



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MINISTER MARCELO SUAREZ SALVIA, PERMANENT MISSION OF ARGENTINA TO THE UNITED NATIONS ON AGENDA ITEM 17, MACROECONOMIC POLICY QUESTIONS, AT THE SECOND COMMITTEE OF THE 66TH SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY (New York, 10 October 2011)**

Mr. Chairman,

I have the honour of delivering this statement on behalf of the Group of 77 and China.

1. Due to continued weak performances of the existing institutions, painful situations have occurred in the global economy. A majority of developing countries are still confronted by numerous shared and common problems and great challenges such as extreme poverty, global food crisis and continued food insecurity, high level of unemployment, external debt burden, lack of financial aid and negative effects of climate change. Strong and sustained growth is critical to developing countries, in particular LDCs, to meet the internationally agreed development goals, including the Millennium Development Goals (MDGs).
2. The continuing financial and economic crisis is negatively affecting the growth prospects of many developing countries, reversing the development trends of the recent past 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 its impacts on development.
3. The adverse impact of the ongoing world financial and economic crisis on developing countries highlights long-standing systemic fragilities and inequalities. The promise of a recovery is being threatened by new adverse circumstances, including turbulence in the global financial markets and widespread fiscal strains.
4. We express great concerns on the fact that the world economy enters a dangerous new phase, characterized by unresolved structural fragilities, sharp falling confidence and high risk; and as a result, the global financial system faces more challenges than any point since the beginning of the financial and economic crisis.
5. Three years after the outbreak of the global crisis, the economic recovery is today more fragile, uneven and uncertain and requires urgent measures of support. We underline our concerns that the worsening of the crisis will have even longer lasting negative effects on development, depressing potential output for years to come, raising the cost of capital and tightening the availability of credit, affecting international trade as well as impairing the economic and financial stability of many developing countries, in particular LDCs.
6. The G77 and China stresses the need for appropriate and necessary measures to bring about a more rapid solution to the current economic and financial crisis. Developing countries should not be, once again, financially burdened by the crises for which they are not responsible.
7. To reverse the impact of the crisis, the international community need to respond by providing additional support for development for the achievement of the internationally agreed development goals (IADGs), including the millennium development goals (MDGs).
8. Furthermore, over and above the support from the international community, we call for the

predictable and timely disbursement of multilateral resources and official development assistance and for putting an end to the ongoing procyclical conditionalities that curtail the available financial options for developing countries and needlessly exacerbate the financial, economic and developmental challenges. It is in this regard, we believe that it is extremely important to ensuring enough policy and fiscal space for developing countries, in order to allow them to design and implement appropriate development policies and strategies.

Mr. Chairman,

9. Let me now dwell on the cause of the financial and economic crisis which is still ongoing. We state once again that the main causes of the crisis are linked to the fragilities and inequalities in the current international economic order. Failure of multilateral surveillance and lack of early warning systems, overconfidence and over reliance on market self-regulation, have resulted in serious deficiencies in the global financial and economic architecture.

10. These factors were made acute by an outdated global financial and economic architecture, as well as major failures such as the lack of proper regulation, supervision, and monitoring of the financial sector, compounded by an overall lack of transparency and financial integrity, excessive risk-taking, unsustainably high asset prices, over leveraging, and unsustainable patterns of consumption fuelled by easy credit and inflated asset prices in developed countries. The unfolding crisis has demonstrated the need for a robust and more focused role of the State in the economy and in the formulation and implementation of social policies.

11. It has highlighted the urgent need for a substantive and comprehensive reform of the international economic and financial system and architecture, including mandates, scope and governance of the Bretton Woods Institutions (BWIs). It is unfortunate that once again, in this year, a decision to appoint a Managing Director for IMF ignored the need for selection of a candidate from developing countries. We stress that the reforms though cosmetic, must reflect current realities and ensure full voice and participation of developing countries, including LDCs, in the decision making and norm-setting process of the BWIs, in order to address the democratic deficit of these institutions

12. In this regard, we believe that the heads and senior leadership of the international financial institution, particularly the Bretton Woods institutions, should be appointed through open, transparent and merit-based selection processes, with due regard to gender equality and geographical and regional representation.

Mr. Chairman,

13. 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.

14. The G77 and China underline the importance of the discussions, including within the United Nations and other appropriate forums, on the need and feasibility of 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.

15. G77 and China is seriously concerned by the substantial increase in the financial stability risks of many developed economy 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.

Mr. Chairman,

16. We recall that allocations of special drawing rights have contributed to increased global liquidity and encourage continued discussions on policy options to promote long-term stability and the proper functioning of the international monetary system, including the role of special drawing rights.

17. G77 and China would like to stress that the multilateral, regional and sub-regional development banks and development funds should continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action. Strengthened regional development banks and sub-regional financial institutions can add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency.

Mr. Chairman,

18. The Group of 77 and China recognizes that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force for investment, economic growth and social development, including poverty eradication.

19. As the recent episodes demonstrated, the causes of commodity price high volatility have not been addressed, affecting economic welfare of producers and commodity dependent developing countries. High volatility is a particular concern at a time when we need to expand agricultural production to address the concerns over food security.

20. In this regard, the G77 and China reiterates that any successful strategy to ensure food security must involve a comprehensive approach that include enhanced market access for agricultural products from developing countries, elimination of agricultural trade distorting measures by developed countries, sustainable investments in agricultural production and research, and targeted support to the advancement of the agricultural sector in developing countries.

21. In order to fully harness the potential of trade, it is important to uphold a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that contributes to growth, sustainable development and employment, particularly for developing countries. In this context, all countries should desist from all protectionist measures, particularly developed countries, affecting developing countries, including agricultural subsidies and non-tariff barriers to trade, and rectify any trade distorting measures already taken. We call for the fulfillment of all commitments contained in the 2005 Hong-Kong Ministerial Declaration of the World Trade Organization in favour of Least Developed Countries.

22. Finally, we look forward to the Eighth Ministerial Conference of the World Trade Organization. The multilateral trading system needs to be reinvigorated and the Doha Round must conclude with a balanced outcome and a strong development dimension. In the same line, the 13th session of the United Nations Conference on Trade and Development, which will take place in April 2012, is also an opportunity to mobilize international efforts towards a development centered globalization, which contributes to sustained and inclusive growth and sustainable development.

23. In conclusion, Mr. Chairman, we look forward to our deliberations within the Second Committee

on all issues under the macroeconomic policy, and we commit to working towards action oriented resolutions which help us move forward to address the key issues of the current development agenda.

I thank you.

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