59th Session of the Trade and Development Board
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Opening Statement by the Secretary-General of UNCTAD

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

It is a great pleasure for me to welcome you all to this 59th session of the Trade and Development Board – the first session of the Board since the UNCTAD XIII conference in Doha.

The Doha conference took place almost five months ago, but the persistent threats to a sustained recovery and the ongoing fragility of the world economy shows that the outcomes of the Conference have lost none of their resonance today.

In my view, the Doha conference represented a threefold success: Firstly, the Conference was crucial in reaffirming the role and mandate of UNCTAD as set out in the Accra Accord. At the same time, the Conference adjusted the secretariat’s work and provided new guidelines, as well as identifying some new areas of work.

Secondly, and most importantly, the Doha conference built a consensus on the need for more inclusive and sustainable growth and development, identified policies to achieve this goal, and recognized the valuable contribution that UNCTAD could make in promoting this agenda.

Finally, it was a victory for multilateralism. It showed that – despite the existence of deep divisions over policy – member States can come together to find agreement and identify cooperative solutions. This is a positive signal, not only for trade and development, but also more generally, for other multilateral processes. I hope that this spirit of compromise will continue to prevail in your deliberations over the next four years.

Today, our challenge is to translate this consensus into our substantive deliberations and policy debates, and to further fill in the policy content. Therefore, I very much look forward to your discussions over the next two weeks as you examine what policies or measures are needed to better achieve more inclusive and sustainable outcomes.

Allow me to offer some brief thoughts on some of the issues you will be discussing over the next two weeks; starting, of course, with the state of the world economy, which continues to be a cause for concern.

The recovery from the global economic and financial crisis remains fragile. The global economy weakened significantly towards the end of 2011, and further downside risks emerged in the first half of 2012. Growth is expected to slow further in 2012, to around 2.5 per cent, and to remain very low in developed countries, particularly because Europe as a whole, and the eurozone in particular, is on the brink of a recession. In the absence of convincing solutions to the area's internal imbalances and related debt overhangs, it could become a deep recession.

Growth will be stronger in developing and transition economies, sustained by resilient domestic demand. However, it is also set to suffer a deceleration, to around 4–5 per cent this year. Strengthened economic ties among developing countries have made these countries more resilient to shocks emanating from the mature economies. Nevertheless, developing countries remain vulnerable to changes in economic conditions in the developed economies. A number of developing countries are continuing to pursue countercyclical policies, but the fiscal space to do so is narrower now than in 2008, and this kind of stimulus is unlikely to be sufficient to regain growth momentum unless economic growth picks up in the large developed countries.

A significant worsening of the current situation in the developed economies would result in capital-flow reversals, shrinking global trade, and declining commodity prices. The impact would vary, given that developing countries' economic and financial linkages to major developed economies differ, but it would be felt across the developing world. Developing countries in Asia – particularly those in East Asia – would mainly suffer via a drop in exports to developed countries. Countries in Africa, Latin America and Western

Asia, along with the major transition economies, would be affected by declining prices for primary commodities. In addition, a full-fledged recession in the developed world would send shock waves through the financial markets by bursting some of the newly inflated asset bubbles.

The main reason for the sputtering recovery and the expectation of a further slowdown continues to be lack of demand. This year's *Trade and Development Report* shows that fiscal austerity and wage compression have – as predicted by UNCTAD in 2010 – further weakened growth in developed countries without achieving the expected results of reduced fiscal deficits, job creation, and renewed confidence in the financial markets. Instead, continued high unemployment and fiscal austerity have put pressure on wages and have dampened expectations of future household incomes. In this environment, the adoption of fiscal tightening, and pressure for ever-greater "labour market flexibility", are self-defeating, as domestic demand becomes further weakened, which, in turn, leads to weakened income growth, fiscal revenues and job creation. Instead, policymakers should use expansionary fiscal, credit and incomes policies, with a view to boosting domestic demand.

As UNCTAD has repeatedly pointed out, in today's interdependent world economy, it is not possible for each country to act alone to put its economic house in order. In this context, the failure to make progress on reforming the international financial system – including more reliable provision of international liquidity, sovereign debt restructuring, stronger financial market regulation and a more democratic governance of the international financial institutions – remains the single biggest obstacle to re-establishing a more stable international environment that is supportive of productive investment and entrepreneurship.

Under agenda item 7, on the evolution of the international trading system, we will have an opportunity to deliberate on the measures necessary to make trade a better engine for inclusive and sustainable growth. This is particularly important in the current context, where a slowdown in the global economy has begun to dampen trade again, which could potentially increase the risk of protectionist measures. Already, a number of high-profile trade disputes have been launched in recent months.

In addition, old challenges remain, even as new opportunities have sprung up in recent years. These include the stalemate in the Doha Development Agenda, expanding regionalism, rising levels of South–South trade, non-tariff measures and protectionism, volatile exchange rates, and the greening of the economy. In all of these areas, UNCTAD, as a "non-negotiating" forum, can make a contribution through debate and expert advice, particularly in areas linked to trade, in which UNCTAD has developed special expertise. I would invite you to make full use of such possible contributions, for example in areas such as trade and exchange rates, or UNCTAD's Global Forum on the Green Economy and Trade, launched at the Rio+20 summit.

In the area of investment, we have seen some positive signs of recovery. Despite turmoil in sovereign debt markets, and indications of slowing growth in major emerging markets, international investment picked up in 2011. Our longer-term projections, based on forecasts of economic fundamentals, show a moderate but steady rise, barring any further adverse economic shocks. However, this picture of FDI outflows overall has to be contrasted with reductions in flows especially to Africa and the least developed countries (LDCs). The current economic environment and the potential for adverse macroeconomic shocks continue to pose challenges to a return to sustained growth in FDI, especially in higher value-added industries and activities.

Under these circumstances, it is essential for all countries, especially developing ones, to better integrate their macroeconomic policies, industrial strategies and foreign investment measures with their overall development goals. These goals include addressing food and energy security and demographic changes, as well as the climate challenge, but also the need to achieve successful industrial development through the right mix of human capital, technological learning and development finance. Countries should also maintain the necessary policy space for economic adjustments and social inclusion measures.

To help policymakers address these challenges, UNCTAD has developed an Investment Policy Framework for Sustainable Development (IPFSD), which is different from existing international instruments in several ways. In a direct response to the Doha Mandate, the IPFSD approach makes sustainable development the central concern and translates sustainable development principles into specific policy components and provisions. It addresses a full range of foreign investment policies and issues in a systemic manner, from design criteria to policy implementation and institution-building, as well as effectiveness assessment. It seeks to foster synergies between national and international policies, and between investment and other policies (e.g. policies on trade, competition, and taxation). It also takes into account the local needs of countries, providing options to adapt and adopt, together with analysis of the implications of the various options. The IPFSD puts emphasis on the relationship between foreign investment and sustainable development, advocating an approach that strikes a balance between the pursuit of economic growth by attracting and promoting FDI, and the need to protect people and the environment. In that context, the IPFSD also aims at rebalancing the rights of the State and the obligations of firms. I hope you will find it a valuable tool, and I look forward to your deliberations on it.

Ladies and Gentlemen,

Even though many of the poorest countries continue to benefit from comparatively high commodity prices, their trade and investment performance demonstrates that new and additional measures will be needed in order for them to integrate more effectively into the world economy. It is clear that both Africa and the LDCs will need additional investment, public as well as private, and domestic as well as foreign, if they are to meet the challenges of achieving growth, food security and energy security, and of mitigating and adapting to climate change.

The 2012 edition of the *Economic Development in Africa Report* focuses on exactly this dual challenge of industrialization and green growth. On the one hand, Africa needs to use its natural resources to sustain or reach high levels of economic growth and achieve economic transformation. On the other hand, this process could damage the continent's environment, as the experiences of industrialized economies have shown. The Report argues that Africa should not follow the strategy of "grow now, clean up later". Instead, the continent should adopt an alternative development path referred to in the Report as sustainable structural transformation. This combines efficiency in resource use with mitigation of the environmental impact of resources used and economic activities undertaken. The Report has generated strong interest in Africa – both at its launch in June of this year, and at meetings where it has been discussed as part of the ongoing debate on the need to make green growth more inclusive than the growth that Africa has experienced over recent years. I look forward to hearing your views on this, and on our work in support of the Least Developed Countries.

Ladies and Gentlemen,

Before closing, allow me to also say a few words about item 12 of the agenda, namely the follow-up to the JIU report on the management and administration of UNCTAD, and the agreed conclusions from the last special session of the Board. I take this item very seriously.

As you know, ever since assuming this office in 2005, I have taken a number of initiatives aimed at improving the functioning of this organization, starting in my very first months with the establishment of the Panel of Eminent Persons. Since then, I have taken internal measures to improve intra-divisional coordination, strengthen outreach, and streamline our publications. I have also consolidated our technical assistance projects, and strengthened our cooperation with other UN agencies in the field. As I have outlined to you before, I therefore see this process as a welcome continuation of my previous efforts, and support it wholeheartedly.

Further to your request at the last special session of the Board, the secretariat has circulated a work plan detailing measures to enhance the management and administration in UNCTAD, with a view to better enabling the organization to deliver on its mandate. The work plan follows detailed in-house consultations, and lists measures to improve our operations in a number of areas, including results-based management, communications and outreach, fundraising, monitoring and evaluation, and the possibility of establishing a non-earmarked trust fund.

You will notice that, where necessary, we have distinguished between actions that can be taken within existing resources, and those that may require additional resources. Pending your additional inputs, the secretariat stands ready to move forward on those measures that can be taken within existing resources, and I shall personally oversee their implementation. Needless to say, we would also welcome any additional funds to pursue the more ambitious proposals. I very much look forward to your views on how best to further promote the effective delivery of UNCTAD’s mandate.

Thank you very much.