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OPENING REMARKS

JOINT WORLD TRADE ORGANIZATION/WORLD BANK GROUP TRADE AND POVERTY FORUM

"CONNECTING TO TRADE: POLICIES AND PROGRAMMES FOR MAXIMIZING POVERTY REDUCTION
IMPACT" IN COLLABORATION WITH THE WTO CHAIRS PROGRAMME

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Thank you all for being here today. I would like to give a few introductory comments on this important issue for the World Bank Group.

Last year in this room, World Bank Group President Kim and WTO Director-General Azevêdo launched a new flagship report jointly written by the two organizations, on the role of trade in ending poverty. I would like to start by recapping some of the main findings of the report.

The main message was that trade has a central role in achieving our goal of ending poverty, but that more needs to be done to take full advantage of the opportunities presented by trade.

But before looking forward, we should look back at what has already been achieved. Remarkable progress has been made in integrating developing countries into international trade. Since 2000 alone, the share of world trade occupied by developing countries has grown from one third, to one half of global trade. Without this it is hard to see how the world could have achieved the first of the Millennium Development Goals, five years early, through the halving between 1990 and 2010 of the proportion of the world's population living in extreme poverty. Trade will be just as important in achieving the first of the World Bank Group's Twin Goals, and the first Sustainable Development Goal, of ending poverty by 2030.

There is no "magic formula" that countries have employed in maximizing the gains of trade to lift their populations out of poverty. Lowering the trade costs countries face, and integrating them into the trading system is essential. But we have also learned that this process of integration has the greatest impact on poverty reduction when poor people have been connected to the benefits of trade, with their capacities to gain maximized, and their vulnerabilities addressed.

I would like to highlight this with a few examples.

Vietnam has experienced a significant reduction in poverty and increasing involvement in manufacturing and services trade. This was underpinned by trade and other reforms in the 1980s that helped Vietnam become a top exporter of rice, coffee and tea over the next three decades. After a process that took many years, Vietnam acceded to the WTO in early 2007. But Vietnam's success was not just about lowering trade barriers. It was part of a wider process of economic reform, which transformed the climate for private sector-led development, and facilitated a strong impact on poverty of Vietnam's integration into trade. The evidence is compelling: since the 1980s, Vietnam has been able to cut poverty from 57 per cent to 5 per cent.

Cambodia presents another example. In that country, poverty fell from 52 per cent to 24 per cent between 2004 and 2011. With ninety percent of Cambodia's poor living in rural areas, reforms that helped them earn greater incomes from rice production and sell them to international markets were the key drivers of poverty reduction. Trade also led to new jobs in the garment sector in urban areas of Cambodia – which today are a source of income and economic empowerment for women, with over 80% of workers in the garment sector being female. This all took place in the context of improvements in health and education, and significant government investment in infrastructure, which provided a more favorable environment for the poor.

In Ethiopia, exports of cut flowers from one firm to the EU market helped open the door to an export industry that now employs 50,000 workers, and has helped generate more secure wage employment and new pathways out of poverty.

In Lesotho, employment in the export-oriented garment sector has helped create jobs for women, especially those with low skills that would have little chance of being formally employed elsewhere.

And in the most striking case of all – China – it tripled its share of world trade since joining the WTO in 2001, helping cut poverty from 36 per cent at the end of the 1990s to 6 per cent in 2011.

The work we did last year with the WTO was about reviewing the lessons from countries like these that have connected to trade in ways that have helped lower poverty. It was also about setting the stage for the work before us in maximizing the impact of trade in ending poverty.

Let me turn now to the work ahead. We are going to talk in more detail this afternoon about the future agenda on trade and poverty, but I would like to flag two important areas of action.

- o Doing more to bring developing countries into the trading system, and
- o Doing more to deepen the poverty impact of trade reforms.

In the first area, despite the remarkable progress in bringing developing countries into the global economy, trade costs for low-income countries remain around three times higher than for advanced economies.

I believe we should bring about the next wave of developing country integration into international trade. The high trade costs for low-income countries present almost-insurmountable barriers for firms that want to compete in international markets, or for foreign firms that want to invest in these countries. While the challenge is greatest for low-income countries, developing countries across all regions and income groups continue to face high trade costs as well.

Our practical work through trade-related projects totalling more than \$13 billion is focused on addressing the sources of these high trade costs. And there is scope for us to do much more, along with the WTO and our other partners. Further progress in the post-Nairobi agenda here at the WTO would also be a big help, complementing other efforts through negotiations to lower trade barriers.

The second area is more about addressing the trade-related costs faced by people living in extreme poverty, not just trade costs between countries. These costs are generated by constraints like living in remote, rural areas; gender inequality; fragility and conflict; and being in the informal sector. People facing these constraints must overcome trade-related costs between countries, but also within borders.

For example:

- o African smallholder farmers who sell surplus harvest typically receive less than 20 per cent of the consumer price of their products, with the rest eaten away by high transaction costs and post-harvest losses.
- o Domestic transport costs are often a multiple of transport costs between marketing centers and larger cities, or international shipping.
- o Women face different constraints to men in taking advantage of trade opportunities. Constraints faced by women can be direct: for example statutory and customary laws limit women's access to land and other types of property in most countries in Africa and in

about half the countries in Asia. This often means they lack the capacity to access finance or earn the full possible returns from economic activities, including trade.

Related to these two areas – of lowering trade costs between countries, and intensifying the poverty impact of trade – we are also focused on three other priorities:

- improving the enabling environment in conjunction with trade reforms;
- understanding and addressing the *risks* that poor people face in connecting to trade opportunities; and
- collecting better data, while also combining different sources of data more effectively to get a better sense of the linkages between trade and poverty at the country level.

In the final session today we are going to have a chance to consider these five issues in more detail, but to give you a quick preview of some of the actions we are taking at the Bank Group:

- We are furthering our collaboration with the WTO and other partners on advocacy, data, and supporting countries in tackling trade-related costs facing the extreme poor;
- We are developing new tools that will help us bring a greater focus on trade-poverty linkages to key WBG strategies like our Systematic Country Diagnostics and Country Partnership Frameworks;
- We are working at the country level in a number of settings to deepen the poverty impact of our trade-related projects;
- We continue to strengthen our capacity at the WBG to address challenges related not just to trade but to complementary issues that can help increase the impact of trade reforms on poverty. Some of the areas here include:
 - maximizing the development gains through participation in global value chains;
 - designing policies that increase the positive spill-overs of foreign direct investment; and
 - reinvigorating our engagement to help overcome the constraints faced by small firms through a new SME Action Plan.

I believe that the importance of this agenda for us and for the developing countries we work with will only grow over time.

Thanks again to all of you for being here today. I wish you all the best for the day's discussions and look forward to recapping in the final panel session.