The opening plenary session of WEDF2010 examined the state of world trade in the post-crisis era, and the outlook for the years to come. Panellists agreed that while traditional markets in developed countries were likely to remain sluggish, dynamic growth could be expected in the emerging markets and the developing world, with a particular emphasis on growth in South-South trade.

Dr. Pangestu said that the recent crisis had not become the next great depression and it was trade and investment that had been the source of recovery. Indeed a “costless stimulus”. She noted that the G20’s surveillance mechanism had helped to keep protectionist responses to a minimum.

She drew particular attention to new market opportunities in emerging countries, especially in Asia, with China and India leading the way, but South-East Asian countries also playing a significant role.

The big story of the recovery was the diversification of markets and products and the growth of South-South trade, which was expanding at twice the rate of global trade, driven by economic integration, open trade and investment policies, and World Trade Organization (WTO) commitments.

She said that increasingly demand in the emerging economies was becoming consumption driven as purchasing power of emerging middle classes increased in China, India and Indonesia.

Minister Davies said that the world economy had changed very fundamentally. The tectonic plates of the world economy were shifting, sometimes over a long period, and sometimes violently. New heights were being created and former heights were receding. Those new heights were located in parts of the developing world such as China, India, South-East Asia and Brazil, but also in Africa and particularly South Africa.

The new dynamism and new forces of economic growth contrasted with the sluggishness and uncertainty of the recovery in developed countries, which were experiencing low rates of growth likely to persist for the next decade or so. Mr. Davies said it was not possible to anticipate whether the pace of growth in the South would outpace the impact of depressed conditions in traditional markets.

He said issues that needed to be addressed included the appropriate balance between domestic market growth and export growth, the roles of regional integration, and how to enhance the value added components of South-South trading agreements.
Mr. Broadman discussed three issues: growth, protectionism and the role of the G20. On growth, he agreed that the BRIC countries (Brazil, Russia, India and China) would be the new drivers of global growth, although in fact it would be primarily Brazil, China and India. He said that while the lion’s share of investment and trade still came from the North, the rate of growth was coming from the South.

He said the crisis had demonstrated to everyone the resilience of South-South trade, although many firms in the North had still not got the message in the way that Southern firms had understood that growing African middle classes, not just in Nigeria and South Africa, presented fabulous investment opportunities.

However he expressed concern about elements of protectionism in South-South trading, particularly through escalating tariffs, which could appear innocuous at first but could trap countries into exporting unprocessed products.

Finally Mr. Broadman said the Republic of Korea’s chairmanship of the G20 provided an opportunity for the developing world to make an important statement about why different development models were appropriate, and that one size did not fit all.

Mr. Wei told the Forum that the recovery of export trade in Asia following the crisis was mainly due to the growth of Chinese imports. These had been growing since China’s entry into the WTO in 2001, with a volume of several hundred million dollars, and the creation of 14 million jobs in Asia and Africa, which will work to achieve the MDGs.

For China there was now a need to target the high-end export markets and also move into service products and service outsourcing. He stressed the need to continue pushing of liberalization of trade and investment, and to find appropriate mechanisms for South-South cooperation.

Ambassador Bhatia said the genesis of the deep structural changes in the global trading system lay in the changes in competitiveness that had been taking place over the past three decades. This had coincided with the mainstreaming of China and had defined the nature of global commerce today.

The sluggishness of demand in the traditional markets of developed countries meant that future dynamism would come from the emerging economies. He accepted that there was an element of protectionism in South-South trading, but believed this was changing rapidly, with the logic of integration and value changes driving the process.

New challenges to maintaining the momentum of growth included: ensuring growth strategies were inclusive; addressing problems of food security; managing and facilitating investment flows; assuring trade financing, whose vulnerability had been exposed by the crisis; regulation and transparency; and multilateral trade liberalization.

The debate that followed opening statements by the panelists touched on issues including government actions needed to help companies move up the value chain; the problems posed to developing countries by proliferating public and private standards, and the desirability of their harmonization; the problems of non-tariff impediments to South-South trade in Africa, and the need to conclude the Doha round as soon as possible.