



# BRAZIL

## Second Committee

### Item 18 (a) to (c) – Macroeconomic Policy

**24 October 2012**

*(Please check against delivery)*

Mr. Chairman,

Let me at first thank the Secretary-General for presenting reports on “International Trade and Development” (A/67/184), “International Financial System and Development” (A/67/187) and “External Debt Sustainability and Development” (A/67/174).

My delegation fully aligns itself with the statement made by the representative of Algeria, on behalf of the G77 and China, and Australia, on behalf of the Cairns Group, and would like to make the following additional remarks in its national capacity.

Mr. Chairman,

The global economy is undergoing structural changes that will shape the decades ahead and impact our lives in ways we cannot fully anticipate. We have been through another year of insufficient growth and elusive recovery. The situation in the Eurozone, with deteriorating banking and sovereign debt crises, the persistent fiscal difficulties in the United States coupled with continued food and energy price volatility and unstable capital flows have heightened the challenges we face.

Developing countries will most likely continue to be the main engine for growth in the world economy in the short and medium terms. However, in contrast to last year, many developing country economies are now facing decelerating growth in the context of a challenging transition as they adjust their monetary and fiscal policies to mitigate the negative spillover effects of the renewed and relentless crisis in the developed world. Concerns over inflation and overheating have long been supplanted by fears of an upcoming recession.

Furthermore, according to the IMF and the WTO, international trade will grow only 2,5% in 2012. This is way below the 5% expansion in 2011, and also, for the first time in decades, lower than global GDP growth, which is estimated to be 3,3% in 2012.

As stated by President Dilma Rousseff at the opening of the current session of the General Assembly, this situation requires “a comprehensive pact for the coordinated resumption of global economic growth”. There must be strengthened coordination efforts between the UN Member States, international financial institutions and the G20 in order to prevent the deepening of the recession and stimulate global demand. We believe that this coordination should aim to reconfigure the relationship between fiscal and monetary policy.

Mr. Chairman,

Effectiveness, as we know, is a function of the legitimacy of decision-making processes. Moving towards a more legitimate and effective global economic governance requires redoubling our efforts towards the reform of the Bretton Woods institutions. Adequate representation for the developing world is essential to strengthen the global financial safety net and mobilize new and additional financial resources targeted to promoting a sustainable economic path for debt-ridden countries.

Thus the importance of immediate implementation of the IMF Governance and Quota Reform agreed upon in 2010 as well as the comprehensive review of the quota formula to better reflect the current global economic realities and enhance the voice and representation of developing countries.

It is as much important that the United Nations play a key role in ensuring the political and policy cohesion in economic and financial matters, in coordination with the IMF and the World Bank. By virtue of its legitimacy and universality, the United Nations are uniquely placed to “bend the arc of history” toward development.

Mr. Chairman,

The economic and financial crisis has highlighted the importance of enhancing the coherence and consistency of the international monetary, financial and trading system. The IMF Managing Director Christine Lagarde has recently recognized the spillover effects of monetary easing on

developing country economies. In an increasingly interdependent world economy, it is essential that national economic policies be submitted to mutual scrutiny to mitigate undesirable impacts on third countries that may lead to defensive actions and corresponding reactions.

While we understand the decision by many developed countries to maintain expansionary monetary policies, we are skeptical of its results in the current context. Such policies – particularly in reserve currency countries – seem to have provided limited support to economic recovery, and have posed considerable challenges for developing countries that are forced to manage the international spillovers from volatile financial flows.

Developing countries, Brazil among them, have long struggled to mitigate the impact of volatile capital flows on their economies. Excessively expansionary monetary policies and the ensuing competitive currency devaluations have an effect equivalent to an across-the-board export subsidy and a generalized increase in import tariffs, which nullify or impair existing WTO market access commitments. Furthermore, unilateral monetary easing measures hinder the export capacity of developing countries, jeopardizing their ability to fulfill their commitments to implement all the internationally agreed development goals, including the Millenium Development Goals.

In the face of upcoming recession in the developed world and without the prospect of an ambitious and development-oriented outcome to the WTO Doha Round, many developing countries have been left with no alternative than resorting to their right to fully utilize policy space and flexibilities consistent with their WTO commitments and obligations. In that regard, the recent tariff increases adopted by Brazil and the other Member States of Mercosur for a limited number of products simply cannot be labeled as protectionist. They are a legitimate trade defense initiative taken in response to the artificial competitiveness created by currency manipulations. Our average applied tariff rate is still much lower than our bound levels at the WTO. According to the latest Global Trade Alert monitoring report, developed countries rank at the top of the list of jurisdictions having adopted the largest number of protectionist measures over the last few years.

Brazil believes that all forms of trade manipulation should be fought. In that regard, we consider that the international community must step up efforts to conclude the Doha Round with a view to an ambitious, equitable and balanced result, which is fully compatible with its development mandate, thus providing a much-needed impetus to the world economy.

We are open to pursuing new approaches in order to advance the negotiations by identifying, for example, specific areas where progress might be feasible and bearing in mind the interests of the Least Developed Countries. These approaches, however, have to be balanced and cannot depart from the development mandate of the Round, which has agriculture at its very center.

Mr. Chairman,

In conclusion, Brazil believes that it is crucial to implement commitments already undertaken and further accelerate the reform of the international monetary, financial and trading system towards a more inclusive, responsive and accountable global architecture that ensures benefits to all, particularly to the poor.

Thank you.