



**OECD POLICY DIALOGUE WITH NON-MEMBERS ON
AID FOR TRADE: FROM POLICY TO PRACTICE**

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**Achieving the Development Dimension of the
WTO Doha Round**

Session I: Aid for Trade – Anything New?

**Statement
by
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Ladies and Gentlemen,

1. I am very honoured to be with you today to participate in this important Conference. I would also like to express my deep appreciation to the OECD and the Gulf Organization for Industrial Consulting (GOIC) for organizing this event.

2. I am particularly pleased to be here in Doha, among old friends and colleagues, who five years ago exerted tremendous efforts in hosting and successfully concluding the Fourth WTO Ministerial Conference. In this same city, Trade Ministers met in November 2001, to launch the Doha Development Agenda (DDA) negotiations. What is notable today is not just that we are back in the same city, but that we are back at a challenging time not only for the DDA but for the MTS. More than ever, we need the spirit that was present in Doha in 2001.

Ladies and Gentlemen,

3. The Multilateral Trading System's great strength has been its extensive reach, which can generate the right environment for policy trade-offs needed for liberalisation to take place. Since the creation of the GATT in 1947, tariffs in the industrialized world have been cut by more than 80% in 8 successive Rounds of negotiations, and a vast range of quantitative restrictions and bureaucratic controls have been removed.

4. The WTO as opposed to the GATT, is now about far more than imports/ exports regulation and other trade rules governing merchandise trade. Expansion of trade rules in the WTO into intellectual property, customs procedures, and services, has made the multilateral trading system directly relevant to almost all aspects of economic policy-making.

5. The Doha Development Agenda is, without question, the most ambitious Round of trade negotiations ever attempted. Firstly, it invigorates and extends the negotiations for liberalising access to market in agriculture, in industrial goods and services. I need hardly remind you that in each of these areas there remains serious impediments to trade, competition and economic efficiency. Secondly, perhaps less exciting to some, but as fundamentally important, we are looking to improve and strengthen the rules of the system – the architecture of international commerce. The Doha mandate takes us further into new practical areas such as facilitating trade formalities for the business community.

6. This level of ambition is what poses a particular challenge in the DDA. Moreover, for the first time ever, development objectives were placed at the heart of the Round. The overriding objective of the negotiations is to ensure that trade functions as a tool for development. The interest of the poor can only be served through an ambitious Round. Ambition in cutting agriculture tariffs and trade distorting domestic subsidies; ambition in reducing industrial tariffs, including tariff escalation and peaks; ambition in providing flexibilities to developing countries can all cater to the interest of the poor.

7. What is on the table today in areas such as Agriculture, industrial goods and services, represents already two to three times what was agreed during the Uruguay Round. Members agreed to eliminate Agriculture export subsidies by 2013 with a bigger part of it gone by 2010; in trade distorting domestic subsidies pledges already surpassed the Uruguay Round cuts by two or three times; the methodology that was agreed on to reduce industrial tariffs would tear down tariff escalation and tariff peaks; it was also agreed to eliminate all tariffs and quotas for at least 97% of all LDCs exports. Moreover, in new areas, such as trade facilitation, rules for trade and environment, to mention a few, much has been achieved.

8. These promises which were on the table in July are now put on hold. The General Council decision to suspend negotiations was intended to allow a period of time out for Ministers to consider how they can each contribute to breaking the remaining obstacles in the negotiations in agricultural subsidies and agricultural market access. It is fair to note that in the current deadlock the main actors are the US on domestic subsidies, the EU on agricultural tariffs and emerging economies like India on market access also. Other developing countries, including LDCs have maintained a very offensive position in the agriculture negotiations. Agriculture holds a great growth potential because of its centrality to their economies. Developing countries are conscious that agriculture subsidies and agricultural market access can only be tackled in the DDA and not in any Free Trade Agreement. There have been numerous calls for a resumption of the negotiations and there is clearly a high level of political support for the Round. This has been expressed by the ASEAN Group in Kuala Lumpur in August; the G-20 in Rio in September; the World Bank and the IMF at their meetings in September; the Cairns Group; the President of the African Union last week; not to mention the positions expressed in business circles and by influential representatives of Universities or academic circles, as well as certain NGOs. At present, discreet political contacts and reflections are taking place and our hope is that soon the key players in this

current deadlock will begin to indicate revised levels of flexibility adequate for them to return to the negotiating table. While differences remain, they are not insurmountable in the technical and economic terms and can be bridged in the right political environment. The current trade negotiations have the potential to unlock substantial new resource flows for developing countries. The earlier we come back to the negotiating table, the better it is for everyone.

9. The Doha Round offers the first, the second and the third option for the poor. There is not a single bilateral Free Trade Agreement that could provide equivalent opportunities to poor countries as the MTS. Equally, there is not a single forum that can provide poor countries with the level playing field that they have in the multilateral trading system. This is why for these countries there is no alternative to the multilateral trading system and in particular to the DDA.

Ladies and Gentlemen,

10. This important and timely Conference, today, is another essential step in our collective efforts to improve on coherence and coordination in policies, and to ensure that aid works for trade and ultimately for development. Aid for Trade is about making an investment in developing countries so they can use trade as an engine for growth, development and poverty reduction. It aims to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements, and more broadly, to expand their trade. Increasing Aid for Trade is not contingent on the outcome of the Round, but its value and importance will be greatly increased if it is implemented in conjunction with substantial new market access opportunities and new rules that will facilitate trade.

11. The WTO Aid for Trade Task Force, established in February 2006, in line with the Hong Kong Ministerial Declaration, focused its recommendations on three aspects: **first**, the scope of Aid for Trade and how it relates to the development dimensions of the DDA; **second**, the operationalization of Aid for Trade; and, **third**, identification of appropriate delivery and monitoring mechanisms. The WTO General-Council endorsed the Task Force recommendations last month calling on countries bilateral and multilateral developed agencies to substantially increase their support of Aid for Trade.

12. Let me be categorical in assuring you that there is no hidden agenda here. The WTO's role is strictly one of advocacy on this issue, neither managing nor disbursing aid beyond our traditional activities in trade-related technical assistance. We are therefore working closely with all stakeholders: the traditional donors, and recipients. It is also our intension to extend our advocacy and engage more effectively new donors and the private sector.

13. On monitoring, consultations are underway with key actors such as the OECD for the establishment of a monitoring mechanism in the WTO, which would undertake a periodic global review based on reports from several different sources, including from recipient countries, donors, relevant multilateral agencies and the private sector. Members view monitoring as a key part of the Aid for Trade work programme – to ensure that commitments are delivered upon, additionality is forthcoming, and implementation is effective.

14. The Aid for Trade initiative certainly requires funding but, most importantly Aid for Trade has to be delivered effectively in order for it to meet its objectives, as set out in the Hong-Kong Ministerial Declaration. One point though needs to be borne in mind. In order to ensure that trade works as an engine for growth and development, trade policy and trade priority areas of action need to be critically anchored either in national development plans and/or in strategies for poverty reduction. In the absence of the effective integration of trade into development planning and PRSPs, trade cannot work for development.

15. I am confident that creative and efficient ways can be found to make aid work for trade and ultimately, for development.

Ladies and Gentlemen,

16. There is no question that this is a challenging time for the WTO, but also a time of great opportunities. The trading system faced difficulties in the past and will no doubt face setbacks and difficulties in the future. A successful conclusion of the Doha Round is essential to ensure economic growth and development for all Members, in particular for developing and Least-Developed Countries.

17. Let me conclude by expressing my appreciation, once again, to our host, Qatar, and to the organizers, the OECD and GOIC, and wish you a successful Conference. I look forward to an interactive discussion and an exchange with all of you. Thank you.