STATEMENT BY MR. D. RAJA, MEMBER OF PARLIAMENT AND MEMBER OF THE INDIAN DELEGATION ON AGENDA ITEM 47: MACROECONOMIC POLICY QUESTIONS: [B] INTERNATIONAL FINANCIAL SYSTEM AND DEVELOPMENT; [C] EXTERNAL DEBT AND DEVELOPMENT: TOWARDS A DURABLE SOLUTION TO THE DEBT PROBLEMS OF DEVELOPING COUNTRIES, AND [D] COMMODITIES AT THE SECOND COMMITTEE OF THE 63^{RD} SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY ON OCTOBER 13, 2008

Madam Chair,

We would like to thank the Secretariat for the detailed and comprehensive reports on the macroeconomic policy questions being considered on the agenda today. We associate ourselves with the statement made by Antigua and Barbuda on behalf of the Group of 77.

Madam Chair,

Even as we speak, the international financial system is in the midst of a severe crisis, and its impact on the “real economy” is beginning to be felt. Moreover, while the crisis did not originate in developing countries, it appears likely that it will impact the development efforts of developing countries through overall slowdown in global growth, shrinking export markets, etc. Against this background, developed countries need to take effective measures to ensure that their commitments on development financing to developing countries are not diluted. Many developing countries will also need additional international support to address the impacts of the financial crises, as well as the food and energy crises.

The case for genuine multilateral governance could not have been made more forcefully put than by the financial crisis, whose cross-border ramifications have been rapid and significant. The crisis has also tested the effectiveness and role of international institutions, particularly the International Monetary Fund, which have a basic mandate of guaranteeing global financial stability. Clearly, in the global economic realities of today, traditional responses involving select developed countries cannot deliver results. We need to have multilateral mechanisms that have full and effective participation of developing countries, if genuine global coordination is to be achieved.

In this context, a comprehensive reform and democratization of the Bretton Woods Institutions is indispensable. We fully agree with the report of the Secretary-General that reform of the governance structures of international financial institutions is critical to the integrity of the international financial system. This reform must enhance the voice and participation of developing countries in these institutions. Such reform would also better respond to the needs and concerns of the majority of countries affected by the operations of these institutions. The steps taken so far have been inadequate, and must be intensified. Given its unique role and legitimacy, we would urge that the reform process be overseen by the United Nations.

I would also take this opportunity to highlight that it is important that developing countries have the necessary policy space to implement policies suited to their unique circumstances, just as developed countries do, rather than face a restricted choice through conditionalities.

Madam Chair,

Even before the onset of the current financial crisis, developing countries did not enjoy an international environment conducive to development. For more than a decade now, there has been a net transfer of financial resources from developing to developed countries, instead of a flow of resources from developed to developing countries. Worse, this has been steadily increasing, and was nearly US$ 0.8 trillion during 2007. While there has been an increase in private capital flows into developing countries, as recent developments have underscored, not all such flows were stable, pro-development. Instead, these included speculative flows that reverse themselves at the first sign of turbulence. Moreover, private flows are not attracted towards social sectors and other development related sectors. Further, not all investment flows have fostered commensurate linkages with the domestic economy, thereby minimizing their positive impacts. In addition, the international community appears to be paralysed by a steadily declining trend in Official Development Assistance flows, which remains crucial for many countries. It is of grave concern that most donors are not on track to meet their commitments. We believe that a thorough review of these issues, under the Development Cooperation Forum of the Economic and Social Council of the UN, is urgently required.

Madam Chair,

While there has been some improvement in the debt situation of developing countries in general, not all countries are in the same situation. As the report of the Secretary-General notes, several low income countries have current account deficits and, and their international reserves are well below the level of their short-term debt.

Debt relief initiatives have run their course. Given the varying level of arrears in debt servicing, resources released for development by debt-relief were much smaller in actual practice. Thus, as confirmed by the 2008 report of the UN Conference on Trade and Development [UNCTAD], debt relief was not additional to other forms of aid. Instead, debt relief was erroneously counted as Official Development Assistance. Moreover, many countries did not benefit from debt relief.

Debt sustainability analysis frameworks remain non-transparent and subjective. This must be rectified. We agree with the report of the Secretary-General that the ability to repay and the need for resources are separate issues, and cannot be interchanged. Further, such frameworks must also distinguish between solvency and liquidity problems. If the Millennium Development Goals are to be achieved, we must be able to find solutions that address the financing needs of developing countries, particularly low income countries.

In this context, we need to consider new measures, like an international debt commission, to redress the problem of developing country debt. Any new mechanism must include effective participation of developing countries, instead of relying on donor-dominated bodies, or creditor-led frameworks of the International Monetary Fund. The United Nations is eminently placed to guide such a process.

Madam Chair,

The last few years have seen a commodity boom, which has benefited some developing countries that are dependent on commodity exports. Yet, the report of the Secretary-General has correctly highlighted the continuing underlying challenges of price volatility, limited development gains, and difficulties in diversification on account of structural barriers in international markets. Moreover, agricultural distortions by developed countries continue, including in products like cotton, to undermine commodity-based development efforts of developing countries.

We must also be cognizant that high food prices have adversely affected many food importing developing countries. Agricultural subsidies by developed countries and diversion of grain for bio-fuels, have been particularly responsible for this. Coupled with high energy prices, the overall impact threatens to undo the development gains achieved in the recent past.

There are indications that some commodity prices are now poised for a decline. This only serves to underline the volatility of commodity exports. Greater international efforts are required to assist low-income commodity-dependent developing countries to launch their economies on a sustained growth path. We support UN Conference on Trade and Development's [UNCTAD] role in this context, and welcome the strengthening of the Commodities Branch of UNCTAD, as decided at UNCTAD XII in Accra.

In conclusion, Madam Chair, let me reiterate the importance of urgent collective action to create an international financial system that supports and fosters development.

Thank you, Madam Chair.

BACK TO TABLE OF CONTENTS