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**Item 4: Interdependence: Trade and development
policy challenges for a sustained recovery of the global economy**

**Item 8: Development strategies in a globalized world:
Policymaking in an evolving framework of global governance**

Speaker: Philippines on behalf of the Asian Group

Tuesday, 16 September 2014

*Not checked against delivery **

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**Statement delivered by H.E. Amb. Cecilia B. Rebong
On behalf of the Asian Group
at the 61st Session of the Trade and Development Board**

**Agenda Item 4
Interdependence: Trade and Development Policy
Changes for a Sustained Recovery of the Global Economy**

**Agenda Item 8
Development Strategies in a Globalized World:
Policymaking in an Evolving Framework of Global Governance**

Geneva, 16 September 2014

Madam President,
Mr. Secretary-General,
Excellencies,
Distinguished delegates,

1. I have the honor to deliver this statement on behalf of the Asian Group. The Group associates itself with the statement of the chairman of the Group of 77 and China.
2. At the time UNCTAD was created 50 years ago, there was the hope that economic and social development in both developed and developing countries would evolve and transform into a mutually beneficial relationship that would lead to prosperous global interdependence. There was the expectation that the international trade and financial systems would be reformed so that the specific needs of developing countries would be recognized and that these countries would be able to deploy the national policy instruments that they considered best suited to their developmental needs.
3. However, the Asian Group is of the view that many of the asymmetries and imbalances that were identified back in the early 1960s remain. Indeed, the developing countries in Asia, which have substantially integrated in both the international trade and financial systems, are facing the double risk that a prolonged period of insufficient demand in the markets of developed countries would adversely affect export opportunities and that a tightening of monetary policy in developed countries would cause considerable disruptive effects on developing countries' macroeconomic variables and financial systems. Indeed, this year's Trade and Development Report shows that even if developed countries experience economic recovery, the likelihood of which is difficult to predict, the import elasticity of developed country growth has weakened substantially. It stands to reason therefore that even with growth in the developed countries it is still unlikely to allow developing countries to export to these markets as much as they did prior to the onset of the financial crisis up to 2008.
4. The Asian Group feels that in order to maintain developing countries' growth prospects, two actions are necessary. First, developed countries should concentrate on moving swiftly towards rapid and sustained growth. This will require the adoption of

a consistent policy mix that emphasizes the creation of aggregate demand and the channeling of finance into real investment rather than generating waves of portfolio investment that inflates asset prices on developing countries' financial markets. The Group recognizes that UNCTAD was among the first voices that called for greater policy ambition and alerted policymakers to the risks of moving towards fiscal restraint prematurely and pointed to the adverse spillovers that the mere reliance in developed countries on monetary stimulus was likely to generate. Other international institutions, as well as some prominent international policymakers, are now following and also plead in favor of a different and more demand and employment oriented policy mix. We look forward to a lively discussion of this matter under agenda item 4.

5. Second, the Asian Group believes that developed countries need to support developing countries in their efforts to apply the most effective policy instruments and measures to keep their economies on a path of sustained and sustainable development. This requires an international governance system that gives developing countries sufficient policy space. The Trade and Development Report 2014 reminds us how international agreements have curtailed it and what policy space is left, how existing policy space has been used and how it can be preserved, and eventually enlarged further. In this context, the Report reminds us that multilateral agreements provide better outcomes than other forms of agreements since they level the playing field and ensure that all interests are heard and considered. It also notes that the multilateral system has not been able to provide mechanisms that would allow the effective management and resolution of financial crises. Some Asian countries have successfully applied capital account management measures. The experience of these member States suggests that to use such measures successfully, they should be considered normal instruments in the policymakers' toolkit, not exceptional devices to be employed only in critical times. The Group looks forward to further discussion of this matter under agenda item 8.

Madam President,

6. This year's report also underlines that policymakers need fiscal revenues to successfully implement their policies. While this is an issue that concerns both developed and developing countries, foregone fiscal revenues have more severe adverse effects on the latter's growth prospects simply because they have a less wide revenue base. It is therefore fundamental that the sources of fiscal leakage be addressed and that this is done under the full control and supervision of developing countries with due consideration given to their interests.
7. I thank you Madam President.