Preparatory Process for the Third International Conference on FfD
First Drafting Session: Trade; Technology, innovation and capacity building; Sovereign debt
(as delivered)

Statement by Mr. John Hurley, Director, International Debt and Development at US Treasury

As we said in our opening statement, we agree that a well-functioning multilateral trading system can bring benefits to all, and note that the primary impediment to trade growth in LDCs is the lack of capacity of many countries to take full advantage of opportunities. We believe that building trade capacity is vital, and would like to see support for it included in this outcome document.

Any debate on trade measures is best left to WTO members in Geneva. It is only there that trade issues of real importance, like agriculture subsidies, public stockholding for food security, market access, and intellectual property issues, to name a few, will be decided. Nonetheless, we believe the outcome document could express support for Implementation of the WTO’s Trade Facilitation Agreement. The TFA has the potential to fundamentally reform global trade practices and substantially reduce the costs and time associated with goods crossing borders, and thus unlock new opportunities for developing countries as well as developed countries. It is important to note that in the absence of further progress on multilateral trade negotiations, the trend toward bilateral, regional, and other initiatives will surely intensify and, if done right, can add momentum to the multilateral system itself by building broader support for ambitious trade liberalization and reforms.

Finally we believe Addis provides an opportunity to underscore the fact that for trade to truly be an engine for development, productive enterprises must be able to operate and trade; there are significant opportunities to eradicate corruption, improve business regulation, property rights, and establish and enforce the rule of law toward the objective of well-functioning markets and competitive enterprises.

Turning to technology, we welcome the inclusion of a new pillar on innovation, given that investments in innovation and technology can have a transformative impact on all aspects of development. Effective governance, an open Internet, a predictable intellectual property rights regime, and legal frameworks that minimize corruption and reward entrepreneurialism are critical to encouraging innovation. Policies that support innovation will increase developing countries’ demand for and ability to absorb technology.

Private sector investment, both local and foreign, is one of the most effective means to transfer technology and knowledge, and must be acknowledged in the outcome document. It is important that countries lay the policy foundation for the functioning of that broader market. It is also important that Addis reflect the importance of science, technology, engineering and math education, and we underscore the importance of girls access to the STEM
Let me now address sovereign debt. While debt relief has largely been successfully addressed since 2002 and key debt sustainability indicators have improved significantly, debt management continues to be a concern to avoid a recurrence of unsustainable levels of debt. Prudent debt management is essential to avoid over-borrowing and difficulties in meeting debt service payments.

**Sound macroeconomic and structural policies can help countries preclude debt problems through increased economic growth and an ability to successfully manage shocks.** These policies may need to be supplemented with debt treatment, as appropriate, under existing mechanisms such as the Paris Club.

In recent years, the international community has reaffirmed its strong support for the market-based contractual framework to sovereign debt restructuring. But at the same time, recent events have also shown a need to refine the market-based approach. In response, **new contractual approaches and bond clauses have been introduced in careful consultation with sovereign creditors, sovereign borrowers, international financial institutions, and private market participants.** The new clauses will go a long way towards resolving the issues that have recently come up. Several countries have already adopted the new clauses, with good market acceptance and no perceptible effect on pricing. The outcome document should support the adoption of the new contractual language. We would not support language calling for a statutory mechanism since it could lead to more expensive or restricted market access for sovereign borrowers that would hurt development efforts.