

Informal Review Session on Chapter VI of the Monterrey Consensus
“Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development”

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The Global macroeconomic surveillance is failing. The IMF is clearly failing to broker the coordination of exchange rates among major hard-currency issuers - coordination also mandated in the Monterrey Consensus - and the prevention of global imbalances. This function is essential to avoid the impacts of exchange rate volatility on the trading capacity and debt service of developing countries, as when unsustainable global situations begin to correct themselves.

In the absence of adequate and readily accessible emergency financing, developing countries have tried to cope with this volatility by building large amounts of reserves. But this is taking place at huge development and social costs; as such funds are invested in rich-country treasury securities instead of in growth-supporting investment at home, as was pointed out by many delegates. The unwinding of major-currency misalignments may bring large losses to the purchasing power of such reserves. There is a need to move to a less dollar-dependent global monetary system.

Co-chair, until mechanisms and structures are in place to correct and prevent financial imbalances of global consequence, and to offer semi-automatic liquidity during global instabilities, developing countries should not abandon policies to actively manage their exchange rate. The difficulties created by these exchange rate fluctuations in developing country economies should be acknowledged. An additional mechanism to help cope with global instability could also be provided via the regionalization of finance, initiatives which should be encouraged and supported.

In addition, we need political oversight; therefore we recommend a “**Global Forum**” with balanced geographical representation under the auspices of the UN should be established to upgrade policy coordination to enhance coherence and consistency of international monetary, financial and trading systems as proposed by UN panel on “System-wide Coherence” in 2006.

Perhaps the already existing, but not functioning General Committee under the GA could be revived for this purpose. This does not require changing the Charter of the UN.

Thank you Chair