



**STATEMENT BY**

**FUNDACIÓN GLOBAL DEMOCRACIA Y DESARROLLO &  
GLOBAL FOUNDATION FOR DEMOCRACY AND DEVELOPMENT**

**AT THE**

**HIGH-LEVEL MEETING OF THE ECONOMIC AND SOCIAL COUNCIL WITH THE  
BRETTON WOODS INSTITUTIONS, THE WORLD TRADE ORGANIZATION AND THE  
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**

**THEMATIC DEBATE 2: “FINANCING FOR SUSTAINABLE DEVELOPMENT”**

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*Leonel Fernández, President of the Dominican Republic. FUNGLODE and GFDD are dedicated to formulating innovative and strategic proposals on global issues of national interest with the purpose of contributing to the creation of effective public policies related to the governance and social and economic development of the Dominican Republic.*

On behalf of Fundación Global Democracia y Desarrollo (FUNGLODE) and Global Foundation for Democracy and Development (GFDD), I would like to thank the NGO Committee on Financing for Development for inviting our institutions to share our perspectives on the impacts of financial speculation on futures markets and global sustainable development.

Speculation poses serious risks to economic advancement, environmental sustainability and democratic governance. The rising price of basic commodities like food and oil, as a result of financial speculation, has made it increasingly more challenging for nations and organizations to achieve the Millennium Development Goals, green growth, job creation, climate change mitigation and adaptation, and other international development targets, as it signifies reduced financing for priority public investments. Yet the need to implement measures to curb excessive financial speculation of basic commodity prices in futures markets has not received enough priority within the global development arena.

We argue that failure to address this practice, which is now a predominant function of international market economy, is an inherently dangerous mode of operation that provokes and exacerbates rates of hunger, malnutrition and poverty, affecting the well-being, health and livelihoods of millions of people worldwide.

Over the course of the last decade alone, the science of economics has fundamentally changed. Markets are no longer determined by the principles of supply and demand, but instead by artificial demand created by financial speculators.

The preeminence of financial speculation in market economics has extraordinarily increased in scale. Ten years ago, 70 percent of commodity futures markets were comprised of physical hedgers and 30 percent were comprised of institutional investors. Today, those percentages are reversed.

Markets are no longer dictated by producers and consumers, but rather by investment banks, pension funds, endowments, hedge funds, sovereign wealth funds and other similar financial institutions.

Private gain for institutional investment firms has become the sole objective. Rather than an opportunity for upward national growth and continual sustainable development, the commodities

boom has become the largest challenge impeding full achievement of the Millennium Development Goals (MDGs) and sustainable development and green growth at large.

During the time of the Global Economic and Financial Crisis, the notional value of the unregulated over-the-counter derivatives market was estimated to be US \$596 trillion dollars.

Official Development Assistance (ODA), Foreign Direct Assistance (FDA), resource revenue and investment from trade, collectively, cannot compete with the amount of resources being injected into over-the-counter derivatives markets.

Markets need adequate liquidity, not excessive liquidity, to help hedging and price discovery. It is evident that excessive speculation has led to excessive volatility of market prices.

We argue that financial speculation takes unfair advantage of economic, social, political and environmental conditions. Institutional investment firms distort reality in pursuit of increased profit margins. Financial speculators are good at predicting futures markets, because it is they that shape the markets. There is no necessary correlation between the price of a commodity and its true value.

According to World Bank estimates, the volatility of food prices during 2010 and the first half of 2011 launched approximately 70 million people into extreme poverty. We can no longer sit back and allow institutional investment firms to reap benefits at the expense of the world's most vulnerable. Eradication of financial speculation of basic commodities must rise to the top of the global development agenda.

If we, the international community, do not react, what is to become of the many commodity-dependent Least Developed Countries? The commodity sector for these countries could very well represent an opportunity for enhanced labor force capacity and an escape route out of the echelons of extreme poverty.

If we do not take immediate action to address excessive financial speculation, sustainability, upward economic growth, poverty reduction and attainment of the MDGs, including Goal 7, will remain a distant dream for commodity-dependent developing countries.

We promote a new consensus on global stability of commodity prices that is defined by the following criteria: firstly, limits on the transactions of investors; secondly, the establishment of margins higher than the premiums required for underwriting commodity futures contracts; thirdly, limits to the volume of transactions of institutional investors; and fourthly, banning financial speculation of food in futures markets.

We support the important measures that Secretary General Ban Ki-Moon has taken with regard to food security, in particular the establishment of the High-Level Force on the Global Food Security Crisis in 2008, the reestablishment of the Food Security Committee in 2009, and efforts to convince G20 Finance Ministers to improve regulation and oversight of agricultural futures and derivatives markets.

We also commend President Nicolas Sarkozy, in his capacity as Chairman of the G-20, for committing to place the issue of financial speculation of oil and food prices on the G-20 agenda.

We firmly believe that an international consensus to reduce price volatility and financial speculation of commodities must be conceptualized within the framework of the United Nations System.

Fundación Global Democracia y Desarrollo (FUNGLODE) and Global Foundation for Democracy and Development (GFDD) look forward to contributing to this process.

Thank you.