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# Foreword

**T**HE INTERNATIONAL COMMUNITY finds itself at a crossroads as it goes into the last quarter of 2003. Will the Doha Agenda regenerate the multilateral consensus that has been the hallmark of successive rounds of trade liberalization since 1947 and in doing so provide new impetus for global integration? Or will the Doha Agenda collapse in stalemate and perhaps be viewed as the moment when the international community retreated from multilateralism and opened the floodgates for less desirable bilateral and regional arrangements?

The answers to these questions matter a great deal to the world's poor. The round of trade talks launched in November 2001 in Doha, Qatar, is the first negotiation focused primarily on issues of concern to developing countries, and the first trade round since the birth of the World Trade Organization (WTO). Moreover, the Doha round is the first trade round for many new WTO members, including the world largest developing economy, China. Consequently, the round has the opportunity to remove many of the inequities in the global trading system that put developing countries—and poor people in particular—at a disadvantage in their trade.

Three trade barriers are of particular concern. Poor people work in agriculture, and agricultural products are subject to the highest barriers to trade. In addition, poor people produce labor-intensive manufactures, which are subject to peak tariffs in a world that has already reduced average tariffs in manufactures to historic lows. Poor people could benefit from greater temporary migration.

Governments everywhere have worked hard to create the opportunity to reduce these and other barriers. And they will have to work hard to capitalize on that opportunity. To fulfill the development promise of the Doha Agenda, rich countries will have to reduce protection of their (relatively wealthy) farmers. Their tariff walls and huge subsidies depress global prices of the products that poor farmers produce throughout the developing world. These subsidies cost the average working family in the European Union, Japan, and the United States more than \$1,000 a year. Middle-income countries, though their protection is generally lower and less distorting in agriculture, have high average tariffs in all sectors, and are more restrictive in services. As south-south trade increases in importance, protection of sectors in middle-income countries undermines their poorer trading partners and often undercuts the countries' own productivity growth. Finally, low-income countries should look to the international system to meet their very reasonable demands—not for special preferences *to some markets* and exemptions from rules, but for nondiscriminatory market access *to every market* in products in which they have a comparative advantage, for appropriately phased introduction of international regulations, and for development assistance in implementing administratively costly WTO rules. Like other countries, low-

income countries will find it in their interest to reduce their own external levels of protection as part of an integrated development strategy aimed at reducing poverty.

Reducing barriers to trade is not enough to fulfill the development promise of Doha. Trade must be part of a larger development strategy for each country, a strategy that includes attention to macroeconomic policy, infrastructure, education, and health as well as to accountable and responsible governance. These elements of investment climate take time to develop but are essential for growth and poverty reduction and are crucial to make a sound trade strategy pay its growth and poverty reduction dividends.

The World Bank, working in partnership with the other international institutions and bilateral donors, is committed to supporting a pro-poor Doha outcome. Our objectives in trade are two-fold: promoting a world trading system in which global, regional, and bilateral rules are conducive to development and poverty reduction, and helping individual developing countries leverage trade to promote their own growth. The latter objective hinges on integrating appropriately sequenced trade reforms into national development and poverty reduction strategies.

The Bank is increasing its investment in research, technical assistance, and lending for trade. A casual perusal of the bibliography in each chapter of this report will give the interested reader an idea of the scope of the Bank's research program. Moreover, in the last two years, the Bank has undertaken at the request of governments more than 20 diagnostic studies of obstacles to trade integration. In conjunction with six partner institutions, the Bank has led the Integrated Framework program—studies of trade obstacles in a dozen least-developed countries to date. It has completed several regional studies of trade.

In addition to studies and policy advice, the Bank has provided technical assistance in the form of lending to improve trade-related institutions and transport logistics. The Bank has programs that finance activities in 49 countries (approximately one-third of its active client countries). These projects span all regions and range from export competitiveness projects in Ghana and Bangladesh, to transport and trade facilitation projects in Eastern Europe, to support for improving customs–border control agencies and training the trading community in Pakistan. The Bank is also implementing projects to improve quality standards and is leading the “Standards and Trade Development Facility,” an interagency partnership with the WTO, the FAO, and the World Health Organization, to deliver technical assistance for food safety and related standards. Should trade ministers reach an agreement on the Doha Agenda, the Bank will expand its lending and technical assistance to help countries take advantage of new market access, to use trade to promote their domestic competitiveness, and to manage any transitional costs—such as those arising from erosion of trade preferences, changes in prices of imports, or reallocation of domestic resources from inefficient sectors to more efficient ones.

A pro-poor outcome in the Doha Agenda is only one step toward a world more supportive of development. But this step is an important one. And it can be achieved only if everyone understands what is at stake in this historical moment—and moves purposefully and together to seize the opportunity.

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