



**Statement by Her Excellency Ms. Maimuna Tarishi
Ambassador and Permanent Representative of the United Republic of Tanzania
on behalf of the Group of 77 and China at the 73rd Executive Session of the Trade and
Development Board**

Item 2 - Interdependence and development strategies in a globalized world

President of the Trade and Development Board Ambassador Hasans of Latvia,
Secretary-General of UNCTAD Ms. Rebeca Grynspar,
Excellencies,
Distinguished delegates,
Ladies and gentlemen,

1. The Group of 77 and China would like to start by thanking the Secretariat, in particular the team at the Division on Globalization and Development Strategies under the lead of Director Kozul Wright, for *The Trade and Development Report 2022: Development prospects in a fractured world: Global disorder and regional responses*.
2. As the recovery from the COVID recession shows clear signs of fatigue, monetary and fiscal policy actions in advanced economies risk inflicting serious damage on the world economy, possibly worse than that suffered by many countries in 2009 and 2020. At a time of falling real wages, fiscal tightening, financial turbulence and insufficient multilateral support and coordination, excessive monetary tightening could usher in a period of stagnation and economic instability for many developing countries and some developed ones.
3. Prospects are worsening, with growth in 2023 expected to decelerate further to 2.2%, leaving real GDP still below its pre-pandemic and a cumulative shortfall of more than \$17 trillion, close to 20% of the world's income. The synchronised slowdown is hitting all regions, but is especially alarming for developing countries, where the average growth rate is projected to drop below 3%, a pace insufficient to ensure sustainable development, further squeezing public and private finances and damaging employment prospects.
4. Moreover, net capital flows to developing countries have turned negative with the deterioration of financial conditions since the last quarter of 2021. In net terms, developing countries are now financing developed ones. The situation in developing countries is much more tenuous than recognized by the G20 and other international financial fora, with talk of a global financial safety net increasingly at odds with reality.
5. In order to provide lasting and sustainable solutions to finance development, the Group of 77 and China therefore supports the calls for the increasing of Official Development Assistance (ODA), a larger, more permanent, fairer and more effective use of SDRs, hedging mechanisms to deal with exchange-rate volatility, greater leveraging of multilateral capital to support developing countries with comprehensive social programmes. Most notably, progress is sorely needed on a multilateral legal framework for handling debt restructuring,

including all official and private creditors. Furthermore, the activities and role of regional development banks must be duly supported.

6. In short, our call is for new sources of finance and more policy space in which to use them. Yet, a lasting solution is only part of the equation, with the other being a programme of reforms in developing economies to boost productive investment and constrain capital moving to exploit tax and regulatory loopholes, along with new arrangements to support closer regional trade, investment and financial ties.

7. The empirical analysis of regional trade patterns contained in the Trade and Development Report reminds us of the positive development impact that expanded regional trade can provide. There is evidence of a more important development impact, including through more industrialization, from regional trade than from integration into global value chains. Moreover, the increased attention that developed countries are devoting to geopolitical interests, such as “friend-shoring” or “strategic autonomy”, risks eroding further the already limited effective benefits of integration into global value chains.

8. The dilemma facing developing countries is how to react to such trends. The Report we are considering discusses “open developmental regionalism” as a complement to multilateralism to support the development of regional value chains and help protect the vulnerability in developing countries. It could also help to strengthen the voice of developing countries in international trade governance and be a pathway towards more inclusive multilateralism.

9. Open developmental regionalism is also associated with shallow trade agreements that do not unduly reduce the policy space available to developing countries. As such, it would be a useful strategy to consider in areas that pose new challenges to global governance but do not lend themselves to trade rules or where developing countries do not yet have the capacity to engage in binding multilateral commitments, as is the case for those related to digital economy and data governance and climate change.

10. Indeed, on digital economy and data governance, it would seem unwarranted to apply the traditional logic of trade rules to data flows. Instead, it needs to be recognized that the main sources of distortion in the digital economy are high market concentration and the proliferation of anticompetitive practices, with the policy response thus needing to focus on tackling these. Our Group therefore reaffirms its view that any negotiations on international data governance should take place in fora that are inclusive and that look at data from the systemic perspective that characterizes data. Hence, the United Nations may be a better forum to ensure inclusiveness of governance framework and systemic approach to data flows.

11. The Trade and Development Report 2022 also makes an important point about the missing development dimension of trade agreements related to climate change, flagging a skewed distributional impact against developing countries of potential unilateral measures taken by major trading partners. The Report concludes that such measures would have little impact on global carbon emissions but have adverse implications for the foreign exchange earnings of developing countries as result of trade distortion.

12. In contrast, UNCTAD has offered a positive trade and environment agenda that aims to address the developmental dimension that is missing in the discussions happening in other organizations such as the World Trade Organization.

13. The Group of 77 and China welcomes the proposals made in the Trade and Development Report for which we endorse as areas requiring special attention, such as:

- Facilitating patent-free environmentally friendly technology transfer;
- Providing additional financial resources to promote trade of environmentally sustainable products, such as through the Trade and Environment Fund;
- Building technical capacities, especially of least-developed countries (LDCs) and small island developing states (SIDS), in setting up climate-smart infrastructure and broader adaptive measures;
- Providing incentives such as preferential market access based on progress towards nationally committed goals or incentives for promoting trade and renewable substitutes; and
- Ensuring adequate policy and fiscal space for developing countries to design their trade policies around environmental goals.

14. A shift to such an agenda would provide a global framework to address climate change that is not narrowly focused on trade but propose policies that will allow developing countries to make the most of the coherence between special and differential treatment and the principle of common but differentiated responsibilities.

Mr. President,

15. Before concluding, our Group would like to turn to comment on the original research on global corporate arbitrage and its impact on developing economies contained in the Trade and Development Report 2022. Indeed, the Report is a tool for policymakers to gain a deeper insight into whether foreign direct investment (FDI), channelled through the corporate structure, creates new economic activity in the host country.

16. This research shows that typically, even if hosted by a developing country, a global multinational enterprise would strategically locate the activities yielding most income elsewhere. As a result, a quarter of the observed subsidiaries of multinational enterprises in the Global South engaged in no apparent associated economic activity but were simply dormant entities or phantom structures. In advanced countries, by contrast, the proportion of such entities in the overall corporate structure comprises less than 1 per cent.

17. There are important policy implications arising from this analysis, including on the development effectiveness of FDI inflows, on fiscal issues and tax policy, and on the need to enhance transparency. Our Group encourages UNCTAD to pursue this evidence-based research work further as part of its core research and analysis pillar, and to provide policy recommendations for an integrated, global approach on these interrelated issues. We also welcome further dialogue at the multilateral level on the relevant policy responses.

18. The Group of 77 and China would like to conclude by congratulating UNCTAD for another solid Trade and Development Report. Longstanding development problems will not be solved by pursuing longstanding approaches, but rather by bold, innovative action resulting from out-of-the-box thinking, such as the one contained in this report. Our Group would like to invite our development partners to consider this report as part of the body of intellectual inputs that can help find durable solution to systemic development challenges.

I thank you, Mr. President.