



Statement by H.E. Archbishop Ivan Jurkovič, Permanent Observer of the Holy See
to the United Nations and Other International Organizations in Geneva
at the 12th UNCTAD Debt Management Conference

Geneva, 18 November 2019

Mr. President,

UNCTAD was among the first international organizations to put concerns about the terms and conditions of development financing, both public and private, on the global agenda in the 1960s and 1970s, and it has been a major institutional stakeholder in the process of UN financing for development since the early 2000s. Over five decades, it also has produced leading analyses and reform proposals for the international monetary system with a view to promoting structural transformation in developing countries. Since the 1970s, UNCTAD has enjoyed an outstanding track record in addressing debt crises in developing countries and the need for international frameworks to facilitate sovereign debt crisis prevention and resolution.

More recently, in the well-known *Principles for Promoting Responsible Sovereign Lending and Borrowing*, its *Roadmap and Guide on Sovereign Debt Workouts*, and its annual publication, the *Trade and Development Report*, UNCTAD continues to provide timely and in-depth assessments of financial vulnerabilities faced by developing countries in the evolving global economy, as well as up-to-date policy analysis and reform proposals. The unfettered spread of “financial innovation” has meant that, in many cases, dominant financial practices and operations have become even more opaque and ever more disconnected from underlying real economic activity.

An important corollary is the booming ‘business of debt’. According to UNCTAD’s latest *Trade and Development Report*, global debt stocks reached \$213 trillion in 2017, substantively surpassing the already very high levels of 2008 at \$152 trillion. This puts the debt-to-GDP ratio, according to the latest data available, at 262 per cent, more than two and a half times the global GDP. This month, the Institute for International Finance reports that global debt stocks are expected to exceed \$255 trillion by the end of the year. Much of this explosion in debt is driven by the accumulation of private debt, which has risen more than 12-fold since the early 1980s and comprises more than two thirds of total global debt in 2017. This reflects several decades of unfettered private credit creation in unregulated financial markets that is now also affecting developing countries. These have seen their private debt rise from 79 per cent of their GDP at the onset of the global financial crisis to an astonishing 139 per cent by 2017.

Similarly, this proliferating ‘business of debt’ has quickly moved into areas that used to be the preserve of public authorities for reasons of equity, justice and solidarity, such as pensions, the provision of financial services to the poorest, or the management of sovereign debt.

Moreover, ‘hyperglobalization’ - the combined and continuous deregulation of financial, labour and goods markets around the world - has by now resulted in structural shifts in the relations between nation states and large corporations. These effects are not limited to financial markets, but, as UNCTAD had pointed out two years ago in its *Trade and Development Report*, have produced a new breed of corporate *rentierism* that has largely succeeded in leveraging growing market and lobbying powers to influence national and regional regulatory policy frameworks in a number of key areas for development – such as intellectual property rights, investment policies, taxation issues as well as development financing - to facilitate predatory corporate rent-extraction.

- *The trading of sovereign debt titles and securities* to provoke “artificial reductions of the prices of public debt securities, without regard to the negative impact or the worsening of the economic situation of entire nations” (OPQ, para 17). The subjection of sovereign debt titles to immoral financial practices is unacceptable. This occurs, for example, when so-called hold-out creditors, which make use of financial secrecy in offshore financial centres and the general ‘complexities’ of the current international financial markets placing at risk the well-being of the citizens of entire nations to favour exorbitant financial gains by a few financial institutions and their managers and investors. We particularly welcome, in this respect, UNCTAD’s long-standing work on providing solid foundations for soft-law and other regulatory principles and tools to facilitate sovereign debt crisis prevention and resolution.

In response to this deeply rooted problem in the current economic-financial system, we would like to propose the following counter-measures:

- First, we maintain that “experience and evidence over the last decades has demonstrated [...] how naive is the belief in a presumed self-sufficiency of the markets”, (OPQ, para 21). Regulation is therefore required that guarantees “serious control of the quality and reliability of every economic-financial product, especially of those more structured” (OPQ, para 13 and 21), such as securitized financial instruments. Such regulation is required to reign in the speculative intention and to counter “the growing and all-pervasive control of powerful parties and vast economic-financial networks” to empower those “deputed to exercise political power” and who now “are often disoriented and rendered powerless by supranational agents and by the volatility of the capital they manage”, (OPQ, para 12).
- Specifically, “public authorities should provide a certification for every product generated by financial innovation in order to preserve the health of the system and prevent negative collateral effects”, (OPQ, para 19). This will require “supranational co-ordination among diverse structures of local financial systems” (OPQ, 20 and 21) and

should aim at promoting and nourishing “economic and financial biodiversity” (OPQ, 20), strengthen the principle of cooperation (OPQ, para 20) and encourage cooperative and public credit, “in the service of families, businesses, the local economies, as well as credit to assist developing countries”, (OPQ, para 16).

- Regulation and other coordinated public policy action should further strive to make available “a maximum amount of information possible” (OPQ, para 22) to evaluate systemic risks, ensure financial transparency, restrict “excessive movements” of portfolio capital, and ensure due impartiality and diligence on the part of financial advisers, (OPQ, para 22).
- While we believe that individual States are called upon “to protect themselves with appropriate management of the public system through wise structural reforms, sensible allocation of expenses and prudent investment”, for example to avoid unsustainable debt burdens and “economic losses created by private persons and unloaded on the shoulders of the public system” and promote effective domestic taxation systems, we strongly encourage international initiatives and efforts to facilitate just, effective, comprehensive and neutrally arbitrated sovereign debt restructurings. Further we need, efficient international tax cooperation and to deliver “reasonable and concurred reductions of public debt” (OPQ, 32). In particular, developing States often cannot achieve financial sustainability and meet vast investment requirements on their own. Coordinated support and solidarity from the international community is indispensable, not only for individual developing States but also in taking responsibility for just reforms of the international economic-financial system.

In conclusion, Mr. President,

The Holy See considers it essential that we find our way back to a global financial system that is built on firm ethical principles, accompanied by justice, truth, fairness and solidarity. Given the massiveness and pervasiveness of today’s economic-financial systems, great responsibility lies on the shoulders of those in charge of them. But civil society, policy-makers in developing countries and elsewhere, as well as community leaders, intellectuals and all those affected by the activities of powerful economic-financial agents, must work together to bring about such reforms.

Thank you, Mr. President.