

Second Global Review on Aid for Trade
World Trade Organization - Geneva, July 7, 2009
President L.A. Moreno, IDB

- Good morning.

AID FOR TRADE: A SECOND GLOBAL REVIEW

- I would first like to thank my friend Pascal Lamy for organizing this meeting and inviting us to participate.
 - His leadership has been crucial for the successful implementation of the Aid for Trade Initiative since its launching in Hong Kong.
 - This Second Global Review on Aid for Trade represents an important milestone to take stock of the gains made since we met here in 2007.
 - The IDB is very proud to be a partner of this initiative in Latin America and the Caribbean region.
- Latin America and the Caribbean, together with the IDB, have endorsed and supported this initiative since the very beginning because we understand the power of trade to change our societies and our region.

- The Bank is committed to this objective. We are heavily invested in promoting the Aid for Trade initiative in our region through a range of projects and initiatives:
 - Supporting countries in the negotiation, implementation and administration of trade agreements throughout the region
 - Strengthening our trade and investment promoting institutions,
 - Fostering private sector development for trade, in particular for SMEs,
 - Enhancing economic competitiveness and regional economic integration.
- Yet, political will to further bring down trade costs and trade barriers is needed to accompany these efforts.
 - No time is more appropriate than this time of turbulence to boost this commitment.
 - The global economic downturn has already accentuated the importance of trade and economic integration as engines of growth and development.
 - Global Trade is the best “antidote” to economic turbulence and the best “stimulus package” for national economies to get back to their growth paths.

TRADE AS AN ENGINE FOR GROWTH: CHALLENGES AHEAD

- The impact of the current crisis in Latin America and the Caribbean has largely been channeled through the slowdown of global trade, in particular affecting those countries that are more trade dependent.
 - Our region has been better prepared to face this crisis, with greater reserves, sound policies and a solid macroeconomic framework.
 - However, the continuing contraction of exports, the widening of fiscal gaps and the increasing difficulties in the access to finance, are all contributing factors to the economic difficulties of the region.
- Trade must continue to flow and expand. Protectionism as a policy reaction to the crisis would be a great error. Lessons from history are very clear.
- The case of Latin American and the Caribbean illustrates how trade integration has been the main driver not only for fostering development and growth, but also political cooperation and regional integration.
 - The commitment of our region to multilateral trade has been complemented by more than 30 comprehensive free trade agreements from intra-regional partnerships to free trade alliances with other regions and countries around the world.

- They have opened new markets to channel the energy of our private sector,
 - They have boosted competitiveness and innovation for our region delivering new economic opportunities,
 - Most importantly, they have contributed to raise thousands out of poverty.
- But we need to do much more. Although we have liberalized trade and open our markets in the past 20 years at an unprecedented speed, we still face major challenges.
 - First, the “soft” costs of trading: The region must address the increasing complexity of a trading system dominated by the proliferation of overlapping and complex rules. They can impose undue transaction costs on traders, investors and customs officials. A recent survey conducted by the IDB reveals that companies in the region would expect important gains from the harmonization of rules across regional agreements, in particular in areas such as rules of origin, standards, customs procedures, etc.
 - Second, the “hard” costs of trading: The region must focus its attention on transport costs and logistics. The IDB estimates that the average ocean export freight rate from Latin America to the US market is almost 50 per cent higher than exporting the same good from Europe, controlling all relevant factors such as distance.

- Similarly, the impact of a 10 percent reduction in the freight rates would increase the volume of trade by a factor of 20 times higher than a similar reduction in tariffs.
- In particular, cross-border interventions offer an important opportunity for reducing logistical costs. It is estimated that delays in customs clearance in Latin America and the Caribbean increases transport costs by between 5 and 15 percent.
- Third, the “information” costs of trading: The region has an urgent need to modernize some of its institutional trade architecture for export promotion and investment attraction. A forthcoming report by the IDB, to be released this fall, shows the critical role that modern export promotion agencies can play in fostering commerce. They can support the private sector (in particular SMEs) navigate the difficult path to become an exporter for the first time or to discover new niches and markets.

AID FOR TRADE: MOVING THE TRADE AGENDA FORWARD

- The Aid for Trade initiative is a key platform to move this agenda forward. And it is already yielding results.
 - The national and regional Aid for Trade Reviews organized by the IDB in collaboration with the WTO in Latin America and the Caribbean have shown that countries in our region are mainstreaming the Aid for Trade principles into their national and regional development strategies.

- I am particularly pleased to note that the private sector has played a major role in the Aid for Trade dialogue, as we recently saw in the Regional Review held in Jamaica.
- The IDB is committed to supporting national development strategies as well as region-wide initiatives conducive to a successful trade integration agenda. I would like to highlight three areas, and share with you some examples, that I consider of the utmost importance and that we are supporting in the context of our Aid for Trade strategy:
 - First, we must continue supporting both “soft” and “hard” regional infrastructure to ensure efficient trade and economic integration. The Bank has implemented a wide range of programs on trade facilitation, trade logistics, customs modernization, transport corridors, harmonization of regulatory standards and norms, among others.
 - The recent IDB project “*International Goods Transit System*” (known by its Spanish name as TIM), in the context of the Mesoamerican Project, is an illustrative example of how we can reduce significantly delays at border crossings, saving companies and consumers time and money. The average time to cross the border has been reduced from more than one hour to just 8 minutes on average. Similar trade facilitation projects are being implemented in South America and the Caribbean.
 - Second, we must continue strengthening our trade institutions to promote trade and investment, supporting the

engagement of our private sector into the global market. The Bank has implemented innovative programs for export promotion, attraction of foreign investment, private sector development (in particular assistance to SMEs), export clusters, trade finance among others.

- Restoring quickly trade finance was crucial in the present crisis. The IDB responded swiftly by expanding its Trade Finance Facilitation Program to US\$1 billion.
 - A new IDB program named “*Export Plus*” will allow small and medium enterprises to take advantage of enhanced market access through capacity building in the area of certification of standards, marketing, and management of trade logistics.
- Third, we must continue mobilizing new resources and promoting innovative partnerships, including through a new “*Aid for Trade Strategic Fund*” that we approved last year.
- The Aid for Trade Fund will enable us to meet the growing demand and needs of our region. Some donors have already expressed their interest and commitment to this Fund. Today, I am very pleased to announce the initial support and contribution by DFID-UK, which is subject to appraisal procedures.
 - The Aid for Trade Fund should be also an opportunity to deepen, enhance, and break new ground in regional cooperation. At the Bank we are committed to this

objective, and are currently exploring new mechanisms to create incentives for enhancing South-South cooperation.

BEYOND AID FOR TRADE: SUPPORTING THE DOHA ROUND

- While initiatives such as Aid for Trade are critical, I also believe that the protection of the multilateral trading system is paramount.
 - Our countries need to be global players and integrate globally to expand trade and create prosperity.
 - The conclusion of the Doha Round is imperative for our region and the future of the world trading system as a whole, now more than ever.
- Scaling up initiatives in all of these fronts requires substantial investment, and this is where the role of the Bank becomes relevant, working together with other organizations and the public and private sectors.
- In these times of economic crisis and uncertainty, trade needs to become a major anchor for growth and development. The current moment calls for reinforcing our trade and integration efforts.
- I strongly believe that this is a privileged forum for giving this necessary boost. The Aid for Trade initiative is now more relevant than ever. I invite you all to continue working together on this shared path with energy and resolve for promoting solid growth and sustainable development through trade. Thank you very much.