Mr. Chairman,

We would like to thank the Secretary-General for the useful reports on the macroeconomic policy questions being considered on the agenda today. We associate ourselves with the statement made by the Chair of the Group of 77.

Mr. Chairman,

As we all know, since last year we have been witness to an extraordinary crisis in the international financial system. Paradoxically, developing countries, where the crisis did not originate, have been the worst hit. Its multi-dimensional impact has been well elaborated upon, and I need not reiterate the same.

Instead, what is of paramount importance today is the need to revive the global economy, and the complex challenges this poses for developing countries. The road to recovery remains slow and arduous, despite the scant green shoots of recovery visible in some areas.

We are happy that concerted efforts were made early on to launch stimulus measures for counteracting the crisis. We believe this has borne fruit. We must now avoid the tendency to prematurely withdraw these stimulus measures under the misguided objective of an “orderly exit”.

India too has been affected by the financial crisis. However, our economy has shown greater resilience and we hope to resume robust growth shortly. Our targeted interventions, including large stimulus measures, have assisted this process.

However, we must also be conscious that many developing countries are not in a position to implement counter-cyclical measures or boost demand. There is, thus, an urgent need for international assistance in this regard. While we are happy that Official Development Assistance [ODA] in 2008 reversed a declining trend of many years, ODA flows are still far below committed levels. Moreover, we need to ensure that the ongoing crisis does not lead to a reduction in aid disbursements.

In order to ensure an early return to global growth, we must encourage growth in developing countries through counter-cyclical measures. The loss in demand in developed countries has directly translated into a fall in exports of developing countries, and a consequent adverse impact on employment and growth. This lost export demand needs to be made up through expansion in other components of domestic demand like investment. In this context, India has been advocating increased infrastructure investment in developing countries. This measure would also serve to lay the basis for a high-growth trajectory in future.
However, as the report of the Secretary General also notes, the crisis has led to a sharp fall in foreign capital flows, including Foreign Direct Investment. Therefore, proactive efforts are required by the international financial institutions to encourage growth-oriented investment. In order to permit financial institutions, including regional development banks, perform this role, India supports an expansion in their capital base. But onerous conditionalities in disbursement of funds would be a self-defeating exercise. Developing countries must have the necessary policy space to implement policies suited to their unique circumstances.

Unfortunately, the boom and bust cycles of commodities continue, and the sharp volatility in commodity prices witnessed over the last year is eloquent testimony to this. Developing countries dependent on commodity exports have naturally been the most affected. However, the spike in prices of food and other imports has also adversely impacted commodity-importing developing countries. It is imperative that we collectively address the shortcomings of the commodity markets, including eliminating agricultural subsidies by developed countries, and improving regulation on speculative activities. Greater international efforts are also required to assist low-income commodity-dependent developing countries to launch their economies on a sustained growth path.

The issue of external debt is also an area of special concern. It is encouraging that total external debt of developing countries as a share of GNI decreased from 25% in 2007 to 21.8% in 2008. However, as the report of the Secretary-General itself highlights, this aggregate figure hides severe disparities amongst countries. The situation for many countries has also been worsened by the financial crisis, and it is imperative that we consider special measures to assist such countries. We also need more transparent and objective debt sustainability analysis frameworks. Further, such frameworks must also distinguish between solvency and liquidity problems.

Mr. Chairman,

There is widespread recognition of the need for more effective regulation of the international financial system. We must collectively act to avoid a repetition of such a crisis.

We are concerned at the increasing protectionist tendencies in developed countries. We must eschew protectionism in any form, be it in movement of goods and persons or in financial services. Such measures will only serve to delay the global recovery. In our efforts to address the crisis, let us not create problems for the future.

The crisis has also underscored the urgent need to reform international governance structures. We welcome recent moves in this regard. However, much
deeper changes are required, including at least an initial 7% transfer in quotas at the IMF to developing countries. We must ensure the full and effective participation of the developing world in the global financial and economic architecture, including in the governance structures of norm-setting and decision-making bodies.

We are happy that a UN Conference on the financial and economic crisis was held here in New York earlier this year. The inclusive platform of the UN provides an important opportunity to hear the voices of the most affected. We look forward to the follow-up process of this Conference, particularly the work of the ad-hoc working group. India is also actively participating in the G-20 process, which has been at the forefront of efforts to tackle the crisis.

Before concluding, Mr. Chairman, permit me to reiterate the critical need for a stable and inclusive international financial system that assists development efforts.

Thank you, Mr. Chairman.

BACK TO TABLE OF CONTENTS