



CZECH REPUBLIC

Statement by

H.E. Mr. Václav KLAUS

President of the Czech Republic

**at the General Debate of the 64th Session
of the General Assembly of the United Nations**

New York, 23 September 2009

Check Against Delivery

Mr. Chairman,
Dear colleagues,
Ladies and Gentlemen

Allow me, first, Mr. Chairman, to congratulate you on your election as the highest representative of the United Nations General Assembly's 64th Session.

My country, the Czech Republic, has always appreciated the role the United Nations has been playing in strengthening security, stability and prosperity in the world. I want to assure you that we will continue to participate in the United Nations activities. We firmly believe in the importance of this organization and want it to be efficient and effective. For that reason we support the reform of the UN Security Council, so that it more adequately reflects the political and economic realities in the current world. Some changes are inevitable and we are ready to start discussing them seriously.

This year we commemorate twenty years after the fall of communism, after the moment, when my country – together with other states of Central and Eastern Europe – regained sovereignty and freedom and was again able to resume its place in the community of free and democratic countries where we were when the United Nations was founded in 1945. In the twenty years that have passed since these historic events, we succeeded in building a stable political democracy, as well as in transforming our economic system into a functioning free market economy. I am mentioning this because this experience of ours is relevant for the undergoing discussions about how to solve the economic problems the world is facing today.

We are meeting at a time when the world is in one of the deepest economic crises since the Second World War. The financial crisis, which originated in the United States two years ago, quickly spilled over into most of other countries and led to a severe fall of economic activity all over the world, to a substantial decrease of international trade and capital flows, to the increase of social and economic instability of a large number of countries on all continents.

The United Nations – as a unique world-wide organization – and its specialized institutions have become an important global platform for discussing alternative steps and policies which could – hopefully – help to overcome the crisis and diminish its impact. The until now implemented measures have contributed to the fact that the world avoided a repetition of the situation of the 1930s'. We succeeded also in avoiding the repetition of a massive protectionist reaction to the crisis. Protectionism, in all its forms, should be resolutely condemned here today.

We see the first signals that the economic crisis has reached its bottom or has come close to it. We find ourselves, nevertheless, at the beginning of a difficult and very complicated post-crisis period. There are many reasons for its fragility and vulnerability.

The attempts to increase aggregate demand led to an unprecedented expansion of public expenditures and of public debt in many countries of the world. A large number of UN member states are already facing or approaching a debt trap. International flows of private capital, which contributed so substantially to the rapid economic growth in the last decades, are becoming smaller and less reliable. The fall of international trade undermines the continuation of export oriented strategies of many “emerging markets”. The huge fiscal deficits will harm future economic growth both of the developed and the developing countries.

It would be a tragic mistake to fundamentally impair economic freedom in favor of state or supra-state regulation just now. The long-term experience tells us that it is thanks to the free markets and free entrepreneurship that we can enjoy the current material welfare and economic progress. Business cycles, accompanied by economic downturns, recessions and crises, did exist, do exist and will exist in the future. In spite of them, the world has been – at least in the last two centuries – characterized primarily by economic growth and growing prosperity.

When looking for an appropriate reaction to the problems connected with the current crisis, we should build on the idea that the crisis was basically a failure of governments, not markets. The manipulation of monetary policy in an attempt to artificially prolong the period of growth, the irrational subsidization of demand in the housing sector and the failures of financial market regulation contributed substantially to the crisis. **Let us not delude**

ourselves that the economic cycle and its consequences can be prevented by the more extensive government regulation or by aiming at global governance of the world economy.

It has its territorial or geographic aspects as well. We have to pay attention to the needs and interests of all kinds of countries. Global economic development will benefit from a removal of barriers, not from creating new ones because they would substantially complicate the access of poorer countries to foreign markets and their ability to develop by their own means. Economic recession and large increases of public debt have reduced the possibilities the world can use today in order to meet such ambitions, as the fight against the climate change. I do not intend to go into details of this issue here now, we should carefully follow the scientific debate and pay attention to the costs and benefits of our decision. I do, however, want to emphasize that the measures proposed to combat climate change represent another heavy burden, for both the developed countries which are falling into deep fiscal deficits now and for developing countries and this is in a situation when the rich countries, often pushing this agenda at international forums, are losing their ability to compensate the poorer countries for the impact of these additional costs.

Mr. Chairman, dear colleagues, the Czech Republic, a successor state of Czechoslovakia, which was one of the founding fathers of the United Nations, has always been actively participating in all kinds of UN activities and it intends to do so also in the future. It is in our interest that this organization remains a respected high-level forum, contributing to prosperity, stability and peaceful solutions of the conflicts of today's world.