

**STATEMENT BY H.E. MAKARIM WIBISINO, AMBASSADOR AND PERMANENT REPRESENTATIVE OF INDONESIA TO THE UNITED NATIONS, CHAIRMAN OF THE GROUP OF 77, AT THE SIXTIETH MEETING OF THE MINISTERS OF THE GROUP OF 24**

**Washington, D.C., 3 October 1998**

Mr. Chairman.

It is indeed a pleasure for me to address this group for the second time this year. First of all I would like to commend the G-24 for the achievements made under your leadership. The profound and rapid changes which are transforming the world compel us as the Group of 77 and the Group of 24, to constantly enhance our solidarity and unity in pursuing our collective goals for development.

We are meeting at a time when the awesome force of globalization, itself driven by rapid changes in technology, and the rapid liberalization of trade and capital flows, are changing economic processes all over the world. Unfortunately, its promise of prosperity for all is becoming increasingly doubtful. During the past year or more, it has exposed developing countries to great risks and let to setbacks ranging from slow-down of economic activities to outright economic collapse.

Globalization has opened up tremendous opportunities for creating wealth but its rewards seem reserved for the strongest of economies, those that are the best equipped to avail themselves of the opportunities. On the other hand, it could lash out with awesome ferocity at vulnerable developing economies. Even the more dynamic developing countries, those that have managed through judicious macro-economic policies and painstaking structural adjustments, have seen the development gains that they earned over the decades crumble in the span of a few weeks.

The financial and economic crisis, which started more than a year ago in East Asia and which has since spread all over the globe is the most serious in three decades. According to the IMF report being released this week, the world economic situation and prospects have weakened significantly since we met last in April. World Gross Domestic Product growth for this year is now expected to reach only two percent, compared to 3.1 percent forecast by the IMF last May. The main reason for this is the downturn in Asia, including Japan, which has turned out to be significantly deeper and more widespread than originally anticipated.

For the countries affected by the crisis, the economic and financial turmoil have reached a devastating level, pushing their economies into consequences of the turmoil, aggravated by the absence of social safety nets were disastrous: scores of millions have been thrown into unemployment, many more have slipped back below the poverty line, while skyrocketing prices of basic commodities due to an exchange rate driven inflation which produced hunger and malnutrition. All this has widened the gap between the haves and have nots both within and between countries.

There is now growing concern that, should the cost of opening up to market liberalization be much more than the benefits that they can deliver to countries in transition to liberal economics, developing countries would be tempted to shy away from the doctrines of liberalization being preached since the end of the cold war. The liberalization of an economy in itself is not sufficient assurance that growth and development will follow. Such growth and development requires the creation of an enabling international environment which can promote growth with equity to the benefits of all nations.

Mr. Chairman,

The adverse aspects of globalization have furthermore greatly eroded multilateral cooperation. The concept

of development, as a special part of a multilateral support system, has been largely replaced by the laissez-faire approach to the globalized economy. This has among others resulted in sharply contracted financial resources for development for the majority of developing countries, particularly the LDCs, who are being increasingly marginalized. Moreover, the least developed countries, who are not directly affected by the crisis, are nevertheless feeling the impact of the crisis indirectly.

Today, ODA has become an early casualty of globalization and has sharply declined in real as well as monetary terms. Aid fatigue and fiscal stringency in the developed countries have also contributed to this downturn. In their declaration, the Ministers of Foreign Affairs of the Group of 77 meeting in New York on 25 September 1998 reiterated the urgent need for a substantial increase of ODA in view of the declining levels of such assistance in recent years. In particular, they urged the developed countries to provide 0.7 per cent of their GNP to developing countries by the year 2000.

Compounding the lack of financial flows for development and greatly aggravated by globalization is the perennial problem of chronic external indebtedness which constitutes a serious impediment to development. Many developing countries still remain crippled by their debt overhangs despite years of an evolving international debt strategy. The Group has for long advocated the importance of a "once for all" approach that is designed to reduce the over-all debt burden of indebted countries that allow the restoration of development. It is for this reason that the Group sees the Highly Indebted Poor Countries initiative launched by the international financial institutions as an important step in restoring a number of poor countries back onto the path of development. Yet its implementation needs to be accelerated in order to be effective.

Mr. Chairman,

Our meeting of today, which opens a series of meetings culminating in the 53rd Annual Meetings of the Board of Governors of the IMF and the World Bank next week, will be dominated by the economic crisis in Asia and Russia and their global repercussions. We share one common purpose with our partners from the north in these meetings: To search for ways and means to deal with the financial crisis which is now assuming global dimensions and to prevent such crises from occurring again in the future.

The Group of 77 has for years pointed to the inadequacies of the present system for achieving the goals and objectives of development and they have called for meaningful reforms. I am happy to note that the proposals of the group of 77 to discuss the problems of International finance for development, including improving the system of surveillance over largely uncontrolled private capital movements, are being matched by equally strong calls for urgent action by the North. A key item in the agenda item of the Interim Committee next week will be a discussion on the strengthening of the architecture of the international monetary system as a means of forestalling or lessening the impact of crisis. The proposal from president Clinton for 22 Ministers of Finance to meet on the same subject is very much applauded by our Group. I am thoroughly confident that your Group, which represents us here in Washington, will come up with proposals which will serve the interests of the developing countries in this rapidly changing world monetary architecture.

Mr. Chairman,

The Group of 77 considers it essential that collaboration between the UN system and the Bretton Woods Institutions should be strengthened at all levels. This is even more crucial with recent developments in the world which started as a financial crisis but has far reaching economic, social, humanitarian and political aspects. We therefore worked actively for the building of a strategic partnership between the United Nations the Bretton Woods institutions at the historic first ever Special ECOSOC High-level Meeting last April 18. We fully support the United Nations resolution on reform 50/227 which calls for such meetings to be held regularly.

The meeting in April was not the only "first". We recall the meeting of UN Secretary General Kofi Annan with World Bank President as well as the formal visit of UN permanent representatives to World Bank headquarters last July. On an earlier occasion I expressed, on behalf of the Group of 77, satisfaction that the UN-Bretton Woods dialogue has reached a level which 10 or 15 years ago was only "dreamed about" by developing countries. In this regard, Vice President Mark Malloch Brown of the World Bank stated that the April 18 ECOSOC meeting between finance ministers and ambassadors serving in New York served an important "ice breaking role."

In stimulating and sustaining economic growth, the Group of 77 believes that developing countries would benefit a great deal from the combined wisdom of the Bretton Woods Institutions and development institutions such as UNDP and other UN agencies. The combination of expertise in macroeconomic policies and sectoral strategies in those organizations would enable developing countries to view development issues from a broader perspective.

Mr. Chairman

In conclusion, I am sure you agree with the Group of 77 which has identified financing of development as the most critical and core issue in the quest of evolving a dynamic international cooperation for development. The Group of 77 strongly believes that the convening of an international conference on the financing of development offers the best opportunity to the international community to address the issue most comprehensively and to chart out the most feasible, desirable and, durable national and international measures and actions.

I wish all success to our deliberations.

I thank you, Mr. Chairman.