



COMMENTS BY AMBASSADOR BYRON BLAKE, DEPUTY PERMANENT REPRESENTATIVE, ON BEHALF OF THE GROUP OF 77 AND CHINA IN INTERACTIVE PANEL OF THE UNITED NATIONS GENERAL ASSEMBLY ON THE GLOBAL FINANCIAL CRISIS (New York, 30 October 2008)

Mr. Chairman,

I wish on behalf of the Group of 77 and China to thank the President of the General Assembly for organizing this timely Interactive Panel Discussion on the Global Financial Crisis. I take the opportunity also to thank the Panelists for their robust and insightful presentations.

The international community is experiencing the deepest financial and economic crisis since the 1930s. All the Panelists have agreed on that. Financial crises are of course not new. We have experienced several especially since the 1980's, as countries liberalized and deregulated markets, especially their capital market. This crisis is significantly different in many ways, however. These differences include the fact that:

- The epicenter is in the most developed economy, with one of the biggest financial markets and with a full global reach;
- The spread was first through other highly developed economies and financial markets;
- The international financial system now operates with technology which can effect trade and spread information as well as panic around the globe instantaneously;
- There was a failure of national and international regulation, supervision and surveillance;
- There was disbelief that titanic could not right itself;
- There is a lost of public confidence not only in markets but in Governments, key public and private institutions and even in iconic individuals;
- The financial crisis has come on top of, and is coincidental with (a) a fundamentally weak, unrepresentative and undemocratic international financial and economic governance structure, (b) economic crises in some important sectors of the real economy, such as food, energy and construction, (c) significant and chronic imbalances especially in the trade and current accounts of the key economies. The crisis originated in the country with the largest negative balances; (d) the belief that decompiling was possible and could provide safe haven for some countries; and
- There is an absence of any international institution capable, or which considered itself capable of intervening, or organizing intervention into the crisis even months after its manifestations were clear for all to see.

Mr. Chairman,

The idea that some countries can decouple from the economies where the crisis had its early manifestations no longer has credibility. All economies are frighteningly interwoven and interconnected. The crisis is already impacting an increasing number of countries across the globe through various channels. These channels include domestic stock markets, investments made through US, UK and other financial centres, the international banking system and relationships, Direct Foreign Investment (DFI), investments such as pension funds managed by key US and other developed market institutional investors, and assets such as international reserves held in US dollar instruments and currency and increasing cost of debt servicing and of new borrowings, and declining remittances and ODA for development. The impacts are also being transmitted to the real sector through falling earnings from exports especially from commodities and tourism.

Mr. Chairman,

Many of these adverse impacts will be cumulative. The developing economies will be the most severely affected over time and with the lack of coordinated response. This will be in gross terms and in proportion to size of the economics. This will include some of the larger and faster growing export driven developing countries and the LDCs, the LLDCs, the small and highly trade dependent economies and the remittance and tourism dependent economies. The African continent is likely to be significantly impacted particularly as the crisis spreads to the real, in particular, the commodity sector.

Mr. Chairman,

The challenge for the global community is how to respond to the crisis effectively. The preferred approach in this highly globalized international economy as implied by all the panelists is for coordinated global action. This has, however, been the road not taken.

The first line of response was to seek to rescue specific enterprises, sub-sectors, and finally sectors but on a national basis. These initiatives have not been effective and the crisis has deepened in countries and has spread across countries.

The second but late line of response taken only weeks ago was joint effort of central banks and finance ministries of the G-7. This did not work either. The stock market in all G-7 countries simply rocketed downwards even faster as the crisis continued to deepen and spread into the real economy.

We are now witnessing a third stage in this process of muddling through. A Summit level meeting has now been called by President George Bush for November 15, 2008 in Washington. This is an exclusive meeting of a small group - the members of the G-20. This is a movement in the right direction but it will not be enough. This group of countries might be of systemic significance but, as stated earlier, this crisis is now beyond the financial sector and is world wide. All countries are being impacted; all must be involved in the search for equitable solution.

Mr. Chairman,

The crisis is on top of a fundamentally and structurally weak system for global governance in which developing countries have little confidence. The G-77 and China has maintained for years that the current system arrangement for governance of the international financial and economic system lacked coherence, is undemocratic, unrepresentative of current economic realities and incapable of engendering confidence and trust. Trust is perhaps the biggest casualty of the current crisis as developing countries compare the approach of the major countries and institutions to this crisis and earlier crises which originated in developing countries. Long before the crisis, the Group had called for fundamental reform in global financial and economic governance.

The Group saw the Conference for the Review of the Monterrey Consensus scheduled by the United Nations for the end of November 2008 as an ideal opportunity for addressing this crisis.

The Prime Minister of Antigua and Barbuda and Chairman of the Group of 77 and China, H.E. Mr. Winston Baldwin Spencer, in an address to a High-level Forum on Democracy, Development and Free Trade in Doha on 13 April 2008, having analyzed the current conjuncture of major governance challenges facing the international community argued that the Doha Conference "will have to be much, much more than a review of the implementation of the Monterrey Consensus". He threw out

a challenge to leaders who would be in Doha to transform the Conference (the Monterrey Review Conference) into a Conference on the major systemic challenges we face as an international community, or at a minimum, put in place a process for a major "Bretton Woods" type Conference to address, in an integrated and consistent manner, the range of fundamental challenge facing us as a global community. Two of the challenges he specifically identified were a "financing and monetary challenge; and a "global governance and institutional challenge".

Mr. Chairman,

That was April 2008. The G-77 and China supported the Doha Conference as an idea venue to begin to comprehensively address the issues because it is universal, inclusive and under UN auspices. Further, the UN has the capacity to treat with issues which cut across institutions, are multi-dimensional and need to be resolved in an integrated and coherent manner. In addition, it is a long planned conference at the level of Heads of State and Government.

The challenge now is to get the various processes underway to feed into the Doha Conference and for the Doha Conference to address the issues fundamentally or put in place a process to do so.

Most panelists and comments so far support for this inclusive approach.

I thank you, Mr. Chairman.