



STATEMENT BY HON'BLE MR. CK. CHANDRAPPAN, MEMBER OF PARLIAMENT AND
MEMBER OF THE INDIAN DELEGATION ON AGENDA ITEM 51: MACROECONOMIC POLICY
QUESTIONS: [B] INTERNATIONAL FINANCIAL SYSTEM AND DEVELOPMENT; [C] EXTERNAL
DEBT CRISIS AND DEVELOPMENT; AND [D] COMMODITIES IN THE SECOND COMMITTEE OF
THE 61ST SESSION OF THE UN GENERAL ASSEMBLY ON OCTOBER 9, 2006

Madam Chairperson,

We would like to thank the Secretary-General for his reports on macroeconomic policy questions. We associate ourselves with the statement made by the distinguished representative of South Africa on behalf of the Group of 77.

Madam Chairperson,

According to the World Economic Situation and Prospects 2006, the global economy is expected to grow at a moderate pace of about 3% during 2006. As per the latest World Economic Outlook, the global growth prospects for 2006 have improved in recent months and the growth scenario is now more broad-based. However, there is no scope for complacency on the growth front as the downside risks from inflationary pressures, high and volatile oil prices and a disorderly unwinding of global imbalances, continue to persist. Widening income inequality between developed and developing countries that could have wide-ranging consequences for human development and increased protectionism due to the collapse of the Doha round of trade negotiations are added causes for concern. The twin challenges facing the international community today are how to mitigate the specific downside risks that could dampen medium-term growth prospects and how to leverage the benign growth scenario to promote the realization of the broader development agenda.

The deepening of global imbalances continues to pose a major risk to global growth and stability and by implication to development prospects of the developing countries. Underlying the current imbalances are fundamental structural problems and it is imperative to redress these structural problems. Incidentally, Prof. Joseph Stiglitz has argued that 'until we attack these structural problems, the world is likely to continue to be plagued by imbalances that threaten the financial stability and economic well-being of all of us'. The Fund and Bank have strayed from one of their original objectives - Keynesian demand management to maintain high levels of employment - and its mission for 'a world free of poverty'. It is, therefore, no coincidence that at the 2005 World Summit our leaders emphasized that 'enhancing

the voice and participation of developing countries in the Bretton Woods institutions remains a continuous concern'. The Secretary-General in his report has rightly observed that the effectiveness and credibility of IMF as a universal and cooperative institution is dependent on the adequate voice and participation of all its members and, in this context, recommended concrete action on a comprehensive reform - reform of basic votes. We agree with the Secretary-General; the bridging of the voice deficit requires fundamental reforms in the quota structure, which are long overdue and absolutely necessary for the credibility and legitimacy of IMF. The UN should encourage that immediate steps are taken to initiate the second stage of IMF quota reform, involving a basic revision of the quota formula and subsequent increase of quotas for all under-represented countries; and that the second stage must have a clear deadline, as also recommended by the Secretary-General.

The World Bank must remain steadfast in its mission for a world free of poverty and its strategy must remain embedded in the historical development - centric approach. Governance is not a substitute but a means to achieving important development objectives. It is extremely important to avoid a sequential approach of improving governance before getting down to the development agenda. This will avoid the risk of governance becoming a conditionality for development. Governance at the international level is as important as governance at national level. Hence also the need for a comprehensive reform of the international financial architecture that reflects the reality of the 21st century and is able to create an environment that effectively supports national efforts to eradicate poverty and achieve the Millennium Development Goals by 2015.

Madam Chairperson,

There is a growing realization that surveillance is a means of reducing the likelihood of crises and minimizing the cost of crises. Much remains to be done to strengthen the effectiveness of surveillance and to enhance its pro-growth orientation. We agree with the Secretary-General that the IMF should put greater emphasise on assessing and highlighting the responsibility of major countries, and here we would like to emphasise the systemically important countries, especially the industrialized countries, as such countries account for a significant share of global financial flows. It is imperative that surveillance remains focussed on how to improve its 'even-handedness'. While surveillance in non-programme countries is for preventive purposes, in programme countries it is more of a curative nature. It is important to keep in view and maintain this distinction.

We note the progress made on various aspects of the Medium-term Strategy, which aims to reposition the IMF in the global financial architecture. We do not see any legal and institutional impediment in the realization of the five objectives sought to be achieved in the Medium-term Strategy. The Strategic Review has emphasised the need to deepen understanding of capital movements. Controls on speculative capital flows are needed for ensuring financial stability. A Tobin Tax kind of measure

is not simply a means of innovative financing but also of strengthening policy autonomy through checking speculative capital flows.

We welcome the positive steps taken for the low-income countries since the adoption of the Medium-term Strategy. The Fund should remain fully engaged in the multilateral effort to help its low-income member countries achieve MDGs and address the issues of ensuring debt sustainability with supportive policies. We agree with the Secretary-General that the international community should continue to assist the low-income countries in addressing development challenges, including debt-sustainability.

Madam Chairperson,

The debt problems faced by low- and middle-income developing countries continue to act as severe constraints on their ability to accelerate economic growth and to achieve the Millennium Development Goals. We welcome the recent initiatives for debt relief, including the Multilateral Debt Relief Initiative. Despite a general improvement in the external debt situation, the report of the Secretary-General has noted that 'there remains a large number of countries characterized as severely indebted' and that 'beyond the debt relief initiatives, the question of adequate financing of development of low-income countries needs to be addressed'. We agree with the conclusion of the report that a substantial scaling up of aid is called for. The report of the Secretary-General has also recommended that the use of debt sustainability analysis framework to determine access to finance needs to be applied in a flexible way and that debt sustainability analysis should not rely overwhelmingly on governance indicators, which are subjective. Primacy must be given to growth and long-term development needs of countries. While debt relief has opened the window for social spending, conditionality attached to debt relief measures; uncoordinated and disorderly resolution of global imbalances - cases of increasing debt-export ratios even after debt relief could again close this window. Therefore, the UN has a central role to play in giving appropriate direction.

Madam Chairperson,

Several developing countries continue to depend on export income from commodities. We broadly agree with the conclusion of the report of the Secretary-General that, despite the recent increase in some commodity prices, the fundamental causes underlining the declining price trend have not been addressed. While South-South trade in commodities offers some opportunity, developed countries continue to account for almost two thirds of world non-fuel commodity imports. The report of the Secretary-General submitted to the 59th UNGA rightly noted that developed countries would remain a dominating influence with a crucial role in improving conditions of the international commodity markets. It will be useful to include a detailed analysis of

factors that may help establish conditions in international commodity markets that are favourable to developing countries in the report for consideration at the next session. We agree with the Secretary-General that one of the implications of the suspension of Doha round of trade negotiations is that the distortions in agricultural production and trade caused by the high-levels of subsidies and production provided by many developed countries will continue, seriously affecting much of the commodity-based development and diversification efforts of many developing countries. We also agree that the resource constraints faced by UNCTAD need to be addressed urgently in order to implement the decision made at UNCTAD XI to establish an International Task Force on Commodities. UNCTAD is pre-eminently placed to build a consensus on commodity-related issues.

Madam Chairperson,

The 2005 World Summit reiterated the need for the UN to play a fundamental role in the area of development, including in promoting system-wide coordination to advance the development agenda. There exists an overwhelming logic for the UN to provide directions for the comprehensive reform of the international, financial, monetary and trading systems and for promoting the implementation of the development agenda. ECOSOC has the mandate but not the power. Strengthening of ECOSOC to enable it to effectively discharge its functions, in particular carrying out of a regular assessment of the performance of international financial, monetary and trade institutions is, therefore, crucial. We look forward to early agreement on this issue.

Thank you, Madam Chairperson.

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