

# WORLD TRADE ORGANIZATION

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## WORLD BANK

Statement by Mr James D. Wolfensohn  
President of the World Bank  
Delivered on his behalf by  
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*(Speaking as an Observer)*

Never before have growth and poverty reduction had such tremendous implications for the stability and peace of our world as they do today. The tragic events of 11 September and the fallout since have made it clear that we live in a highly interconnected world, and that problems in one region can destabilize the welfare and security of all. Trade is not only in my view a mainspring of development, but ultimately of international peace and solidarity as well. Trade creates wealth. It generates new and better jobs, transfers knowledge and technology and fosters shared responsibility to go with interdependence. Together there is much we can do to make increased trade serve the interests of the poor. More trade will help to build a more inclusive world.

What happens at this WTO Ministerial is therefore of great relevance to poor countries, as the outcome of WTO negotiations helps to establish both the market access conditions and the economic climate that confronts them. World Bank research suggests that elimination of remaining barriers to trade in goods could reduce the number of poor in developing countries by 300 million in 2015.

Developing economies are also crucial for the WTO. This has always been the case, but never more than today. Developing countries now account for over one-third of global trade flows and over two-thirds of the WTO membership. With the accession of China at this meeting the organization adds not only one-fifth of the world's population, but also an enormous source of dynamism and a powerful new voice for developing countries. We must make the international architecture more supportive of development - not in the world of tomorrow, but in the world of today. Let us make the most of our existing institutions and enhance in pragmatic ways effective participation in international dialogues and decision-making processes.

The wide differences in economic structure between developing and industrial countries, and the growing importance of developing countries in the WTO, mean that trade negotiations are increasingly intertwined with development issues. Opposing views on many of the important issues facing this meeting, from market access to intellectual property, often reflect real differences in economic structure and levels of development - they are not merely negotiating ploys. It is important to recognize this simple fact, so that one can maximize the chances that the process of negotiation produces agreements that are sustainable and implemented.

This observation is key to understanding the challenges confronting the poorest countries. Although all the industrial countries and many developing countries have managed to integrate more fully into the world economy and to use trade as a vehicle for poverty-reducing economic growth, many poor countries are lagging behind, in part as a result of capacity constraints in trade-related

areas. World Bank projections suggest that in the absence of new actions, poverty in Sub-Saharan Africa will continue to increase in the coming decade, reflecting low rates of economic growth due in part to weak export performance. We face a major challenge of inclusion - it is vital to integrate the poorest countries more fully into the global economy.

In a report we published last week - "Global Economic Prospects - Making Trade Work for the World's Poor" - we pointed to four critical areas for action that are needed to strengthen the global trade architecture to better support development. These areas include (i) trade reforms under the WTO; (ii) greater "aid for trade" to reduce trade capacity constraint; (iii) unilateral actions by high-income countries in favour of the poorest countries; and finally, (iv) actions by developing countries themselves to liberalize and improve their investment climate.

1. Under the umbrella of the WTO it is critical to improve market access focusing in particular on the products that are most important to the poor: agriculture and labour-intensive manufactures. Labour-intensive manufactures and agricultural markets remain extensively protected in both OECD and developing country markets. Protection in agriculture comes in part through production and export subsidies, which are running at close to \$1 billion per day in OECD countries, more than five times the level of international development assistance. We estimate that complete liberalization of merchandise trade and elimination of subsidies could add \$1.5 trillion to developing country incomes. Developing countries also stand to gain from liberalizing trade in services. Indeed, the high levels of protection in service industries as well as the importance of services such as transport, telecommunications, and finance for the rest of the economy, suggest that progress in services liberalization could yield much greater gains for developing countries than liberalization of merchandise. And in both cases large gains would also accrue to rich countries.

2. Efforts to expand market access should be complemented by greater multilateral cooperation outside the WTO - there is a large "aid for trade" agenda that needs to be met by the development community. Full participation in the world economy by developing countries requires a concerted effort first to recognize, and then to deal with those constraints that hinder their capacity to trade. Providing financial support and technical assistance to complement trade liberalization programmes in developing countries is not merely desirable, it is urgently needed to improve the investment climate. The Integrated Framework for Trade-Related Technical Assistance for the Least-Developed Countries constitutes a good first step-one that needs to be substantially augmented. For example, there is a need to increase the capacity of the poorest countries to participate effectively in international trade negotiations. There is also a need to support reforms in favour of trade facilitation, including customs procedures. And, we need to expand the range of countries covered by the Integrated Framework. Finally, the improvement of labour and environmental standards should form the object of development assistance through the relevant specialized institutions.

Finance and Development Ministers will be taking up the baton and building on your discussions in Ottawa next weekend, when we will be discussing the broad array of concerted and effective action needed to ensure adequate financing for development outcomes. We must make the Financing for Development Conference that is to meet next year in Mexico a success, and follow through on the outcome of the LDC-III Conference in Brussels earlier this year.

3. Unilateral actions by industrialized countries can do much to improve the ability of the poorest countries to use trade as an instrument for poverty-reducing growth. Improving market access for exports of the Least-Developed Countries (LDCs), home to 600 million of the world's poorest people, is particularly important. The EU "Everything But Arms" initiative is a noteworthy example of such action, one that should be emulated by others as soon as possible. If the United States, Canada and Japan were also to grant duty free access for LDC exports, we estimate that the exports of LDCs would expand by some 10 per cent. As the exports of the LDCs today represent only about ½ per cent of world trade, the effects of granting such preferences on other countries' export opportunities would be insignificant. Yet the benefit to millions of poor people would be substantial.

There are many other areas where the rich countries can adopt policies unilaterally that support development. For example, encouraging competition in all modes of transport could increase the competitiveness of developing country exports - transport costs for African exports are often substantially higher than the tariffs they confront. Severely limiting the use of anti-dumping, a practice that began in the industrial countries and is unfortunately increasingly adopted by developing countries, is critical to reduce uncertainty of exporters and promote investment in export industries around the world. And, avoiding the use of restrictive rules of origin and excessively stringent sanitary and phytosanitary standards is critical in ensuring that market access opportunities can be exploited fully. Finally, given that there are more than 4 billion people in developing countries that are not LDCs, the industrial nations should expand their efforts beyond the LDCs.

4. Finally, let me turn to actions by developing countries themselves. Tariff barriers to trade in many developing countries remain high, creating disincentives for export-oriented investment and impeding South-South trade. But today in many developing countries the main impediments to trade are "behind-the-border", reflecting weakness in infrastructure, inefficiencies in ancillary services, lack of information about export markets, and poor governance. Successful integration into the global economy depends on addressing these impediments, and more broadly, on improving the country's investment climate - in turn a function of macroeconomic stability, good governance, openness, and the smooth functioning of domestic markets. The World Bank, working together with the IMF and other core agencies, is committed to supporting reforms and investments that remove "behind-the-border" impediments to trade, and improve the investment climate in developing countries so that they can benefit fully from their participation in the world trading system.

As we come together in this fourth WTO Ministerial, let us underscore the central challenge we face of fighting poverty and building a more inclusive world. Trade is fundamental to both of these. Yes, there is much for developing countries to do, but so long as poor people in developing countries face tariffs on their products that are roughly twice as high as those confronted by other people, developing countries will not be able to maximize the benefits that trade can bring. Let us seize this opportunity to build a trade architecture that works for poor people and that can deliver the benefits of integration to the many millions of people around the world who today remain excluded.

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