



MESSAGE FROM AMBASSADOR MUNIR AKRAM, PERMANENT REPRESENTATIVE OF PAKISTAN TO THE UNITED NATIONS AND CHAIRMAN OF THE GROUP OF 77, TO THE SEVENTY-EIGHTH MEETING OF THE MINISTERS OF THE INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT (Washington, DC, 19 October 2007)

Honourable Ministers
Excellencies,
Ladies and Gentlemen,

I have the honour and privilege to make a statement on behalf of the Group of 77 and China at the Seventy-Eighth Meeting of the Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24).

2. Our leaders were fully persuaded of the increasing importance and complementarity of our collective efforts, when at the Second South Summit in Doha in June 2005, they urged the G-24 to work closely with G-77 in order to jointly push for long awaited and much needed reform of the international financial architecture.

3. The Memorandum of Understanding signed in September 2006 between G77 and the G24 pursuant to the Summit Decision now provides the framework to continue our endeavours to influence decision-making in the Bretton Woods Institutions.

4. The convening of the G-24 Technical Group at the United Nations in New York on March 12, 2007 was the first clear manifestation of active cooperation between the G-24 and G-77 and China to further deepen and expand our collaboration in advancing our common goals and objectives.

5. This collaboration is particularly timely and topical this year as we start our preparations in New York for the Follow-up International Conference on Financing for Development to be held in Doha, Qatar in 2008.

6. Let me take this opportunity to share with you some of our thoughts and views on global financial architecture and governance issues.

7. The global financial system has evolved in ways, and in directions, over which neither international institutions nor most Member States have much influence or control. The developing countries certainly have little ability to influence financial trends despite the fact that these trends have significant implications for their growth and development, not the least due to the volatility of the situation. Perversely, in part to guard against this volatility, developing countries have accumulated large reserves which are transferred back to the deficit country. This has contributed to enlarging the net outflows of finance from the developing to the developed countries, which went up from \$ 533 billion in 2005 to \$ 662 billions in 2006. Simultaneously, actual resource flows for development reportedly also declined.

8. A global economic slow down even perhaps a recession is forecast in the wake of the recent turbulence in financial markets. Such turbulence was anticipated by some analysis within the United Nations as a consequence of the persistent global trade and financial imbalances.

Excellencies,

9. In an integrated and globalized world economy, the developing countries are increasingly vulnerable to actions and policies originating in the developed countries over which they have little or no control. This is particularly true for the innovative and complex financial products developed and introduced in the markets of the advanced countries. There is need clearly for stronger regulatory mechanisms and greater transparency in the management of such new products and innovative instruments and their recent impact on global markets.

10. The rich cannot continue to determine the policies and parameters of global finance, monetary and trade policies that impact so significantly on the destinies of the billions in the poorest countries. We cannot any longer avoid the issue of equitable international economic governance.

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11. The Group of 77 and China supports a comprehensive reform of the international financial architecture, including enhancement in the voting powers of developing countries, within a specific time frame. The reform must also address the objectives for which the IMF was created: one, to ensure financial stability and two, to ensure access to liquidity for those countries which actually need it. The G-77 and China will continue to press for such a fundamental reform of the international financial system, and its governance architecture, in all relevant forums.

12. The current attempts to reform the IMF address certain aspects of these challenges. Changes in distribution of voting rights to reflect the new realities are needed. But this alone will not resolve the fundamental problems of instability and unavailability of liquidity for those who really need it to generate growth and sustain development. The world needs to develop a strategic consensus on the comprehensive reform of the international financial and monetary system that encourages rapid, balanced and sustained growth and development in a "globalized" world economy. Reform must encompass liquidity creation, including SDRs as well as ODA, Debt, FDI and private investment.

13. At the same time, it is ever more urgent to undertake measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of capital flows. To this end, the IFIs should have suitable financial facilities and resources to respond to such financial crises and arrest their contagion effect on vulnerable developing countries.

Excellencies,

14. We trust that the forthcoming review of the Monterrey Conference on Financing for Development will provide a valuable opportunity to evolve agreement on a comprehensive and effective approach to address the above challenges, including the resources required to ensure implementation of the development goals of the developing countries, including the MDGs and other internationally agreed development goals.

I thank you.