Mr. Chairperson,

Before I begin, let me express my appreciation for the detailed reports brought out by the Secretary General on important macroeconomic policy questions, some of which are being considered on the agenda today. We associate ourselves with the statement delivered by Yemen on behalf of G-77.
The global economic situation, though still fragile, is on its path of recovery. It is of the utmost importance that the economic growth is sustained.

However, our collective sense of hope and optimism is marked by caution. There are still large pockets of global economy which are yet to overcome structural difficulties.

The developing countries, who have been hit the hardest by the crisis, are still struggling to cope up with the aftermath. More than 60 million people have slipped back into poverty in 2009. The figure for 2010 is likely to be equally discouraging.

I would like to make a special mention that the policies of the Government of India led by Prime Minister Dr. Manmohan Singh and Mrs. Sonia Gandhi, UPA Chairperson have been instrumental in withstanding the global economic recession in our country. Through their vision and forward looking leadership, India, in spite of the odds was able to grow 7.4% during 2009-10 and is expected to grow by 8.5% in 2010-11.

Mr. Chairperson,

A critical lesson from this crisis is that the unregulated capital flows are highly destabilizing in nature. The withdrawal of huge amounts of money has left developing countries without adequate coping mechanisms and in fact even more financially unstable than before.

While we are seeing signs of global economic recovery, we must not lose sight of the fact that many developing countries are not in a position to implement counter-cyclical measures. There is an urgent need for international assistance - be it ODA, concessional finance, debt relief and moratorium or FDI- to help such economies gather momentum.

The loss in demand in developed countries has directly translated into fall in exports of developing countries and a consequent adverse impact on employment and growth. This loss in export demand needs to be made up through expansion in other components in domestic demand such as investment.

In this context, India has been advocating increased infrastructure investment in developing countries.

Our Prime Minister Shri Manmohan Singh speaking on 27 June 2010 in Toronto said – “Developing countries need to rebalance their strategies to rely less upon exports and more on domestic demand. In many developing countries, this is best done
through increased investment directed to infrastructure. This will sustain growth in the short run by offsetting the contractionary effect of lower exports.”

Our companies have led the way and made substantial investments in the service and infrastructure sectors in Africa, Asia and Latin America especially in the LDCs, LLDCs and SIDS.

Mr. Chairperson,

India fully recognizes that the global economic and financial architecture, so overwhelmingly loaded against the developing world needs urgent reform. It has been our endeavour to push for reforms in the Bretton Woods Institutions so as to make them more democratic and equitable.

We call for early implementation of the two phase package of reforms announced by the World Bank in 2008 to enhance voice and participation of developing countries. We also support tightening of capital and liquidity rules by global banking regulators to allow the financial system withstand future downturns.

Mr. Chairperson,

The financial crisis has led to acute debt problems in the developing world. The total external debt of these countries increased by 8% during 2007-08 and the debt servicing burden rose by more than 11% during the same period.

The LDCs are the worst affected. Despite significant debt relief under the Heavily Indebted Poor Countries programme and the Multilateral Debt Relief Initiative, the total debt service burden of LDCs in the year 2008 reached US$6.03 billion.

In 2009, debt service in relation to government revenue increased by more than 17% in heavily indebted poor countries.

The external debt burden constrains the national policy space and policy independence in many developing countries and their ability to play the role of a developmental State.

Debt sustainability analysis frameworks remain limited and subjective. We agree with the report of the Secretary General that further consideration must be given to move towards a debt structure which is linked to a country’s ability to pay, instead of an understanding of unacceptable level of debt accumulation.

Mr. Chairperson,
The international community must remain vigilant in monitoring the debt situation of the affected countries. We should work to design policies that promote safer debt instruments, reduce destabilizing capital flows and limit solvency crisis by promoting responsible sovereign borrowing.

The roadmap of our global economic and financial reform agenda is clear and unambiguous. Let us make it happen.

Thank you.