



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY H. E. HAMID YAR HIRAJ, MINISTER OF STATE OF COMMERCE OF PAKISTAN DURING THE THEMATIC DISCUSSION AT THE 2007 SUBSTANTIVE SESSION OF THE ECOSOC (Geneva, 3 July 2007)

Mr. President,

I have the honour to make this statement on behalf of the Group of 77 and China to convey the views and concerns of our membership on the theme of “strengthening efforts at all levels to promote pro-poor sustained economic growth, including through equitable macro-economic policies”.

Mr. President,

2. The High Level Segment of the ECOSOC Substantive Session this year is special and in some ways historic. This is so because we are embarking on the operationalization of the new responsibilities assigned to the Economic and Social Council by the 2005 World Leaders Summit. These were elaborated in the General Assembly Resolution 61/16.

3. For the Group of 77 and China this is a welcome and important step towards revitalizing and further strengthening the ECOSOC with a view to allowing it to perform the central role on economic and social issues envisaged for it under the UN Charter.

4. This thematic discussion during the High Level Segment of ECOSOC can and should contribute optimally to the ECOSOC’s new functions as the Annual Ministerial Review and Development Cooperation Forum. Such a reconfiguration is set out in the General Assembly resolution 61/16. The resolution called for ECOSOC to continue to promote global dialogue, inter alia, through strengthening the existing arrangements, including the thematic discussion.

5. During our consultations to finalize the theme for this discussion as well as for the Annual Ministerial Review, the Group of 77 and China consistently maintained that we would like to see complementarity in discussion in between the two while avoiding duplication. This thematic discussion, should undertake a normative and policy discussion of the issues related to the theme, while the exercise during the Annual Ministerial Review should review the facts and figures and analysis of implementation of commitments made by States, organizations and institutions under the MDGs and other Internationally Agreed Development Goals.

6. We felt it appropriate, as we embark on this first exercise within the new framework, to clearly reiterate our understanding and expectations from this “reformed” High Level Segment.

Mr. President,

7. Although the linkage between sustained economic growth and poverty reduction is widely recognized, their relationship manifests dynamics that are complex. It is inadequate to simply speak of economic growth, especially with regards to internationally agreed development goals, since growth alone fails to capture the vital principles of sustainability and equity, which we feel are critical if we are to address the human needs of the worlds poorest.

8. A lack of pro-poor economic policies and measures to address the non-income dimensions

of poverty has precluded meaningful poverty eradication in many parts of the world. Many developing countries lag far behind in the realization of the Millennium Development Goals, particularly nations from sub-Saharan Africa where despite improved economic growth since the mid-1990s, the percentage of the population living in extreme income poverty remained unchanged at around 44 percent. Other regions of the world face similar circumstances, in large part because of population growth and changes in demography, rapid urbanization and limited opportunities for gainful employment.

9. The Group of 77 and China recognizes that each country must take primary responsibility for its own development. In this regard, we believe that the main national policy priorities and requirements for the promotion of equitable and sustained economic growth are as follows:

One, good economic management based on better fiscal and monetary discipline by controlling fiscal deficit, balancing external payment deficit and increasing revenue generation.

Two, improving governance both as a means of delivering better development results and ensuring social and economic justice.

Three, achieving high and broad-based economic growth focusing particularly on the rural economy while maintaining macroeconomic stability through enhanced productive investments in rural and agricultural development to achieve food security.

Four, mainstreaming the achievement of MDGs and IADGs in the National Development Strategies including PRSP, where appropriate.

Five, investing in human capital with a renewed emphasis on effective delivery of basic social services and in preparing the youth for a knowledge based economy through greater opportunities for capacity building and access to scientific knowledge and technological applications and solutions.

Six, bringing the poor and vulnerable and backward regions into the mainstream of development by augmenting targeted interventions and expanding social safety nets.

Seven, focus on empowerment of women and minorities as well as improving the access to as well as the quality of healthcare and education.

Eight, developing physical infrastructure projects and generating FDI to pursue national development strategies.

Nine, undertaking budgetary and non-budgetary measures to promote housing and construction sector.

Ten, promoting small and medium enterprises including through micro-finance and micro-credit, given their potential to contribute to employment generation.

10. In addition to the actions at the national level, international support remains essential if developing countries are to achieve poverty eradication in any meaningful sense. We feel that concrete actions in this regard have been long over due. Let me list a few as follows.

11. **First**, Development assistance, especially concessional development financing, is critical to achieving our shared development goals including sustained economic growth and sustainable development, especially in the context of low-income developing countries for whom other sources

of revenue are often unavailable. To quote Jeffrey Sachs, “MDGs are just words if financing is not made available to implement the plans”. Unfortunately, despite its critical relevance, developments related to ODA part of financing are most disappointing, for several reasons:

- a. ODA declined 5% in real terms between 2005 and 2006 and may decline further;
- b. ODA figures in 2005 and 2006 reflected one-time debt write-offs, specially to 2 large countries. The ODA flows to other countries remained stagnant;
- c. FDI flows remain concentrated on only a few “emerging” countries, with most starved of private investment flows.
- d. The net outflow of resources from developing to developed countries continued to increase;

12. A negative consequence of inadequate macro-economic policies in the banking sector is the phenomenon of capital flight from developing countries to the North. The accumulation of almost \$ 3 trillion in foreign exchange reserves by developing countries and the outflow of resources from developing to developed countries amounting to over \$700 billion in our view have skewed the pattern of global growth to the detriment of the developing world. It is important to note that development financing to many developing countries is less than the outflow of resources from these countries due to growing trade deficits, transfers of invisibles and capital flight. Even some of the most dynamic economies in the developing world have net deficits in their current capital assets.

13. Apart from increasing ODA to these developing countries, it is equally important to pursue efforts to identify innovative sources of financing for development, capable of providing funding in a stable, predictable and on an additional basis to assist developing countries in the promotion of economic development and hunger and poverty eradication.

14. **Second**, most FDI flows have focused on a small number of dynamic “emerging markets”. Inequalities are increasing among and within countries both developed and developing. Most developing countries have been starved of investment finance and are trying to attract foreign investment through policy changes to make the investment climate more attractive to prospective foreign investors. Such reform policies are often constrained by conditionalities imposed by International Financial Institutions. There is need for conscious policy measures to direct FDI towards developing countries which are currently unable to attract this due to various market related constraints, including investment guarantee schemes, favorable trade access, production and supply agreements, local processing and marketing of raw materials and commodities.

15. **Third**, a fair international trade regime is indispensable for equitable and dynamic growth in the increasingly globalize world economy. Aid alone, however, is unlikely to have the requisite impact. The situation, as manifest in the continuing impasse in Doha negotiations is no less desperate. Trade policies of most developed countries are currently inconsistent with their aid policies. There are considerable doubts whether an agreement reached within the parameters reportedly discussed within a restrictive group will yield an outcome that would significantly rectify the inequalities in the multilateral trading system or enhance the trade and development prospects of the vast majority of developing countries. The Doha Round should realize the elimination of subsidies and support for domestic agriculture by rich countries. Without this, we will not improve the plight of the worlds poor, many of whom are from rural areas and engaged in activities related to agricultural production.

16. We must also ensure “food security” for the poorest countries, special and differentiated

treatment for the weaker developing countries shall be and integral part of any agreement. To ensure tangible benefits to the developing countries, the “new protectionism” of the North, imposed through measures such as anti-dumping laws and arbitrary standards should be urgently addressed. The constraints imposed by the TRIPS regime in sectors such as health and education should be removed. The reduction of industrial tariffs should safeguard against the de-industrialization of the less competitive developing countries.

17. **Fourth**, the restraints on access to technology, specially advanced technologies which could address critical development problems, are a major manifestation and cause of inequality between the developed and the developing countries. There is now clear evidence of the constraints placed on development by certain aspects of the TRIPS regime. This regime needs to be reviewed, by WIPO, the WTO and UNCTAD, to assess and enhance its development dimension. Similarly, the constraints imposed by other technology control regimes, including those imposed ostensibly for security reasons; need an impartial review in the relevant forums, such as the CSTD. We must find ways to fund R&D on the priority problems of the developing countries. A list of such priority areas for R&D should be drawn up by the relevant international organizations, in cooperation with the developing countries, and arrangements made to direct financing, including by institutions and corporations in the developed countries, to conduct R&D on these priority problems.

18. **Fifth**, broadening and strengthening the participation of developing countries in international economic decision-making and norm-setting can serve to correct some of the systemic deficiencies. In an increasingly interdependent world, enhancing the voice and participation of developing countries in the institutions comprising our shared international economic architecture is vital. Reform efforts should encourage the reform of Bretton Woods Institutions if these institutions are to remain relevant in the international financial architecture. The IMF should not only increase the voting power of developing countries but also ensure financial stability and access to short-term financing for those who need it, which were its original objectives. Global economic governance to be coherent must encompass a forum with a universal mandate such as the UN and its Economic and Social Council. This responsibility cannot be assumed by restricted groups of countries, no matter how rich and powerful.

19. In conclusion, let me say that the current cycle of economic growth should not make us oblivious to certain realities; the abject poverty and destitution faced by over a billion people; the growing inequalities in a world whose extremes of prosperity and of poverty are expanding; a world afflicted by political injustices and proliferating conflicts, specially in the developing countries; a world where the incidence of terrorism is becoming endemic and global; a world whose very future is challenged and threatened by weapons of mass destruction and by rapacious life styles that have caused the changes in our climate and environment and endangered life itself on our planet. This High Level debate must respond to the imperative of ending poverty bearing in mind these pervasive threats that we, the poor and the rich- face together. We can overcome these threats and challenges by only if we accept one principle: Equity for all.