



**Message from the Secretary-General of UNCTAD, Dr. Supachai Panitchpakdi,
to the Thirtieth Annual Meeting of the
Ministers of Foreign Affairs of the Group of 77 in New York,
22 September 2006**

“Mr. Chairman; Your Excellencies:

UNCTAD is the UN's focal point on trade and development. It works with all UN member States, but it is connected to the G77 by an umbilical cord. The G77 and UNCTAD were born together in 1964, they have grown together, and they have kept a strong relationship. Indeed, a “special relationship”. It would not be too much to say that we have a shared destiny.

Throughout its forty year history, UNCTAD has focused on promoting developing countries' causes. And we have taken the lead in advancing South-South economic cooperation. For example, we were honoured to support the Second South Summit in Doha in June 2005.

UNCTAD's development vocation was reaffirmed and strengthened by the Sao Paulo Consensus at UNCTAD XI in June 2004. We have no doubt that, with the support of the G77, it will be further reinforced at UNCTAD XII in Ghana in 2008.

Mr Chairman,

Let me outline some developments in the global economy that deserve your attention, and let me then propose specific actions.

First, in our efforts to achieve faster economic growth and reduce poverty, some developing countries have done well. In fact, some have been growing faster than developed and transition economies. Unfortunately, a large number of developing countries have grown only slowly, and some have not grown at all. There have been particular problems in LDCs, in countries in Africa, and in small and vulnerable economies. Widespread poverty persists, and for many countries the MDGs appear unattainable. Let us not mince our words – this is unacceptable. It is a fundamental challenge of our time, and everyone – developing and developed countries alike – must work together to ensure that the MDGs are more than just words.

Second, international trade remains an important engine of growth and development for developing countries. This was recognized in both the United Nations Millennium Declaration and the World Summit Outcome. And if we look at developing countries' exports of goods and services in relation to their GDP, we see

that the share of exports doubled between 1980 and 2004. It rose from 25% to 49%. This means that no development strategy can neglect trade.

Third, developing countries are still finding it difficult to obtain development gains from international trade. It is true that tariff barriers are coming down, but developing country exports still face tariff bias, tariff escalation and tariff peaks. Nowhere is this better illustrated than in agriculture and in provision of services by the temporary movement of natural persons. In addition, developing countries now face a plethora of ever more stringent, complex, diverse and often insurmountable market entry barriers.

Fourth, the commodities dilemma is still with us. Fifty developing countries are commodity-dependent, and 39 are dependent on just one commodity. Despite recent hikes in many commodity prices, these countries are suffering from declining terms of trade and reduced domestic value retention. They need to be able to escape the poverty trap and use trade and investment as an engine of growth.

Fifth, South-South trade has gathered momentum in the context of the new geography of international economic relations. Such trade has been growing faster than world trade, at a rate of 10% annually since 1990. Developing countries now rely on each other's markets for over 40% of their exports, and this powerful force needs to be nourished and harnessed.

Mr. Chairman,

In this context, the development agenda of the G77 will need to be renewed and reinvigorated. Let me suggest a few ideas and initiatives, and also indicate how UNCTAD can contribute to the process.

- International efforts, including those of the G77, must continue to support the development of an open, transparent, predictable, non-discriminatory and equitable multilateral trading system. UNCTAD has been helping developing countries to participate in the Doha Round, to promote the positive agenda and to bring out the development focus in the negotiations.
- Accession to the WTO is another challenge, and UNCTAD is working closely with developing countries to ensure that they develop the capacity to negotiate their accession in the best possible way.
- A greater effort is needed to address non-tariff barriers (NTBs). An Eminent Persons Group on NTBs has been set up at UNCTAD to examine, for example, how environmental and other requirements impede market access for exports of developing countries.
- While some of the traditional measures for an international commodities policy may no longer be workable, we cannot leave things the way they are. That would not help the millions of impoverished commodity producers in developing countries. We therefore need to look at innovative policy mixes for commodity-based economies, and these could include both market-based

instruments and ex-ante and contingency support systems. UNCTAD can help in this area through its International Task Force on Commodities.

- South-South links can be further deepened and expanded. UNCTAD is working on South-South regional and subregional arrangements with the aim of promoting coherence in trade and development policies and enhancing competition policies. South-South links in the field of investment represent another area of focus. Next month, UNCTAD will be publishing its annual World Investment Report, which this year examines FDI from developing and transition economies. The report will show that South-South FDI has expanded particularly fast over the past 15 years, and that this may be of particular relevance to low-income host countries. Clearly, this is an area that must not be neglected and where UNCTAD can help developing countries derive maximum benefit. UNCTAD supports the initiatives being taken by the Special Unit for South-South Cooperation and stands ready to make its full contribution to the realization of the new strategies for South-South cooperation.
- The Global System of Trade Preferences among Developing countries (GSTP) can be a valuable means of increasing interregional trade. UNCTAD supports the GSTP secretariat and can help give it new life.
- We in UNCTAD have been emphasizing that a successful trade and development policy needs to establish a virtuous circle involving supply capacity-building, competitiveness, and market access and entry. To get the virtuous circle going, the aid for trade initiative must be fully exploited by the G77 and its members, and UNCTAD can provide valuable support in that area.
- With regard to capacity building, UNCTAD has just published the annual LDC Report, which emphasizes the key role of developing productive capacities. This cannot be achieved through the workings of market forces alone, but requires a combination of entrepreneurship, public policy and international action. Three broad areas for action identified in the report are improving physical infrastructure, addressing institutional weaknesses that constrain private investment and innovation, and addressing demand-side constraints.
- Finally, let me say a word about policy space. It is now accepted that there is no one-size-fits-all development strategy, and that each country must have enough flexibility to take account of its own circumstances. This year's Trade and Development Report examines this issue, and argues that a fully inclusive multilateral trading regime must have a sufficient degree of flexibility to reflect the needs of all its members. It looks at the issue of management of exchange rates, and it calls for a well structured system of global economic governance.

Mr. Chairman,

Today, the United Nations is at a crossroads. The G77 is the biggest stakeholder in the development role of the UN, and it must ensure that UN reforms reflect its aspirations. In these reforms, UNCTAD has received the support of the G77, and we are very grateful for this. For us, this is testimony to the confidence the

G77 places in UNCTAD. It is a clear signal that the special relationship between the G77 and UNCTAD is still in place, is still relevant, is still necessary.

And indeed, UNCTAD can support you in your development efforts. Through our research, we can provide you with data, analysis and policy options that will help you get a grip on issues and see the way forward. Through our intergovernmental machinery, we can provide you with consensus views on best practices and policy options. And through our technical cooperation in such areas as trade, investment, competition and enterprise competitiveness, we can help you ensure that development objectives are actually met.

Within the context of overall UN reform, UNCTAD has undertaken its own stocktaking and evaluation exercise. This has been a two-track process, one track being the mid-term review relating to UNCTAD XI and the other being a Panel of Eminent Persons appointed by the Secretary-General of UNCTAD under the chairmanship of Fernando Henrique Cardoso, former President of Brazil. Both exercises are reaching their conclusion now, and both have produced concrete recommendations on how to ensure that UNCTAD can respond fully to the expectations of its members. We are confident that the UNCTAD that will emerge as a result of these exercises will be in an even better position to provide you with the instruments you need to help realize your development goals.

In conclusion, I wish to assure you once again of how much UNCTAD values its close relationship with the G77. The very raison d'être of UNCTAD is development for developing countries, and UNCTAD will remain the steadfast partner of the G77 in the realization of development aspirations.

Thank you. “