

Trade and Development Board, sixtieth session
Geneva, 16–27 September 2013

Plenary on Items 4 and 8:
**Interdependence: Towards new patterns in global growth
and
Development strategies in a globalized world: Growing
domestic and regional demand for balanced and sustainable
growth**

Speaker: The United Kingdom

Tuesday, 17 September 2013

*Not checked against delivery **

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UK Mission
Geneva

UNCTAD TRADE AND DEVELOPMENT BOARD – 17 SEPTEMBER 2013

- Item 4 Interdependence: Towards new patterns in global growth
- Item 8 Development strategies in a globalized world: Growing domestic and regional demand for balanced and sustainable growth

Mr President,
Deputy-Secretary General,
Excellencies,
Distinguished delegates,

We would like to thank the Secretariat for the Trade and Development Report and congratulates it on a successful launch at the London School of Economics last week.

Mr President, we of course support the statement made on behalf of the European Union and its Member States. In addition, I would like to explain some of the UK's work and thinking on the challenges identified in the report, in particularly covering trade, domestic policy and investment.

I'll start with trade. My Prime Minister has described trade as the most important engine of new economic growth and development. This is why the G20 recently extended their anti-protectionism commitment to 2016. UNCTAD's joint work with the WTO and OECD, particularly on investment and Global Value Chains, played an important role in this discussion.

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The link between trade and growth is also the reason that the UK continues to invest in aid for trade programmes. For example, the UK has launched the Africa Free Trade Initiative, which helped set-up Africa's first One Stop Border Post, and has reduced waiting times from 4.5 days to 1.5 days. But there remains much more that we can do. For example, as my EU colleague said, there is a huge prize to be won if we can sweep away trade bureaucracy, and a deal to do this at the WTO conference in Bali this December could be worth \$70 billion to the global economy, including significant benefits to every region in the world.

Mr President, I will now turn to domestic policy. The Trade & Development Report offers some recommendations on the use of industrial policy. Whilst we do not agree with many of these recommendations, this is a fair debate, and one that we have had in the UK. Governments shape our economies with their decisions every day, including decisions on skills and training, infrastructure, tax policy, regulations and policies on public procurement. All of these send messages to the economy. Nonetheless, history has shown that countries also need to be very careful when pursuing industrial policies, as they have a mixed record of success. Industrial policy can be most effective when it is about working with business to plan for the long term, and when it is targeted at addressing areas of market failure. We need to be cognisant of the risks that new industrial policies may actually introduce new market distortions or create businesses that are dependent on public support.

Mr President, to turn to investment. Taking measures to try to reduce capital flows - as the Trade and Development Report suggests - could, in some cases, be counterproductive: placing limitations on capital movements can produce huge disincentives to positive capital flows into developing countries. I'm pleased that the presentation this morning was clear that we must not turn our backs on FDI. This view is consistent with the messages in UNCTAD's World Investment Report, which warned about the risks of rising investment protectionism. In our view, the policy challenge might be better orientated

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around building the necessary capacity to derive the maximum development benefits from such investment flows.

Part of this necessary capacity is ensuring that the largest companies pay tax where it is due. The trade and development report sets out the possible benefits from strengthened international cooperation in tax matters. I would like to highlight that, at the UK's G8 Summit this year in Loch Erne in Northern Ireland, Leaders committed to working to tackle base erosion and profit shifting. G8 Leaders' commitments including creating a common tax return template for multinational companies – which should make it easier to see where companies are, and are not, paying tax – together with support for developing countries to collect taxes that are owed to them.

Finally, the presentation highlighted the importance of financing, particularly the challenges sometimes faced by small- and medium-sized enterprises. The UK's Department for International Development has responded to this through establishing a dedicated Global SME Finance Initiative to unblock commercial lending for small businesses. This Initiative will mobilise funding from donors and Development Finance Institutions, and will share risk with commercial banks and local financial institutions. The UK investment in this area will help over 200,000 SMEs in developing countries, which we believe can create a million new jobs over the next seven years.

Thank you Mr President.

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