

# OECD POLICY DIALOGUE ON AID FOR TRADE

(Paris, 3-4 November 2008)

Keynote Address:

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1. Thank you, Secretary-General Gurría, for those kind words of welcome and for your opening remarks. Thank you also, to you and to the OECD staff, for having organized and prepared this important meeting. We are fortunate to be able to count on the OECD as one of our key institutional partners for the implementation of the WTO work programme on Aid for Trade.

2. I would like to pay tribute to the support we are receiving from Frans Lammersen, Martina Garcia, and their colleagues in the OECD Secretariat as we prepare the material that we shall need to conduct the next Global Review of Aid for Trade that will take place in the WTO General Council, most probably in June 2009. This Policy Dialogue will make a valuable contribution to those preparations. Aid for Trade is still a relatively young member of the family of issues on which the OECD and the WTO are working together to encourage closer international cooperation. We still have a great deal to learn about Aid for Trade programmes and projects that our member governments are undertaking - about what is best practice, and about what works and what doesn't. I am confident this Policy Dialogue will help to advance our understanding in all of those areas.

3. Before we get down to business, today and tomorrow, in the four dedicated sessions of this meeting, I would like to say a few words about the overall context in which the Aid-for-Trade work programme is operating.

4. When it was launched by WTO Ministers in Hong Kong in December 2005, there was, I think, a widely-shared expectation that we could look forward to an expansion of Aid for Trade in the context of the conclusion of the Doha Development Agenda (DDA) and the implementation of the results of the trade negotiations that will create new trade opportunities for developing countries and the LDCs. Formally, Aid for Trade is not part of the DDA. But it is clearly complementary to the DDA and there is a powerful synergy between the two:

improved market access and clearer and fairer trade rules on the one hand; increased international support for trade-related capacity building on the other hand.

5. As you know, while substantial progress has been made in closing gaps among our members, the conclusion of the trade negotiations has had to be delayed while WTO Members find a political compromise over two of the key negotiating subjects, Agriculture and Non-Agricultural Market Access (NAMA). That compromise proved elusive last July although our members are working hard again to try and bridge the gap.

6. WTO Director-General, Pascal Lamy, convened an informal meeting of trade Ministers in Geneva last July, to secure top-level political input to accelerate the negotiations across the board and move the Round into its final phase. A great deal of valuable progress was made at the July meeting, in particular on untying many of the trickiest and most politically sensitive knots in the Agriculture and industrial negotiations. There were promising signals also from WTO Members on new commitments they are prepared to make to open trade in Services, results that well exceeded our expectations.

7. We did not succeed in reaching our ultimate objective in July, of going the final few laps of this marathon trade negotiation to reach agreement on full modalities on Agriculture and NAMA. But we came very close. And while I believe that everyone was frustrated to see the prize slip away from our grasp at the end, I believe also that the progress that was made has proved that the Doha Round sceptics are wrong.

8. It proved not only that all WTO Member governments are still fully committed to conclude the trade negotiations successfully. It proved also that we will conclude with an ambitious and comprehensive package, that will make significant improvements to trade and the trading system in each of its three key pillars:

- by substantially increasing market access for goods and services;
- by up-dating the WTO rule-book to facilitate and regulate international trade in the modern, globalized world economy;
- and by delivering on the Doha Round's core development objective of better integrating developing countries and LDCs into the global economy through improved market access for their exports, more balanced trade rules, and support to

build and expand their capacity to trade effectively and successfully on world markets.

9. Since July, the negotiators have focused their work on the core objective of reaching agreement as soon as possible on "modalities" for Agriculture and NAMA. In other words, we are still working on Plan A for the Doha Round. Of course, we must recognize the fact that in the next few days and months, domestic political calendars will distract some of our most influential member governments. We shall have to work with that fact. There is no doubting, however, the degree of political commitment in those countries at the highest level to conclude the Round. We are confident that there will be windows of opportunity in this period when it will be possible to bring the negotiating process back to full power. Now that the July negotiations have proved that the list of problem areas that remain to be resolved can be slimmed down substantially and quickly, we should find it easier to fit through one of those windows when the right moment arrives.

10. Slow progress in the trade negotiations has not held back the Aid-for-Trade work programme, which has moved ahead steadily and constructively since its inauguration in Hong Kong in 2005. The Director-General's Aid-for-Trade Task Force produced its report and recommendations on the way forward in 2006. The recommendations were endorsed by Members and began to be implemented in 2007. And in November 2007, the WTO General Council carried out its first Global Review of Aid for Trade.

11. The first Global Review produced a fascinating insight into the potential that Aid for Trade has to boost productive capacity building in developing countries and LDCs and help them to make a real difference to their trade performance. OECD data on aid flows provided the first full picture that WTO Members had seen of the volume and distribution of Aid for Trade. Results from regional conferences held earlier in the year gave the first clear sense of national and sub-regional priorities for trade-related capacity building. And donors confirmed their financial commitments to respond positively to well-designed, Aid-for-Trade strategies in beneficiary countries that are firmly anchored in national development and poverty reduction programmes.

12. The first Global Review also validated the decision to move the Aid-for-Trade work programme up to the next level, from a general, awareness-raising exercise to a focused effort by trade, finance and development officials from member governments and their international

agencies to work together on taking trade-related capacity building projects from the initial needs-assessment and design stage to the final financing and implementation stage where it will start to produce the impact that we are looking for on trade and development.

13. This year, we have two main objectives in mind for continuing to develop the Aid for Trade initiative.

14. One is to improve the process of monitoring and evaluating Aid for Trade. There have been several meetings already in the OECD and the WTO on this issue, including a very useful symposium organised in Geneva in September to help us select the right framework and the right indicators for conducting the exercise. I believe we are on the right track and I look forward to hearing further views on this issue at the fourth session of this conference tomorrow.

15. The second objective is to generate new information on the progress our member governments are making with their national and sub-regional Aid-for-Trade programmes, information that will allow us at the next Global Review to focus on the implementation of trade-related capacity building projects and the impact they are having on the development objectives of the countries concerned. We are selecting case studies from all regions of the world, assisted by our colleagues in the Regional Development Banks who have the hands-on expertise in dealing with project design and financing. I believe the results will provide us with a rich source of material drawn from practical experience with Aid for Trade that can inspire others to follow.

16. Recent developments on world financial markets and their potential ramifications for the global economy mean, in my view, that Aid for Trade will become even more important over the next few years as a reliable source of financing for trade-related capacity building in developing countries and LDCs. These countries are facing a difficult period, in which forecasts suggest that economic and trade growth will be slower and international credit markets will be tighter than we have been used to for many years now. Greater demands will probably be placed on aid resources, and it may become more difficult for donors to continue to meet their aid commitments. It is important that all of us show our continued commitment to the aid and in particular the aid for trade agenda at the upcoming meeting of the United Nations in Qatar on "Financing for Development".

17. In these circumstances, making the political and the development arguments for increased Aid for Trade is likely to become more challenging: this is why it is critical that these arguments be substantiated by reliable indicators to measure and evaluate progress in results. I believe, though, that if anything the case for Aid for Trade is stronger now than ever. It is a tangible demonstration of political solidarity between developed and developing countries. It is a vote of confidence in the fact that global economic well-being depends on us continuing collectively to build the foundations for strong and sustained economic growth in the future, and in large part that means strengthening the trade growth of developing countries. It makes good development sense. It also makes good economic sense today. As we confront the current economic downturn, we should not forget that development financing can be a powerful macroeconomic tool to boost global demand in a non-inflationary and highly productive way.

18. I believe that the work we have accomplished over the past three years has left us better able to meet the challenges that we face in keeping up the momentum on Aid for Trade. We must not, however, allow ourselves to twiddle our thumbs. We still have a lot to do to improve the WTO's Aid-for-Trade work programme in all of its aspects. This Policy Dialogue provides a welcome opportunity for us to consider how best we can do that.

19. Thank you.