

Regional Meeting on Aid for Trade for Asia and the Pacific

**'THE GLOBAL FINANCIAL CRISIS, EXPORT-LED
GROWTH AND AID FOR TRADE: FOCUS ON THE ASEAN
EXPERIENCE'**

29 May 2009 - Siem Reap, Cambodia

**Pascal Lamy
Director-General**

I would like to begin by thanking the Government of Cambodia, and minister Cham Prasidh in particular, for hosting this Regional Review of Aid for Trade for Asia and the Pacific.

I would also like to extend my gratitude to President Kuroda and his team at the Asian Development Bank – our partners in this event – for the considerable efforts they have made to make this regional review possible; I know it has been a rigorous task. I wish to acknowledge, also, the presence of high level representatives of national, regional and multilateral organizations and thank them for joining us in this regional exercise.

Two years ago a similar exercise to this was carried out in Manilla, Philippines. That session identified the main trade needs and priorities of countries in the region and means of addressing them. A number of the recommendations proposed at the Manilla meeting have been implemented; for example, efforts are continuously being made to enhance regional integration and cooperation and a regional technical working group on Aid for Trade for the Asia-Pacific has been constituted. This technical group will be reporting on progress in the region at the Global Review on 6-7 July in Geneva.

At the Manila event, there was also a general recognition that vulnerable countries need greater assistance in order to fully benefit from trade opening. With this in mind, the WTO co-organised with UNIDO the LDC's Ministerial Conference, in this very city, last November, to map out an agenda for increasing the productive capacity of LDC's and thereby be able to use trade as an engine for development and poverty reduction. It is with

pleasure therefore that I return to Siem Reap to be part of this exercise of assessing the progress made in these areas since.

At the First Global Aid-for-Trade Review held in Geneva in 2007, we agreed on a benchmark for measuring progress to allow us to identify whether additional resources were in fact being delivered, where gaps existed, and to highlight where improvements could be made to increase transparency on pledges and disbursements.

The good news is that, as of 2007, total global Aid-for-Trade flows had increased by about 20% from this benchmark. Both our hope and endeavour are that, despite the economic crisis, the Aid-for-Trade flows will continue this upward trend.

We have also recognised the need to move from this macro-level monitoring to more national-, regional-, and sub-regional-level assessments of aid for trade flows as a means of monitoring how each country or region is progressing in assessing its own individual needs for a more trade-related capacity and how those needs are being integrated into their overall development or poverty reduction strategies. It is for this reason that national, sub-regional and regional reviews are an essential part of the Aid-for-Trade monitoring process.

Monitoring is a collective endeavour. The Asian Development Bank research in this field is very relevant for the WTO-OECD monitoring which takes place at four different levels:

First, through analysis of Aid-for-Trade flows, to assess where resources are being delivered, identify where gaps lie, highlight where improvements should be made, and to increase transparency on pledges and disbursements;

Second, through an assessment of donors' Aid-for-Trade activities to ensure the dissemination of best practices across countries, identify areas for improvement, and to increase transparency on commitments;

Third, through providing a more focused, country-specific perspective on whether trade is being mainstreamed into national development policies, whether trade needs are being met, whether financial resources are being provided, and whether Aid-for-Trade is effective on the ground; and

Finally, through the use of indicators to track the use and effectiveness of Aid-for-Trade, in particular against priority areas identified by recipients.

We are living the worst ever global economic crisis. One which is sparing no economy and whose full human and social impact is still to come. I share President Kuroda's call for a New Development Paradigm to combat the effects of the crisis which he made at the recent meeting of the Board of Governor's of the Asian Development Bank.

The economic crisis has hit the economies of this region hard and challenges its export led growth which lifted millions out of poverty. Cambodia knows this well and is already seeing the impact of the decline in global consumption in its textiles and garment production. Growth is predicted to decline to 3.4% this year – an unprecedented low level since the Asian financial crisis and a far cry from the record 9.5% growth experienced

in 2007. But the region has also rapidly reacted. By prioritising fiscal stimulus for infrastructure, small and medium enterprises, rural economies and social safety nets this region is preparing to exit the crisis and sowing the seeds for a more inclusive future growth model. One which will go a long way in combating poverty.

As part of our response to the current economic crisis, the WTO has started monitoring trade-related measures taken by our Members as a response to this crisis. By enhancing transparency and through peer pressure, we collectively pre-empt the threat of a shift towards protectionism. One countries' exports and another countries' imports. And this is why protectionism will only lead to tit for tat retaliation, further stalling trade as an engine of growth. It is therefore important that we work to keep trade open.

But we must also keep opening trade, and this is why the conclusion of the Doha Round is today more relevant. It is the lowest hanging global stimulus package available. One that can contribute to the recovery of our economies.

But for trade to work it is essential that trade finance be available and affordable. I must commend the efforts made by President Kuroda and his board to tackle the trade finance crisis by boosting the ADB's capital base from \$55 billion to \$165 billion as a means of responding quickly and proactively to the immediate needs of its developing member countries. The additional \$10 billion committed by ADB for the period 2009-2010 will most definitely provide the leverage needed to help the Asian economies recover rapidly.

I would also like to acknowledge the efforts of donors in this region on their continued assistance for trade related projects aimed at combating poverty and facilitating long-term development objectives.

However, a big challenge that we all face in relation to Aid for Trade is to demonstrate its effectiveness. Our goal, post 2007, has therefore been to shift the focus of the Aid-for-Trade initiative from awareness-raising to implementation as a means of realising the impact that this initiative can have on trade and development.

More robust research is needed on the impact and effectiveness of Aid-for-Trade programmes through better monitoring and evaluation. It is for this reason that we are selecting case studies from all regions to feature in the Second Global Aid-for-Trade Review this July as a way of communicating the impact of Aid for Trade interventions on the development objectives of the countries concerned.

Specific to the ASEAN region, the Greater Mekong Sub-region project will be show-cased as a positive example of Aid-for-Trade in action.

The review will also focus on the promotion of specific private sector strategies, coordination amongst donors, and South-South cooperation. A positive trend has emerged for South-South cooperation as well as triangular cooperation in the ASEAN region and this should be promoted.

Recent data on global Aid-for-Trade flows to this region reported to the OECD show that trade related infrastructure and building productive capacity were the main priority areas for this region. Many countries also noted the need to improve the implementation and effectiveness of the Aid-for-Trade received, especially in relation to having a greater say in the design of projects and in ensuring a focus on local capacity for development. These issues will figure prominently in the Second Review. As will exploring how aid flows can be maintained against the backdrop of a worsening global economic outlook.

To conclude, I would like to leave you with what I believe should be the five golden rules for our future work:

One, we must ensure that Aid-for-Trade promises are kept. This will unlock the growth potential of developing countries and enable them to take advantage of existing, as well as new trade opportunities that will result from a successful conclusion of the Doha Round.

Two, we must continue to evaluate and monitor global Aid-for-Trade flows. Tracking both the quantum and direction of aid flows is necessary to ensure that needs are met and even more importantly, to assess its impact on economic growth and poverty alleviation;

Three, we must foster South-South cooperation, a key instrument for achieving the Millennium Development Goals through promoting global interdependence

Four, private sector participation is key to the success of the initiative and we must ensure that private sector priorities emerge strongly from this meeting.

Five and finally, we need to work together to conclude the Doha Round. Concluding the round will not only create new market opportunities but will also be the best insurance policy against protectionism.

This Review is an opportunity to see where progress has been made, to share good practices, and to better prepare for the challenges ahead. I thank you for your attention and look forward to what I am sure will be a successful conference with tangible results on the way forward for the Asian and Pacific region.