate the impact of excessive capital flows, an international framework for the restructuring of sovereign debt and a permanent multilateral mechanism to provide liquidity in systemic crises. Other necessary measures included reforming the international reserve system, notably by enhancing the role of special drawing rights (SDRs), and strengthening representation of emerging markets and countries in the Bretton Woods institutions.

2. **Ms. Li** Yuefen (United Nations Conference on Trade and Development (UNCTAD)), introducing the report of the Secretary-General on external debt sustainability and development (A/66/164), said that it had been drafted in May 2011 at a time when the prevailing sentiment was one of cautious optimism. Since then, the economic situation had deteriorated and risks had increased. At the annual meetings of the World Bank Group and International Monetary Fund (IMF) in September 2011, the Managing Director of IMF had warned that the world economy was in a danger zone, and the President of the World Bank had advised ministers of finance and governors of central banks to be vigilant.

3. Debt crisis prevention should be a priority, and should take into consideration specific country conditions and interlinkages with the global economy. It was important to rebuild fiscal and reserve buffers. It should be noted that corporate long-term external debt had rapidly increased, almost tripling over the period from 1998 to 2009. Short-term external debt had seen a net increase over the same period. The debt crisis in the euro zone showed that private debt could be converted to public debt if public finance was at risk. Developing countries should therefore monitor their private external debt closely.

4. Responsible lending and borrowing were the first line of defence against debt problems. In May 2011, following inclusive and transparent multi-stakeholder consultations, UNCTAD had released a set of draft principles outlining responsibilities of lenders and borrowers in sovereign financing. Further discussion and consensus-building around that set of principles would help prevent debt crises in the future. It was lamentable that the international financial architecture continued to lack a mechanism to facilitate the resolution of sovereign insolvency and impede litigation by providing a legally binding resolution to debt distress. UNCTAD had organized in-depth discussions on the topic with renowned experts and senior policymakers. Views still diverged, and further efforts should be made with the involvement of all stakeholders.

5. **Mr. Suárez Salvia** (Argentina), speaking on behalf of the Group of 77 and China, said that the global economic crisis engendered by the poor performance of existing institutions had placed the growth prospects of many developing countries at risk, reversing the development trends of the recent past and leading to greater poverty. The global economy had entered a dangerous new phase characterized by unresolved structural fragilities and an erosion of confidence. The prolongation of the crisis could well depress output, raise the cost of capital, tighten the availability of credit, hamper international trade and impair the economic and financial stability of many developing countries.

6. The international community must provide additional support for the achievement of the internationally agreed development goals. He called for predictable and timely disbursements of multilateral resources and official development assistance (ODA), and an end to the conditionalities that curtailed available financial options for developing countries.

7. The principal causes of the crisis had been the fragilities and inequalities of the existing international economic order, resulting from a failure of multilateral surveillance, the lack of an early warning system, and overconfidence and excessive reliance on market self-regulation, compounded by a lack of transparency and financial integrity, irresponsible risk-taking, high asset prices and consumption patterns fuelled by easy credit in developed countries. The unfolding crisis had demonstrated that Governments must play a more robust and focused role in their national economies and in the implementation of social policies.

8. It was regrettable that in the appointment of a Managing Director of IMF in 2011, the need to select a candidate from a developing country had been ignored yet again. Reform of the international financial architecture must ensure that developing countries, including the least developed countries, had a say in the decision-making process. The heads of international financial institutions should be appointed through an open, transparent and merit-based selection process, with due regard for gender equality and regional representation.

9. Given the vulnerability of developing countries to external shocks, which affected their ability to continue servicing their debt obligations, consideration should be given to the need and feasibility of establishing new sovereign debt restructuring and debt resolution mechanisms. Noting that the allocation of SDRs had contributed to increased global liquidity, he called for further discussions of policy options to promote the long-term stability of the international monetary system, including the role of SDRs.

10. Because many developing countries were dependent on primary commodities as their principal source of export revenue, employment, income generation and domestic savings, the recent volatility of commodity prices had to be addressed. Price volatility was of particular concern at a time when food security had become an issue. Enhanced market access for agricultural products from developing countries as well as the elimination of trade-distorting measures by developed countries would help to ensure food security.

11. To that end, it was important to uphold an equitable multilateral trading system that eschewed trade barriers and fulfil all commitments contained in the 2005 Hong Kong Ministerial Declaration of the World Trade Organization (WTO). The Group of 77 and China looked forward to the Eighth WTO Ministerial Conference to be held in December, as well as to the thirteenth session of the United Nations Conference on Trade and Development that would take place in April 2012, and hoped for a balanced outcome of the Doha Round with a strong development dimension.

12. **Mr. Acharya** (Nepal) said that in the wake of the global economic crisis, many of the world's least developed countries had increasingly experienced a decline in trade, tourism, remittances and foreign investment. Many least developed countries remained dependent on agricultural commodities or the extraction of a limited number of natural resources, rendering them highly vulnerable to external trade shocks. The decline in earnings, coupled with unmet ODA commitments, had significantly widened their external financing gap.

13. The economic and financial crisis should not be used as a pretext to curtail the fulfilment of agreed ODA commitments. The outcome of reforms to address the fragilities and inequalities of the existing international financial system should include effective oversight, a greater decision-making role for developing countries and recognition of the least developed countries as a special category based on the United Nations vulnerability index.

14. With the total debt/gross national income (GNI) ratio of the least developed countries currently at 32 per cent, or 10 percentage points higher than the overall developing country average, debt sustainability remained a critical challenge. The most recent debt sustainability analysis cited in the Secretary-General's report revealed that 3 of the least developed countries were in debt distress, and that another 11 were at high risk (A/66/164, para. 17). Many countries that had reached the completion point under the Heavily Indebted Poor Countries Initiative (HIPC) were excessively dependent on commodities and thus highly vulnerable.

15. He called for urgent action, including the full cancellation of multilateral and bilateral debts and renewal of the HIPC Initiative, in order to ensure the long-term sustainability of the external debt of the least developed countries. In the spirit of paragraph 34 of the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, an independent international system of debt arbitration should be established to offer countries facing debt distress recourse to debt standstill and debt resolution

with burden-sharing procedures. The Ad Hoc Open-ended Working Group to follow up on the issues contained in the Outcome must continue its work.

16. **Mr. Khan** (Indonesia), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), said that the overall performance of the ASEAN countries had been resilient since recovering from the global crisis of 2008. Growth had been fuelled by both export and domestic demand, leading to a 7.5 per cent expansion in the region's economy in 2010.

17. At the same time, it remained mindful of the ongoing uncertainties in the global economy, and recognized the need to maintain vigilance and to adopt appropriate macroeconomic policies to address continuing challenges. In particular, multilateral cooperation was needed to encourage sustained, inclusive and equitable growth, including greater multilateral economic surveillance that scrutinized developments in the financial sector. In that context, an ASEAN Plus Three Macro Economic Regional Surveillance Office (AMRO) had been established in order to strengthen macroeconomic coordination and financial cooperation at the regional level. Surveillance discussions regarding large capital flows and inflationary pressures under the improved Economic Review and Policy Dialogue (ERPD) had also been deepened.

18. In facing the current global uncertainty, the importance of promoting fiscal soundness for sustainable economic development was paramount. In that regard, ASEAN was continuing to accelerate economic structural reforms, promote domestic demand and employment, resist protectionism, and bolster trade and investment. The multilateral trading system embodied in WTO was crucial to achieving those goals, and all Member States were urged to work towards a balanced conclusion of the Doha Round as a priority. ASEAN also wished to underscore its support for early accession of the Lao People's Democratic Republic to WTO.

19. In order to strengthen global economic governance, the role of the United Nations, as the only global body with universal participation and unquestioned legitimacy, was crucial. The key to improving global economic governance was the reform of the Bretton Woods system and of relevant international financial institutions. The role of emerging and developing economies in the governance of the Bretton Woods system must also be enhanced.

20. By 2015, a single market and production base that included the progressive liberalization of the ASEAN financial services sector, as well as the integration of its capital markets, should be in place. Integration was a South-South cooperation project to support all ASEAN countries at various stages of their development with the ultimate aim of helping them to achieve the MDGs.

21. **Mr. Sergeev** (Russian Federation) said that a stable and efficient international financial system was one of the key pillars of sustainable economic development, and the United Nations General Assembly could make an important contribution to multilateral efforts aimed at improving it. The decisions reached during its sixty-sixth session should be balanced, reflecting the interests of all countries, and build on agreements reached at the United Nations Conference on the World Financial and Economic Crisis, the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals, and other major forums.

22. The Group of Twenty (G-20), which remained a central multilateral forum for the elaboration of collective approaches to address relevant world economic and financial issues, must strengthen its dialogue with the United Nations and its specialized agencies. At the same time, an increasingly significant role in the reform of the global economy was being played by the grouping which comprised Brazil, the Russian Federation, India, China and South Africa, known as BRICS. An association of five major fast-growing economies, it reflected the realities of the evolving multipolar world and sought confrontation with no one.

23. His country had consistently called for enhancing the role of developing countries in global economic governance, and for the further reform of international financial regulatory mechanisms, including efforts to improve the international monetary system and extend the range of international reserve currencies. Of particular importance was the role of SDRs in the global reserve system, including the composition of its basket of currencies.

24. Intent on further developing its national financial sector, the Russian Federation had no intention of introducing any new special taxes or additional

limitations on financial activities. On the contrary, his Government had recently eliminated the tax on proceeds from the sale of securities for long-term investments with the aim of transforming its capital, Moscow, into an international financial centre. Important practical steps had been taken to that end, including the adoption of a law on international financial reporting standards.

25. Ensuring debt sustainability should be regarded as one of the priorities of international cooperation in the financial and economic spheres. The sovereign debt crisis had driven home the need to reconsider traditional concepts and strategies because development models based on growing debts were no longer working. In assessing the level of debt sustainability, national debt should be compared not only with gross domestic product (GDP), but also with the investment component of the budget in order to gauge the risks associated with abrupt increases in the cost of borrowing. Financial authorities should also monitor corporate borrowing closely, and elaborate a mechanism to regulate the borrowing policy of enterprises in which the State had significant holdings.

26. The Russian Federation was making considerable efforts to alleviate the debt burden of developing countries, and had since the beginning of 2011 written off $20 billion in debt held by African countries. Further assistance was envisioned as part of an international strategy to prevent future financial crises.

27. **Mr. Osman** (Sudan) said that the question of external debt had gained special urgency in the wake of the global financial crisis, the food crisis, rising commodity prices and climate change, all of which had hit low- and middle-income economies the hardest. The report of the Secretary-General on external debt sustainability and development (A/66/164) highlighted the scale of the problem. Developing countries should not have to pay for an economic crisis caused by policy and regulatory mistakes of some developed countries.

28. His country had implemented wide-ranging economic and financial reforms based on free trade and privatization. An overhaul of banking regulations and sound management of the general budget had substantially driven down inflation. The Sudan had established an external debt unit within its Central Bank to increase transparency and accountability. However, external debt was a heavy burden on the country, limiting its ability to halve the poverty rate by 2015. Despite meeting all the technical requirements, the Sudan continued to be discriminated against when it came to debt relief.

29. He called on the international community to show flexibility in providing debt relief to post-conflict countries, in accordance with General Assembly resolution 62/186. Donor States should comply with their commitment to provide debt relief to heavily indebted poor countries in a just and transparent manner and without political conditionalities. Such action would assist the reconstruction and economic development of the Sudan, notably by facilitating the international economic conference on the Sudan that would be held in the following months.

30. **Mr. Liu** Feng-Yuan (Singapore) said that the risk of a global economic slowdown was now more acute than at any time since the financial crisis of 2008. With the transfer of risk from the private to the public sectors in recent years, public balance sheets in many advanced economies were now more vulnerable. Emerging markets likewise faced concerns over asset bubbles that could weaken domestic banking systems, while a reduction in demand in developed countries could translate into production cuts and job losses in developing countries.

31. Because of its small size, his country had been compelled to confront the international financial markets early on in its development. With an open economy and trade volumes over three times the size of its GDP, volatility was routine. When the economic crisis hit in 2008, it was one of the first to plunge into recession, and when the international situation improved, it registered double-digit growth rates in 2010. It had succeeded in balancing openness to capital, talent, trade and markets with judicious regulations that protected the interests of businesses and citizens, and had tempered the impact of its accessibility with a comprehensive social safety net.

32. As the past 25 years had shown, those regions with the greatest socio-economic progress, in particular South and East Asia, had also been the regions with the greatest shift towards market economies, proving that access to global markets could boost development.

33. His country's approach to development was one of many, and each country had to choose the best path for itself; however, convergence in global governance and harmonization in the supervision of financial institutions were urgently needed. Such consistency of

regulatory frameworks would require coordination across all countries, and the adoption of sometimes difficult domestic measures. The United Nations, with its universal representation and legitimacy, should continue to play a central role in that process, while ad hoc informal groups, such as the G-20, could be effective in crises and other specific situations.

34. **Mr. Rosales Díaz** (Nicaragua) said that lack of political will jeopardized efforts to rescue the crumbling economy and tackle climate change, problems that endangered the very survival of future generations. The current exploitative international order, which had been inherited from the age of slavery, constituted the principal threat to world peace. The speculation of a few had brought hundreds of millions to starvation and the global economy to the brink of collapse. The ranks of the dispossessed must be freed from the yoke of soulless capitalism and the inherently expansionist policies of the few. However, promises of structural change made at the outset of the economic and financial crises had all turned out to be lies. Motivated by greed, those who controlled the system had chosen to risk global economic collapse sooner than revolutionize it.

35. Europe was now on its knees owing largely to the lack of genuine solidarity within the European Union. In June 2009, the then President of the General Assembly, Father Miguel d'Escoto Brockmann, had convened the Conference on the World Financial and Economic Crisis and Its Impact on Development. On that occasion, new mechanisms for the renegotiation of sovereign debt had been proposed. The countries of the North had hit the roof, repeating ad nauseam that sovereign debt crises were a thing of the past. Their arrogance was now costing them dearly.

36. The situation in the United States, particularly the downgrading of United States debt by the credit rating agency Standard and Poor's, was also a source of concern. The role of credit ratings agencies had likewise been raised at the Conference, eliciting bewildered condescension from the countries of the North, which now had cause to reconsider that attitude.

37. The international community should show the political will to fully and immediately restructure the international economic and financial architecture, giving the United Nations its central role and creating a new economic order based on genuine justice and solidarity. Wealth distribution mechanisms should be put in place in order to eliminate domestic and international imbalances and achieve economic and social development for all peoples. Humanity should not serve the economy; the economy should serve humanity.

38. **Mr. Almeida** (Brazil) said that following the uneven growth and elusive recovery witnessed in 2011, the world was yet again poised on the edge of a downturn as instability in financial markets and reduced investor confidence threatened to provoke a "double-dip" recession, especially in the advanced economies of North America, Europe and Asia. With the outlook deteriorating sharply in developed countries, which continued to experience low growth and persistent unemployment, developing countries would likely remain the principal engine for growth in the short and medium term.

39. Given the renewed weakness in the world economy, fiscal retrenchment in developed countries would be counterproductive. They should instead seek to adopt coordinated measures to stimulate their economies, while enacting policies to ensure long-term fiscal consolidation. The international community should also support Europe in addressing its looming sovereign debt problems.

40. In addition, countries with current account surpluses should strengthen their domestic markets and allow their currencies to appreciate, thereby contributing to a rebalancing of global demand. Exchange rate manipulation based on excessively expansionary monetary policies or artificially fixed exchange rates should be discouraged.

41. In order to avoid another recession in developed countries and mitigate its effects in the developing world, it was necessary to coordinate policy and enhance coherence. In that regard, the G-20 offered a vital platform to strengthen and safeguard the recovery, while laying the foundation for sustainable and balanced growth. As an informal grouping, however, its agenda reflected the priorities of its membership, while the United Nations, as a universal forum, could play a more pivotal role in contributing to a resolution of the crisis. In that connection, the Ad Hoc Open-ended Working Group to follow up issues contained in the Outcome of the Conference on the World Financial and Economic Crisis should be resumed. His delegation fully supported the participation of the United Nations in the G-20 summit process.

42. Governance reform of IMF and the World Bank was crucial to the legitimacy and effectiveness of the international economic system. It was therefore necessary to expand the quota share of developing countries and complete the comprehensive review of the deeply flawed quota formula by January 2013. SDRs must also be enhanced as part of the reform of the international monetary system, with an enlargement of its basket of currencies to include developing country currencies.

43. **Mr. Diallo** (Senegal) said that the soundness of the Bretton Woods system had been increasingly called into question, particularly its inadequate representation of emerging countries and absence of multilateral oversight of financial markets. The role of developing countries in the decision-making bodies of international financial institutions must therefore be enlarged.

44. He stressed the need to establish a system of financial regulation, as well as a system to regulate international foreign exchange. Monitoring of financial developments by IMF and other institutions could be improved, while the private sector could be enlisted to help resolve financial crises, including through standby lines of credit. ODA commitments must also be honoured. His delegation hoped that fresh proposals to that end would be put forward at the High-level Forum on Aid Effectiveness to be held in Busan in November.

45. The issue of external debt remained a serious concern for developing countries, as the usual solutions, such as restructuring and debt swaps, had not been wholly effective. The debt burden constituted a serious handicap to development efforts. Short of total debt forgiveness, it must be eased. His delegation likewise attached importance to incorporating a mechanism to deal with sovereign insolvency and prevent debt overhang within the international financial system.

46. **Mr. Seksenbay** (Kazakhstan) said that the economic dimension of United Nations programmes and activities as well as the Bretton Woods institutions must be adapted to reflect the era of globalization and the changing economic balance in the world. It was important to establish a global economic governance mechanism with an effective global reserve currency and tight control over speculative capital.

47. As indicated in the Secretary-General’s report, multilateral surveillance of the global economy must be enhanced with a view to ensuring greater fairness and effectiveness (A/66/167, para. 30). Developing economies must be allowed a greater voice and representation in global governance and decision-making institutions, while the international community should renew the discussion on the reserve currency and work to establish a new, more stable and equitable international monetary system.

48. Greater cooperation and oversight were needed in order to ensure the fulfilment of long-term international commitments. The United Nations system, and in particular the Economic and Social Council, should play a central role in monitoring and coordinating that process. Lastly, his delegation reaffirmed its commitments under the Monterrey Consensus and the Doha Declaration on Financing for Development.

49. **Mr. Weisleder** (Costa Rica) said that the current economic situation required a level-headed, objective and pragmatic approach based on recognition of common but differentiated responsibilities. The economic and financial crisis had begun in the developed countries, where it had been exacerbated by the recklessness and inadequate regulation of the financial sector. The prompt and determined response of political leaders in the developed world, coordinated by the G-20, had contained the crisis. However, it had not been possible to conclude firm agreements aimed at ensuring sustainable progress and avoiding another downturn.

50. In order to develop an effective recovery strategy, it was essential to identify the problems that had been latent before 2008 and tackle them from a technical perspective with the necessary political support. Close and transparent cooperation among all stakeholders within and outside the United Nations system would be paramount. The leaders of developed and emerging economies should set aside short-term interests and focus on the bigger picture, as John Maynard Keynes and the post-World War II political leadership had done.

51. Youth unemployment in the developed and developing world alike gave cause for concern. Counter-cyclical measures should be implemented, and employment should be seen as a key variable rather than a by-product. Measures to correct deficits or surpluses, where necessary, should be combined with tax systems that were not onerous on the poor and middle classes.

52. The international community should continue to work towards a better regulated and more representative global financial architecture. Innovations such as high-

frequency trading did not contribute to the general good. At the same time, however, it would be mistaken to reject the positive aspects of entrepreneurship. The Doha Round of negotiations should urgently be concluded. All States members of the World Trade Organization must show flexibility and political will in order to overcome the deadlock.

53. The volatility of basic commodity prices was a very important issue for Costa Rica. Measures to address the issue should take into account the vulnerability of agriculture owing to the increasing occurrence of extreme weather conditions, the growing demand for basic commodities including food and energy, particularly in emerging economies, and exchange rate volatility. Food security could be guaranteed not by pursuing agricultural self-sufficiency, but rather by promoting a competitive agricultural sector free from trade barriers and discriminatory subsidies, by ensuring that the population had the wherewithal to purchase food and by upholding effective, inclusive and democratic national and international governance.

54. **Mr. Islam** (Bangladesh) said that the developing world had borne the brunt of the economic and financial crisis. The cumulative effects of repeated shocks to the economies of developing countries had resulted in widespread unemployment, disappearing safety nets and social and political disruptions. Social and political instability in many of those countries risked becoming contagious in a globalized world.

55. Not only had emerging countries failed to remain on track in their development agendas, but they had been unable to maintain their balance of payments or finance their annual development programmes. More worrying still, a number of development partners had begun scaling back aid to development projects and had become reluctant to fulfil their pledge to devote 0.7 per cent of their gross national incomes (GNI) to the development agendas of poorer countries.

56. In that context, his country called for the immediate disbursement of pending ODA for emerging economies, and the facilitation of trade concessions, especially duty- and quota-free market access for all products from the least developed countries. All multilateral financing should also be free of conditionalities so as to permit emerging countries greater fiscal and policy flexibility to chart their own development agendas. The current Bretton Woods system was urgently in need of reform, and the first step in that process should be the recognition by the World Bank and IMF of the least developed countries as a unique grouping of countries.

57. SDRs had played a salutary role in providing liquidity to the global economy at a critical juncture. They should be expanded to provide financing for development projects, and not merely be used for immediate balance-of-payment servicing. Finally, his delegation looked forward to the Eighth Ministerial Conference of the World Trade Organization, and the thirteenth session of the United Nations Conference on Trade and Development to be held in April 2012. Pending the conclusion of the Doha Round, the least developed countries should enjoy “early harvest” of those facilities on which consensus had already been reached, while developed countries should desist from all protectionist measures in order to spare developing economies additional shocks.

58. **Ms. Dong** Zhihua (People’s Republic of China) said that the current global economic recovery was faltering. Instabilities were on the rise and risks associated with the sovereign debt of a number of countries were growing. Countries should continue to cooperate in the face of such challenges by further strengthening the coordination of their macroeconomic policies and promoting the stability of their financial markets. The international community should pay particular attention to the difficulties facing developing countries in general, and the least developed countries in particular, and fulfil their aid commitments to them.

59. Urgent reform of the international financial system was required, including greater participation of developing countries in global governance, improved financial monitoring and regulation of cross-border capital flows and bulk commodity derivatives, a reassessment of sovereign credit rating mechanisms, tighter regulation and control over the issuance of reserve currencies to maintain stable exchange rates, and greater efforts by international financial institutions to reduce poverty with a view to bridging the gap between North and South.

60. In the wake of the global financial crisis, her country had taken decisive measures to mitigate its worst effects. By increasing domestic demand and promoting steady and rapid economic development, it had contributed enormously to the recovery of the global economic system. Her Government would

continue to pursue a proactive fiscal policy and a prudent monetary policy, maintaining a proper balance between development, economic restructuring, inflation control, price stability and the avoidance of major economic fluctuations.

61. The debt crisis was one of the most serious obstacles facing developing countries, and the international community should do more to promote debt relief, increase net capital inputs and scale up assistance. Since 2000, her country had on six occasions announced the unconditional cancellation of matured interest-free loans owed by heavily indebted poor countries and least developed countries. By the end of December 2010, it had cancelled a total of 388 debts owed by 50 countries in those categories.

62. Beginning with the twelfth Five-Year Plan for National Economic and Social Development in 2011, her country would increase foreign assistance and raise the ratio of gratis assistance, which together with debt reduction and forgiveness, would lighten the debt burden of recipient countries and promote their economic development.

63. **Mr. Sparber** (Liechtenstein) said that the current economic situation remained fragile and that recovery from the 2008 financial crisis had slowed. While the G-20 had successfully averted the worst of the crisis, there was no alternative to the United Nations as the only genuinely global governance framework; that was where decisions of global impact belonged and where they should be implemented.

64. Whereas earlier G-20 development policy had been ambitious in terms of innovation, the incoming presidency had demonstrated that it now intended to concentrate on implementation, which would necessarily involve the United Nations, in keeping with the principle of complementarity.

65. Two obstacles stood in the way of a more effective role for the United Nations in improving the current global economic and financial architecture. First, there had been a stalemate among major political groups on macroeconomic questions before the Second Committee; and second, discussions at the United Nations on the international financial system and related issues were often led from an exclusively foreign policy perspective. More independent financial and economic expertise was needed, in particular with regard to systemic risks affecting the global economic and financial system.

66. The work of the Second Committee would be greatly helped by the establishment of an expert panel to provide such input and the simultaneous streamlining of other mandates dealing with global economic and financial issues. Such a panel would be particularly useful in the follow-up to the 2009 Conference on the Financial and Economic Crisis and its Impact on Development and consideration of the macroeconomic agenda of the Second Committee itself.

67. **Mr. Schuldt** (Ecuador) said that the salient term in the day’s discussions was “instability”. Urgent action was needed in order to remedy systemic flaws in the international system, coordinate economic policies, monitor capital flows and reform the international financial institutions. Lack of debt sustainability was a principal source of instability.

68. In coordinating General Assembly resolutions on the topic, his delegation had sought to reorient the terms in order to emphasize the necessity and viability of a new debt restructuring mechanism to be discussed within the United Nations, including examination of a new mechanism for settling external debt. Drawing on the Outcome of the Conference on the World Financial and Economic Crisis and its Impact on Development, contained in General Assembly resolution 63/303, his delegation had put forward tangible proposals including the establishment of a working group comprising all stakeholders, including multilateral financial institutions. The working group would consider proposed mechanisms for the restructuring or settlement of debt, taking into account the multidimensional nature of debt sustainability and its contribution to realization of the Millennium Development Goals (MDGs). Regrettably, the delegations of developed countries had systematically refrained from engaging with the process. However, the door remained open, if not for tangible measures, then at least for a text identifying legal gaps, suggesting solutions and garnering consensus.

69. Like other countries, Ecuador had learned from experience not to follow solutions imposed from outside. Instead it had completed its internal debt audit in 2008 and continued to foster cooperation at the regional level.

The meeting rose at 12.30 p.m.