

**Statement by
President Haruhiko Kuroda
Asian Development Bank**

**At the
Second Global Review of Aid for Trade: Maintaining Momentum**

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I. Introduction

Director-General Lamy, ladies and gentlemen,

It is an honor to be here to report on Aid for Trade in Asia and the Pacific. The Asian Development Bank has been active in Aid for Trade since 2006, as a member of the WTO Advisory Group, and as co-host for Regional Review Meetings in Manila in September 2007 and in Siem Reap, Cambodia in May 2009. We are also the secretariat of the Regional Technical Group for the region.

Recent meetings underlined three key points for making Aid for Trade more effective. The first is that regional approaches that support national development strategies are best for multiplying the benefits of Aid for Trade. Second, establishing cross-border economic corridors lies at the heart of successful Aid for Trade programs. And third, building strong partnerships between governments, the private sector, and the donor community ensures the sustainability of benefits.

II. Growth, Poverty and the Global Economic Crisis

The Asia and Pacific region has prospered immensely through export-led growth over the past four decades. Still, many countries continue to experience lagging growth and severe poverty. We estimate that as

many as 900 million people in developing Asia live on less than \$1.25 per day. And even within more prosperous countries, rich and poor regions exist side by side, making the two faces of Asia a striking reality.

The global economic crisis has exacerbated the situation. With a precipitous drop in our region's exports, aggregate GDP growth in developing Asia is forecast to decline from 6.3% in 2008 to around 3.4% this year. While the region is expected to recover to a 6% aggregate growth in 2010 with a gradual pick up in external demand, lower income countries and small states will likely lag behind. And rising poverty is a major concern.

III. Rebalancing growth for more effective globalization

Rebalancing growth toward greater domestic and regional demand is an important key to the region's recovery. This will foster increased intraregional trade, help the region recover faster and strengthen Asia's approach to open regionalism.

It is critically important, however, that countries refrain from taking protectionist measures. In the wake of falling demand and job losses, protectionist pressures are rising, largely due to the influence of political lobbies in declining sectors. Some countries appear to be resorting to traditional forms of protection such as tariffs and subsidies, while others are using more subtle measures, particularly sanitary and phytosanitary measures, anti-dumping measures, and even so-called "green protectionism." To counter this, the Asia and the Pacific region needs to keep markets open, cooperate regionally, train workers and develop safety nets.

IV. ADB and Aid for Trade

Aid for Trade is also vital for economic recovery and for long-term development and structural change. There is no “one size fits all” approach to Aid for Trade projects. However, ADB's experience suggests that project assistance yields large returns. Of course, this is best where political will and effective donor coordination combine. Indeed, these are the core lessons that flowed from more than 15 years supporting the Greater Mekong Subregion, or GMS program.

Under the GMS program, Cambodia, China, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam have come together to promote development through closer economic linkages. Substantial progress has been made since the program began in 1992. As of the end of 2008, 41 GMS projects have been implemented costing an estimated \$11 billion of which ADB has extended loans worth \$3.8 billion and co-financing worth \$4 billion.

The GMS north-south corridor, which links China and Thailand through Lao PDR, illustrates what can be achieved. In 1997, it took 3 days for goods to move across one 270 km section of dirt track along the corridor in Lao PDR. Today that same trip takes 4 hours, with a large increase in commercial traffic, thanks to a \$90 million project—equally funded by China, Thailand, and ADB. Most importantly, last year's per capita GDP in one of the poorest provinces in Lao PDR rose sharply.

Overall, the GMS countries' share of trade among themselves rose sharply over the past decade. GMS initiatives have brought rapid expansion to corridor projects. Critically, the GMS transport and trade

facilitation program has already created a demonstration effect and is being replicated in other subregions around developing Asia, such as the in more recent Central Asia Regional Economic Cooperation initiative, or CAREC.

As the region's development bank, ADB is the natural catalytic agent for helping mobilize and channeling Aid-for-Trade effectively. This can be done initially in three ways: first, through increased lending for trade-related infrastructure at regional, subregional and national levels; second, by helping to coordinate the many participants in Aid for Trade as secretariat for the newly created Regional Technical Group, co-chaired by Cambodia and Japan; and third, by sharing cross-border experience and technical expertise on Aid for Trade activities through policy dialogues and studies.

V. Conclusion

We at ADB look forward to collaborating with global and regional development partners in carrying forward the Aid for Trade initiative in Asia and the Pacific as we move toward implementation and resource mobilization.

Thank you.