Mr. Chair,

At the outset, let me point out that the Republic of Serbia has aligned itself with the statement delivered on the agenda item 17 and all sub-items by the representative of the European Union last week. However, I shall take this opportunity to address some issues of particular concern for my country and, in that context, present its observations on item 17 (c) of the agenda External debt
sustainability and development and item 17 (a) International trade and development.

Mr. Chair,

As pointed out in the Secretary-General’s report A/68/203, the debt levels of the developing countries continued to grow by approximately 12.4 per cent in 2011 and 2012. At the same time, the average gross domestic product (GDP) for the developing countries grew by 6.1 per cent in 2011 and is estimated to have grown at a more modest pace, 4.7 per cent, in 2012. These trends contributed to the rise in the total debt-to-GDP ratio over the same period.

As highlighted in the report, the share of the Eastern European and Central Asian debt as a percentage of the total external debt of the developing countries stands at an estimated 28.4 per cent, the highest of all regions. The region’s debt-to-GDP ratio rose further from 39.3 to 41.1 per cent in 2012. In Serbia, this ratio is higher than the region’s average and the difficult economic situation in the country and in the Western Europe is an indication that this ratio will continue to rise in the coming years.

At the same time, the Government of the Republic of Serbia has taken bold steps to reduce public consumption and recover fiscal soundness. It has already introduced a set of measures that will cut spending and increase budget revenues. It will also reduce subsidies to the large public companies that remained un-privatized and that still face difficulties considering their lower competitiveness on the world market.

These are only the first measures that the Government has taken as Serbia intends to continue to improve regulations and, by extension, the business climate by reforming its legislation and attracting foreign direct investments (FDIs). The Government anticipates that a new set of regulations will be introduced within a short period of time, which will further contribute to Serbia’s macro-economic and business stability.

At the same time, however, the efforts of the Government to restore growth and increase the GDP and decrease the debt-to-GDP ratio face another problem: FDIs declined further in the region, as well as in Serbia. And while it is working actively to attract FDIs, improve the climate for investments and reform institutions, the Government is aware that econometric researches show that returns of FDI on the economic growth are significantly lower than the returns of domestic investments. Accordingly, a higher GDP growth can be expected only with sound domestic investments and, in present circumstances, this means that raising the debt ceiling might be necessary.
It is important to note that the funds raised by issuing debt should be invested in those projects that have high private or social returns. However, an important role in reaching social stability is played by ODA and, as we can see during the crisis, ODA levels have declined. For countries with high debt levels this trend is particularly worrisome.

Finally, when we speak about solutions to the problem of debt, Serbia supports the development of an agreed rule-based approach to sovereign debt workouts to increase predictability and a timely debt restructuring. In this regard, we find it very important that UNCTAD has taken the lead in this direction with its project on a debt workout mechanism.

Mr. Chair,

With regard to agenda item 17 (a) *International trade and development*, the Government of Serbia is working towards removing the remaining issues that prevent my country’s membership in the World Trade Organization (WTO). Serbia anticipates that these last obstacles will be possible to remove in the coming months and that it will join the WTO next year. We expect that the membership in the WTO and the free trade agreements Serbia has with the Russian Federation and Turkey will make Serbia attractive for business development and FDIs.

In conclusion, let me point out that, while it expects that some macro-economic indicators, such as external debt, will continue to deteriorate in the coming years, Serbia continues to build sound foundations that should reverse these trends and promote the country as a destination with a high economic and business potential and the best guarantee of it are the ongoing reforms.

Thank you, Mr. Chair.