



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA DELIVERED BY MS. NADIA M. OSMAN - MINISTER PLENIPOTENTIARY, PERMANENT MISSION OF THE REPUBLIC OF THE SUDAN TO THE UNITED NATIONS, BEFORE THE SECOND COMMITTEE OF THE GENERAL ASSEMBLY ON AGENDA ITEMS 51 B, C, AND D: MACROECONOMIC POLICY QUESTIONS (New York, 12 October 2009)

I. Item 51 B: International financial system and development

Mr. Chairman,

1. Our discussions on this critical cluster this year are very significant as they are taking place at the backdrop of the worst financial and economic crisis since the Great Depression, whose impacts are still unfolding. We thank the Secretary-General for his report on this agenda item. It is incumbent upon us to analyze all critical aspects of this unprecedented crisis with a view to undertake the necessary reforms of the international economic and financial system and architecture, mitigate its impacts, and prevent reoccurrence of the crisis.
2. We recognize that the main causes of the crisis are linked to the fragilities and inequalities in the current international economic order. Failure of multilateral surveillance and lack of early warning systems, overconfidence and over reliance on market self-regulation, and insufficient emphasis on ethical and equitable human development, have resulted in serious deficiencies in the global financial and economic architecture.
3. These factors were made acute by an outdated global financial and economic architecture, as well as major failures such as the lack of proper regulation, supervision, and monitoring of the financial sector, compounded by an overall lack of transparency and financial integrity, excessive risk-taking, unsustainably high asset prices, over leveraging, and unsustainable patterns of consumption fuelled by easy credit and inflated asset prices in developed countries. The unfolding crisis has demonstrated the need for a robust and more focused role of the State in the economy and in the formulation and implementation of social policies.
4. It has highlighted the urgent need for a substantive and comprehensive reform of the international economic and financial system and architecture, including mandates, scope and governance of the International Financial Institutions.
5. In relation to the Bretton Woods Institutions (BWIs), we stress the importance of undertaking ambitious and expeditious reform, particularly in their governance structures, based on full and fair representation of developing countries, in order to address the democratic deficit and improve the legitimacy of these institutions. The reforms must reflect current realities and ensure full voice and participation of developing countries in the decision making and norm-setting process of the BWIs.
6. In this context, G-77 and China considers it imperative to promote an open, inclusive and transparent discussion for a new international economic and financial system and architecture. The Group is prepared and willing to enter into dialogue in good faith with all interested parties.

Mr. Chairman,

1. The United Nations plays a unique role, as an inclusive forum that can promote a better

understanding of the social and economic impact of the crisis, and can fashion appropriate responses. In this regard, the Group looks forward to the work of the Ad Hoc Working Group established by the General Assembly to follow up on the implementation of the recommendations of the Conference on the World Financial and Economic Crisis and its Impact on Development.

II. Item 51 C: External debt and development: towards a durable solution to the debt problems of developing countries

1. The financial and economic crisis has negatively affected the growth prospects of developing countries. This situation has been compounded by the difficulties to obtain much needed foreign investment and financing. Many countries may be faced with the stark choice of either investing in social programs, or servicing their external debt which limits their ability to enact the appropriate fiscal measures to mitigate the impact of the crisis. For many LDCs, the current crisis can jeopardize their hard won debt sustainability.

2. Without international support, developing countries may face another debt crisis in the years to come. Developing countries will need additional substantial resources, including short-term liquidity and long-term development financing and grants in order to achieve their development goals, including in particular those related to health and education.

3. Developing countries, including low and middle-income countries facing a shortage of foreign exchange because of the fallout of the crisis, should not be denied the right to resort to debt standstills in order to mitigate the adverse impacts of the crisis.

4. In this regard, the Group of G77 and China welcomes the recognition by the Secretary-General in his report (doc. A/64/167), that a debt moratorium or standstill would immediately and unconditionally liberate resources and give countries the fiscal space to respond to the specific circumstances they are facing, and that such a moratorium can be viewed as a part of a multifaceted approach to mitigating the impact of the crisis and reduce the build-up of unsustainable debt. Furthermore, in light of the current crisis, HIPC eligibility criteria will need to be revisited.

5. As noted in the report by UNCTAD, debt sustainability should not be viewed as simply the capacity to continue servicing debt obligations, but also as recognition that increases in debt servicing costs, necessarily means fewer funds available for fighting poverty.

6. In this context, the Group of 77 and China reiterates its call for international mechanism for sovereign debt and standstill and restructuring. If the international community is truly committed to support developing countries achieving the MDGs, these options must be explored with all seriousness.

7. We appreciate the recognition made by the Secretary-General (doc. A/64/167), where he considers it "...lamentable that the design of a mechanism aimed at facilitating the resolution of sovereign insolvency has been marginalized in the international discussion".

III. Item 51 D: Commodities

1. The Group of 77 and China recognizes that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force for investment, economic growth and social development, including poverty reduction.

2. But the current economic crisis has impacted negatively on the commodity-dependent economies, resulting from the decline in demand for commodities, diminishing supply capacities due to shrinking commodity finance and reduced investments.

3. As the recent episodes of commodity booms and subsequent busts demonstrate, the causes of commodity price volatility have not been addressed, and as such commodity dependent developing countries and economies in transition continue to be highly vulnerable to terms of trade fluctuations and other external shocks. High volatility is a particular concern at a time when we need to expand agricultural production to address the concerns over food security.

4. In this regard, the G77 and China reiterates that any successful strategy to defeat hunger and ensure food security must involve stronger institutions with better accountability, stability of the global markets, enhanced market access for agricultural products from developing countries, elimination of subsidies by developed countries, sustainable investments in agricultural production and research, and targeted support to the advancement of the agricultural sector in developing countries. We must strive to stabilize commodity markets, which should not continue to be subject to speculation and volatility.

5. We therefore call for:

- Policy actions, including a global regulatory framework, to address excessive price volatility and mitigate its negative impact on the incomes of commodity-dependent countries;
- Support from the international community for increased investments in infrastructure and social services as a means of promoting agricultural development, and enhancing commodity diversification and trade supported by better policies and institutional frameworks at all levels, and private-public partnerships, as appropriate, that permit better integration into global commodity supply chains; and urge the international community to assist low-income commodity dependent countries in this regard;

6. The Group of 77 and China recognizes that there is a potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity dependent developing countries, and calls for support and exchanges of experience in these countries, including within the framework of South-South economic cooperation.

7. We look forward to our deliberations within the Second Committee on all issues under the macroeconomic clusters, which acquires significant importance in this session, and we commit to working towards action oriented resolutions that places development at their heart.

Thank you.