

HIGH-LEVEL EVENT ON THE MILLENNIUM DEVELOPMENT GOALS

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Achieving the Millennium Development Goals

What Can Trade Contribute

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Excellencies, Ladies and Gentlemen,

It is a pleasure for me to be here today and to represent the WTO at the high level event on the Millennium Development Goals.

The WTO attaches great importance to achieving the MDGs. Even though the WTO's efforts in this regard are particularly related to the achievement of MDG-8 concerning the creation of a global partnership for development, fostering economic growth through trade will provide many developing countries with the resources and capacity necessary to invest in achieving the other MDGs, as well as, contributing directly in the fight against poverty. This is why the most important contribution that WTO can make to achieving the MDGs is through a successful conclusion of the Doha Development Round.

Global attention has been increasingly focussed on many issues including the economic slowdown, the difficulties being experienced by the financial markets, the rise of food prices and the accompanying inflationary pressures that this has generated. The Doha Round cannot provide immediate solutions to many of these problems, but there is no doubt that a successful conclusion of the Round can, along with other measures, create the necessary impetus to put us back on the path of economic growth.

Globalisation has brought about an increase in the importance that countries, particularly those from the developing world attach to trade. In 2006, the world economy experienced robust growth and vigorous trade expansion, with global GDP growth accelerating to 3.7 per cent, the second best performance since 2000. In addition all major regions recorded GDP growth in excess of population growth. More specifically, in the same year, developing countries merchandise exports rose by 20 per cent, to \$4.27 trillion, and imports rose by 17 per cent. Their share of world merchandise exports reached an all-time record level at 36 per cent. In the least-developed countries, economic growth continued to exceed 6 per cent for the third year in a row. In addition, the increase in demand from newly industrialised developing countries such as China and India has enabled a number of primary commodity-exporting economies to also experience strong GDP growth.

While such growth figures have helped to boost economic development in some countries, it has not necessarily enabled these countries to eradicate poverty and hunger. The recent food crisis is evidence of this. Also the growth experienced by many developing countries has not necessarily reduced inequality. In many of these countries, opening to trade (often coinciding with opening to foreign direct investment) has been associated with a certain degree of rising inequality. This is especially so for middle-income countries, notably in Latin America. We need to step-up efforts to ensure that economic prosperity has a direct impact in poverty reduction. For this, trade will have to become an integral part of a country's development strategy.

As I mentioned earlier, MDG-8 relates to the development of a global partnership for development which includes, among others, the development of an 'open, rule-based, predictable, non discriminatory trading system, and the need to address the special needs of the least developed countries, landlocked countries, and small island states. This is precisely what Members of the WTO had in mind when they launched the Doha Round of negotiations in 2001. The Doha Development Agenda seeks to create a fairer and more equitable trading system for all its Members by addressing the inequities that exist in the global market for goods and services and providing a clear link between trade and development concerns by putting the needs and interests of developing countries at the heart of the negotiating agenda.

Even though the failure of the mini-Ministerial meeting in July 2008 was a temporary setback, let us not forget that there is a great deal on the table already. The agreement to eliminate all forms of export subsidies by 2013, with a substantial part to be reduced by 2010, is in line with the key demands of developing countries since the launch of the Round. The removal of this artificial

form of competition will enhance the ability of developing and least-developed countries to compete in a fairer and market-oriented agricultural trading system. In addition, developing countries will stand to gain from important cuts in domestic subsidies as Members have already agreed that developed countries will undertake deeper cuts than developing countries. The Doha Round also aims to strengthen and develop new disciplines for other forms of export support such as export credits, food aid and state trading enterprises - issues that were not fully covered during the previous trade rounds.

Similarly, in NAMA Members are working towards cutting tariffs according to a methodology, where there will be deeper cuts on higher tariffs. Using this formula, developed countries will apply the tariff cuts on a line-by-line basis, with no exceptions, while appropriate flexibilities would be available for developing Members. This will generate new business opportunities, both in developed and in developing countries - hence providing a huge potential for increased and more diverse South-South trade.

But differences remain; differences which will have to be bridged and the progress sealed by adopting modalities in these two areas. If things seem difficult today, they are only going to get more difficult tomorrow. There is therefore no option but to further intensify the negotiations over the coming days so that we can increase the chances of success. Every possible attempt has to be made to push Members limits of flexibility and political will and strive for the adoption of modalities in Agriculture and NAMA by the end of the year.

For least-developed, as well as developing country members to maximise the benefits from increased market access opportunities, such as those agreed to at the WTO Hong Kong Ministerial Conference to provide Duty-Free Quota-Free Market Access for goods originating from LDCs, as well as those that may result from a successful conclusion of the Doha Round, non tariff barriers will need to be reduced if not removed. Only an ambitious trade liberalization agenda that addresses both tariffs and non-tariff barriers can bring about the increased market access for goods and services for developing and least developed countries that will provide them with much needed opportunities for economic growth and provide the resources needed to achieve the MDGs

While trade liberalization can provide the framework within which significant opportunities arise for developing countries, it may itself not be sufficient to guarantee that these opportunities are realized. The Doha Round of trade negotiations in particular promises great benefits to developing countries, and I should add that nothing can substitute for what the Doha Round can provide. At the same time, WTO Members have recognized that, for a number of reasons, developing countries – in particular LDCs – may not be able to immediately benefit from the opportunities that trade liberalization will provide. For example, some countries may not have the productive capacity to take advantage of enhanced market access opportunities. Some may have difficulties adjusting to the new economic environment following trade liberalization. Others may need assistance in diversifying their product base or enhancing their competitiveness.

It is with these considerations that the Aid for Trade initiative launched, it seeks to bring together these stakeholders in order to assist developing countries, in particular the least developed among them, to build the trade capacity and infrastructure they need to benefit from trade opening. The Aid for Trade Initiative includes: providing technical assistance to help countries develop trade strategies, negotiate more effectively, and implement outcomes; building infrastructure including the roads, ports, and telecommunications that link domestic and global markets; building productive capacity through investing in industries and sectors so as to enable countries to diversify exports and build on comparative advantages and lastly, providing adjustment assistance which would help cover the costs associated with tariff reductions, preference erosion, or declining terms of trade. A key facet of this initiative is that it is demand driven so that the beneficiary countries have a strong ownership of the process.

In February this year, WTO Director General's 2008 Aid for Trade Roadmap was unanimously endorsed by WTO Members. The objectives of the roadmap are to increase developing country ownership of Aid for Trade; to shift emphasis to monitoring implementation with a focus on country, regional and sectoral priorities; and to launch a work programme to develop performance indicators and to strengthen self evaluations. A number of national and sub-regional reviews will be organised and will be more focused, technical and results-oriented. The aim is to implement concrete national and sub-regional plans. Results of the review will be discussed at the next Global Aid for Trade Review to be held in the first half of 2009. As we prepare for 2009, there is an urgent need for an increased commitment and resource mobilisation from existing and new donors. African countries need concrete and additional funding to build their supply side and their trade related infrastructure. Moreover, it is important that donors focus on helping countries with low trade volumes and share of global trade to build new areas of comparative advantage. However, it is important to remember that while Aid-for-Trade remains a valuable complement to the DDA, it is not and can not be a substitute for the development benefits that will result from its successful conclusion.

Ladies and Gentlemen, there is no doubt that there is an emerging consensus that trade, if well managed can play an important role in poverty reduction and development. Trade can be a powerful engine for economic growth and development and many countries have achieved rapid economic development through trade expansion. However, trade cannot work in isolation and associated domestic measures such as sound and stable macroeconomic policies, pro-competitive regulations, good administrative and investment regulations and the rule of law are equally critical. Trade can also be more beneficial to the poor if it is accompanied by domestic policies that promote pro-poor growth strategies, providing the social and physical infrastructure required for a growing economy, and directly assisting specific target groups among whom poverty rates are highest in a nation. The policy conclusion that can be strongly made is that pro-poor trade policies must be concentrated on the specific sectors where poor people work, in the areas where poor people live and using the resources to which poor people have access.

The urgency of concluding the Doha Round today is more acute than at any point in the last seven years. Not concluding the Round could have very serious implications for development and for investment in developing countries, and in consequence for the achievement of the MDGs. A successful completion of the Doha Round with the effective participation of developing and least developed countries will offer growth opportunities that will enable these countries to better pursue their development objectives. However, for a successful conclusion of the DDA, both developed countries as well as the larger developing countries have to look beyond mercantilist gains. More importantly they have to resist domestic protectionist pressures. Only then we will be able to collectively achieve what we set out to do seven years ago – to rebalance the multilateral trading system in favour of development and poverty reduction – something that only a successful conclusion of the Doha Round can do. I thank you for your attention, Ladies and Gentlemen.
