



Permanent Mission of Pakistan to the UN Geneva

Statement by Ambassador Khalil Hashmi at the 73rd Executive Session of Trade and Development Board, UNCTAD- 13February 2023

Item 2 – Interdependence and Development Strategies in a Globalized World

Mr. President,

We align ourselves with the statement delivered by Tanzania on behalf of G77 and China and by Thailand on behalf of Asia and the Pacific Group under this agenda item.

We commend UNCTAD's leadership, particularly the Division on Globalisation and Development Strategies for preparing and presenting the 2022 iteration of the Trade and Development Report as well as for the updates.

The TDR continues to demonstrate high standards of research and analysis of global trade and development challenges and their differentiated impacts. The report's theme aptly captures the fractured state of the global economy, its triggers and the limitations of existing responses.

The report's diagnostics of the structural problems remains consistent with previous iterations. The menu of tailored policy responses and programmes is both thoughtful and pragmatic.

Mr. President,

The global economic landscape presents a sobering picture of interlocking challenges and their disproportionate impacts on developing countries.

The most worrying manifestations arising from the persistence of global structural problems include i) growing inequalities and vulnerabilities, within and among countries; ii) the reduced fiscal space and liquidity crunch in many developing countries as a result of the exogenous nature of economic, financial and environmental shocks and iii) the continued inability or unwillingness of the global economic and financial governing institutions to mitigate these shocks by mobilizing sufficient resources and revisit the outdated policy tools.

The cascading crises of cost of living and growing debt distress are both a cause and effect of the fiscal squeeze and liquidity crunch for many developing countries, largely due to extraneous factors. The report's findings on the weakening of currencies of 90

countries against the dollar since 2021 and 46 developing countries severely exposed to financial shocks, leading to serious threat of global debt crisis, are troubling.

At the peak of the pandemic in 2021 when health costs were mounting and economies were in the lock down, the developing countries paid US\$400 billion in debt service. In 2022, the international reserves of the developing countries declined by over US\$ 600 billion primarily due to exogenous shocks.

The financial cost of defending the currencies for developing countries has been disproportionately high. In the case of Pakistan, nominal exchange rate of PKR depreciated by 17.5 % against US dollar between January to July last year.

As the TDR notes, in 2022 alone, developing countries spent an estimated \$379 billion to shore up their currencies. Ironically, this represents almost double the amount of new Special Drawing Rights received by them.

Some of the developing countries face the additional brunt of climate stress and the resultant loss and damage, which they cannot mitigate or adapt to on their own given the hollowing out of their fiscal space, liquidity and growing debt burdens.

Mr. President,

We note that inflation remains the key concern for policy makers. However, we endorse the TDR's assessment of the risks associated with the continuation of policy prescriptions on monetary tightening. We therefore agree with the reports' call for a mix of policy tools to address inflationary pressures.

We agree with the proposals contained in the report with regard to trade and developmental regionalism and its potential to build resilient and competitive national economies. We also agree with the report's observations on constraints in certain rules and regulations in the WTO agreements as well as in many FTA and the need for renewed support and application of the principles of special and differentiated treatment and common but differentiated responsibilities.

We also align ourselves with the view that trade integration should not be confined to trade liberalization but be part of a broader development strategy promoting regional specialization, economies of scale, mutual economic interdependence and management of the connections between regional and global governance.

Home to one-fourth of world population, South Asia is one of the most dynamic yet one of the least integrated regions. Intra-regional trade accounts for roughly 6 percent of South Asia's total trade, compared to 22 percent in ASEAN. Intra-regional investment is smaller than 01 percent of overall investment.

The South Asian Association for Regional Cooperation (SAARC) has immense potential and plans. It has the necessary institutional structures to leverage complementarities and economies of scale. What is needed is demonstration of political will.

We also endorse the report's findings on the impact of financialization of the corporate sector on developing countries including in the context of regionalization as a tool for development. We agree and emphasize the need to restore balance between legal protection of investments and the various forms of corporate arbitrage.

Mr. President,

We echo the policy proposals outlined in the report and those articulated by the G77 and China. We would like to highlight the need for following measures:

First, demonstration of political will to address the systemic issues of global economy inter alia by deploying a mix of policy tools to counter inflationary pressures, while mitigating the adverse impacts on developing countries. We support UNCTAD's call for a policy change in favour of measures targeting price spikes in energy, food, and other vital areas directly.

Second, with regard to debt crisis, we endorse the report's findings that piecemeal measures to provide short-term debt relief are inconsistent with the magnitude of the challenges faced by debt countries in terms of both existing liabilities and future financing needs. In the short term, we call for a fairer and more permanent use of SDRs to ease balance of payments constraints and reduce fiscal pressure. There is also a need to review and revise existing allocation rules and to add a development link in SDR allocations. In the medium-to-long term, creation of a multilateral legal framework for debt restructuring with the involvement of all official (bilateral and multilateral) and private creditors is an urgent imperative.

Three, enhancement of the existing 0.33 per cent of Official Development Assistance (ODA) by members of the Development Assistance Committee (DAC) to the agreed commitment of 0.7 per cent of GNI. Fulfilling this commitment would also advance the economic and social rights of the people in need.

Four, review of the orthodox financial tools and reform of the existing international monetary and financial architecture to address the growing inequalities and vulnerabilities. The reform agenda should entail a solid multilateral monetary and financial system that is responsive to timely balance of payments needs and liquidity support, a swap facility open to all countries, a new criteria and public credit rating facility and enhanced base capital injection into multilateral financial institutions so that development and climate finance can be scaled up.

An ambitious global economic policy change is necessary and viable, as demonstrated by the experience of COVID-19 related measures, to avert the inter-linked crises exacerbating social unrest, leading to political instability and conflict.

Thank you.