



"Aid for Trade and the ADB Experience"

Opening Remarks by
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Mobilizing Aid for Trade: Focus Asia and the Pacific

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I. Introduction

Your Excellency Prime Minister Sevele, Director-General Lamy, Honorable Ministers, distinguished guests, ladies and gentlemen:

It is a great pleasure for me to welcome you all to this milestone [event](#). The very large number of senior ministers and private sector participants in attendance shows the significance that governments, institutions, and corporations in Asia and the Pacific place on the outcome of this regional review meeting. Many of you have traveled a long way to come to Manila, and we are most grateful for your participation.

Regional development banks-ADB among them-have been a part of the Aid-for-Trade initiative from the start. In June 2006, I met with World Trade Organization Director-General Lamy and other regional development bank presidents to express our joint support to strengthen inter-institutional coordination to effectively deliver on this initiative. One year on, ADB has worked as a member of the WTO Advisory Group and, as part of the 2007 Aid-for-Trade Roadmap, we are proud to co-host this meeting with WTO and the Government of the Philippines. I would also like to thank the WTO and the Philippine government for the excellent cooperation and preparations for this event.

In our view, Aid-for-Trade is critically important to help less developed countries and small states in our region benefit from increased trade and economic growth, as well as from economic cooperation and integration. We all, however, need to focus on ways to make it viable, efficient, and effective. To this end, I would like to offer some observations based on ADB's own experience in trade-related development, and some thoughts on how we can contribute to Aid-for-Trade. First, however, let's have a look at why this initiative is needed now more than ever in the Asia and Pacific region.

II. Why Aid for Trade?

In the 40 years since ADB was established, most of the region's developing economies have produced tremendous benefits for their people. With outward-looking development strategies, these economies have grown dramatically, expanded trade, and reduced poverty. The region's structural transformation has shifted economic activity from traditional agriculture and commodities to technology-intensive manufactured exports, and-increasingly-high-end services. Asia and the Pacific now accounts for over 27% of world GDP -with emerging Asia and the Pacific contributing 44% of that amount.

However, two faces of Asia and the Pacific remain. One beams the advances made by newly-industrialized economies and the rapid economic expansion in China and India. This has led to a tripling of their share of world exports since 1980, helping raise growth rates and living standards.

The other face of Asia may show the desire, but still lags behind. The region's 22 least-developed and small state economies, together, account for just 0.3% of world exports - a figure that has barely increased over the past quarter century. Underlying their poor performance is the high concentration of their exports in a narrow range of commodities or services that are sensitive to even small changes in external conditions. Not surprisingly, this sluggish export performance translates into low economic growth and a relatively high incidence of poverty.

What is behind the stark contrasts in economic growth and development - the two faces of Asia? There are indeed many reasons: some countries are in a post-conflict environment; others remain in transition to market economies; while still others grapple with geographical isolation or limited markets.

ADB's long experience in trade-related development shows that successful economies have developed three basic components for vibrant trade, economic growth, and social development:

- Efficient productive capacity - essential for enterprises to benefit from open markets and greater trade opportunities;
- Effective public-private partnerships that ensure private enterprise can build upon market-driven global and regional supply chains and production networks; and
- Comprehensive cross-border connectivity to allow easy access to products, services, and people-in other words, the foundations of regional economic integration.

From this perspective, if Aid for Trade is to work, it needs to be focused and demand driven. And while each economy has its own specific requirements, assistance will generally be needed with one or more of five components:

- First, trade-related infrastructure. Transport, energy, and communications are the most obvious. This may be the most expensive, but it is also the most essential for linking to the world economy.
- Second, productive capacity to draw countries into production chains and supply networks, whether regional or global.
- Third, adjustment programs. New demand and economic growth require market-oriented reforms, development of social safety nets, and worker retraining to ease the transition.
- Fourth, trade development, including export promotion and trade finance.
- And finally, trade capacity building to help DMCs negotiate and implement trade agreements.

Bringing these elements into play for our least developed partners and small states requires an effective international response. If we, as a regional and an international community, supply the resources needed to draw these economies into the international trading structure, we can help kick-start economic growth-as many economies in Asia and the Pacific know well. And not only do we need traditional donor nations to participate in our region's Aid-for-Trade initiative, we need the engagement of the region's own growth economies as well.

III. ADB's Experience in Trade-related Assistance

I am pleased that as the main regional development partner in Asia and the Pacific, ADB can make a significant contribution to helping these countries reduce poverty through trade. For decades, we have worked with developing member countries individually to build cross-border infrastructure, facilitate trade, modernize customs procedures, enhance trade for small and medium enterprises, and support trade and investment promotion. And we have brought both finance and expertise to a number of trade-related cooperation projects between countries, including in the [Greater Mekong Subregion \(GMS\)](#), in the Central Asian Republics, in South Asia, and in the Pacific.

To give you just a few examples, we have invested in the Nam Theun 2 project in the Lao People's Democratic Republic - a project that illustrates the benefits of trade-related development and public-private partnerships. The 1,070 megawatt plant will generate significant revenues for poverty reduction and environmental protection in Lao PDR, while supplying much needed power to Thailand. We are also helping developing member countries improve productive capacity for trade, such as in Viet Nam-which joined the WTO last year. Just this July, ADB approved a major grant to Viet Nam to help improve the quality and safety of agricultural products, many for export.

In Central Asia, we are supporting trade facilitation, customs reforms and customs modernization, and in the Pacific, we are helping the region to improve the quality and extent of air services among eight of the region's least developed countries and small states.

These efforts will be further strengthened by our Regional Cooperation and Integration (RCI) Strategy. The strategy focuses our regional work on four key pillars: cross-border infrastructure and related services, such as trade facilitation and customs modernization; trade and investment; money and finance; and regional public goods. The Strategy clearly complements the Aid-for-Trade initiative in helping to bring the vibrancy of the region as a whole to those economies that are lagging behind.

IV. ADB's Role-Advocacy, Implementation, and Monitoring

As we take stock of the priorities and needs of Asia and the Pacific over the next two days, we will be looking for opportunities to shape our support for Aid for Trade in these early days so as to help achieve its objectives in an appropriate and practical manner: Within the Aid-for-Trade framework, ADB can be an advocate to help build awareness within both the public and private sectors of the benefits and dynamics of trade. One goal is to show how mainstreaming trade development in public policy works. Another is to highlight the critical importance of private sector participation in building markets through guarantees, public-private partnerships, and export credits, among others.

As the region's development bank, ADB is a natural catalyst for helping mobilize and channel Aid-for-Trade funds effectively to implement trade-related projects and technical assistance, whether country-specific or regional in nature. We are prepared to help foster Aid for Trade in any appropriate way we can.

We are also happy to work with WTO and the Organization for Economic Co-operation and Development to monitor the performance of Aid for Trade in our region. Our institution has been part of the Technical Working Group with OECD and will, of course, continue to work closely with the World Bank and other development institutions.

This regional review meeting will set priorities for the future. Resource mobilization for the region's trade development is the important next step, as the results of similar regional conferences in Latin America and Africa will be presented at the WTO headquarter in Geneva in late November. If we get this right - and I'm confident we will - Aid-for-Trade has the potential to help bring higher levels of development, lower levels of poverty, and the benefits of lasting prosperity and peace to Asia and the Pacific, and to the world.

I wish you well in your deliberations, and look forward to the upcoming panel discussions.

Thank you.

Story from ADB:
<http://www.adb.org/Documents/Speeches/2007/ms2007063.asp>