

Trade and Development Board, fifty-ninth session
Geneva, 12–28 September 2012

**Item 7: Evolution of the international trading system
and its trends from a development perspective**

General statements by regional groups

Speaker: Indonesia on behalf of the Group of 77 and China

Tuesday, 25 September 2012

*Not checked against delivery **

* This statement is made available in the language and form in which it was received. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



Statement delivered by the Republic of Indonesia
on behalf of the Group of 77 and China
59th session of the Trade and Development Board
Agenda item 7: evolution of the international trading system and
its trends from a development perspective

Mr. President,
Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,

1. The debates at this session of the Trade and Development Board highlight that if the international trading system is to be truly an engine for development, it must be incorporated as part of a holistic, and coherent, global economic architecture. Indeed the interdependence of the global economy makes it more important than ever for the international community to foster an international trade regime conducive to development. Business as usual no longer works, and this requires a fundamental re-examination of the fundamental issues and questions.
2. In this regard, the value, importance, and needs of all players need to be more meaningfully taken into account. The multi-polarity of trade is now firmly established. Developing countries now account for 43% of world merchandise trade and 30% of world services exports. Yet despite the increase in the proportion of world trade represented by the developing world, the growth of world *merchandise trade* slowed down significantly to around 5.5 per cent in 2011, and available data for the first months of 2012 point to a further deceleration to around 3.5 per cent for the whole year. Additionally, export growth in developing countries registered a deceleration in 2011 to 7 per cent.
3. This does not bode well for the future. Sluggish demand from developed countries has primarily affected exporters of manufactures in developing countries, though increased South-South trade has partly counterbalanced this deceleration. However, the slowdown is expected to persist or even worsen in 2012 owing to the near-zero growth of imports expected, particularly in Europe. It is clear that developing countries cannot import more from developed countries unless they can also export to developed countries and to other developing

countries, and unless the earnings from developing country exports are effectively mobilized to boost their growth and development.

Mr. President,

4. The on-going global financial and economic crisis has shown us once again that developing countries' economic conditions continue to be closely tied to those of developed countries, and as the TDR 2012 has pointed out, austerity-oriented and pro-cyclical crisis response policy measures in developed countries arising from a misunderstanding of the causes of the crisis will lead to economic difficulties in developing countries.
5. The hope that developing countries would become the engine of global economic growth despite the weaknesses or policy failures of developed countries continues to be far from reality. Developing countries are being hit mainly by sharp falls in their exports – both to developed countries and other developing countries, and in the slowing down or reversal of capital flows to them.
6. Therefore, as we approach the forthcoming debate, which we hope will take on a decidedly interactive character and nature, we must ask two fundamental questions. The first is how to balance and manage growth in international trade in goods and services and also developing countries' share in this trade, and at the same time provide more effective barriers and insulation against the various shocks that can and do occur, especially in developing countries, arising from external macroeconomic conditions and policy measures of developed countries.
7. The second key issue we should address is how to manage trade, and its place in the coherent and holistic global economic architecture, to ensure that trade contributes to job creation, enhanced productive capacities and development.
8. In responding to these questions, several factors become increasingly important in our consideration. The first is the nature of the international trading system itself. The impasse in the Doha Round stems in part from a fundamental difficulty of coming to agreement on realizing the development dimension of the Round. It also stems in part from the consequences of changes in the global economy that underscore the fundamental weaknesses of a trading system operating at times in isolation from the financial and monetary systems. We need only look at the global economic and financial crisis as a very recent and stark manifestation.
9. Consequently, we must increasingly address advances in the strengthening of the international trading system with corresponding steps in the multilateral financial and monetary architecture, especially through promoting greater coherence in policy making. This requires the enhanced participation of developing countries in global economic decision-making, and thereby ensuring that the multilateral regime becomes more responsive to the need - particularly of developing countries - to have holistic and coherent development-oriented global policy coordination in various areas such as trade and finance.

10. Yet notwithstanding fostering a conducive global environment, it is imperative to go back to basics and to address the economic fundamentals. No matter how good the system may be, and no matter how well intentioned the international community may be, all comes to naught if the weakest and most vulnerable do not have the economic fundamentals to produce and consume.
11. It is therefore basic and essential to focus on building productive capacities to maximize the potential boost to trade and development from services and beneficial integration into the international trade, while countering protectionist trends or addressing restrictions to trade and competition arising from non-tariff measures, anti-competitive practices or volatile exchange rates.

Mr. President,

12. These issues and questions should be addressed in the broader context of the global discourse and action on development, including the recent conclusion of the Rio +20 conference and the forthcoming review of the MDGs in 2015. To this end, UNCTAD could contribute significantly by helping to articulate and advance possible new development goals that address economic fundamentals including those pertaining to a more inclusive, holistic, and better coordinated trading system better in sync with the other pillars of the global economic architecture.
13. As we look forward to how to better ensure coherence of the international trading system with the broader economic architecture, and the fundamental principles of development, we express our continued concern with the lack of progress in the Doha Round. The global economic crisis, and the magnitude of the challenges before us, underline once again that the successful conclusion of the WTO Doha Development Agenda remains crucial, particularly with regard to the Round's development dimension.
14. The underlying principle of the multilateral trading system has been consistency, transparency and predictability underpinned by clear rules, thus providing a meaningfully fair playing field for even the smallest and most vulnerable player. This key principle is in danger. Equally, the opportunity to integrate 'development' more specifically into the WTO system of rights and obligations is also being compromised. We also need to take into account the increase and deepening in regional trading arrangements.
15. It would therefore be useful to enter into a more fundamental and candid debate on what new initiatives can be taken to foster international consensus and cooperation and preserve multilateralism to ensure that the multilateral trading system remains open, rules-based, transparent, non-discriminatory and inclusive, to serve especially as a bulwark against all forms of protectionism and to promote development.

16. These questions remain pertinent not only in the WTO, but also in other forums, particularly the United Nations. We underscore once again that while we are committed to the principle and reality that the place for multilateral trade negotiations is the WTO, the United Nations is the only universal body with the mandate to address the principal issues confronting humanity, including the coherence of the global economic system.

17. Let us not forget that the UN charter makes clear that the UN stands for promoting international peace and security for a better future for humanity. Let us also not forget the impressive apparatus of the UN to ensure that global economics, including trade, play their rightful role in promoting a better, brighter future for all in larger freedom.

Thank you Mr. President.