

*U.S. Statement
Preparatory Process for the Third International Conference
on Financing for Development
Substantive informal session: “Enabling and conducive policy environment”
9 December 2014
Trusteeship Council Chamber, United Nations, New York*

AS PREPARED

Thank you, Co-Chairs. The presentations we have heard today have given us a chance to have an interesting and important discussion on issues that play an important role in the FfD process. We would like to make a brief, single statement addressing all three major issues on today’s agenda: the international monetary and financial system; international tax cooperation; and debt crisis prevention and resolution.

With respect to the international monetary and financial system, the elevation of the G-20 as the primary forum for international economic cooperation is a recognition of the important role the major emerging market economies play in the global financial architecture. As a member of the G-20, we stress the importance of considering the impact of G-20 deliberations on developing countries and believe the G-20 Development Working Group plays a key role in this regard.

We attach particular importance to strong and comprehensive financial reform, which will lay the foundation for a more stable, resilient financial system that will be less prone to panic and collapse. The U.S. is working closely with its G-20 counterparts and within the Financial Stability Board (FSB) to promote adoption of coordinated financial regulatory reforms. Central to that reform agenda are measures to make the financial firms more resilient and others to enable globally significant banks to be resolved without public bailouts and disruption to the wider financial system.

We also embrace financial inclusion as an important priority, particularly for developing countries. From their initial meetings, G-20 Leaders have recognized that advancing financial inclusion is critical to strengthening the global financial system and promoting strong, sustained and balanced recovery that encompasses and benefits poor populations.

With respect to the discussion on international tax cooperation, the United States agrees with the need to ensure that the voices and needs of developing countries are taken into account in international tax policy setting arena. To that end, **we note that the ambitious Base Erosion and Profit Shifting (BEPS) initiative is an OECD/G20-led exercise, in which countries such as Brazil, China, India, Indonesia and South Africa are participating on an equal footing alongside OECD Member countries to formulate new policies.** In addition, we note the BEPS outreach exercise seeks to ensure not only that developing countries are aware of the BEPS project, but to also ensure that the most pressing tax policy concerns of those countries are taken into account in the BEPS work. We hope that these efforts will help ensure that the views and needs of countries in all stages of development are taken into account.

With respect to debt crisis prevention and resolution, the panelists today have already observed the number of lawsuits against sovereigns has been rising. This reality and some of the recent Court rulings could have the effect of undermining the orderliness and predictability of the sovereign debt restructuring process and weakening creditor incentives to participate in exchanges. In addition, there has long been interest in designing collective action clauses to better mimic domestic bankruptcy, a process that binds all creditors.

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, the U.S. Treasury convened an informal group to discuss new contractual approaches and clauses. This process was thorough and involved extensive outreach with markets, lawyers in the UK and NY, and many issuers.

The new clauses will go a long way towards resolving the issues that have recently come up. Several countries such as Mexico and Kazakhstan have already adopted the new pari passu language and new collective action clauses, with good market acceptance and no perceptible effect on pricing. We are looking forward to the continued strong support of the international community. These clauses should become the new market standard.

Over a decade ago, proposals were made for a global statutory mechanism for sovereign bankruptcy. This proposal – the Sovereign Debt Restructuring Mechanism – was rejected at the time. In light of recent Court rulings, some have proposed reviving the SDRM statutory-type approach, and there is an effort underway in the UN to begin a process that seems designed to propose such a mechanism.

The U.S. did not support the SDRM a decade ago, and it does not and will not support an SDRM or other statutory approach now. There are a number of reasons for this, but most of all we do not think that an appropriate statutory mechanism can be designed that would not lead to more expensive or restricted market access for sovereign borrowers.

The United States is opposed to the ongoing process in the UN aimed at forming a statutory mechanism for sovereign debt restructurings, and has voted “No” in the UN General Assembly on related resolutions, most recently in a vote in December. **We do not believe the UN is the appropriate forum to address these incredibly complex technical and legal issues.** The IMF and similar technical fora are the best place for these discussions to continue.

G-20 Finance Ministers endorsed the contractual work in Cairns in September, the International Monetary and Financial Committee (IMFC) endorsed the contractual work in October, and the G-20 Leaders just endorsed the contractual work at their meeting in Brisbane last month. There was no endorsement of a new statutory approach.

Co-Chairs, thank you.