

**Remarks by President Zoellick  
WTO Ministerial Meeting – Global Review for Aid for Trade  
November 20, 2007**

It is a pleasure to be with you here today—not only to see many old friends in the trade community in Geneva, but also to join my good friend Pascal Lamy in drawing attention to the importance of aid for trade.

If globalization is to be sustainable, benefits must be shared and opportunities must be available to all. New trade opportunities cannot be the province solely of the major trading nations, nor can the benefits within countries be concentrated solely in the hands of a privileged few.

Central to the task of promoting inclusive globalization is bringing down barriers to products poor people produce. But aid for trade—assistance to help countries integrate into and benefit from global markets—is also a critical part of this picture. And there is a lot of work to do.

In the agenda for this meeting, Director-General Pascal Lamy has highlighted three central tasks: monitoring, implementation, and evaluation.

The Bank can help on all these fronts.

- On *monitoring*, we will continue to work with the OECD-DAC and the WTO on refining the measurement of aid for trade so that we can collectively develop a better sense of what is out there—quantitatively and qualitatively—and try to map trends over time.
- We are also looking to contribute to the *evaluation* of aid for trade, so that we have better and more effective aid for trade. We hope that our research and analytical work, our trade and logistics indicators, and the experience of our people about what works—and what doesn't—will be useful.

But the Bank's main contribution—our comparative advantage—lies in the *implementation* of the aid for trade agenda.

So today, I am pleased to announce an expanded World Bank work program on trade. We will seek to sharpen our ability to serve our clients; and to make the Bank faster, more responsive, and more flexible.

Let me highlight seven elements of this program.

- **First, we will increase country programs on trade and competitiveness.** Trade and competitiveness programs—including policy analysis, programmatic and investment lending, and technical assistance—will draw on all the expertise in the Bank Group. They will encompass: offering support for countries wishing to improve their incentives for private investment in trade; helping countries reduce the costs of trading; and helping

governments to play a more active role in supporting trade through export promotion, and information and help on meeting standards in export markets.

All three elements are important, so let me touch further on each one.

- *Incentives* to private investors—including through lower tariffs, and tax and investment policies—are central to any comprehensive program to promote trade. In a world of global supply chains, where production of a single component of an I-Pod—the central microchip—involves eight different locations around the globe, tariffs are more self-defeating than ever. By penalizing imports, high tariffs don't just hurt trading partners—although with around one quarter of developing country exports going to other developing countries, this is bad enough. By raising the cost of inputs, high tariffs make exports less competitive, and lower a country's attractiveness for global production networks.

Equally, high protection in agriculture limits possibilities for forward processing: after Pakistan liberalized its trade regime for cotton, the market provided new incentives for export, investment, and improvements in quality, leading to expanded exports of cotton, fabric, *and* clothing.

- Effective and efficient *services* are also fundamental to competitiveness. Reducing restrictions on key backbone services can lead to new competition, lower prices, and greater efficiency. Services are critical inputs both for the domestic economy and the export sector. Moreover, improvements in trade-related institutions and services—such as customs, transport, logistics—can reduce delays all along the supply chain.

The Bank's recently released *Logistics Performance Indicators* show that the performance of public and private logistics services—customs brokers, road transport, customs, and other government agencies—is absolutely key in separating strong and poor performers. The performance of these services is a major factor in the reliability of supply chains—and our survey shows that reliability is what matters most to traders.

- Finally, governments have an active role to play beyond getting price incentives right. Governments can provide information about export markets, help in meeting and verifying standards, or with export development programs. Done well, these programs can produce tangible results. Following an export development program in Mongolia, a decline in exports of wool products was reversed, with exports of these products outperforming overall export growth within 2 years.

▪ **Second, we intend to provide more resources for infrastructure.** Everywhere I go, I hear stories of high costs from inefficient ports, transportation, and power severely constrain exports in developing countries. Firms cannot participate in global production chains when they face constant power outages: firms in Bangladesh struggle with 248 days per year in power outages, while those in Chile experience fewer than four.

In the last five years, World Bank concessional lending to low-income countries for infrastructure has expanded, and I anticipate that this trend will continue. For middle-income countries, we have also moved to cut the costs of borrowing to levels last seen in the 1990s, and we intend to streamline our procedures to reduce administrative costs

associated with borrowing. We are also developing public private partnership models for infrastructure involving IFC, our private sector arm, with our support for government policy reforms.

- **Third, we will expand our trade finance services.** The Global Trade Finance Program, which IFC started two years ago, is helping small and medium sized exporters in developing countries gain access to trade finance by partially underwriting guarantees for local banks. This year, we expect to provide \$1.3b of finance. Based on our experience, this should support about \$1.9bn of trade flows. In four years, we plan to almost double our volume to \$2b of trade finance a year and to double the number of partner banks to 260. Related technical assistance and training courses for banks in IDA countries would be doubled. We also plan to leverage this platform with new products.

- **Fourth, we plan to expand our assistance in trade facilitation and logistics.** The Bank will increase its program of assistance on trade facilitation, helping countries to identify bottlenecks and providing assistance to address them. In addition to the new Logistics Performance Indicators, which help countries identify their priorities for reform, we will expand our program of trade and transport facilitation audits and develop new toolkits to help countries assess the performance of specific supply chains. And we will back up these tools with analytical and lending services to help countries design and implement their reforms.

- **Fifth, we will improve and expand our training and technical assistance in strategic areas.** While I've long respected the analytical work of World Bank staff, when I was a Trade Minister I felt that the Bank could do more to convert this analysis into training and capacity building for policy makers, particularly in the low-income countries. I have therefore begun to increase our services in this area. We will also look for ways to expand our Geneva-based training in cooperation with the WTO.

The new programs will address standards, WTO accession, trade facilitation, and negotiation of trade agreements.

- **Sixth, we will accelerate work to produce indicators for trade and competitiveness.** Policy makers need to know how their policies stack up against others. Indicators can help policy makers make the case for—and determine the priorities for—reform. We've already included trade-related indicators in our very successful Doing Business Reports. This year we are launching two new products—the Logistics Performance Indicators and the World Trade Indicators. We are also investing in upgrading and disseminating the World Integrated Trade Solution (WITS) database and simulation tool. We are trying to develop customized country simulation tools, and joining with others to improve data on services, and non-tariff barriers. These tools will be made freely available to all countries.

- **Finally, we are continuing to invest in developing knowledge on how to harness globalization for growth and overcoming poverty.** Last year, we established an independent Commission on Economic Growth under the co-chairmanship of Nobel Laureate Michael Spence and Danny Leipziger, Vice President of Poverty Reduction in the World Bank, comprised of eminent authorities and policy makers from developing countries. This commission is intended to bring fresh thinking on policies to promote high and sustainable growth for future generations—including harnessing trade and technology transfer for growth. I am looking forward to receiving this Commission's report in June

next year. At the same time, the Bank's research arm will continue to provide detailed analyses to try to inform key trade policy debates—on such themes as trade and poverty, foreign direct investment and growth, and export diversification.

In addition to these seven main areas of Bank activity, we will remain active participants in global and regional aid for trade programs. For example, the Bank will remain actively engaged in the Enhanced Integrated Framework to help promote trade and competitiveness in the Least Developed Countries. We are also looking for opportunities to work with other partners to try to mobilize grant financing to provide similar services to non-LDC low-income countries, and on regional aid for trade programs.

But all this expanded assistance will not realize its potential unless you—the developing countries—make competitiveness a pillar of your growth strategies and then put demands on the World Bank and other donors to provide assistance that is relevant to your needs. This will mean bringing together the economic cabinet to formulate a program that goes beyond the Trade Ministry to include infrastructure, agriculture, and trade-related services.

Many countries want to know that the money for aid for trade will be additional, over and above the current official development assistance (ODA). If aid for trade is going to be increased without competing for resources with other development priorities, donors will have to honor their Gleneagles commitment to expand the overall aid envelope. For the poorest countries, a successful replenishment of IDA15 will be critical in delivering aid for trade, in particular for regional projects, because it is our primary tool for concessional loans and grants.

There are unprecedented opportunities for countries to use trade and investment for growth and overcoming poverty. It is our aim to make globalization truly inclusive. This challenge involves the WTO's central mandate of bringing down trade barriers and creating fair rules. It involves multilateral institutions and donors providing resources to help countries to overcome supply side constraints. And, most of all, it involves countries setting development strategies that can leverage the global economy for faster growth. Each of these three actions separately can contribute modestly to a better world. All three, undertaken together, can provide a powerful stimulus to achieving a more inclusive and sustainable globalization.

## **Conclusion**

Of course, as all of you know well, there is another dimension of this challenge that is at a critical moment: the Doha Development Agenda.

I certainly know the competing pulls you face. Having helped launch the Doha Round in 2001, endured the sad breakdown in Cancun in 2003, and assisted in the recovery in Geneva in July 2004, I can know the ups and downs that you can face.

Frankly, from that slight historical perspective, all of you have made considerable progress. There are some excellent results on the table, ready to be reaped.

But think very carefully whether the items in sharp dispute in your conversations right now are worth a failure. I can assure you that the days after Doha in 2001 and after Geneva in 2004 were much more satisfying than Cancun. So think about the stakes, not just the frustrations and pressures of the moment.

You have the elements of an excellent deal on the table. With political will – and a little courage – you have a package here that would be a lasting improvement for the trading system.

The agricultural reforms – both in market access and subsidies – could be historic. The cuts in barriers in goods will offer benefits for the global economy for years to come, in ways you can only partially perceive today. Given the changing nature of global production and farming, developing countries could be the major beneficiaries. And all of you would gain from greater global growth.

Then there are powerful gains in services, prospects for better rules, and notable efficiencies in trade facilitation.

So don't let this slip out of your grasp.

For developing countries, the World Bank Group will work with you to build on the benefits. As you can see from my comments today, I believe there is a lot that we can do – but we really need a deal to drive the engine of trade to new levels of potential. And that is the responsibility of all of you.