Statement of His Excellency

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Madame Deputy Secretary General,
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Excellencies,
Distinguished colleagues,

I am truly pleased to join you for this second session of UNCTAD's Intergovernmental Group of Experts on Financing for Development, pleased that we are here to advance the cause of the Sustainable Development Goals and particularly the goal of an inclusive prosperity for all.

We are gathered here, almost exactly ten years after the biggest economic disaster in memory, to contemplate how we can prevent an evolving debt crisis in the developing world from undermining the attainment of the Sustainable Development Goals, and more general structural transformation in our countries. The global financial crisis of 2008 was a crisis of private risk management, while largely unregulated financial markets failed to adequately assess the systemic risks they had created until it was too late. It was also a debt crisis, with hitherto unimaginable mountains of toxic debt allowed to accumulate unchecked.

Today, total nominal stock of debt amount to almost 250 trillion USD, up from 168 trillion USD in 2008. Clearly, whatever lessons may have had to be learnt from a seminal crisis, such as the global financial crisis, have been missed. At the same time, entrenched inequalities driven by what economists refer to as ‘financialization’ – or the dominance of short-term financial interests and investment strategies over long term productive investment with positive social externalities – have deepened, at the national as well as the international level in a context of sluggish recoveries, slow-motion growth, declining social mobility, and increasing inequality.

While most developing countries remained in relatively calm waters in the immediate aftermath of the global financial crisis, mostly suffering only the immediate impact of a large contraction in world trade, this time round things are different: Financialisation has been allowed to take hold of our economies in ways not seen before, driven primarily by surges of cheap credit engineered in advanced economies to bail out their banks and their economies, as well as by increasingly limited access to other than private means of financing our development. Our economies are, for the most part, now deeply integrated into international financial markets. While, in the short term, this has created seeming opportunities to raise much needed capital at low cost, this opportunity has turned out to be treacherous: It has ended up, creating huge and unsustainable mountains of debt in developing countries, in both their public as well as their private sectors. This debt now threatens to undermine further prospects of sustainable and inclusive development, and even basic macroeconomic stability in many of our economies, at all stages of structural transformation, from low-income to high-income developing countries.

At the same time, external financing needs to forge ahead with development and meet the Sustainable Development Goals are, if anything, vast and growing. This not only reflects high investment requirements of an ambitious development agenda, but also the fact that over the past three decades, developing countries have transferred net resources to the amount of 16.3 trillion USD to developed countries. This net negative resource transfer needs to be reversed and long-term financing of productive, transformational and inclusive scaled-up.

Excellencies,

Deteriorating debt sustainability is an obvious and core obstacle to achieving this, and thus requires our immediate and full attention. But we also need to tackle the deeper causes of rising debt burdens, such as the need for a more equitable trading system, for finance that delivers for development, investment that promotes technology transfer, and redistributive measures that reduce inequality.

Markets concentrate income and wealth. Overconcentration slows economies and can even stall them. Across the decades governments have taken corrective measures. Let’s look at the example of the U.S.A. After the twenty year-long depression that ended in 1893 antimonopoly legislation was passed and the petroleum, steel, and railway trusts, among others, were broken up. In the Financial Crisis of 1907 J.P. Morgan bailed out some Wall Street Banks out of his own pocket. He decided he never wanted to do that again. Meeting with the key New York bankers on Jekyll Island, Georgia, they came up with the basic design of the Federal Reserve System to deal with systemic risk that became a reality in 1913, as did also the progressive income tax as the redistributive measure par excellence. During the Great Depression that began in 1929 the Glass Steagal Act of 1932 kept separate the different financial services (investment banks, retail banks, insurance companies, stock brokers, others), repealed in 1999, while derivatives were approved in the Commodities Market Modernization Act of the year 2000. Both of these events contributed to the hyper-concentration that facilitated the Great Recession that began in 2007-2008. In the 1980's the average of financial service profits as a percentage of total corporate profits was 8%, in 2007 it was 40%. After the crisis, systemic risk was the objective of the Dodd-Frank Act of 2010 and bank stress tests. No measures were taken against the inequality that contributed to the crisis as well as the further inequality that was produced by the austerity measures that passed the cost of the crisis on to household mortgage holders, workers and retired people. Nothing significant has been done about inequality. That is an indicator of how much our values have deteriorated and how the 1% have come to control over 50% of the world's assets.

Please also allow me, in my national capacity, to add that the cessation of unilateral sanctions would be critical to achieving sustainable development. Most UN member states have expressed on multiple occasions their disagreement with the imposition of unilateral economic measures, adding that these go against principles of the United Nations Charter, norms of international law or the rules-based multilateral trading system. Such measures hamper trade flows, negatively impact socioeconomic development in the affected countries and weaken their contributions to international sustainable development. Unilateral, extraterritorial, administrative measures without judicial recourse, are violations of the human rights of individuals, organizations, and indeed entire nations.

We are often told, that there is no alternative, that we cannot return to a Keynesian era, and that even the most unequal market-based system in the end distributes wealth down, in the end. In this frame of mind, lower debt will be achieved through austerity measures, even if this increases inequality even further and shifts the burden of adjustment from the wealthy to the poor. But the conjunction of huge unmet global needs, including responding to global warming and the eradication of poverty, in a world with excess capacity and mass unemployment, is unacceptable.

I look to this meeting, and UNCTAD’s long-standing experience in promoting productive development, to make it clear that there are alternatives that can help to reduce the current high levels of uncertainty in the international policy environment and halt the slide towards a fully-fledged developing country debt crisis.

Excellencies,

The United Nations is the one international organization with the legitimacy to bring all the countries of the world together. The President of the General Assembly, Maria Fernanda Espinoza explicitly recognized the importance of the UN taking a leadership role and decisive action.

An expert group, such as this, has distinct advantages. It can be forthright in its analysis of the causes of problems. In solutions, it can broach new ideas - ideas that might not be enthusiastically endorsed by all, because they might hamper special and influential interests. These ideas might not be translated into policies immediately, but they can help set the agenda for the future.

The agreed policy recommendation of the first session of this expert group are an example. Anyone reading these will, I think, agree that the analytical foundations are clearer and more forceful than those that emerge from the average governmental meeting and report.

Similarly, the Report of the Commission of Experts on financial crises produced under the GA Presidency of Father Miguel D’Escoto, and the New York Conference Outcome that followed (and whose mandates and scope have been contained and followed up through AAAA, and the FfD Forum) are serious invitations to continue the search for equitable and inclusive solutions through our United Nations.

Excellencies,

Allow me to close with the words of Father Miguel D Escoto,

“Together, all have helped us work our way down from the high clouds of mere possibility in order to map the terrain of the real work that lies ahead. They have also provided an example of selfless commitment and hope that I pray will continue and inspire others to join in.

In this sense, I greatly look forward to working with you, in the spirit of commitment to productive, innovative and consensual solutions to difficult problems. I thank you.