United Nations A/C.2/65/SR.8

General Assembly

Sixty-fifth session

Official Records

Distr.: General
3 November 2010

Original: English

Second Committee

Summary record of the 8th meeting

Held at Headquarters, New York, on Monday, 11 October 2010, at 10 a.m.

Chairperson: Mr. Lundberg (Vice-Chairperson). . . . . (Finland)

Contents

10-57388 (E)

In the absence of Ms. Ochir (Mongolia), Mr. Lundberg (Finland), Vice-Chairperson, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 18: Macroeconomic policy questions (A/65/15 (Parts I-IV) and A/65/211)

(b) International financial system and development (A/65/189 and A/65/395)

(c) External debt sustainability and development (A/65/155)

1. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General entitled "International financial system and development" (A/65/189), said that the transfer of financial resources from developing to developed countries, which in 2009 had fallen from the previous year's record high of $883 billion to the still substantial amount of $513 billion, was expected to rise to $641 billion in 2010. That reflected the transitory narrowing of global imbalances following the world financial and economic crisis. However, the ongoing economic recovery was expected to result in increased macroeconomic imbalances which, combined with mounting public indebtedness in the major developed economies, heightened the risk of exchange-rate and financial-market volatility.

2. Since 2009, there had been a strong recovery in private capital inflows to developing countries, which had been aided by policy measures to recapitalize financial institutions and stabilize markets, as well as by rapid growth in some emerging economies, especially in Asia. Moreover, official development assistance (ODA) had risen slightly, though it was projected to fall short of existing internationally agreed aid commitments in 2010; in the case of Africa, the shortfall was expected to amount to $11 billion, as against the $25 billion initially pledged at the 2005 Group of Eight (G-8) Summit in Gleneagles.

3. Referring to the continuing efforts being made to reform the financial sector, he noted that the Basel Committee on Banking Supervision had recently agreed to more than double bank capital requirements and to introduce a stronger liquidity standard and leverage ratio. Further action was needed, however, as was explained in the report, which also described the steps taken to ensure multilateral surveillance. The latter was at the centre of crisis-prevention efforts and had been marked, in particular, by the commitment of the leaders of the Group of Twenty (G-20) in 2009 to submit their actions to peer review in a mutual assessment process. For the G-20 process to achieve greater legitimacy, it was necessary to forge stronger institutional linkages with non-member States and to develop a constructive dialogue with universal international bodies, such as the United Nations. Indeed, in view of the need for close coordination of macroeconomic policy decisions with other areas of global governance, the United Nations had a prominent role to play in ensuring coherent policy responses to interrelated global challenges that cut across the social, environmental and economic spheres.

4. He also noted the key role of the International Monetary Fund (IMF), increasingly seen as a provider of insurance-like crisis prevention facilities amid volatile cross-border capital flows and the risk of contagion. The critical challenge was to find an appropriate balance and to develop effective coordinating mechanisms among multilateral, regional and bilateral financial arrangements.

5. A widely shared concern related to the question of the sustainability of an international monetary regime in which only the United States dollar served as a primary international reserve asset. As the international reserve system was broadly acknowledged to be in need of reform, it was important to continue thinking about moving towards a more balanced and stable global reserve system, including an enhanced role for special drawing rights.

6. In conclusion, he appealed for a strong political commitment by Member States so that the ongoing reform of governance structures in the Bretton Woods institutions would lead to further progress on all the critical and urgent issues bound up with global economic governance, and hence to improvements in the international financial architecture.

7. **Ms. Li** Yuefen (United Nations Conference on Trade and Development (UNCTAD)), introducing the report of the Secretary-General entitled "External debt sustainability and development" (A/65/155), recalled that, in 2008, the report of the Secretary-General on external debt and development (A/63/181) had warned that the favourable economic conditions which underpinned the improvements in the external debt

situation of developing countries would disappear with the global financial crisis, and that both the real economy and the financial sector of those countries would be affected by the crisis. The 2009 report of the Secretary-General (A/64/167) had continued to sound the alarm in that regard, while highlighting the concomitant reversal of the progress made by developing countries towards the Millennium Development Goals (MDGs). The current report noted that some of those countries had demonstrated surprising resilience in responding to the crisis, but that others had been prevented by structural weakness from absorbing the shock and had consequently experienced difficulties in servicing their debt. While the debt ratios of heavily indebted poor countries, in particular, had increased, those ratios would have been even worse had it not been for their lack of access to capital markets and a shortage of liquidity.

8. The potential systemic risks carried by the sovereign debt problems of some developed countries should not mask the international importance of the debt sustainability of developing countries. A particular concern was that, because of an IMF decision, the window of the Highly Indebted Poor Countries (HIPC) Initiative would not be open to completion-point countries falling back into debt traps or to new low-income countries facing debt distress. The international community must remain vigilant in monitoring the debt situation of the least developed countries and ensure that grant and concessional financing was readily available.

9. A major part of the current report focused on ways of mitigating the prevalence and costs of debt crises, since policies to that end could yield large payoffs in terms of poverty reduction and play a key role in contributing to the MDGs. An effort must be made to build a necessary buffer to mitigate the cost of external shocks. However, it was also important to pay attention to debt structure and to develop crisis prevention, particularly through the promotion of new and safer debt instruments; regulation aimed at reducing destabilization of capital flows; and the design of guidelines for responsible sovereign borrowing and lending. The crisis offered a valuable opportunity to explore the feasibility of instituting an international insolvency mechanism, as called for in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, and as proposed by UNCTAD as early as 1986.

10. **Mr. Almeida** (Brazil) said that, in the light of the concerns about short-term capital volatility expressed in the two reports and in view of the need to ensure the sustainability of the current recovery, work in the coming months should focus on practical ways of mitigating the effects of such volatility on developing countries.

11. *The Chairperson invited the Committee to engage in a general discussion on the item.*

12. **Mr. Alyemany** (Yemen), speaking on behalf of the Group of 77 and China, said that developing countries were still bearing the brunt of a crisis which was not of their making. Unless the international community provided additional support for development, achievement of the internationally agreed development goals, including the MDGs, might be seriously affected. He echoed the call for a mechanism to ensure that adequate sources were provided to developing countries, especially the least developed among them, which suffered from a lack of fiscal space to implement counter-cyclical measures and from severe foreign exchange constraints as a direct consequence of the crisis.

13. In the previous year, developing countries had consumed some $362 billion of their international reserves and were having to rely on increased borrowing from international financial institutions and the international markets. In that context, the Group of 77 and China urged financial and development institutions, particularly the World Bank, not to be guided in their action by non-technical considerations or conditionalities. Furthermore, in view of the large financing gap which developing countries would continue to face in the coming few years, both long-term development finance and grants should be made available to them as a matter of priority. Those countries should be supported in implementing counter-cyclical policies; they also needed sufficient policy and fiscal space to be able to design and implement appropriate national development policies and strategies.

14. Turning to the question of external debt sustainability, he said that the crisis had been aggravated by an outdated global financial and economic architecture, together with inadequate regulation, supervision and monitoring of the financial sector. That situation had been compounded by an overall lack of transparency and financial integrity, excessive risk-taking, unsustainably high asset prices,

over-leveraging and unsustainable patterns of consumption, all of which had been fuelled by easy credit and inflated asset prices in developed countries. The crisis had demonstrated the need for the State to play a strong role in the economy and in the formulation and implementation of social policies. It had also highlighted the urgent need for a comprehensive reform of the international economic and financial system and architecture, including the governance structures of the Bretton Woods institutions.

15. The United Nations had a unique role to play in addressing the crisis, particularly through 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 and Its Impact on Development which, as a transparent and inclusive multilateral forum, was invaluable to Member States and should continue its deliberations during the current session; however, the format of the working group's discussions should be reviewed for greater effectiveness.

16. On the question of external debt sustainability and development, he noted that the crisis had again revealed the vulnerability of developing countries to exogenous shocks. With fewer funds available to them, they were in many cases at risk of debt distress. Such countries, including low- and middle-income countries suffering from a shortage of foreign exchange, should be able to resort to debt standstills. Moreover, given the likelihood of defaults, it would be desirable to continue exploring the possibility of establishing a sovereign debt restructuring mechanism.

17. **Mr. de Bassompierre** (Belgium) speaking on behalf of the European Union; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine, said that, in the current context of continuing global and interconnected challenges, global initiatives were in order. The European Union fully supported such initiatives, as well as efforts to make the global development architecture more effective, efficient and inclusive; it remained committed to achieving stronger, more sustainable, inclusive and balanced economic growth and had accordingly taken determined and coordinated action to safeguard financial stability in the Eurozone; and it welcomed the recent decisions concerning the international financial system and supported the ongoing reform of the Bretton Woods institutions. Europe was ready to play its part in giving emerging market and developing countries a higher profile in the IMF Executive Board. It also supported moves to give more equitable voting power within the World Bank Group to the smallest poor countries.

18. The European Union welcomed the role of the G-20 in the global development agenda, particularly its explicit support for the United Nations which, as had been demonstrated at the recent High-level Plenary Meeting on the MDGs, had a vital part to play in building consensus on global issues and challenges. The European Union recognized the need to strengthen cooperation between the G-20 and the United Nations, and would support future efforts to that end.

19. The European Union would also continue to support existing debt relief initiatives, as debt sustainability remained a key issue. Developing countries needed to strengthen their macroeconomic policy buffers, but at a pace consistent with support for the current economic recovery. Safety net programmes could not be sustainable unless such buffers were rebuilt. In conclusion, he called for a global effort to further growth-enhancing objectives and risk-reducing initiatives.

20. **Ms. Wahab** (Indonesia), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), which aligned itself with the statement made by Yemen on behalf of the Group of 77 and China, said that, in the context of the ongoing economic recovery, attention should continue to be focused on the internationally agreed development goals, including the MDGs. The Committee, in particular, must help to establish conditions for the national and international implementation of policies that promoted development by opening markets, improving governance and prioritizing the Goals. The Committee should also help to ensure improved monitoring of commitments, notably in respect of Goal 8. The ASEAN countries, for their part, remained committed to the MDGs, particularly as they related to sustainable development, technology transfer and education.

21. The Committee should also be instrumental in strengthening global economic governance, in which, moreover, informal groups such as the G-20 had an important role to play. Such groups should strengthen

their institutional linkages with the United Nations and consult broadly with the general membership. Strong and sustained global recovery was essential for job creation, poverty alleviation and sustainable development. While recovery had been aided by a resurgence in trade, the continuing stalemate in the Doha Round was preventing a fuller recovery. It was therefore a matter of urgency to conclude that Round, with the onus mainly on the most developed countries.

22. The ASEAN countries expected to see their gross domestic product (GDP) increase by 5 per cent in 2010, as against 1.5 per cent in 2009. While that was partly due to stimulus packages, it was also driven by the strong growth of the major Asian economies as well as by national and regional efforts towards ASEAN integration, including integration with the larger Asian markets. Such integration formed the centrepiece to the ASEAN strategy of boosting regional trade and investment, which was aimed at putting in place a single market and production base by 2015.

23. Other aspects of the strategy included a currency swap arrangement within the framework of ASEAN plus China, Japan and the Republic of Korea (ASEAN+3), known as the Chiang Mai Initiative Multilateralization, the establishment of an ASEAN+3 Macroeconomic Research Office to support its implementation, and the promotion of the ASEAN Connectivity Initiative. Efforts were also under way to facilitate trade by reducing transaction times and the costs of doing business. ASEAN integration was, however, essentially a self-help exercise involving South-South cooperation since, despite the significant progress achieved, too many people in the ASEAN countries still required international assistance. In a spirit of collaboration and consensus-building, the ASEAN community stood ready to work with all partners to achieve their shared goals for a more just, peaceful and prosperous world.

24. **Mr. Bairagi** (Nepal), speaking on behalf of the Group of Least Developed Countries, said that the economic and financial crisis, coupled with unmet ODA commitments, had caused the least developed countries to experience declining income from trade, tourism, remittances and foreign investment, significantly widening their external financing gap. That crisis, and the debt crisis that loomed due to increased borrowing, hindered their efforts towards achieving the internationally agreed development goals, including the MDGs, as their resource base and policy and fiscal space were shrinking. It was thus time to address the entrenched global imbalances and ensure short-term liquidity to help overcome the severe socio-economic costs of the crisis, while also enhancing external resources for long-term development financing.

25. The least developed countries remained highly vulnerable to external shocks due to a lack of credible alternative means. It was indispensable to align growth strategies and policies with countries' conditions, and national ownership and leadership were key in the development process. It was particularly important to align capacity-building and external resources, particularly ODA, with nationally defined priorities.

26. Regulation and supervision in the global financial and economic architecture was becoming urgent, and greater involvement by developing countries, including least developed countries, was needed in international standard-setting bodies, including the Financial Stability Board and the Basel Committee on Banking Supervision. Financial institutions must implement and supervise stringent regulation to ensure maximum stability in exchange-rate systems, limit excessive short-term capital flows and curb illicit financial transactions. All relevant multilateral development banks must have substantial capital to finance regular development activities in normal situations, while providing liquidity in times of crisis.

27. Globalization must benefit everyone, and least developed and other vulnerable countries must not be marginalized. Failure to conclude the Doha Round with an ambitious, comprehensive, balanced, equitable and development-oriented outcome had undermined the prospects for sustainable development in least developed countries.

28. The long-overdue reforms in the international financial institutions, particularly the Bretton Woods institutions, must aim to ensure full and fair representation of developing countries, including least developed countries, in order to address the lack of representation in those institutions and enhance their effectiveness.

29. The United Nations must play a central role in leading global development discourse and setting global norms on international economic, financial and trade-related issues. In that context, 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 and Its Impact on Development, must be able to continue its work during the course of the current session of the General Assembly.

30. Least developed countries with balance-of-payment problems must be able to resort to debt standstills, and multilateral and bilateral debt owed by least developed countries to private and public creditors should be fully cancelled. Moreover, the Bretton Woods institutions should renew the extension of the HIPC Initiative to address the debt of least developed countries. In line with the spirit of paragraph 34 of the outcome of the Conference on the World Financial and Economic Crisis, an independent international debt arbitration system should be created to provide countries facing debt distress with recourse to debt standstills and workouts.

31. **Mr. Mwanyula** (Malawi), speaking on behalf of the Group of African States, said that international financial system, external debt sustainability and international trade were of great importance to developing countries, particularly the African continent given their impact on livelihoods. Sustainable external debt and fair and equitable trade could easily reverse the negative impact of the world financial and economic crisis on developing countries. That crisis had affected the economies of developing countries because of their limited production capacity and narrow export bases, thereby frustrating their efforts towards achieving the internationally agreed development goals, including the MDGs. The GDP growth rate of African countries had decelerated from 4.9 per cent in 2008 to 2.4 per cent in 2009, mainly as a result of the fall in the demand for and prices of major African export commodities as well as the decline in remittances and financial flows. While Africa's growth rate was expected to increase in 2010, it remained below pre-crisis levels.

32. Most countries required international assistance to stop their currencies from falling because their own reserve bases were too narrow to stabilize their domestic financial systems. Vigorous steps were needed to enhance ODA debt sustainability, trade and participation by developing countries, particularly African countries, in global economic decision-making processes. The worrying gap must be bridged between the increase in ODA for Africa pledged at the 2005 G-8 Summit in Gleneagles and the amount that had actually been delivered: only $11 billion of the $25 billion initially pledged. Commitments from developed countries must have clear timelines and targets, and an intergovernmental mechanism to follow up on development commitments should be established.

33. Significant portions of development assistance to developing countries had been provided in the form of debt relief, implying that the level of real resources available to developing countries was not as significant as total figures might indicate. For that reason, debt relief and climate change-related commitments should be classified as additional to ODA commitments. On debt sustainability, it was imperative to enhance and widen the scope of debt-relief initiatives, particularly the HIPC Initiative, for all low-income countries. The role of trade was also indispensable for development and developed countries must therefore show the political will to conclude the stalled Doha Round.

34. Reform of the international financial system, including in the areas of financial regulation and supervision, should be addressed within the framework of open, transparent and inclusive dialogue and involve measures to reform the governing structure of the international financial institutions in order to enhance the voting rights of developing countries and their role in decision-making and norm-setting. The financial crisis and efforts to address it should not lead to Africa's further marginalization. The consensus reached at the 2010 MDG Summit must be built upon, especially the importance of the global partnership for development.

35. **Mr. Wolfe** (Jamaica), speaking on behalf of the Caribbean Community (CARICOM), which aligned itself with the statement made by the Group of 77 and China, said that the current interrelated crises, including the world financial and economic crisis, had underscored the need to move towards a transparent, inclusive, and well-coordinated global economic governance system reflecting the global changes that had arisen since the creation of the Bretton Woods institutions.

36. The prevailing global economic situation had reversed development gains in several developing countries and placed others at risk of failing to meet the MDGs. Despite some signs of recovery, progress had been fragile and uneven, and small developing CARICOM countries still needed support to guard against the potentially long-lasting negative impact of

the crisis on their production, economic stability and development.

37. The reform being envisaged in the international financial institutions should give a greater voice in global decision-making to emerging economies and to small developing economies, which had borne the brunt of the fallout from the global crisis.

38. While the efforts of the G-20 to address the crisis through regulatory reform and more resources were appreciated, it should engage with a wider cross-section of developing countries, including CARICOM members, by ensuring appropriate representation at G-20 summits. Nevertheless, the United Nations remained the only forum in which small, vulnerable countries could make a tangible contribution to the global discourse on issues of concern to the region; the Organization's role must therefore be expanded in international economic governance to ensure that it remained the main forum for international economic cooperation.

39. Developing countries' access to financing had been severely compromised since the onset of the global financial crisis, with financial market vulnerability increasing their susceptibility to external shocks: indeed, private capital and foreign direct investment flows had been substantially reduced in the past two years; ODA commitments had not been met; and the position of developing countries in international trade had also been weakened.

40. The small island developing States of CARICOM had been particularly affected by the crisis as a result of their open economies. Significant declines in earnings from tourism and remittances, coupled with the steep decline in commodity prices and a subsequent rise in unemployment, had exacerbated the situation. It was therefore urgent to renew sustained commitments to financing for development.

41. The CARICOM region included some of the world's most highly indebted countries, and their access to concessionary financing and debt alleviation was limited because most fell into the middle-income bracket. Middle-income developing countries, such as CARICOM members, continued to struggle with high debt-to-GDP ratios, averaging more than 100 per cent, in addition to socio-economic inequalities, persistently high poverty and dependence on commodity exports. CARICOM therefore welcomed initiatives to give middle-income countries increased access to concessionary financing. International financial institutions should also adjust their approach to heavily indebted middle-income countries by providing them with debt relief as well as grants and loans on concessionary terms not generally available to them. The special needs of CARICOM as a group of small, vulnerable, highly indebted middle-income countries must be recognized.

42. **Ms. Dong** Zhihua (China) said that the basis for global economic recovery was not sound, and that the process was uneven and beset by uncertainties. It was crucial to learn lessons from the international financial crisis, conduct an in-depth analysis of the current system's shortcomings, and consolidate and expand the results achieved in dealing with the crisis. Strengthening the global economy would require the creation of a new international financial order that was fair, equitable and inclusive.

43. In pushing forward the reform of the international financial institutions, IMF should fulfil the commitment made at the 2009 G-20 Pittsburgh Summit to shift at least 5 per cent of quotas from developed countries to emerging markets and developing countries, while protecting poor members' voting power within the Fund. IMF should also enhance its surveillance over macroeconomic policies and the monitoring of financial markets and cross-border capital flows.

44. Furthermore, the World Bank's governance reform should be deepened, to include achieving voting parity between developed and developing countries, and China fully supported the increase in voting power in both the International Finance Corporation and the International Development Association. It also supported increasing the resources of the World Bank and multilateral development banks, from which developing countries should be the first to benefit. Moreover, the G-20 and Bretton Woods institutions should strengthen cooperation with the United Nations, which played an irreplaceable role in global governance.

45. To reduce the debt burden of the least developed countries, the developed world should fulfil its ODA commitments, further open its markets to developing countries and reduce or eliminate tariffs in order to facilitate exports from developing countries. In addition, financial institutions should increase technical assistance to developing countries in order to

enhance their ability to manage their debts with a view to achieving and maintaining debt sustainability. For its part, the Chinese Government had cancelled debt amounting to RMB 25.6 billion owed by 50 heavily indebted poor countries and least developed countries. It would also cancel debts associated with outstanding governmental interest-free loans, which would mature in 2010.

46. **Mr. Almeida** (Brazil) said that developing countries required additional international support to mitigate the impact of the world economic and financial crisis and in order to achieve the MDGs by 2015. The continued fiscal weakness in several developed countries was of major concern for the world economy and, in some cases, would require short-term fiscal consolidation to avoid market instability and financial contagion. As a result of the expansionary monetary policy adopted by developed countries, many developing countries were now faced with a surge in capital flows, which had caused excessive growth in credit and demand, in addition to currency appreciation and current account imbalances. There was a need for stricter prudential measures and capital controls, as well as intervention in the foreign exchange market, in order to tackle excessive currency appreciation. The international community must examine measures to avoid short-term capital volatility and its effects on developing countries. The United Nations could play a key role in that regard.

47. The quota share of developing countries in IMF and the World Bank must be increased at least to the level of parity with developed countries, and developing countries should have increased representation on the IMF Executive Board without increasing its size. More needed to be done to implement the reform of the international financial institutions. Short-term liquidity, long-term finance and grants could be made available as a matter of priority to developing countries to help address the financing gap that they faced as a result of declining foreign direct investment, trade flows and remittances, which hindered their ability to roll over and reschedule their external debt commitments. A comprehensive and lasting solution to the external debt crisis was clearly needed, notably with regard to the establishment of a debt workout mechanism. Improved policy coordination and coherence was also necessary, for example, by drawing on the G-20 framework for strong, sustainable and balanced growth as a platform for safeguarding and strengthening recovery. The United Nations must maintain a regular and fluid dialogue with all relevant actors, including IMF, the World Bank and the G-20.

48. **Mr. Rossi** (Switzerland) said that sustainable development, particularly in the areas of climate stability, biological diversity and soil fertility, was a prerequisite for global food security and combating poverty. Priority should be given to creating sustainable models of production and consumption that would enable progress to be made in economic, social and environmental matters, and macroeconomic policies promoting the shift to a green and equitable economy. Development required a transparent, efficient, participative and democratic global partnership on the part of donors and partner countries alike. Each country should endeavour to generate domestic revenue, attract investment and lay the foundation for a healthy economy, while providing a framework for the promotion of financial stability and economic growth.

49. Traditional financing mechanisms should be reviewed and supplemented by innovative measures to improve access to finance for developing countries. The private sector played a key role in providing innovative funding.

50. Improved coordination between the agendas of the G-20, the international financial institutions and the United Nations was also necessary to ensure global financial stability. In that respect, Switzerland was a member of the recently established Global Governance Group, which aimed to strengthen the role of the United Nations in global governance and advocated for more systematic coordination between the G-20 and non-G-20 countries.

51. Given the growing importance of South-South trade, the level of aid flows to international trade must be maintained. A swift and ambitious conclusion of the Doha Round of trade negotiations would also significantly strengthen the multilateral, rules-based trading system of the World Trade Organization (WTO), on which developing countries increasingly relied for their economic development.

52. **Mr. Alimov** (Russian Federation) said that the full potential of the United Nations must be harnessed to ensure effective coordination between the national Governments, financial authorities and central banks of all countries. Priority should be given to enhancing the

legitimacy and efficiency of international regulatory institutions; establishing a diversified system of reserve currencies and financial centres; developing an effective risk-management system; ensuring ongoing monitoring and supervision of the financial sector; and providing incentives for rational market behaviour.

53. Monetary policy must promote stable and sound economic growth with a view to reducing inflation. Another priority was to increase access to bank loans for the real sector of the economy, through lower interest rates and extended credit. It was also important to strike the right balance in terms of efforts to reduce inflation, to ensure growth and to counter systemic risks associated with excessive debt burdens on the economy as a whole. The creation of a deposit-insurance system was essential, as were efforts to prevent "dirty money" from entering the banking sector.

54. His Government was continuing its work to establish an international financial centre, despite the impact of the world economic crisis. Once established, the centre would significantly contribute to strengthening the role of the rouble as a potential reserve currency and thus promote greater sustainability and stability in the global financial architecture. The Russian Federation had strengthened its financial system, with its total assets amounting to some $1 trillion at the end of 2009, and the public financial market in Moscow ranked among the world's top ten derivatives markets. By the end of 2010, his Government would be adopting legislation on consolidated financial reporting, on regulating the activities of affiliated entities, on a central depository and on a national payments system.

55. A comprehensive and equitable solution must be found to the external debt problems of developing nations, which might otherwise face a sovereign debt crisis. It was also important to discuss measures to ensure debt sustainability, notably through better external corporate debt monitoring and prompt responses to the borrowing policies of banks and companies with major State participation. The Russian Federation was ready to discuss innovative approaches to ensuring external debt sustainability on the basis of existing principles and mechanisms.

56. **Ms. Wu** (Singapore) said there was a need to strengthen the United Nations so that it could better fulfil its role in the international financial system and respond to global crises. She suggested three ways to do that.

57. First, the United Nations was very important to small and medium-sized States as it enabled them to participate in discussions affecting them. Decisions in such forums as the G-20 should also seek to strengthen the United Nations. Furthermore, the Organization needed adequate funding and staff to respond to global financial and economic crises.

58. Second, all Member States must work together efficiently. Delay in responding to a global crisis could cause substantial losses and leave millions in poverty. Singapore therefore welcomed efforts to improve the Committee's working methods.

59. Third, for United Nations decisions on major economic and financial questions to be effective, Member States should exercise flexibility in negotiations and seek feasible and pragmatic solutions not based on the lowest common denominator. They should also focus on means to implement the proposals, and fulfil all commitments.

60. Singapore welcomed the efforts of the G-20 to press ahead with policies needed for strong, sustainable and balanced global growth. As part of the informal Global Governance Group, Singapore would continue efforts to build a bridge between the United Nations and the G-20, while contributing to both processes.

61. **Ms. Pitakannop** (Thailand) said that the challenge ahead was to collaborate in addressing the long-standing structural imbalances in the world economic system. Nominal growth in GDP was an inadequate measure of development; also important was how material growth affected people's lives and the ecosystem. To be sustainable, growth needed to be balanced, inclusive and innovative.

62. Over-dependence on commodity exports left countries vulnerable to fluctuations in global demand and growing competition. Some were unable to shift to higher value-added exports. Developed countries needed to rethink their reliance on the international trading system and to reduce long-standing trade barriers.

63. Some developing economies tended to suppress wages to maintain low production costs, thereby hampering poverty reduction. Investing more in human resources development would help raise labour productivity and real wages.

64. Regional export markets should also be developed further, and regional free trade agreements should, at least as a temporary solution, be made more inclusive; linking them would enable their benefits to be shared more broadly.

65. A major shortcoming of the globalized economy was the failure of the financial system to correct itself; financial contagion could spread quickly. Reform must be a priority, particularly in the areas of regulation and supervision. Financial activities should contribute to the real sector and be sustainable. The reform should include more participation by developing countries and should be more responsive to their needs. To promote economic recovery, fiscal measures must be designed to jump start private sector activity, avoiding lasting subsidies and perverse incentives.

66. Thailand fully agreed that Governments should increase their role in promoting industrial development and infrastructure, investing in human capital, promoting small and medium-sized enterprises and facilitating credit. Close consultation with the private sector might help direct investments towards sustainable and environmentally friendly areas.

67. There was also a need to invest more in education and human resources, strengthen social safety nets and empower businesses by facilitating research and development. Equally important, developing countries needed to foster innovation and creativity in order to move up the value chain. Closer collaboration among southern nations as well as North-South and trilateral cooperation would assist that transition through capacity-building, knowledge-sharing and technology transfer.

68. The development of a low-carbon economy would help to revive the global economy through the creation of green jobs and sustainable agriculture; the “green growth” concept must not, however, be used as a pretext for trade protectionism.

69. **Mr. Hassani Nejad Pirkouhi** (Islamic Republic of Iran) said that the inconsistency in the international economic, trade and financial system continued to put developing countries at risk. Coherent flows of international aid were crucial if those countries were to withstand external shocks not of their making.

70. As a result, despite efforts to develop human resources and economic output, the developing countries had in most cases failed to create adequate skilled jobs or markets for their increased economic output.

71. Concerning ODA, the current practice pursued by donors of requiring recipient countries to align their policies with donor priorities needed to be reconsidered. To be effective, aid needed to contribute to reducing poverty and inequalities in developing countries by creating productive capacities and employment.

72. The cyclicality of aid also needed to be addressed. The substantial aid shortfall seriously hampered poor countries’ development. Aid flows were currently subject to the economic well-being of donors rather than the needs of poor countries.

73. **Mr. Yoseph** (Ethiopia) said that the current challenge was to ensure that the recovery was sustained and that developing countries were equipped with the tools and resources to promote development. It was crucial to strengthen cooperation and action with a view to attaining the MDGs. Mobilizing more domestic and international resources to promote long-term development throughout the developing world must be at the top of the agenda.

74. Given the expected shortfall in ODA, donors should increase the quantity and effectiveness of aid by establishing fewer conditionalities, reduce the proportion of tied aid and improve aid coordination and alignment. Since ODA was of the utmost importance, Ethiopia supported the call for doubling it and ensuring its predictability.

75. The issue of external debt deserved equal attention. Facing a persistent financing gap, most developing countries had borrowed from both bilateral and multilateral lenders. External debt problems constrained spending on social services and infrastructure and reduced investment on projects for the poor.

76. Ethiopia had unresolved issues under the enhanced HIPC Initiative with some of its non-Paris Club and commercial creditors. Non-Paris Club creditors had not yet delivered debt relief to Ethiopia, and efforts to resolve the issues remained unfinalized. That limited resources to finance development and infrastructure and also hampered long-term debt sustainability.

77. Debt relief to highly indebted poor countries should be additional to the international flows they

were entitled to receive. Currently, allocations were reduced by the amount of the debt relief, with a reallocation in accordance with the performance-based allocation mechanism, resulting in a significant decline in many countries' regular allocation. It was necessary to maintain additional debt relief and resource flows to those countries.

78. His delegation appreciated the recent steps taken by the World Bank and IMF to include remittances within the debt sustainability framework. By augmenting a country's foreign exchange availability, remittances improved that country's repayment capacity. Highly indebted poor countries should compile comprehensive data on remittances with a view to improving their debt sustainability rating.

79. It was vital for countries to work together to promote open trade and investment regimes, and for the reform of the international monetary and financial system to take into account the need for transparency, inclusiveness and effectiveness.

80. **Mr. Gutiérrez** (Peru) said that, through responsible management of the economy, Peru was able to predict a growth rate of over 6 per cent for 2010. It had reduced the national poverty level from one half to one third, with a further reduction expected next year.

81. The contribution of middle-income countries to overcoming the crisis should be recognized, and the developing countries should be given a greater say in world decisions. The G-20, as the primary forum for financial coordination and cooperation, played a catalytic role in reform of the system. It should, however, establish flexible channels of communication with IMF and the World Bank and involve more countries.

82. The procedures established for follow-up of efforts to solve the crisis, both in the General Assembly and the Economic and Social Council, should be incorporated into the decisions of such forums as the G-8 and G-20, while the agreements reached by those bodies should be brought to the United Nations in the search for a global consensus.

83. Peru was convinced that, to overcome the crisis and avoid another one, it was necessary to go beyond mere financial and bank regulation and to confront the fundamental issue of reactivating and extending multilateralism. International economic and financial institutions needed to form an integral view of development challenges. In that reform process and in the dialogue on the new global financial architecture, the United Nations needed to play a fundamental role linking the institutions responsible for taking decisions on sustainable socio-economic development.

84. In order to attain the MDGs, developing countries needed further assistance to overcome the crisis. That also applied to middle-income countries like Peru, if they were to maintain the growth rates already achieved with so much effort.

85. With regard to external debt, low-income countries needed help in servicing the debt and in overcoming insolvency. In order to prevent the situation from recurring, the international community should promote responsible practices in the granting of loans.

86. **Mr. Dahlan** (Malaysia) questioned whether the stimulus measures and reforms designed to strengthen the financial system would ensure economic sustainability. While concurring with the Secretary-General's findings, Malaysia considered that regulatory reforms at the national level should also be given attention. Developing countries needed assistance in training and capacity-building to develop a stable financial structure able to withstand a future crisis.

87. Malaysia looked forward to the outcome of the review of IMF quotas as part of governance reform of the Bretton Woods institutions, and continued to call for a more balanced representation of developing countries.

88. Malaysia still strongly believed that Islamic finance promoted a coherent economic system and should be considered in the reform of international financial regulations. Malaysia now had the world's largest Islamic bond market, accounting for over 50 per cent of global issuances. That achievement complemented the success of Malaysia's other financial policies aimed at sustainable economic development.

89. **Mr. Sayeed** (India) said that the world's collective sense of optimism regarding the global economic situation was tempered by caution. In many regions, structural difficulties persisted. In 2009, more than 60 million of the world's people had slipped back into poverty, and the figure for 2010 was likely to be equally discouraging. In India, however, the Government's forward-looking policies had enabled

the economy to grow, with a further improvement expected.

90. A critical lesson from the crisis was that unregulated capital flows were highly destabilizing. Many developing countries were more unstable than before and were unable to implement counter-cyclical measures. There was an urgent need for international assistance of some kind.

91. Reduced demand in developed countries had directly affected developing countries' exports, employment and growth. To compensate, India advocated expanding domestic demand by such means as investment, especially in infrastructure. Indian companies had led the way, making substantial investments in developing countries.

92. India fully recognized that the global economic and financial architecture needed urgent reform. It had pushed for reforms in the Bretton Woods institutions so as to make them more democratic and equitable. India called for early implementation of the World Bank reform package to enhance participation of developing countries. It also supported the tightening of capital and liquidity rules to allow the financial system to withstand future downturns.

93. Owing to the financial crisis, the total external debt and debt-servicing burden of the developing world had risen substantially. India agreed on the need for a debt structure linked to a country's ability to pay. The international community should work towards policies that promoted safe debt instruments, reduced destabilizing capital flows and promoted responsible borrowing.

94. **Mr. Merabet** (Algeria) said it was regrettable that there had been no adequate response to the causes of the crisis, namely the weakness of financial regulation, the inequalities between countries and the incoherence of global governance. Algeria believed that the international community must resolve to establish sound world governance capable of achieving robust growth that would boost the job market, investments and social protection.

95. Reform of the international financial architecture was becoming increasingly urgent. Structural imbalances and vulnerability persisted; the Bretton Woods institutions must be made more efficient and more representative.

96. While not a panacea, trade was a powerful development tool capable of boosting economic growth and reducing poverty. Yet many developing countries, particularly the least developed, remained at a competitive disadvantage and their integration into world markets remained stagnant.

97. Moreover, foreign debt remained a heavy burden for many developing countries, often because their development partners failed to respect commitments made. The international community needed to devote more resources to the indebted countries, reduce the unsustainable debt of vulnerable countries and provide them with greater possibilities of achieving the MDGs.

98. Algeria, on the basis of sound economic policies, enjoyed a stable macroeconomic system and pursued a policy of anticipated reimbursement of its external debt. Its recovery plans were based on rigorous budgetary discipline. In 2010 it had launched an ambitious programme aimed at consolidating gains, ensuring sustained economic growth and responding to the people's needs.

99. His Government's approach was based on promoting major infrastructural works and on combating poverty and social exclusion by involving everyone in development. It had cut unemployment to 10 per cent, built over a million housing units, expanded power, water-supply and transport networks and modernized the nation's ports.

100. Algeria, which had already attained a number of MDGs, was convinced that improved cooperation among development partners and respect for commitments made would ensure that developing countries, including those in Africa, could meet the Goals.

101. **Mr. Momen** (Bangladesh) said that the ongoing crises and the impact of climate change had reversed important development gains in many countries. Many least developed countries were still suffering from the havoc visited upon them. The financial crisis had forced them to divert their resources and had affected their development activities, especially attainment of the MDGs. Since those countries were unable to implement counter-cyclical measures, their development partners should come forward with an appropriate stimulus package to alleviate their liquidity problems.

102. Bangladesh therefore reiterated its call for a grant fund under United Nations auspices to aid the crisis-

stricken developing world. The need for such a fund was clear, given the inadequacy of World Bank and IMF lending. Bangladesh had survived only by dint of spending its domestic savings.

103. The crisis had highlighted the need for a new global financial and economic architecture, and for a group with a wider mandate. New mechanisms were also needed to manage trade and financial negotiations. A review of IMF, WTO and the World Bank was essential. Even the traditional classification of countries according to their scale of development and economic maturity should be reconsidered. In the proposed group, regional and equitable representation should be as mandated by the Outcome of the Conference on the World Financial and Economic Crisis and the General Assembly. The priorities of emerging and vulnerable countries should also be addressed.

104. With regard to debt sustainability, the debt-servicing burden of the developing countries engendered social instability and deprivation. To resolve the impasse, it was imperative to provide for quota- and duty-free access of exports from the least developed countries. There should also be a debt moratorium, starting with countries that had a good record of debt servicing, such as Bangladesh. A debt arbitration mechanism would provide for a debt standstill for countries facing debt distress.

The meeting rose at 1.05 p.m.