World Bank President Robert B. Zoellick at the 3rd Global Review of Aid for Trade

Remarks

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AS PREPARED FOR DELIVERY

I. Introduction: State of Trade Development Today

- It's a great pleasure to be back at the WTO for today's conference. I'd like to thank my good friend and former colleague, Pascal Lamy, for organizing this event, as well as my fellow panelists.

- We are in the midst of a multispeed recovery that has highlighted that we are fast moving toward a new multipolar economy. When I think of the changes since I began as USTR, ten years ago, they are nothing short of astounding.

- In historical terms, ten years isn't too long.

- Not surprisingly, the institutions and systems of the international economy, whether in finance, development, climate change – or trade – are behind the curve of change.

- This session is an important part of the effort to catch up on policy – as well as business.

- South-South opportunities are expanding enormously.
- So are opportunities for developed countries in developing markets.

- Aid for Trade is a practical example of aid as self-interest, not charity.

- The right Aid for Trade investments can boost development for sure – but they can also boost global growth and business opportunities, too.

- If we keep markets open.

- Consider import demand from China: It grew by almost 40 percent in 2010 – substantially faster than in developed countries.

- The share of trade that the Least Developed Countries have with emerging markets has increased from 20 percent to 32 percent over the last decade.

II. Why Aid for Trade Matters

- As a Trade Minister, when I pushed to open markets, I always recognized that lower barriers needed to be combined with complementary policies – that building markets requires both the "hardware" and the "software" of trade.

- So when we pressed for FTAs, we saw them as tools of development as well as of trade. We sought ways to build the other elements: Ports. Infrastructure. Developing a climate for private business. Customs rules. Trade Finance. Support for logistics chains. Assistance with standards. And many other dimensions of a competitive economy.

- At the same time, we understood that building markets involves helping people – especially the poorest and hardest hit – to adjust to new circumstances.

- So these are the challenges that are at the core of aid for trade.

III. What's Being Done?

- Let me give you some examples:

Transport Sector

- Start with the transport sector: as tariffs have fallen, it has become clear that delays and losses impose significant trade costs. Using newly collected data from 98 countries, we estimate that each additional day a product is delayed between factory gate and the ship reduces trade by more than one percent.

- This is a hardware *and* a software problem. So we need to address weaknesses in roads and ports, as well as customs and other regulations.

- Last year, World Bank support for transport was around $8.4 billion. Two-thirds of this focused on roads and highways, particularly in the South Asia Region.

- For example, in Pakistan, we're helping to support the National Trade Corridor Improvement Program which includes targeted investment lending for key reforms to ports, railways, the road freight industry, highways, air transport, and other transport logistics. We want to reduce the cost of doing business in Pakistan, enhance export competitiveness, and accelerate industrialization.

- In Ghana, the Bank-funded Trade and Investment Gateway Project has helped build a flyover bridge and network of roads linking the economic hubs with existing routes, creating a multi-purpose industrial park. The results: over 3,000 investment projects valued at over $12 billion, and more than 300,000 new jobs.

- But these kind of hardware investments need to go hand-in-hand with improvements in regulation.

- So in Cameroon, the World Customs Organization and the World Bank have worked with the customs authority to increase transparency and revenue collection by establishing individual and team performance contracts with measurable indicators. In less than two months, there have been impressive results: Revenues increased by an average of 5% per customs declaration – the equivalent of $30 million a year. Over 90% of the customs declarations in Cameroon are now assessed the same day they are lodged by customs' brokers.

- The Bank Group is also working with African Regional Economic Communities to strengthen regional integration.

- In particular, we are supporting the establishment of transport corridor management authorities to ensure goods flow more easily between neighboring countries.

- We're also working more closely with the private sector – because who better to help us with trade facilitation than traders? The World Bank has, for example, partnered with the global express delivery industry to help improve customs procedures.

- This past March, Pascal and I met with business leaders in Washington, and asked them to provide us with examples of their activities to build trade capacity. We have compiled their stories in this booklet. We hope it will encourage more development agencies and multilateral development banks to partner with the private sector.

Improving Conditions at Borders:

- Improving conditions at borders can also have an enormous impact on trade flows. In some parts of Africa, for example, traders have to pay a multitude of fees – formal and informal; deal with multiple, uncoordinated border agencies; and suffer long delays:

- In the Democratic Republic of Congo, for example, passengers and traders crossing by boat to Brazzaville – only 3 km away – have to go through 16 border agencies.

- Business travelers between Cotonou and Lagos – two cities in West Africa that are only 120 km apart – prefer to travel by air in order to avoid crossing the land border between Benin and Nigeria, as well as the 30 or more road blocks along that corridor.

- To facilitate cross-border exchanges, the Bank has been supporting border modernization and trade facilitation initiatives. The results have been striking:

- The East Africa Regional Trade Facilitation Project covers Kenya, Uganda, and Rwanda. Using the One Stop Border concept, border clearance time for cargo at the Malaba post on the Kenya-Uganda border has been reduced from an average of almost 2 days five years ago to an average of only 7 hours today – and is projected to go down to 4 hours by 2014. We've seen similar results at the Gatuna post on the Uganda-Rwanda border.

- This means that transit time on the Northern corridor that covers all three East African countries has now been reduced from 19 days in 2006 to 9 days today. And we're aiming for 5 days by 2014.

- These positive results are partly due to demand for better services by the business community, as well as the governments' realization of the benefits of improved efficiencies to their competitiveness.

Trade Finance and Guarantees

- When trade finance began to dry up in 2008, strangling exports around the world, the Bank Group worked together with Pascal Lamy and the WTO to help mobilize additional resources.

- We boosted trade credit guarantee coverage for developing country banks, many of them in Africa. Today, we're still supporting trade with emerging markets worldwide through our expanded Global Trade Finance Program, run by the Bank Group's private sector arm, the International Finance Corporation, or IFC.

- Today, IFC is working with more than 200 issuing banks in 84 emerging markets through this Program. In FY 2011, we issued $4.56 billion in guarantees, a 32 percent increase over last year.

- We recently topped $10 billion in guarantees. This milestone was marked by a deal for a South-South shipment of steel from Malaysia to Vietnam. That's not surprising, because the trends in trade flows mirror those of the global economy. In fact, over 40 percent of the guarantees issued by the program have been for South-South trade.

- At the height of the crisis, we discovered guarantees were not enough. So we also created the Global Trade Liquidity Program, which has now supported more than $12 billion worth of trade in developing countries. We estimate that 80 percent of this financing supported small and medium sized enterprises, and 25 percent was for trade with companies in Sub-Saharan Africa.

IV. What's Still Needed?

- We still have a lot more work to do to improve market access, especially for developing countries.

- The trade policy agenda has to keep up with the fast-paced changes in the world economy. The old trade in goods has to shift to a more complex agenda, including behind-the-border issues such as domestic regulation and services.

- Let me offer a few suggestions:

- First, ***improve the efficiency of domestic regulation for services sectors*.** Backbone services such as finance, telecommunications, and logistics affect the productive potential of all sectors of the economy. Moreover, trade-facilitating investments are unlikely to earn high returns unless there are meaningful reforms in these sectors. So if we can help service sectors perform better, we can improve growth and competitiveness, as well as overcome poverty.

- The World Bank has been helping developing countries with tools to improve their regulatory environments. We are, for example, working with partners to establish knowledge platforms on services and regulatory reform to give policy makers access to the best-practice knowledge, increasingly from other developing countries.

- Second, we need to better ***assess the impact*** of trade projects and programs, so we can learn what works best and where we need to make improvements.

- The World Bank has developed an analytical framework for Aid for Trade Impact Evaluation that we will be presenting at this conference.

- To do the analysis, we need good, consistent data on outcomes and impacts. As trade policy becomes increasingly complex, however, it has become harder to get clear, accurate trade data. Information on non-tariff measures is fragmentary at best. Regulatory regimes for services are poorly monitored and understood.

- We're taking a first step toward improving access to trade data by launching a new initiative on ***Transparency in Trade***. TNT will make information on trade flows, tariffs and non-tariff barriers – including those policies that affect trade in services – publicly and freely available and easily accessible to all users. The initiative is a partnership between the World Bank Group and the International Trade Center, the UN Conference on Trade and Development, and the African Development Bank, in cooperation with the UN Statistical Division.

- TNT builds on the Bank Group's own experience with our Open Data Initiative launched last year. We now make over 7,000 data sets freely available, some dating back decades. We are coming up with software to offer new tools and accessibility. And we launched an "Apps for Development" competition to tap more brain power.

- It's already made an impact: COMESA has adopted our Tariff Reform Impact Simulation Tool to examine the impacts of regional trade liberalization.

- Two members – Burundi and Rwanda – have used the mechanism to get compensation from the COMESA Adjustment Facility for tariff revenue losses.

- We need a revolution in Open Information for trade, to support Open Trade.

- Third, we should put greater focus on ***promoting internal trade***. Helping to connect lagging and more remote regions to large, high-growth areas within countries will spread the benefits of trade. Logistics costs in remote regions are often high due to the smaller scale of production.

- The World Bank's Trade Facilitation Facility can help finance improvements.

V. Thinking Ahead, Thinking Big

- I urge all of you to think ahead and think big. That's what I am prodding my colleagues at the World Bank Group to do.

- Let me share just one insight, from our Chief Economist, Justin Lin.

- Not long ago, Justin sent me a note observing that China employs about 85 million people in lower value-added manufacturing.

- In comparison, we roughly estimated that sub-Saharan and North Africa employs about 10 million workers in that sector.

- But China is moving up the value-added chain. One can see it in the 12th Five Year Plan. It makes sense, too, because given China's demographics, within the next five years China's labor force will have more retirees than new entrants.

- What about just a modest shift of that production to Africa? Even five million would add to Africa's manufacturing workforce by 50 percent or more.

- Now what would it take for Chinese manufacturers to locate some production in Africa? – To bring their excellent marketing and supply chain networks?

- Probably good industrial zones; supportive infrastructure; reliable energy; effective customs systems and logistics – backed by workers with education and work skills.

- That is the Aid for Trade Agenda.

- Look at what has happened over a decade.

- Africa can also be a pole of growth if we help lay the groundwork.

- Developing countries in Asia, Latin America, and the Middle East can be home to new investors, firms with global brands, and productive enterprises that move beyond the middle income traps.

- And all this can give a boost to developed countries that restructure for the growth of the future.

VI. Dumbing Down Doha

- Given this vision, these possibilities, the fate of the Doha Round is deeply disappointing.

- I won't sugarcoat it. Negotiators from key countries – developed and developing – let themselves fold into defensive crouches. Tactical ploys overwhelmed strategic vision and leadership.

- I've heard all the concerns raised by domestic politics. But I know something about the politics of trade. And about closing and passing agreements. If lead negotiators think small, they act small. And they miss big opportunities.

- If they fail to lead, if they get dragged to concessions, they'll find – ironically – that they'll gain less for the concession. And they certainly won't inspire confidence in what could be done.

- Dumbing Down Doha is defeatist.

- Of course, no one country can carry the load alone.

- But since my home country is the United States, let me ask:

  - What has the U.S. gained by holding off cuts in farm subsidies that are now to be whacked by the budget cutter's knife?

  - Or the elimination of the ethanol tariff?

  - The zeroing rule for anti-dumping?

  - And maybe some Mode 4 opening could boost U.S. growth?

  - Might some of these moves – or others – have enabled the U.S. to get some manufactured or service openings it needs to carry the deal? Could they still?

- If U.S. negotiators wait for the U.S. Congress to tell them it's OK to close a deal, they'll wait for a long time. Congress thinks that the Executive branch is supposed to carry that load. And Congress knows deals, especially big ones like Doha, are sold as binary choices – up or down – for the international trading system or against.

- Sad to say, this defensive posture started late in the Bush Administration, even though President Bush pushed hard for a deal, so the fault is bi-partisan.

- It's a missed opportunity for a pro-growth strategy at a time when the U.S. – and the world – could use one.
- Of course, the responsibility for failure doesn't rest solely with the United States.

- At critical moments, principal emerging markets found their own reasons to stall negotiations. They preferred maneuvering and rationalizing over closing.

- From an economic perspective, lower barriers to trade and services could help them fight the inflation they face today, improve their productivity and competitiveness, and move up the value-added chain.

- The ITA sectoral accord boosted the IT business and supply chain development, to the great benefit of developing country producers.

- At a time when developing countries are investing greatly in infrastructure or in environmental improvements, why not have agreements to reduce barriers to trade in construction equipment and green goods and services?

- Emerging markets also have a strategic interest in a dynamic, forward-looking global trade system.

- If market-opening slows, the justifications for closed markets will be applied increasingly to South-South trade.

VII. Conclusion

- So now I understand the WTO is crawling toward a small deal – at best.

- That's up to the negotiators, of course.

- A mini-deal won't do much for global growth, which is my primary concern.

- And it will leave the WTO behind the big changes we've touched on today.

- More than sixty years ago, as the world was just beginning to recover from global depression and war, some argued that countries should hunker down – tending mainly to their own affairs. Instead, visionary leaders created the World Bank, the International Monetary Fund, and the open global trading system now embodied in the WTO.

- Today, in the aftermath of a global financial crisis and concerns over sovereign debt, we find ourselves at another critical juncture in history where that same visionary leadership is needed. Some want to Declare Doha Dead. Instead, I urge the WTO members to get bolder: Double-Down on Doha. And do so by Thinking Ahead, and Thinking Big.

- Many developed economies are urgently looking to reduce spending and increase productivity that drives growth.

- They have an opportunity not only to make needed cuts to subsidies and tariffs, but get something for it – by binding those commitments in the WTO in return for expanded market access in emerging economies.

- Likewise, large emerging economies, which have returned more quickly to growth but which face their own risks from inflation and renewed protectionism, could lock in much of what they have been seeking for decades – but must in turn make meaningful offers of their own, especially in services and industrial goods.

- I urge the WTO – all of its members – to think big again. Otherwise, as I warned in 2003, after the breakdown in Cancun, the trade agenda will switch elsewhere.

- The largest business federation in the United States is already calling for a zero-tariff agreement with the European Union. There is growing interest in developed economies for a plurilateral services agreement that could exclude many emerging economies. And concern about new patterns of South-South trade and investment, is already leading to exclusionary arrangements among emerging economies as well.

- My point is that in this crisis there still lies opportunity:

  - A chance for developed countries to gain from difficult steps they must now take for other reasons.

  - A chance for newly emerging economies to lock in those benefits permanently, while avoiding new trade arrangements that may well exclude them.

  - And a chance for the poorest developing countries to realize – at little or no cost – the gains of the Doha Development Agenda promised long ago.

- But seizing this opportunity will take bold leadership.

- Maybe there will even have to be new approaches that recognize that we are now in a very different international economy.

- The connection between aid and trade can be part of the WTO's renewal.

- Even more important will be the connection between development and trade: whether South-North, South-South, or North-South.

- That is the basis of an even stronger partnership between the World Bank Group and the WTO.

- Think Ahead. Think Big. So that the WTO doesn't fall behind. The world is speeding up, not slowing down. So must we.