Statement by
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Excellencies,
Distinguished delegates,
Ladies and gentlemen,

It is a great pleasure for me to speak at the 11th World Export Development Forum and I would like to thank the ITC for giving me this opportunity. In my remarks today, I would like to talk not only about exports and trade, but about the important role that investment plays in creating productive and export capacities, and the linkages between investment and trade, such as through the growth of TNC production chains and intermediate goods. In this respect, I hope to relate to you some conclusions from UNCTAD's World Investment Forum, which has just taken place in Xiamen, China.

Shifting patterns in world trade, post-crisis

The global economic crisis has prompted a rethinking of export-led growth and development strategies, which has characterised developing country growth in recent years. Since the beginning of this century, developing countries and LDCs have increased their participation in international trade, as reflected by the strong share of trade as a percentage of their GDP. UNCTAD's GlobStat database shows that for developing countries this share rose from about 35 per cent in 2000 to 42 percent in 2008 and for LDCs from 23 to 29 percent. Both groups have witnessed faster growth rates of merchandise exports than developed countries between 2000 and 2008, with merchandise exports rising more than twice as fast in LDCs than in advanced economies. Consequently developing countries' share in world exports rose from 31.2 per cent to 38.7 per cent. In the case of LDCs, for the first time in decades, their aggregate share in world merchandise exports exceeded 1 per cent in 2008.

Developed countries were the major export markets for developing countries before the crisis. However, the persistently high level of unemployment and sizable sovereign debts in those countries suggests that their demand for imports will not return quickly to pre-crisis levels, implying a shift in post-crisis world trade patterns. The faster than expected pace of recovery of the world economy has been driven largely by developing countries with strong domestic demand, particularly emerging economies in Asia. Their import demand is rising twice as fast as in developed countries. The World Bank has projected that nearly half of the increase in global demand over the next two years will come from developing countries, and more than 40 percent of the increase in global exports will be attributed to these countries.

Increasing domestic consumption in emerging economies offers new opportunities for South-South trade

The expansion of domestic consumption in emerging markets for both producer and consumer goods offers an opportunity for other developing countries to diversify their export markets through increased South-South trade. The share of such trade in total exports of the South grew from 38 per cent in 2000 to 48 per cent in 2008 covering all sectors. In particular, over a third of the goods traded within the South are from the high-skill manufacturing sectors, namely electrical and electronic goods (including parts and components), and machinery and mechanical appliances.

Consolidating and strengthening South-South cooperation at interregional, regional and bilateral levels enlarges markets and augments domestic demand, especially for LDCs and small economies and could provide significant development opportunities, provided that infrastructural and production obstacles can be overcome. In this respect, further support through aid for trade will be essential, especially for the LDCs. For other developing countries, preferential market access can provide the incentive for the development of larger regional markets and cooperation. The Global System of Trade Preferences among Developing Countries (GSTP), for example, is an important tool in this respect. Intra-GSTP exports amounted to about $600 billion in 2007, representing 24.1 per cent of the group's total exports. Last December, 22 developing countries (including India and Brazil) reached agreement on a 20% linear cut in tariffs on at least 70 per cent of dutiable tariff lines. According to UNCTAD's preliminary analysis, this will lead to a trade creation effect of $5.6 billion and the potential dynamic gains will be much larger. China, India and Brazil have additionally extended duty free market access to the LDCS.

The role for services trade in development strategies

Turning from merchandise to services trade, the growth seen in this sector has almost equaled merchandise trade, over the period from 2000 to 2008. During the economic crisis, fluctuations in services exports exhibited less synchronicity across countries, experienced lower magnitudes of decline and recovered quicker than merchandise exports. Such resilience encourages many countries to give increased attention to services development in their post-crisis economic policies. It is well known that several developing countries have been highly successful in reaping development benefits from services exports through, for example, the movement of natural persons, the outsourcing of IT-enabled business services, tourism and the creative industries. Remittances now account for 10 per cent of GDP in 20 transition and developing economies, including Haiti, Nepal, Lesotho and Samoa – all LDCs. Outsourcing is also an important source of export earnings for countries such as India where commercial services exports currently account for as much as 25 percent of its total exports.

Trade in intermediate goods

A further important feature of today's world trade is the role of intermediate trade in goods resulting from the disintegration of global production chains, in part thanks to reductions in trade and investment barriers. UNCTAD estimates that the share of intermediate products was about 48% of non-fuel merchandise trade in 2008. This is largely due to the integration of East and Southeast Asia in global supply chains since 1990, and the current total import share of intermediate goods in those countries is more than 55 per cent.

Despite an increased vulnerability to external crisis, integration into global production chains enables these countries to benefit from specialization. The high import content of those countries implies that their higher growth contributes positively to growth in other countries, including developing countries and LDCs. Chinese growth in particular has acted as an important source of demand for its neighbouring countries, mainly through the supply of intermediate inputs, as well as for raw material suppliers, particularly from Africa and Latin America. Recent studies estimate that for every 1 percentage point increase in Chinese growth, growth in middle-income countries rises by 0.37 percentage points and 0.2 percentage points in low income countries. This provides an important lesson for other developing countries to elaborate strategies for strengthening participation in global value chains and in diversifying their export structures.

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Ladies and gentlemen,

Increased exports from developing countries have made positive contributions to their economic and social development, including poverty reduction. However, more trade does not necessarily mean more development and as an indication many countries are off target to meet the MDGs by 2015, in some cases by a long way. Globally trade has likely contributed to a lower income share of workers vis-à-vis capital owners due to increased mobility of production and increasing competition. Such a situation leads to rising levels of inequality, which will inevitably hamper the long-term sustainable development of countries. To redress this issue of widening inequalities, in addition to investment in social security and welfare systems, governments should intervene and regulate labour wages in a manner consistent with economic prosperity. An integrated set of trade, FDI, industrial, employment and social polices are needed to achieve genuine development benefiting all citizens.

The WIF and the role for investment, especially in a low-carbon economy

At UNCTAD's World Investment Forum, in Xiamen, I reported that we are now shifting into a new phase of international investment policymaking, whereby further liberalization needs to be balanced with regulation. This should also be the same for other areas of policy including finance and trade. In the post-crisis policy landscape we are seeing some positive signs that development benefits, as well as other environmental and governance issues are prioritized in international and national economic policymaking.

The World Investment Forum also dealt with the issue of investing in a low carbon economy post-crisis – a topic which is tackled in this year's World Investment Report, from UNCTAD. It strongly recommended that investment policies encouraged such a shift, which will have positive consequences for trade in so-called green goods and services. The crisis therefore offers an opportunity to steer the global economy towards cleaner growth and sustainable development, which has already seen in the content of economic stimulus packages of several countries, including China. China, as well as India, have demonstrated their competitiveness in the development of renewable energy technologies, such as solar panels and wind turbines, and Brazil is a well known leader in biofuel production and trade. Developing countries therefore stand to benefit from both domestic and foreign investment in these sectors, and their competitiveness in green goods and renewables will offer expanding trade opportunities.

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Ladies and gentlemen,

Economic development histories in Europe and Asia tell us that exports could play a significant role for late comers to catch up with advanced countries. However, successful stories of export-led development in those countries point to the essential role of Governments investing in domestic supply capacity and providing the right policy environment, including selective trade, industrial and macro-economic policies.

The need to rebalance the role of the State

During the crisis we have seen a rebalancing of the roles of the State and the market and the limitations of market-based price mechanisms to secure development benefits. Many countries are designing comprehensive and integrated strategies for post-crisis export development, such as the US National Export Initiative, which is considered to be unprecedented in US history in terms of concerted efforts by US government agencies to promote its exports. Since specialization in some products brings higher growth than specialization in others, the State plays a key role in shaping a nation's specialization patterns, production structure and eventual development through targeted industrial and export development policies. They include selective government interventions, such as incentives for strategic industries and channeling both domestic investment and FDI into areas of skill creation, innovation and technological upgrading as well as physical infrastructure. Such policies have been used successfully in the past by most countries, notably in Asia. As many developing countries are still in their earlier stage of development and lack capital, management expertise, technology and access to international markets, attracting FDI with accompanying industrial and trade policies can help overcome such weaknesses and build production and export capacity.

Trade is therefore only one component of the development story but, in itself, it is not sufficient. The recent crisis has demonstrated what happens when demand for your exports crashes dramatically. One response is to diversify both your export basket and your markets, as I have suggested above, but the other response needs to be a clear shift in development strategies to build domestic markets and productive capacities. As UNCTAD has advocated for some time, the State should have a greater role in this process through the provision of enabling policies and actions for industrial development.

Thank you.