United Nations

A/C.2/65/SR.9

General Assembly

Sixty-fifth session

Official Records

Distr.: General
29 October 2010

Original: English

Second Committee

Summary record of the 9th meeting

Held at Headquarters, New York, on Monday, 11 October 2010, at 3 p.m.

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

Contents

10-57465 (E)

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

Agenda item 18: Macroeconomic policy questions (*continued*)

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

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

1. **Ms. Laose** (Nigeria) said that the crisis had deepened the gulf in understanding between the developed and developing countries. That gulf must be bridged if the developing countries were to achieve the internationally agreed development goals, including the Millennium Development Goals. In particular, much remained to be done in the area of trade liberalization. Rising growth rates in developing countries and positive developments in cross-border economic activities had not been matched by a corresponding increase in trade volumes or foreign direct investment. Similarly, the advantageous development dimension of international trade continued to elude most developing countries, particularly in Africa, where the ability to meet the Millennium Development Goals remained in doubt.

2. The need to strike a balance between restrictive trade policies and trade liberalization was now more obvious than ever before. In consequence, Nigeria was implementing policies that would harmonize its trade practices with those of other States members of the Economic Community of West African States (ECOWAS) and foster the region’s integration with the rest of the world, while respecting its own obligations under regional and multilateral agreements. It was also implementing policies aimed at diversifying its economy, and in addition, the Federal Government was deliberately promoting active private-sector participation, with a view to bridging infrastructure gaps.

3. As a founding member of the World Trade Organization (WTO), Nigeria reiterated its call for an early conclusion of the Doha Round of trade negotiations that would ensure better integration of the developing countries in the growth of international trade.

4. In order to build a global financial system that would restore investor confidence after the current economic crisis, provision must be made for strong oversight institutions. That would require the adoption of a risk-focused and rule-based international regulatory framework and strong support for policies to limit the volatility of short-term capital flows and encourage long-term investments.

5. Nigeria had established the Asset Management Company of Nigeria (AMCON) to manage and dispose of toxic assets and non-performing loans. It had also recently carried out capital market reforms aimed at recapturing the pre-crisis market capitalization. The ongoing reforms at the Bretton Woods institutions were both timely and congruent in addressing the issues of developing country representation in them. While a shift in quota shares should take cognizance of “dynamic” developing countries, there should also be a shift in favour of hitherto underrepresented countries.

6. Debt servicing in crisis periods, including the current crisis, had strained development efforts, especially in aid-dependent economies. Efforts to ease the debt burden faced by developing nations, especially the least developed countries, and those in Africa in particular, continued to be plagued by negative external factors such as adverse exchange rate movements and volatile remittances of development assistance. While the concept of concessional loans was welcome, there was a need to make them more accessible, and to channel them into areas that would increase primary balances for least developed countries and African countries, thus leaving enough revenue for both debt servicing and economic growth.

7. Given its experience in successfully negotiating a debt exit, Nigeria now understood more than ever how a freer economic space devoid of intrusion from creditors could bolster economic confidence, growth and sustainability. Nigeria therefore reiterated the call for more debt relief, including outright debt cancellations for Heavily Indebted Poor Countries (HIPC), and for exploration of more options that would not only restore but actually boost steady and income-generating development assistance.

8. **Ms. Al-Hadid** (Jordan) observed that a more sustainable and balanced global economy, in which the pattern of current account deficits and surpluses was more clearly determined by the efficient allocation of capital across borders, would be needed to decrease the risks of future crises. In the meantime, the ongoing financial crisis had raised concerns about a potential wave of sovereign defaults among developing

countries, suggesting that there was a need for additional rounds of debt relief in Heavily Indebted Poor Countries or among States that might become unsustainably indebted. Moreover, many developing countries had been affected by significant falls in remittances, exports and capital flows, which were expected to worsen, while flows of official development assistance (ODA) were expected to decline owing to the recession in the developed countries.

9. Like many emerging market economies adversely affected by the global downturn in growth, the Jordanian economy had been hurt by the recession, following a decade of strong growth. However, studies indicated that economic activity should rise modestly in 2010, and accelerate further over the medium term, owing to Government policies of efficient fiscal consolidation, and the deficit was expected to narrow to 6 per cent of gross domestic product (GDP) as a result of enhanced banking regulation, monitoring and early warning systems.

10. **Mr. Warraich** (Pakistan) said that the momentum of the swift and bold response to the global financial and economic crisis must now be maintained in order to address the weaknesses of the international financial system, including improving surveillance and regulatory measures. There was a need to further review the workings of both the International Monetary Fund (IMF) and the World Bank and to enhance the voice and participation of the developing countries in them. Pakistan believed that the redesign of the global economic and financial governance architecture should be underpinned by two main principles: firstly, the new architecture should be inclusive of the whole of the United Nations, which would signify global participation and legitimacy, and secondly, the right to have a voice and representation should be built around and driven by the imperatives of need and equity.

11. The current situation clearly demanded bolder and more encompassing initiatives to solve the external debt problems of the developing countries. Serious consideration should be given to a debt moratorium, as well as to debt relief mechanisms including debt restructuring and debt-for-development swaps. Prescriptions by the multilateral financial institutions to stabilize economies must not lead to increase in the debt stock. Debt sustainability should be linked to a country's capacity to achieve its national development goals, including the internationally agreed development goals.

12. **Mr. Igenbayev** (Kazakhstan) said that the turmoil in financial markets had highlighted the need for urgent reform of the mandate, responsiveness and governance of the international financial architecture based on modern economic realities, and in line with the principles of democracy, equity and accountability to the international community. Kazakhstan recognized that a key goal of reform was to strengthen multilateral surveillance and enhance the analysis of financial sector issues. It looked forward to seeing a reformed IMF acting as a relevant and effective institution, properly discharging its mandate of promoting global economic and financial stability. Kazakhstan also welcomed the steps taken to achieve a single set of global accounting standards and internationally consistent implementation of agreed measures to improve transparency, regulation and supervision.

13. The global crisis had revived discussions on the issue of reserve currency, and the international community should seize the opportunity to begin the establishment of a more stable and equitable international monetary system. The post-crisis development model must not reflect cosmetic changes only but rather a qualitative restructuring of the entire system of international economic relations. In that connection, Kazakhstan's President had proposed the development of a completely new architecture with a global regulatory system to oversee financial markets.

14. The current crisis had brought to light major weaknesses in international cooperation and coordination which must be remedied. The United Nations system and, in particular, the Economic and Social Council, would have a vital role to play in that regard.

15. **Mr. Cuello Camilo** (Dominican Republic) said that, as indicated in the report of the Secretary-General on the international financial system and development, the developing countries continued to be net exporters of capital that could have been used to reduce social inequities — some $500 billion in 2009 (A/65/189, para. 2). Pointing to persistent imbalances between the current accounts of the major economies (some of them developing countries) and, in other countries, fiscal deficits resulting from procyclical policies imposed to counter the effects of the financial crisis, he said that the most serious factor of all was investors' lack of

confidence in their own countries' economies. That was an issue on which the Second Committee must focus attention.

16. Many countries had dealt with the crisis by increasing their levels of indebtedness in order to finance their fiscal deficits. Ultimately, however, the greater amounts that would have to be allocated to debt service would further limit their scope for action. And reduced public spending and belt-tightening measures taken by some countries to calm the fears of the financial markets would only make matters worse. In the view of the Dominican Republic, it was too early to talk of austerity when there was still no firm base for growth and unemployment was still rising.

17. Regrettably, the multilateral financial institutions were reverting to their outmoded practices of imposing conditionalities that would do little to attract investment, reduce unemployment or reduce the social debt accumulated towards those who had borne the brunt of the cost of adjustment when the best policy for sustainability of external debt would be one based on sustained economic growth that generated decent jobs, included a social protection network to cover the unmet basic needs of those in situations of extreme poverty and was driven by a sufficient level of public investment without spilling over into inflationary excesses. In such a scenario, external debt would be a steadily decreasing proportion of the national product; thus, by resisting any impediment to growth for the time being, countries could ultimately be able to repay their external debt. The Dominican Republic was an example of a country in which that approach had been successful.

18. **Mr. Daoud** (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. Developing countries should not have to pay for an economic crisis caused by policy and regulatory mistakes of some developed countries.

19. His country had implemented wide-ranging economic and financial reforms based on free trade and privatization that had substantially lowered inflation, and had established an external debt unit within its Central Bank to increase transparency and accountability. Yet despite meeting all the technical requirements, it continued to be discriminated against when it came to debt relief. 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. He also called for compliance with Security Council resolution 1574 (2004), which called on donors to provide assistance for the reconstruction and economic development of Sudan, including debt relief. Among other things, such assistance would help to ensure successful implementation of the South Sudan referendum to be held in 2011.

20. **Mr. Al-Fayez** (Saudi Arabia) said that his Government supported expansionary fiscal policies, job creation and increased international financial regulation, and would continue to maintain bank liquidity and low interest rates in order to encourage investment. His country was a member of the Financial Stability Board, had worked with the International Monetary Fund and the World Bank to create a financial and economic early warning system, and had received high marks from the International Finance Corporation for the effectiveness of its economic reforms and its competitive business and investment climate. It had provided development assistance for numerous projects in various countries, written off some of the debts owed to it, and provided new loans to countries in need.

21. He called on the international community to take action to end poverty and hunger, which were unacceptable given the capabilities of modern agricultural technology. He stressed the need to maintain transparency in the global economic system and to alleviate price volatility in commodities that were essential to poor people in developing countries.

22. **Mr. Elkrekshi** (Libyan Arab Republic) said that macroeconomic indicators that suggested a recovery was under way did not give a complete picture of the actual economic situation, especially in Africa. National resources alone were not sufficient to fund development, and donor countries and organizations needed to make good on their funding commitments and loosen conditions for loans, especially for post-conflict countries.

23. The international consensus was that the economic crisis had resulted from a lack of transparency and regulation in financial markets in the developed countries, and it had been exacerbated by fluctuations in energy and food prices which

developing countries had no control. An early conclusion to the Doha Round was imperative, as was reform of the Bretton Woods institutions to give the developing world a greater voice in the formulation of international economic and financial policy.

24. **Ms. Stewart** (International Labour Organization) said that for far too long, the financial sector had been given priority over sustainable enterprises and jobs in economic planning. Employment creation must become as important a macroeconomic indicator as inflation or sustainable public finances. When labour incomes grew more slowly than productivity, households needed to borrow to fund their consumption needs. Countries like Brazil and India had demonstrated how labour-friendly social protection systems could produce the triple benefit of keeping people out of poverty, empowering them to seize market opportunities, and contributing to aggregate demand. In the short term, fiscal stimulus packages should not be reduced until household consumption and business investment started generating employment-led growth. In the long term, policies that put employment at the heart of sustainable recovery, such as those encouraged by the Global Jobs Pact, could help reduce the time lag between output growth and employment creation.

The meeting rose at 4 p.m.