

**Preparatory Process for the Third International Conference on FfD**  
**First Drafting Session: Systemic Issues**  
**(as delivered)**

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

**Fundamental to the systemic issues discussed today is a diversified, well-regulated, inclusive international financial system.** The United States believes that an efficient market can help allocate finite resources to their best use, augmenting government efforts to meet society's pressing development needs.

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. **We believe that international capital flows are beneficial to development, underscoring the need for all countries to withstand and manage risks from volatile capital flows.**

The United States supports the efforts being made in a variety of settings and institutions to adopt structures that increase the effectiveness of their operations and ability to address global challenges and we remain committed to implementing the 2010 IMF quota and governance reform.

**We believe the elements paper could have better reflected the progress that has been made on voice and participation.** For example, the G20 has proven itself to be an effective and flexible vehicle for coordinating economic actions, while efforts to expand its engagement with other countries, such as through consultations with the General Assembly, have been notable. Measures have also been adopted to ensure the increasing participation of developing countries in the Financial Stability Board (FSB). And the Paris Club has increasingly sought greater coordination and collaboration with a broader array of sovereign creditors and debtors in meeting the challenges and opportunities associated with official financial flows.

**Taken together, these developments are reflective of the economic realities: developing countries are important in the global economy.** They've driven global growth in recent years. They've been an increasing destination for investment and they are also emerging sources of investment and credit.

**But when it comes to voice and participation, we must stress that the UN has to respect the mandates of autonomous institutions and their internal processes.**

**We also question some of the assertions with respect to liquidity, for example we believe that a variety of mechanisms, including the IMF and swap lines, exist to address crises.** And we believe greater attention could be given to building capacity in developing countries, particularly low income countries, to withstand and manage risks from volatile capital flows, rather than the nature of capital flows, per se.