Statement to the General Assembly on behalf of the Secretary General UNCTAD:

**International trade and development (A/68/205)**

Mr. Chairman,

I am pleased, on behalf of the Secretary-General of UNCTAD to present the report of the United nations Secretary-General on International Trade and Development (A/68/205). This report has been prepared as per GA resolution no. 67/196 against the backdrop of efforts by the international community to elaborate post-2015 development agenda and sustainable development goals (SDGs).

In this context the report is a timely reflection on the contribution of trade and the international trading system to inclusive and sustainable development and to poverty eradication. The report makes several key points in this regard.

**I will start with the important contribution of trade towards development.**

1. The past decades have witnessed a dynamic expansion of world trade creating conditions necessary for growth and development. Over the last decades, trade grew on average two to three times faster than GDP. Developing countries grew faster than developed countries in terms of trade and output, with their share of world merchandise exports increasing from 24 to 44 per cent over the last two decades, and their share of world output rising from 17 to 36 per cent. Dynamic growth in South-South trade drove this trend, which now accounts for 57 per cent of developing countries’ total merchandise exports. In addition, a large part of this growth is in manufactured goods, rather than the traditional export of just raw materials. Trade in services has also expanded and showed dynamic growth potential. International trade has contributed to lifting several hundreds of millions of people out of extreme poverty.
2. Nevertheless, if developing countries in general have benefited significantly from trade in the recent past, not all countries benefited from trade to the same extent. While 23 developing countries experienced annual export growth of over 10 per cent between 2000 and 2012, 46 countries experienced export contraction and 90 registered persistent current account deficits. LDCs and sub-Saharan Africa remain marginalized within the global trading system, unable to reap the advantages of trade realized in most other developing countries. They also remain vulnerable to fluctuations of commodity prices.

3. Not only across, but also within developing countries the economic dividends of growth remain inequitably shared resulting in widening income inequality. Broad segments of the society within most developing countries have not seen employment opportunities rise. Recent trade performance leaves no room for complacency as trade dynamism has yet to regain the rapid growth rate of the years preceding the global economic crisis.

*Let me now turn towards the evolving trade patterns and trade policy challenges*

4. The recent trends tell us that, by reviving trade dynamism globally and ensuring that economic benefits of trade are widely and equitably shared among and within countries; substantial progress in improving welfare can be made. However, doing this successfully requires countries to adapt to many new transformative forces of international trade and production that are increasingly shaping the pattern and impacts of world trade today.

5. First among these emerging trends is the increased prevalence of global value chains (GVCs). That is to say, the fragmentation of production across countries. This private sector model has opened new opportunities. However, these
opportunities for growth and employment are not automatic. Thus, efforts are needed to facilitate the integration of developing countries into GVCs, including regional value chains, while focusing on areas of comparative advantage and on maximizing domestic value-added within relevant GVC segments.

6. In the context of GVCs, another prominent trend is the growing importance of services in trade and the global economy. The development of services trade contributes to increased competitiveness and economy-wide growth while the provision of essential services such as health, energy and education is the key enabler of sustainable development. In this context, UNCTAD organized the Second Global Services Forum: Beijing Summit, in cooperation with Ministry of Commerce of the People's Republic of China and the People's Government of Beijing Municipality, on 28-29 May this year.

7. Transformative shifts in the innovation and new technology represent another important area in today's evolving international economic landscape. Today, many goods and services are traded through digital highway, connecting producers and customers in different markets instantaneously. This could be of particular importance for land-locked developing countries.

8. Turning to item 17 d, (Commodities), let me emphasize that factors contributing to high volatility of commodity prices were rooted in traditional supply and demand related issues. However, price volatility was also exacerbated by the financialization of commodities. For instance, low interest rates and loose monetary policy in major economies among the key problems commodity price volatility. The international Community, as highlighted in the report has responded by adopting a number of initiatives aimed at addressing
the negative effects of excessive price volatility on poor economies and vulnerable groups

9. At the same time, it is notable that many developing countries that are major commodity producers have increased, rather than diversify, their dependence on commodities. A re-commoditization of trade is occurring in many developing countries, raising the need to review how to better harness the potential of commodity development and trade.

10. While trade can help steer an economy towards sustainable growth, growth should be inclusive by building developing countries' human and productive capacities to enable them to participate in an environmentally sustainable global economy; generating employment for the jobless and increasing access of the poor to basic services such as energy, water, communications and transport. Given the increasing importance of global value chains in world production models, more attention needs to be focused on helping developing countries to connect with global production and supply chains, including by meeting the imposed environmental requirements, and facilitating the participation of low-income producers or exporters in the production and trade of environmentally and socially preferable products. Notwithstanding the power of international processes, at the national level, improving pro-poor outcomes of trade depends on the ability of countries to implement complementary national measures to facilitate their participation in the trade of sustainably produced goods and services, and promote broad diffusion of its benefits.

Mr. Chairman,
11. Another outstanding feature in international trade is the relevance of Non-Tariff Measures (NTMs). During the last decades, multilateral and regional trade negotiations have substantially reduced tariff rates for most products. However, tariff liberalization alone has generally proven unsuccessful in providing genuine market access for developing countries. This has drawn attention to non-tariff measures (NTMs) as major determinants in restricting market entry. UNCTAD’s research demonstrates that the restrictiveness of NTMs is much higher than tariffs. UNCTAD also through the Transparency in Trade Initiative (TNT)1, classifies and collects NTM data from all over the world, shapes special analytical tools to access data and assess impacts of NTMs and helps formulate appropriate policy responses.

Mr. Chairman, I will turn to some thoughts on the multilateral trading system for a new global partnership for development.

12. The biggest challenge is to reinvigorate a global partnership for development in trade by striving towards an open, equitable, rule-based, predictable and nondiscriminatory and universal multilateral trading system.

13. The multilateral trading system continues to enjoy legitimacy as the unique global public good supporting the stability and predictability of international trade. High-intensity protectionist measures feared in the aftermath of the

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1 Joint multi-year programme (partnership) launched and implemented by UNCTAD, the World Bank, International Trade Center and the African Development Bank.
economic crisis were relatively well-contained thanks largely to countries’ adherence to WTO rules, and to self-restraint and restraints called for by the G-20 and other economic groupings.

14. The continued legitimacy of the multilateral trading system is also evidenced by the fact that multilateral trading system continues to attract new members. In total, 31 countries have acceded to the WTO since 1995, raising total membership to 159 countries.

15. Despite its demonstrated successes, the multilateral trading system faces major challenges in bringing the 12-year old WTO Doha Round negotiations to a conclusion.

16. Current efforts concentrate on finding concrete deliverables at the Ninth WTO Ministerial Conference scheduled in December 2013 at Bali. For instance, reducing global trade costs by 1 per cent through trade facilitation measures is estimated to increase worldwide income by $40 billion.

17. Stakes are high. Already, we have started to witness an increased level of policy attention being given to approaches outside of the MTS. Increased attention given to plurilateral approaches is one such example.

18. Another major challenge concerns the increased prevalence of regional trade agreements (RTAs). As of January 2013, 546 RTAs were notified to WTO, and of these, 354 were in force. Today’s so-called “21st century RTAs” differ qualitatively from previous RTAs in their scope, composition and depth.

19. It is important to secure convergence between the multilateral and regional processes to ensure an optimal mixture of both arrangements. From a development perspective, the 21st century RTAs might represent a risk for
weaker and more vulnerable developing countries as they can be simply left out of the RTA bandwagon.

20. It may be noted that RTAs are not necessarily intrinsic “foes” to the MTS but their coherence with multilateralism and their economic impact should be carefully ascertained.

Mr. Chairman, finally let me share some conclusions

21. First of all, trade should be firmly anchored in post-2015 development agenda for inclusive and sustainable development. It should be recognized not as a goal under any new global partnership, but as an essential “enabler” or major catalyst for other sustainable development objectives such as poverty eradication, food security, gender equality, job creation and environmental sustainability. However, trade policy alone cannot put in place conditions necessary for this to happen; it needs to be supported by a range of complementary policies. Therefore, a coherent and integrated strategic development framework is critically important.

22. Strengthening coherence in international economic policy making between trade and development policies is also needed to better align trade liberalization approaches with inclusive development imperatives. Coherence should also be reinforced between multilateral and regional agreements, so that taken together these arrangements can be turned into an effective enabling environment for sustainable and inclusive development.

23. The United Nations system and UNCTAD in particular, can play a catalytic role in strengthening the multilateral trading system by facilitating consensus on new and emerging issues of trade. During the Uruguay Round, for instance,
UNCTAD played a key role in conceptualizing and clarifying some of the emerging trade and trade policy issues of the time, such as trade in services and trade facilitation, and contributed to the forging of international consensus. Different cooperative frameworks UNCTAD has put in place with other partners have indeed proven successful in dealing with such emerging areas as investment and competition policy. They are based on a soft-law making approach to consensus building through better data and analysis, knowledge of best practices, model laws and regulations, peer-reviews, policy reviews and other means of knowledge creation and consensus building. Alongside effective national strategies and policies, such cooperative frameworks can be instrumental for creating an enabling environment for trade and sustainable development.

Thank you very much for your attention.