



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY H.E. MR. J. V. BAINIMARAMA, PRIME MINISTER OF THE REPUBLIC OF FIJI, CHAIRMAN OF THE GROUP OF 77, AT THE SPECIAL HIGH LEVEL MEETING OF ECOSOC ON "EXTERNAL DEBT SUSTAINABILITY AND DEVELOPMENT: LESSONS LEARNED FROM DEBT CRISES AND ONGOING WORK ON SOVEREIGN DEBT RESTRUCTURING AND DEBT RESOLUTION MECHANISMS" (New York, 23 April 2013)

Mr. President,

1. I have the honour to deliver this statement on behalf of the Group of 77 and China.
2. The Group attaches great importance to the role of multilateral institutions, including entities within the United Nations system and other relevant organisations, to assist developing countries in achieving and maintaining debt-sustainability. As we enter discussions today on the lessons learned from the debt crises and the ongoing work on sovereign debt restructuring and debt-sustainability, it is well worth noting the Report of the Secretary-General to the Sixty-Seventh session of the General Assembly, which highlights that the total external debt of developing countries reached \$4.5 trillion over the year 2010-2011.
3. The Group wishes to underscore the importance of the ongoing debate, within the United Nations and other relevant forums, on the need for new sovereign debt-restructuring and debt-resolution mechanisms that take into account the multiple dimensions of debt-sustainability and its role on the achievement of the internationally agreed development goals, including the Millennium Development Goals.
4. The continuing financial and economic crisis is negatively affecting the growth prospects of many developing countries, reversing the development trends of the recent past, and leading to increased poverty. Because of the limited scope of their economies, many developing countries are unable to enact the appropriate fiscal measures to mitigate impacts of the crisis on development. It is clear to us that the crisis highlights long-standing systemic fragilities and inequalities. We now see the promise of a recovery being threatened by new adverse circumstances, including turbulence in the global financial markets and widespread fiscal strains.

Mr. President,

5. The G77 and China is seriously concerned by the substantial increase in the financial stability risks of many developed economies and in particular, their high structural fragilities in financing sovereign debt created as a result of transferring private risk to the public sector. In this regard, we call for urgent and coherent solutions to reduce sovereign risk in developed economies to prevent contagion and to mitigate its impact on the international financial system.
6. The Group is also concerned about the soundness of the methodology used by the major credit rating agencies. Since credit rating agencies usually do not reflect adequately the solvency of the debtor, the Group believes that it is necessary to continue the discussions on the role of credit rating agencies, with a view to proposing concrete policies aimed at reducing dependency on them and enhancing their supervision. It is evident that credit rating agencies have inherent conflict of interest problems. They lack transparency and objective criteria and a very small number of firms

control a large majority of the market. In order to set this right, it is importance that not only should countries adapt their legislation, but the Standard Setting Bodies themselves should also reduce reliance on credit ratings, and start pursuing objective criteria to assess credit, solvency and liquidity risks. We regret to see that once again the mandate agreed by Member States, that called for the organisation of a General Assembly thematic debate on the role of credit rating agencies has been ignored, while non-mandated debates have been organised.

Mr. President,

7. Let me now dwell on debt issues and the vulnerability of developing countries to exogenous shocks. It is now evident that these exogenous shocks are affecting their capacity to continue servicing their debt obligations, regardless of their good practices in the past.

8. The international community must realise that no path to growth can be construed or fostered with unsustainable debt overhang. As such, any debt restructuring exercise should have as its core element a determination of real repayment capacity. If the real repayment capacity of any country is not properly addressed, the original restructuring may require more time for further restructuring. Such outcome would further affect growth and good faith creditors.

Mr. President,

9. We express deep concern about vulture fund litigations. Debt-restructuring processes and debt sustainability itself are at present facing serious risks, related to the actions of speculators endeavouring to gain excess profits from countries facing excessive debt obligations and repayment processes, thereby placing them in vulnerable situations.

10. Indeed, sovereign debt management has been a crucial issue for developing countries, both as a cause for concern in past decades and as a strong point in more recent years due to the activities of vulture funds. Recent examples of vulture funds' actions in international courts have revealed their speculative and profit-seeking nature. These vulture funds pose a risk for all future debt-restructuring processes, both for developing and developed countries. The Group of 77 and China believes that vulture funds must not be allowed to paralyse the debt-restructuring efforts of developing countries, and that these funds should not supersede a State's right to protect its people under international law.

11. When the market-based, ad hoc contractual approach to working out government debt is insufficient to deal with debt crises, thereby leading to cascades of litigation and causing ripple effects throughout the debt market, surely the preferred option should be a human-rights approach. A fair, human-centred and development-oriented mechanism enshrining the legal principle of 'odious debt', should assist to ensure a government strives to fulfil its sovereign duty to respect its people's right to development.

12. The UN Guiding Principles on Foreign Debt and Human Rights, which were adopted by the UN Human Rights Council in June 2012, underscore the importance of States, international financial institutions and private companies to honour the obligation to respect human rights. According to these principles, all efforts must be directed towards achieving a negotiated settlement between the creditor and debtor and that loan agents have a responsibility to impose restrictions on the sale and assignment of debts to third parties without prior consent of the Borrower State. The Group of 77 and China calls on countries to adopt legislation consistent with these guiding principles to prevent vulture funds from pursuing excessive claims against heavily indebted countries before their national courts.

13. The Group would also like to use this occasion to reiterate its support for the setting up of an independent international system of debt arbitration, in which countries facing risks of debt distress can have recourse to a debt standstill. Such a system would facilitate debt workouts with burden-sharing procedures.

14. I look forward to a productive interactive discussion on this subject and wish the meeting great success.

I thank you, Mr. President.