Statement by Rebeca Grynspan, Secretary-General of UN Trade and Development (UNCTAD)

Meeting of the Joint Advisory Group on the International Trade Centre, 58th session

Geneva
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[As prepared for delivery]

Dear outgoing Chair of the International Trade Centre's Joint Advisory Group, H.E. Nadia Theodore, Permanent Representative of Canada,

Dear incoming Chair, H.E. Henad Abdalrahman Al-Muftah, Permanent Representative of Qatar,

Pamela Coke-Hamilton, Executive Director of the ITC,

Ngozi Okonjo-Iweala, Director General of the WTO

Excellencies, Dear colleagues, Dear friends,

First, Happy birthday to ITC.

Let me congratulate the Executive Director Pamela Coke-Hamilton and ITC staff for all their achievements and contributions.

A year has passed since our last gathering, and to put it very mildly – the world has certainly not stood still. The global landscape has shifted, and with it, the dynamics of trade and investment that are at the heart of the work of all our institutions.

Despite a small, expected recovery this year**,** global trade has experienced a slowdown, with 2023 being the first year in many decades when global GDP and global trade growth were de-linked: with GDP going up, and trade going down. This has led some to speak of "deglobalization." However, this term requires nuance. First because we do not see this as a trend.

What we are witnessing is not a reversal of globalization, but rather a reconfiguration, several changes are worth mentioning.

Second, we see that the decline in trade of physical goods is counterbalanced by a surge in the trade of services, particularly digital services. This "dematerialization" of trade signifies a shift towards a more service-oriented global economy, whose long-term projection is very hard to estimate today.

Third, simultaneously, we have seen the resurgence of industrial policy and protectionism, particularly in the renewable energy sector. Major economies – both the rich and the big – are implementing policies aimed at securing their share of this emerging market, mostly through large subsidies. Meanwhile, developing countries struggling with rising debt burdens are struggling to compete in this new industrial policy race, and so there is a risk that they will be left behind.

But at the same time – and this is my fourth point – many of the critical minerals of the new green supply chains for the energy transition are in Global South countries – and some of these countries are pushing for policies that seek to use these minerals as a leverage for value-added growth and structural transformation. The question is if we will be smart enough in this framework to act as a multilateral community or if we will enter into a more chaotic trade framework.

Fifth, the rise of the Global South is another significant trend. South-South trade is now larger than Nort Noth trade. According to the IMF, the global economy will grow by 26 trillion dollars in the next five years, 16 trillion of which will come from the South, or two thirds of the total. This is in constant dollars; in purchasing power parity terms, three quarters of all growth in the next five years will come from the South. This will increase the relative importance of South-South trade, cooperation and investment.

Sixth, in this trade reconfiguration we are seeing a push towards the decentralization of economic and therefore political power. This can be a force of inclusion, what we call polyglobalization. But we must also recognize that, in this geopolitically charged moment, there are very centrifugal forces that can push the world towards fragmentation instead of decentralization. As Ngozi rightly notes, this is a major danger for growth and development.

Seventh, on investment, what we see is that investment flows continue to fall, with a 2% decline in FDI for 2023, and a marked 10% fall in investments going to the SDGs. For example, in two SDG-linked sectors, agriculture and water and sanitation, there were less projects announced last year than in 2015, when the SDGs were adopted. However, investments in services and environmental technologies such as electric vehicles have bucked this trend, highlighting the growing importance of the digital economy and the new green supply chains of the energy transition.

Eighth, geopolitical factors are increasingly influencing investment flows too. We are seeing a fragmentation of these flows along geopolitical lines, with increased volatility and some ‘nearshoring’ also happening. But the other least visible thing we are seeing is that companies are increasingly opting for vertically integrated supply chains, a move driven by the desire for resilience in a more fragmented world. But it might be too early to say…

Nineth, sustainability has emerged as a major driver of investment. Investment in environmental technologies has grown steadily, and the market for sustainable investments has expanded rapidly. However, a significant challenge remains: how to ensure that a greater share of these investments reaches developing countries, which are often most in need of sustainable development solutions.

Tenth, also, continued greenwashing concerns have led to what some call a “greenlash” – a backlash of investment demand for sustainability linked funds, which saw a 60% fall in new inflows last year.

Your Excellencies,

In the face of these challenges, the collaboration between ITC, the WTO and UNCTAD has become even more critical.

Our joint efforts, in the true spirit of multilateralism, are not only helping countries navigate these shifting sands of trade and investment, but also ensuring that these powerful engines of growth contribute to sustainable and inclusive development.

In a world where trade is being reconfigured, our work on trade facilitation through initiatives like Trade Facilitation Portals becomes even more crucial. By simplifying trade procedures and enhancing transparency, we empower businesses, particularly MSMEs in developing countries, to participate more actively in global trade. This is not just about increasing trade volumes; it's about fostering economic empowerment and resilience in a rapidly changing world.

As the global economy undergoes an energy transformation, our collaboration on sustainable trade initiatives takes on a new urgency.

We are jointly developing guidelines on trade and MSMEs for Nationally Determined Contributions (NDCs), supporting countries' efforts to align their trade policies with their climate commitments.

At the same time, through our joint efforts in e-commerce, we are helping to bridge the digital divide and ensure that businesses in the Global South can leverage the power of digital trade.

We have also collaborated to support the accession of countries like Iraq to the WTO, helping to ensure that the global trading system works for them too.

The increasing fragmentation of investment flows underscores the importance of our work on market intelligence, through initiatives such as the World Tariff Profiles and the Global Trade Helpdesk Management Board. This helps businesses, investors, and policymakers make informed decisions in a complex and uncertain environment.

Your Excellencies,

The challenges we face are complex and multifaceted. But through our continued collaboration, we can harness the power of trade and investment to drive sustainable and inclusive development. The world needs the ITC, the WTO and UN Trade and Development more than ever. This is not just our mission, it is our shared responsibility.
Thank you.