Statement by Supachai Panitchpakdi,
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to the ECOSOC High-level Policy Dialogue on Current Developments in the World Economy and International Economic Cooperation

Geneva, 2 July 2007

Mr. President and Moderator, Mr. Sha Zukang;
Distinguished Delegates;
Ladies and Gentlemen:

We are roughly halfway through the fourth straight year of strong and broad-based global economic expansion – but as Mr. Sha just said, a modest downshift is likely this year. Still, the world economy on the whole is rather healthy. But of course this picture must be qualified by the slowdown of the US economy and by the fact that growth in Japan and the euro zone still rely very much on external dynamics.

The good news is that developing countries continue to grow strongly, supported by favourable financial conditions and strong commodity prices. Rarely has their growth been so marked and broad-based. These countries are playing a larger role than ever in today's global economic expansion. Globalization has strengthened their trade and financial linkages with the rest of the world. There have been remarkable gains for both developed and developing countries, although management and balancing are needed to ensure sustainability. Last year, cross-border trade as a share of world GDP pierced the 30% threshold for the first time. The global trading system has become more inclusive, fuelling economic growth and recovery. Overall, the share of developing countries in global trade has increased. Over the past decade their real exports have nearly tripled, especially in manufactures. For many commodity producers in the South, the boom in commodity demand and prices has offered opportunities long absent, and has led to significant and prolonged improvement in their terms of trade. Indeed, commodity prices rose last year by 30% – the greatest increase since the start of the upswing. Additionally, most developing countries managed to trigger a stable expansion of domestic demand and robust growth in real private consumption. Their impressive expansion of exports, imports and consumption means that they are now major contributors to both global supply and global demand, which is certainly beneficial to the world economy as a whole.

Developing countries are not only trading more with the North, but also among themselves. I will have more to say about South-South trade at the launch of the Development Cooperation Forum later this week.

I would also like to note that a new landscape for development finance is emerging. For a number of years now, global capital flows have been reversed; developing countries have become net exporters of capital, and developed countries, net importers. The resource transfer from the poor to the rich is the exact opposite of what happened in the first era of globalization in the early 20th century. With increased export revenue, emerging market economies have reduced their foreign borrowings and increased their holdings of foreign assets.

The recent wave of globalization has increased competitive pressures in world markets, with distributional consequences both among and within countries. Failure to address them effectively could trigger renewed protectionism internationally and social instability domestically, jeopardizing many of the gains brought about by economic expansion. Despite a 71% increase in the real income of developing countries over the past decade, enormous differences remain. Persistent and devastating poverty has not yet been eradicated in many poor countries. Income disparity in some fast-growing emerging economies has drawn the attention of policy makers. And in the developed world, the benefits of globalization have accrued far more to the owners of capital than to the providers of labour. Labour shares of national income in the major developed economies are at record lows, whereas the shares going to capital are at record highs.

Mr. President,
Ladies and Gentlemen:

From a development perspective, it is a moral imperative for the world to remember poor countries, especially at a time of robust global economic growth. ODA from DAC members fell last year from $106 billion to $103 billion, raising uncertainty about the G8 Gleneagles commitments to scale up development assistance to Africa by 2010. Amidst increasing private capital flows to developing countries, many of the poorest countries continue to operate on the periphery of the global financial system. For these countries, ODA is still the most important source of financial resources to meet their basic needs, and I trust that this meeting will contribute to addressing all these urgent challenges.

Thank you.

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