

Statement

**by Alexander YAKOVENKO
Head of the Russian Delegation
Deputy Minister of Foreign Affairs
of the Russian Federation**

**at the High-Level Segment
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on item 2 of the Agenda:
Economic Development in the ECE Region**

Mr. Chairman,
Mr. Executive Secretary,
Excellencies, ladies and gentlemen,

It is a great honor and privilege for me to be here again after a two-year period and address such a prominent audience.

Let me start by congratulating Mr. Jan Kubiš upon his assumption of the important post of the Executive Secretary of the Economic Commission for Europe and wish him all success in his activities.

I would also like to thank Mr. Marek Belka and Mr. Jean-Daniel Gerber for thought-provoking remarks and comments that have set the tone for our discussion.

Traditionally, representatives of the UNECE Member States gather in Geneva to discuss topical issues of cooperation and the future of economic and political integration in the ECE region. However, today, perhaps for the first time, we have to abandon this routine practice. A major reason for that is the downturn in the world economy - unseen in post-war time - that may cause serious social and economic upheavals. Relevance of the whole international financial system is being questioned. Our common goal is to consider how to scale down the impact of present negative processes, to find adequate solutions to this situation and to prevent such developments in the future.

It would not be an exaggeration to say that ECE economies represent a cross-section of the global financial and economic system. Here we have both developed countries and those states that need international assistance. Therefore, our decisions and practices in tackling economic crisis may suggest guidelines for the international community.

Mr. Chairman,

The current global financial and economic crisis is aggravating. Almost each month forecasts for the leading economies are downgraded. It is obvious that today no one can foresee when the global economy starts to recover, as earlier nobody was able to predict the scale of the current decline.

We believe that it is impossible to find an efficient remedy for the crisis without an appropriate determination of its origin. In our opinion, the current crisis occurred due to the combination of several factors.

Firstly, an outdated financial system, a product of the past mid-century, is no more able either to reflect adequately present day realities or to adapt to the changes in market instruments and technologies.

Secondly, emerging risks haven't been exposed and mitigated promptly due to insufficient financial regulation.

Thirdly, during the recent years massive imbalances emerged between fundamental value of assets and enormous scale transactions, as well as between growing demand for credit and the sources for its provision. Moreover, a shift from the "real value economy", seeking to achieve growth at any cost without proper resource backing, divide between financial markets and the needs of the real economy are, in our view, among the basic causes of the crisis.

The crisis has shown that the principles of post-war economic order are no longer relevant. Many international institutions established at that time have proven their inadequacy. It also revealed that domination of one economy and a single currency is coming to an end.

The crisis turned out to be the first major challenge to globalization. The fragmentation of the world economy is getting increasingly evident. However, protectionism and other policies aimed at limiting competition tend to sharpen current problems and will eventually affect the national and global situation. At the same time, temporary measures to support national industries and improve their efficiency are inevitable and even sometimes necessary to ensure economic stabilization, prevent unemployment growth and boost domestic demand.

It is clear that collective effort of the whole international community is needed to end the current deadlock and establish a new fair financial and economic system based on multilateralism (diversity of world financial centers and reserve currencies), the rule of law and respect for mutual interests. In this regard, international organizations of the UN system should play an important role, and most of them are already involved in crisis management.

Mr. Chairman,

The G-20 London Summit will begin its work in a few days. Russia has prepared its proposals for the summit that contain our vision of the new global financial system and ways to overcome the financial and economic crisis. I would like to underline that Russia calls for a fundamental reform of the Bretton Woods institutions, in particular through revision of the quota and voting system. We also support the enlargement of the Financial Stability Forum by involving major emerging economies.

Russia strongly believes that principles of reforming international financial institutions as well as establishment of new global coordination and regulation mechanisms should be fixed in new international agreements. This

would provide necessary legitimacy for such institutions and ensure stability of the financial architecture.

We consider it important to ensure wider participation of countries, in particular developing ones, in a dialogue on the fundamentals of a future global financial order. This dialogue should also include international organizations with a broad membership. Bearing this in mind, Russia proposes to convene international conference as a follow-up to the London summit. We expect the conference to agree upon key elements of a global financial architecture and pave the way for elaboration of international agreements on a new global financial order.

We attach great importance to the UN High-Level Conference on the Global Financial Crisis and Its Impacts on Development in June in New York. The Conference will to a large extent determine the future of the Organization as a global player and its role in responding to current challenges.

I would like to emphasize that, despite the crisis, Russia fully honors its financial commitments, including contributions to the budgets of international organizations. To support international development we intend to increase our donor assistance, inter alia, through providing expertise and financial resources to strengthen the capacity of international institutions.

The UN Economic Commission for Europe has proved its efficiency and relevance. During the recent reform the UNECE has demonstrated its ability to adapt to changing realities and to meet the needs of its Member States. This comparative advantage of the Commission should be utilized to address the current crisis.

Moreover, in order to overcome the crisis we should also pay due attention to structural economic reforms. We believe that the Commission's role could be essential here. In a number of fields (transport, energy, trade etc.) the UNECE, in fact, fulfils global functions sharing its experience and normative work with other regional commissions and countries beyond the UNECE region. Our cooperation with the Commission proves that the UNECE has a solid analytical and technical capacity that enables it to implement technical assistance projects that are in demand by the Member States.

From our part, I'd like to stress our readiness to combine efforts with the Commission to support neighboring countries in need. Russia also took the lead in undertaking significant efforts aimed at protecting a number of CIS economies from the negative impact of the crisis. We have supported neighboring states by granting additional loans in order to allow them to avoid negative macroeconomic consequences, including collapse of national currency and banking system. In addition, to achieve global food security in times of financial crisis Russia will convene the World Grain Forum in St-Petersburg on June 6-7, 2009. We invite all interested countries, international organizations and other relevant stakeholders to take part in the Forum and discuss modalities of international cooperation in the agricultural sector.

Regarding the UNECE activities, we will continue to assist CIS countries while implementing the UN Special Program for the Economies of Central Asia (SPECA), as well as in carrying out projects with the help of the Russian financial contribution to the UNECE.

Finally, Mr. Chairman, I would like to emphasize that full-fledged European integration should remain the primary goal of the Commission. This task becomes particularly important during the global economic crisis. I am confident that by joining efforts we will overcome existing obstacles and will continue our way forward.

Thank you for your attention.