WTO AND ACCELERATING LLDC DEVELOPMENT THROUGH TRADE CAPACITY BUILDING

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I would like to thank FERDI and ITC for inviting WTO to participate in this interesting side-event.

In my presentation I would like to talk about how WTO uses trade-related technical assistance and capacity building as means for accelerating development of LLDCs. Trade and development has been an issue of particular attention recently in WTO, including in our flagship publication the WTO World Trade Report 2014.

This report has provided further evidence on something we have known for a long time already. Which is that trade has an important role to play in boosting economic growth. Continued and sustained economic growth in combination with policies to ensure that the benefits of trade are widely shared, have allowed developing countries to reduce poverty and improve standards of living. We have seen how several economies have harnessed the economic growth achieved through increased trade and foreign investment, to address the problems faced by the poorest segments of their populations and other critical social concerns.

Over the years, WTO rules have helped to improve the global trade environment and stimulated economic growth. This has been done by WTO primarily through binding commitments, flexibilities, technical assistance, and providing an institutional infrastructure. Nevertheless, while liberalizing trade and curbing protectionist will continue to help foster economic growth, this is not enough. It has become apparent that we cannot begin to understand trade in the 21st century by using a 20th century model; the trade landscape has changed and continues to change. In this context we are seeing the spread around the world of regional and global value chains and trade in tasks.

The main challenge that is posed by value chains is that intermediate goods may cross borders multiple times before they are incorporated into a product that is sold to the consumer and this means that the cost of any type of trade restriction or delay is magnified. This makes it very difficult for the LLDCs to be able to integrate into value chains given their high trade transaction costs.

It is, therefore, crucial for the WTO to help reduce the costs of cross-border trade by streamlining and standardizing customs procedures. This is what we have been trying to accomplish through the Trade Facilitation Agreement (TFA). The importance for LLDCs of an early implementation of the TFA has been widely recognized and figures prominently in the new Programme of Action for the next decade.

The Trade Facilitation Agreement seeks to improve the flow of goods through borders by setting out certain minimum standards for Members to follow in their customs procedures. Of particular importance for LLDCs are the provisions covering goods in transit. These provisions create a common platform for the implementation of fundamental transit policy measures benefitting the LLDCs. The substantive provisions of the TFA and its special and differential treatment rules have received plenty of attention in other sessions of this conference. So I would like to focus here on the new facility recently launched by WTO to support implementation of the TFA.

This facility will help developing and least-developed countries to reap the full benefits of the special and differential treatment provisions of the TF Agreement - which allow them to decide when they will implement each of the trade facilitation measures and to identify the measures for which they will need assistance. It will also aim to promote coherence in delivery of TFA implementation support.

The Facility will be funded, on a voluntary basis, by WTO donor Members. It will be activated once the Protocol of Amendment of the TFA has been adopted. This Facility is not meant to replace existing assistance programs. Rather, it is meant to complement and enhance them. It will consist of several components.

First, the Facility will support LDCs and developing countries to assess their specific needs and identify possible development partners to help them meet those needs. In this way, our current needs assessment work will be brought under the Facility as will our other TFA-related technical assistance programs. And we will expand these programs to include, for example, assisting Members with preparation of notifications and scheduling.

Second, we will ensure the best possible conditions for the flow of information between donors and recipients by creating an information-sharing platform for the demand and supply of TFA-related technical assistance. We will ensure that Members know what help is out there and know how to access it. We will also help Members to access that help.

Third, the Facility will provide funds for the exceptional cases where countries have made thorough attempts to find assistance but have failed to receive the support they need. The facility provides for two types of funds to fill this gap. The first is a grant to help in the preparation of projects. The second type of fund is for project implementation specifically for "soft infrastructure" projects, such as modernization of customs laws through consulting services, in-country workshops, or training of officials.

In his speech at the opening session the WTO Director-General already provided some examples of how trade facilitation implemented on a regional dimension has had excellent results in helping LLDCs reduce trade costs. He specifically cited the example of the Northern Corridor in East Africa. But there are many more like the Southern Corridor, the Walvis Bay Corridor, the new Silk Road in Central Asia, and the Greater Mekong Sub-region project.

High trade costs are not the only challenge that is faced by the LLDCs in their efforts to harness trade for development. One important challenge which also presents several opportunities for the LLDCs is how to integrate commodities trade into development strategies. Natural resource and food prices roughly doubled since 2000. Trade has also increased significantly in volume terms. Even though we have seen a recent decrease in the prices for commodities it is expected that in light of emerging markets strong demand, prices are expected to remain strong, but also volatile. High commodity prices have opened export opportunities for many LLDCs which grow or extract these products.

Particularly in the Agriculture sector increases in prices and trade have had a direct impact in growth and poverty reduction. Evidence suggests that growth in agriculture delivers more poverty reduction than growth in other sectors in low-income economies. Moreover, virtually all economies that managed to reduce poverty significantly went through a period of increased agricultural productivity. This positive effect on poverty also materializes if agricultural productivity is enhanced through integration in global value chains.

But integrating agriculture trade into development strategies remains a challenge mainly because LLDC producers face productivity gaps and a proliferation of non tariff measures.

On the former the Aid for Trade initiative can help alleviate these gaps through interventions targeted at the development of productive capacity. I have chosen three examples of these AfT projects in LLDCs. In Africa the ITC has implemented a project to increase the competitiveness of African cotton producers and establish stronger links with cotton importers. While in Asia also the ITC has a project to boost Nepal's exports of pashminas by creating a collective trademark for Chyangra Pashmina manufacturers. And in South America IADB has a project for sustainable organic quinoa production in the Bolivian highlands promoting sustainable land management and implement a system of quality control and traceability.

Secondly, the number and complexity of standards in international food trade have increased in recent years. These measures can seriously hamper trade, even if they pursue valid policy objectives. Certification of compliance with standards has become vital for export success, but can be hard to achieve for small producers. The WTO has addressed this issue through the establishment of the Standards and Trade Development Facility.

The STDF is a global partnership that supports developing countries in building their capacity to implement international sanitary and phytosanitary (SPS) standards, guidelines and recommendations as a means to improve their human, animal and plant health status and ability to gain and maintain access to markets. The STDF operates in synergy with other initiatives in the WTO, notably Aid for Trade and the Enhanced Integrated Framework (EIF). Several projects have been developed and funded by the STDF in LLDCs based on the identification of SPS needs in the EIF Diagnostic Trade Integration Studies. The STDF is an excellent example of Aid for Trade in action at an issue-specific level.

Landlocked developing countries have much to gain from improved SPS capacity and proper implementation of the SPS Agreement, in their own country as well as in neighbouring countries. On the one hand, trade facilitating provisions of the SPS Agreement are designed to ensure that SPS measures are least trade restrictive, thus minimizing the effect of NTMs imposed by neighbouring countries and trading partners on goods from LLDCs. On the other hand, increased SPS capacity in LLDCs can facilitate access to markets for exports, as well as access through countries for transit goods, as compliance with international standards increases and countries become more willing to allow goods to enter their territory.

The STDF is engaged in several projects in LLDCs. For instance in Nepal we have a project on developing the value chain for ginger. In Mali there's a project to build sps export capacity for mangoes and horticulture. There is also a similar project in Rwanda and a project for aflatoxin control in Malawi.

So these are some examples of how the WTO is helping LLDCS through targeted trade capacity building interventions better participate in international trade and reap its benefits for development.

Thank you very much for your attention.

The reverse side of coin for high commodity prices is that they pose an important challenge for net food importers, many of which are LLDCs. This has raised concerns about food security which some countries have tried to address through public stockholding programs or export restrictions. However, this creates a problem since evidence suggests that if governments restrict exports of net-exporting countries and subsidize consumption in net-importing countries, this is likely to increase excess demand globally and lead to further price increases.

Favourable commodity-price developments and large investment in new resource discoveries have been reflected in significant GDP per capita growth in several resource-rich LLDCs; this is notably the case of Mongolia, Kazakhstan, Botswana and Zambia. But resource abundance is not a necessary, let alone sufficient, condition for growth and development. Natural resource extraction has not been the only route to sustained growth for LLDCs, this is demonstrated by the examples of Burkina Faso, Ethiopia, Rwanda and Uganda which are among the top growth performers in Africa and are resource-poor.

We also know of several examples of resource-rich countries that have not been able to translate their wealth into development, the famous resource curse. Resource-rich LLDCs must avoid these pitfalls. This can be done first, by harnessing revenues to avoid boom-bust cycles through building a domestic investment fund. Second, by using resource incomes to invest in economic diversification. Third, by ensuring that investment in natural resource sectors has a development-friendly dimension so that it also benefits for the non-resource sector of the economy. Fourth, by addressing environmental and social concerns as resource extraction growth may lead to environmental damage and increased inequality.

In conclusion, the WTO has underpinned the progress made by many developing countries by allowing them to take advantage of, adapt to and mitigate risks arising from their participation in international trade. It has done so through binding commitments, flexibilities, technical assistance, and its institutional infrastructure. The strong economic performance of many developing countries has been associated with reductions in their levels of protection, a significant part undertaken in the context of implementing WTO commitments. This has been particularly apparent in the case of countries acceding to the WTO. Flexibilities allowed in WTO rules, specifically through preferential access and special and differential treatment provisions, also played a role in buoying the economic performance of the LLDCs.

Thank you very much for your attention.