

17 September 2009 UNTAD Trade and Development Board

Thank you, madam chairperson

First, I would like to reattribute the UNCTAD for its 45 years anniversary on trade work. The UNCTAD has been playing very important roles in the past; the birth of the UNCTAD was to make up the vacuum in the trading systems. Originally, we were supposed to create the international trade organization that would include issues on employment, commodities, production capacity buildings of development countries, not gaped, in one element alone, in trading relations between countries to avoid the repetition of protectionism. While it failed, so the development sustainability aspect in trade has to be filled in with another organization, this is why UNCTAD was born. It has fulfilled most mandates; key issues have been brought back to the agenda on commodities, capacity building of developing countries (supply capacity), financing in trade and development, as well as environmental issue. Gaps have now turned into the WTO; even so, WTO is mainly focus on the market access and equitable relationship among countries, many of the other perspectives including commodities, production capacities, and finance on development related issue is not waved in WTO. So the role of UNCTAD remains and even expands because of current financial and environment focuses.

We are talking here on sustainable development issue, which explores Economy, Social and Environment, and how to combine the 3 dimensions into an integrated whole. In the economy aspect, we are looking for the growth in production capacity, trade and finance, in the social perspective, we are searching for social development, jobs, equity; In environment work, climate limitation on natural resource and pollution are highlighted. All the issue combined within the context of UNCTAD.

The major issue we faced is the contracts in economy crisis and desirable financial system reform, we hope G20 summit will tackle this issue even thought it is not multilateral forum but a selective group, the economy crisis has led to short fall in foreign reserves, contraction in exports, non-rollover of loans, outflow of capital, all added up to 2 trillion USD, which is much higher than previous 750million -1 billion estimation from the World Bank, that shortfall need to be tacked, or we have no economic space to work on the sustainable development. The South Centre proposal concerns on the additional issuance on Special Drawing Rights (SDRs), G20 initiated SDRs worthy as USD250 billion new allocation; unfortunately, that was allocated according to quota, which means only small friction has been channeled to developing countries, a new methodology of SDRs' issuance according to needs to meet finance shortfall will be a major step forward.

In terms of economic growth with increased supply relied on 2 main needs; one from demand based growth and one on production capacity (supply capacity). Export led growth was commonly used before; there must be seen changing thinking now. Because the previous orthodox is to use export as fastest way to reinforce the developing counties, that is also big states such China, India, ASEAN, and some of the Latin American

countries chose. But there have been always concerns about the poorer countries because of their low supply capacity to even fulfill its own need, there will be no scope to them to stimulate export. If the economy recovered miraculously and swiftly, so tax can be levied as usual, this export led to growth may maintain, but foreseen on financial crisis is depressing, this model can not cure this dilemma, fundamentally, the US consumers can not fuel the demand in export of South Asia and China, so the Asia are now searing demands within Asia. A shift of their export reliance into domestic demand happened in bigger markets such as India and China, but for smaller markets, they have to add their domestic demands in regional demands. South-South trade, especially within the region, may need to be seriously promoted not only because of political reasons, but also in economic paradigm since the global imbalance and no sustainability.

How to do domestic demand let growth, and how to promote South-South economy integration and trade integration, which means the vision of labor in production and sharing output. In this regards, poor countries have always be in a dilemma of how to benefit its supply capacity through the export, it is now necessary to especially examine the role of interregional integration, and regional demand. It is clear that demand from western countries is going to be diminished; we have concerns in relation to the Free Trade Agreements, notably, EPAs between the Europe and ACP countries. According the draft proposed by European, an 80 percent reduction to 0 for the tariff to Africa countries plus the opening up in investment competition, and governments would not lead to domestic demand and regional integration as required due to the changes from Economic Crisis.

Agriculture problem are faced by many Africa countries because of importing cheap subsidized food. The cheap is artificial because the subsidized chicken coming from Europe have overwhelmed the small farmers in western Africa, such as the rice farmer in Ghana and many other parts of Africa that have already overwhelmed by cheap subsidized from US, so the high growth of Agriculture growth from 1960 to early 1980s have turn around net food exporters status of Africa because of investment and subsidies of governments, plus imposition of low tariff on food and agriculture products. This imposition is not due to the WTO but due to the Conditionalities of international financial institutions, but they are as bonding as those of WTO to those countries' concern. For example, in Ghana, the tariff rates are 20%, while they would have a block bound rate at 90-100 percent, because of the Conditionalities tied to the structure adjustment loans and so on. As a result, agriculture growths in Countries, such as Ghana, were stopped, and the farmers are becoming employees. We need to rethink trade policies linked to food security and food production as the high subsidies in Europe and US continues.

Finally, the issue of trade and environment, which is a very controversial and emerging debate, is right in the time of negotiation on the mixture between trade measure and environment objectives. I think one emerging issue is the trade protectionism on climate grounds. Looking into the Waxman-Markey bill which have been passed by the house representatives, we found strong elements on trade measures, the bill would not only authorize but also mandate US president under certain condition to slug on a financial charge on imports from developing countries, at least those counties do not sign on to the

legally binding on emission reduction targets of UNFCCC, this is initially effected in several sectors such as Alumina, chemicals, paper productions and so on. It is giving the very debates on 1) if it is compatible with WTO rules, 2) if it is compatible with the non-discriminative, especially friendly trade policies to developing countries sprits of WTO. Developing countries have the rights in the climate talks in Copenhagen; India, China, and G77 and China raised this issue in Bonn Session on August, and now submitted the text as the Copenhagen draft, saying developed countries shall not impose trade measures on products from developing countries because it is against the spirit, philosophy and provisions of UNFCCC. In effect, if introduced, this measure will definitely victimize the developing countries because they are really suffering from Climate Change, not to mention there is potential fear on the taxation imitation of European Union. Most of the emission are not from developing countries, now they are not getting the financing support and technology transfer from developed countries as they promised, so developing countries can only use their old ones with which are bounded to be more polluted since they can not afford the new technologies. In fact, the developed countries are victimizing them by slug a tariff on developing countries' products, which means blocking the access to markets of developed countries. It is detrimental in three dimensions; climate change, no access to the technologies and finances, and fall in exports revenues. We predicted it would be going to be a controversy in the climate negotiation in Copenhagen, and also emerged in WTO trade talks, which now have already turned into the reality.

Concerning to this issue, I have 3 articles below to recommend; South Bulletin issue: Climate Protectionism, the need for Africa to rethink the EPAs in light of economic crisis, and the six key in the UN Conference on Economic Crisis.

Thank you very much.