



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MINISTER MARCELO SUAREZ SALVIA, PERMANENT MISSION OF ARGENTINA TO THE UNITED NATIONS, AT THE SPECIAL HIGH-LEVEL MEETING OF ECOSOC WITH THE BRETTON WOODS INSTITUTIONS, THE WORLD TRADE ORGANIZATION AND THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, DURING THE THEMATIC DEBATE OF THE WHOLE ON THEME 2: "FINANCIAL SUPPORT FOR DEVELOPMENT EFFORTS OF MIDDLE-INCOME COUNTRIES: DEVELOPMENT COOPERATION, TRADE, CAPITAL FLOWS, POLICY SPACE AND RESERVE SYSTEM" (New York, 10 March 2011)

1. I have the honour to deliver this statement on behalf of the Group of 77 and China.
2. The G77 and China underlines that middle-income countries face significant challenges in their efforts to achieve the internationally agreed development goals, including the Millennium Development Goals. In that regard, it is of utmost importance that international support, through its various forms, is well aligned with national priorities to address the development needs of middle-income countries.
3. Because of their particular characteristics, the middle-income countries are a special group within the broader category of developing countries.
4. Although this group of countries is extremely heterogeneous in terms of their different levels of economic and social development, the middle-income countries share one very significant characteristic: the inequality of income distribution, which creates economic and social distortions.
5. In that regard, partial approaches to poverty diagnosis and reduction, as well as emphasis on certain dimensions of development to the detriment of others, give a distorted view of the real situation of middle-income countries. We believe that various statistical indicators - not necessarily recorded using a quantitative method based on increase in national per capita income - illustrate in a more exhaustive manner the challenges MICs face.
6. The responses to the financial and economic crisis and its impact on development, must take into account the interests and specific needs of the developing countries as well as the particularities of the different regions of the developing world. At the same time, we recognize the need to maximize the capacities of existing regional and subregional mechanisms and institutions along with others that could be created in the future, with a view to the progressive construction of regional and subregional financial architectures, according to the economic realities and ensuring a democratic representation and a transparent and accountable governance system and regulatory framework.
7. The IMF must provide more comprehensive, evenhanded and flexible responses to the needs of member countries, without imposing procyclical conditionalities, respecting their need for policy space and helping overcome the ongoing crisis. The IMF balance of payment loans should not come attached to policy conditionality that is contractionary and procyclical constraining development objectives and needs. Access to new financial facilities and the provision of additional resources should not be tied to conditionalities. Once more, we say that policy space for developing countries must be maintained.

8. In that regard, the G77 and China stresses the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and calls upon all Member States, and encourages the representatives of the Bretton Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders, to contribute to the ongoing discussions on the initiative of the United Nations Conference on Trade and Development to promote responsible sovereign lending and borrowing, with a view to the establishment of a set of voluntary principles and guidelines on responsible and sustainable lending and borrowing practices for creditors and debtors.

9. Besides, it has to be stressed that the global financial and economic crisis has demonstrated the need to urgently mobilize financial resources for liquidity - to meet financing gaps - and for developmental purposes. The Group also underlines the need to promote SDRs for development purposes. While acknowledging the recent general allocation of SDRs, the G77 and China considers it insufficient. The Group urgently calls for a new and significant general SDRs allocation, in the current basic period, to meet liquidity needs and promote development. Thereon regular allocations of SDRs should also be undertaken. There is a need to undertake further examination of the role of enhanced SDRs in the expansion of liquidity, stabilization of the reserve system, and the promotion of development.

10. Additionally, we believe that international trade can be an engine for development and sustained economic growth. The decline in trade has severely impacted on developing countries, including through the fall in exports and loss of export revenues, restricted access to trade finance, reduced export-oriented investment. In some cases, it has also led to balance of payment problems.

11. The G77 and China also wants to stress the right for developing countries to fully utilize their policy space consistent with WTO commitments. Indeed, the G77 and China also asks for higher levels of special and preferential treatment to be established to developing countries granting of favourable trade conditions.

12. In order to fully harness the potential of trade it is important to uphold a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that contributes to growth, sustainable development and employment, particularly for developing countries. In this context, developed countries should resist all protectionist measures and tendencies, affecting developing countries, including agricultural subsidies and non-tariff barriers to trade, and to rectify any trade distorting measures already taken.

13. G77 and China believes that private international capital flows, especially foreign direct investment (FDI), can be an important complement to national and international development efforts. However, international capital flows to developing countries remain excessively concentrated in few large markets.

14. While recognizing that international capital flows depend largely on decisions taken by private actors, the G77 and China calls on developed countries to take measures to facilitate and redirect such flows to developing countries on a more predictable, stable and equitable manner. In particular, developed countries should take concrete steps to avoid financial protectionism and rectify any measures adopted in that regard during the crisis, including subsidies to ailing industries and sectors. Additional efforts should be taken to enhance private flows in support of development and maximize the development impact of FDI, particularly with regard to linkages with domestic production activities, transfer of technology and research and development activities.

I thank you.

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