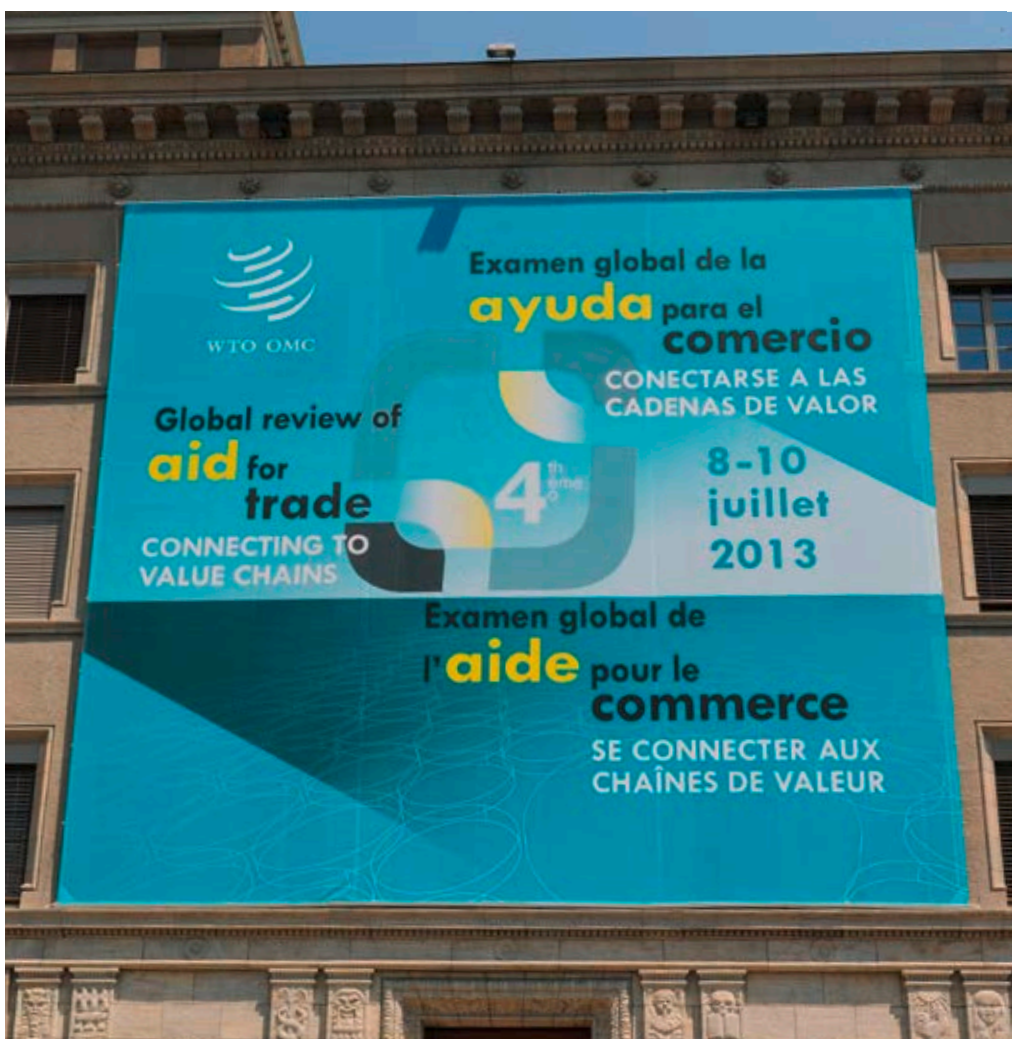


# Fourth Global Review of Aid For Trade 2013 Connecting To Value Chains

8-10 July 2013 - Summary Report



## About the Fourth Global Review of Aid for Trade

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The Global Review of Aid for Trade is a biennial event that examines Aid-for-Trade actions in development countries. With its theme “Connecting to Value Chains”, the 4<sup>th</sup> Global Review discussed the implications of global value chains from a trade and development perspective – and debated how Aid for Trade can help developing countries, and in particular Least Developed Countries, overcome the barriers they face in connecting, adding value and establishing value chains. Debate was informed by a series of publications that discussed the results of a global extensive monitoring and evaluation exercise, notably the flagship joint OECD-WTO publication “Aid for Trade at a Glance: Connecting to Value Chains”.

## About this publication

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This publication brings together summary reports of the Plenary Sessions and Side Events held during the 4<sup>th</sup> Global Review event. The summary reports of the Plenary Sessions were prepared by the WTO Secretariat. Summary reports of the Side Events were prepared by Side Event organizers and the WTO Secretariat.

## Find out more:

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[http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review13\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13_e.htm)

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## Foreword

Since 2007, the Global Review of Aid for Trade has established itself as the pre-eminent multilateral forum exploring trade and development issues. Past Global Reviews have examined how developing, and in particular least-developed countries (LDCs), are seeking to integrate into the global economy, how development partners are supporting this process, and the efficacy of this assistance. This year's Global Review focused on the issue of value chains and how the expansion of value chains is offering new opportunities to developing countries and how Aid for Trade can help connect developing countries and LDCs to value chains.

The three-day event provided an opportunity for trade and development professionals from a wide range of countries, international organizations, academia, the private sector and civil society to discuss the challenges that developing, and in particular least developed countries, face in integrating and moving up value chains and, the role of Aid for Trade in addressing the challenges. Discussions were structured around three broad themes: trade, development goals and value chains; understanding value chains and development; and future perspectives on Aid for Trade.

In addition to the plenary events and in an effort to increase the outreach of this year's Global Review of Aid for Trade, 30 side events were organized by WTO Members, International Organizations and Non-Governmental Organizations.

We were honoured this year to have the participation of the Prime Minister of Cape Verde and the Deputy Prime Minister of Samoa. The review also brought together Ministers of developed and developing countries and high level representatives from the World Bank, IMF, UNDP, OECD, WCO, UNWTO, ILO and Regional Development Banks.

One important feature of this year's Global Review was the large and active participation of private sector participants from developed, developing and LDCs who participated as speakers and attended the different sessions.

A number of key themes emerged from the discussions: the need to engage the private sector as a partner in development and the growing range of activities which the private sector was conducting itself; the importance of services for connecting to value chains and adding value; the key role played by skills in attracting investment and moving up value chains; the role that Aid for Trade could play in reducing domestic and foreign investor risk by working to improve the investment climate; how Aid for Trade resources could be used to leverage additional sources of development finance, and the centrality of efficient border management and transport services to integrating into value chains.

Close to 1,500 participants registered for this year's Global Review, providing rich contributions to a total of 24 plenary sessions and 30 side events. This publication provides a summary of the discussions over the three day event. We hope it will contribute to reaffirming the relevance of the Aid-for-Trade Initiative, notably in the context of a global trading system increasingly characterized by national, regional and global supply chains - and a challenging economic environment in which to mobilize aid resources.



Pascal Lamy  
August 2013

## Acknowledgements

The 4<sup>th</sup> Global Review was organized by the Aid-for-Trade Unit in the WTO Development Division. The Development Division would like to thank all those who organized side events during the Review which contributed to the success of the event.

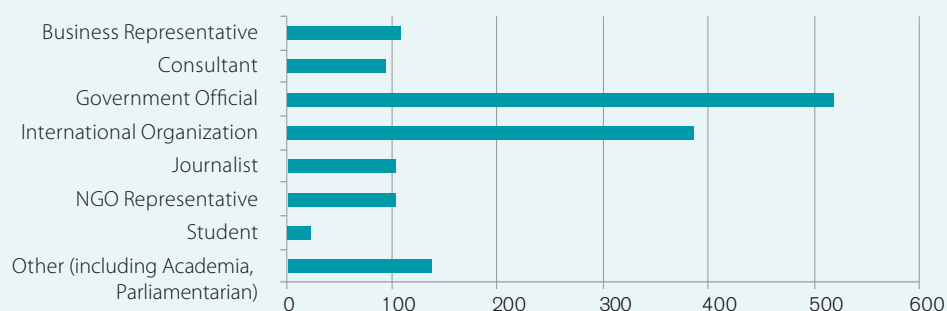
This summary report has been prepared on the basis of reports prepared by the organizers of the side events and by staff from the Agriculture and Commodities Division, the Council and TNC Division, the Development Division, the Economic Research and Statistics Division, the Enhanced Integrated Framework Secretariat, the Institute for Training and Technical Cooperation, the Legal Affairs Division, the Standards Trade and Development Facility, the Trade and Environment Division, the Trade Policy Review Division, and the Trade in Services Division.

The Development Division is indebted to the volunteers in the WTO Secretariat who worked tirelessly throughout the event.

Special gratitude is also extended to the staff of the Graphic Design, Printing and Documents Distribution Section and to the Translation Sections of the Languages, Documentation and Information Management Division.

# Overview of Registered Participants

4<sup>th</sup> Global Review 2013: Statistics of registered participants by category



Category	Total
Business Representative	108
Consultant	96
Government Official	524
International Organization	384
Journalist	105
NGO Representative	104
Student	24
Other (including Academia, Parliamentarian)	141
<b>Grand Total</b>	<b>1486</b>

## Introduction

The 4<sup>th</sup> Global Review of Aid for Trade: Connecting to Value Chains was held at the WTO Headquarters in Geneva, Switzerland on 8-10 July 2013. The event provided an opportunity to examine Aid for Trade in the context of a global trading system increasingly characterized by national, regional and global supply chains.

Global trade has become increasingly characterized by transactions within complex production chains. The global expansion of value chains offers new opportunities for many developing countries. Value chains are no longer just North-South in character, but also involve increasingly complex regional and South-South trade interactions and are extending beyond goods into services too.

However, many developing countries, and in particular LDCs, remain on the margins of global trade, attract limited foreign or domestic investment, and are locked into supplying a narrow range of goods or services. The aim of the 4<sup>th</sup> Global Review of Aid for Trade was to examine strategies to connect developing country and LDC firms to international value chains, how to move up the value chain, and to discuss the associated development benefits in the context of the debate about the post-2015 development agenda.

The 4<sup>th</sup> Global Review was underpinned by an extensive monitoring exercise undertaken by the Organization for Economic Co-operation and Development, the World Trade Organization, in collaboration with Grow Africa, the International Chamber of Commerce, the International Trade Centre, the International Telecommunications Union and the World Tourism Organization.

# Day 1: Trade, Development Goals and Value Chains



**Session 1:**  
**Aid for Trade at a Glance:**  
**Connecting to Value Chains**

This session profiled key messages from the joint OECD-WTO report “Aid for Trade at a Glance 2013: Connecting to Value Chains”. Structural changes in patterns of global trade are also becoming apparent. Some 60% of merchandise trade is now in intermediate products. The session examined these trends and their implications for the role of trade in development – and the role that Aid for Trade can play in helping developing countries draw development benefits from their participation in the multilateral trading system.

**Speakers:**

Pascal Lamy, Director-General,  
World Trade Organization

Angel Gurría, Secretary-General,  
Organisation for Economic Co-operation and  
Development

## Statement by the WTO Director-General

Welcome to the fourth edition of the Global Review of Aid for Trade! The theme this year is that of “Connecting to Value Chains”.

Let me start with a phrase that you may not have heard before: the “least connected countries”. This phrase encapsulates why Angel Gurría and I are launching the new Aid for Trade at a Glance publication today. Our joint publication asks two questions: How do we connect the least connected to international trade through value chains? And how can we use Aid for Trade to overcome the obstacles they face? Before I answer these questions, let me explain what I mean by “the least connected countries”.

Who are the least connected? This term was coined by the International Telecommunication Union. Last year, ITU reported that mobile phone subscriptions had reached 6 billion. When you sign the contract for a smart phone, they don’t ask for a degree in telecommunications or software engineering. What’s smart is the phone...

The same is also true of global value chains. You don’t need to know all the intricacies of the engineering to be able to assemble a phone, or to manufacture the plastic casing or develop software apps.

In short, a value chain world offers many entry points for firms to connect to the world-wide trading web. Our trading system is increasingly one based on trade in tasks, not trade in final goods. You connect by being good at one task and then learning others - essentially, moving up and between tasks.

### *Expansion of connectivity*

To join a production network, you do not need to be a Henry Ford and to manufacture all the parts and components of your Model T under the same roof. What you do need to understand though is how Henry Ford transformed industrial processes. How he separated them into different functions on his assembly lines. His commercial insight transformed car factories. We can see today how this process has transformed global manufacturing and trade patterns over a century later. Sixty per cent of global trade is now in parts and components.

Some examples: Samoa produces automotive wire harnesses; Senegal is becoming a hub for Indian car assembly. Ford has added production facilities in Viet Nam, India and Brazil to the factory in Detroit that built the model T. Products are made in the world, no longer in country X or Y. Adam Smith’s pin factory has gone viral.

There is nothing new about this process. What is new is their reach and depth. Driven by the transport and IT revolutions and the legal certainty afforded by the WTO legal architecture, production networks now stretch world-wide.

It is not possible to fragment the production of a cow or a chicken. But with the tractor that ploughs the field and the refrigerated truck that transports the meat, you can. The same value chain processes that brought refrigerated beef from South America to Europe in the 19<sup>th</sup> century are now penetrating the domestic markets of developing countries. Just think of the supermarket revolution in East Africa.

Let us go back to the smart phone a moment: is it a product or a service? The revenue stream from services may be higher than that from the sale of the physical device. If you count the services component in the manufacturing process before you bought your phone plus all the transport, finance, design and retail services, that proportion grows still higher.

This is not an esoteric reflection. A message that emerges strongly from our joint monitoring survey with the OECD is that companies in developing countries want to add value. They want to move up the value chain. Services are where much of the value lies, whether the product sold is oil and gas, copper, foodstuffs or phones. The service dimension to the global economy is the real news story. The other WTO, the UN World Tourism Organization, informed us that 1 billion business and private travellers represent a billion business opportunities.

As our connectivity revolution picks up speed, so our economies are changing too. Ethiopian farmers can settle contracts with their phones and be credited on their bank accounts the next morning. Mobile money has exploded across East Africa. Bangladesh is getting into business process outsourcing. Kenya is now the world's number one user of mobile banking. IT systems have cut customs clearance times down to less than 10 minutes on some borders in Central America. And there are plenty of other examples of where Aid for Trade was the spark that lit the tinder.

### *The challenge of connectivity*

Even if global trade is growing, we still live in a world though where least developed countries (LDCs) account for just over 1% of total trade and 1.1 billion live in absolute poverty. But this is a world in which those in absolute poverty as a share of the total population in developing countries fell from 43% to 21% between 1990 and 2010. A reduction of almost 1 billion people. And at a time that trade barriers came down and WTO rules provided added certainty. A coincidence? Not to my mind.

With the post-2015 development agenda starting to take shape, I believe that we can do more to ensure trade plays a positive role in development. Our monitoring survey points to a range of issues where the private sector, both in developed and developing countries, is telling us precisely where we can do more. It's about access to business and trade finance, the time it takes to complete border formalities, more effective trade facilitation, the ability to comply with standards, improving the business environment, upgrading skills.

### *Aid for Trade is making a difference*

We now have a sound evidence base to say that Aid for Trade is making a difference. We are making progress. Some 275 case stories, a growing range of econometric studies and other research give me confidence that Aid for Trade is making that difference. But our work is not done.

Since 2005, the time it takes to export a 20-foot container from an LDC has fallen by eight days. But it still takes on average 33 days to export that container. That is 14 days longer than other non-LDC developing economies. And if you are landlocked, you are looking at 42 days on average and at costs that can be more than twice as high. So progress, but much still to do to drive trade costs down.

In the same way as your web browser is your window onto the internet, so trade facilitation is your window to the trading system. If your browser is slow, you are not connected. The same is true of customs and other border services. Hence, the importance of the statement that will be released this morning in the first Side Event of the day and of finding the path to an Agreement on Trade Facilitation in Bali.

The financial crisis is casting a long shadow. Aid for Trade flows are under pressure. The private sector is increasingly involved in capacity-building efforts, both in collaboration with the public sector and in its own activities. And South-South partners are ramping up their activities. But flows are under pressure.

Collectively, we need to make the case why Aid for Trade remains important. How it can help to connect the least connected. Why it should be firmly part of the post-2015 agenda. I feel certain that the 4<sup>th</sup> Global Review will make this case. We will be focused on concrete results on the ground, on the challenge ahead and energized by the progress made.

In closing, we need to have a 360 degree view. To see Aid for Trade in the context of the foreign direct investment that is so important to connect countries to value chains. Aid for Trade is making a difference. But it can make more of a difference if it tackles the factors needed to get the business and investment climate right; to connect the least connected.

## Remarks by the Secretary-General of the Organization for Economic Co-operation and Development

Honourable Ministers, Excellencies, dear Pascal, ladies and gentlemen,

It is my great pleasure to be here again at the WTO to present the 4<sup>th</sup> joint OECD-WTO report "Aid for Trade at a Glance: Connecting to Value Chains".<sup>1</sup>

We have come a long way since 2005, when we launched the Aid-for-Trade Initiative<sup>2</sup> in Hong Kong at the 6th WTO Ministerial Conference. Each successive Global Review has deepened our analysis and broadened our understanding of the dynamics of aid, trade, development and their interaction. In parallel, more and more partner countries and donors have come on board as the tangible results of our efforts become apparent.

We are also covering new ground. Our first report in 2007 covered 7 countries and 39 donors. This year, by contrast, we based our analysis on 132 self-assessments from 42 donors; 9 providers of South-South cooperation and 80 developing countries, including 36 LDCs. For the first time, we solicited views from the private sector. More than 700 firms told us what it takes for suppliers from developing countries to successfully plug in to value chains. Three quarters of these were from developing countries. On the basis of these inputs, we now have at our disposal a powerful tool that is already changing the way we think about aid, trade and development. This tool is in high demand. Indeed, our last joint publication received over 130,000 hits on the OECD and WTO websites.

### *Resist protectionism and do a deal in Bali*

Of course, the world has changed since 2005. The fallout from the global financial crisis has left a legacy of sub-par growth and high unemployment. No country emerged unscathed. We are still struggling to secure a durable recovery. But there is hope on the horizon. Activity is picking up in the United States. Resolute policy intervention is starting to have an impact in Japan. And even if growth has slipped of late in the largest emerging economies, they are still, and will remain, important drivers of global growth.

In this environment of hesitant economic growth, calls for protectionism can be hard to resist, but we must resist them. Rather than sounding their retreat, governments should reaffirm their commitment to inclusive globalization, powered by free trade, open markets and multilateral convergence. The Ninth WTO Ministerial Conference (MC9) in Bali will be an important opportunity to build momentum towards achieving these goals. I call on you, on all WTO Members, to give the world economy a shot in the arm by agreeing a comprehensive package of trade reforms that includes agriculture and has trade facilitation at its core.

Many of you are also exploring a range of bilateral and plurilateral agreements as "second best" options to open markets further. Again, I urge you to make every effort to ensure that such arrangements become "building blocks" rather than "stumbling blocks" of the multilateral trading system.

<sup>1</sup> <http://www.oecd.org/dac/aft/aidfortradeataglanceconnectingtovaluechains.htm>.

<sup>2</sup> <http://www.oecd.org/dac/aft/>.

### ***Facilitating trade can drive growth and strengthen Value Chains***

Easing the movement of imports and exports across borders can significantly reduce the costs of trade, particularly for developing countries. OECD analysis shows that comprehensive trade facilitation reform has the potential to reduce trade costs by as much as 15.5% for some developing countries. Reducing global trade costs by 1% would in turn increase worldwide income by more than US\$ 40 billion, 65% of which would accrue to developing countries.

The OECD and WTO have been working jointly to better understand the dynamics of national, regional and global value chains including in developing countries. At the OECD Ministerial meeting in May, for instance, we released an update and expansion of the OECD-WTO Trade in Value Added database, as well as a policy report on how to maximize the benefits from value chains.

This new work shows that developing countries can greatly benefit from value chains by concentrating on areas of comparative advantage. Value chains offer an easier path to economic development than building vertically integrated production processes from scratch. But they also raise costs for those countries that stymie the flow of goods, services, information and people. We now know that barriers to imports end up hurting exports, by making them less competitive.

Our sector studies with the WTO and other IGOs demonstrate that developing countries are already well connected to value chains in textiles, tourism and agri-food, but these are only a small taste of what is possible. For their part, developing countries could capture more gains from trade and connect to more value chains by further improving their business climate, strengthening supply side capacities, and enhancing connectivity to international markets.

Today, in a strong statement of intent, governments and international organizations will come together to launch a joint statement calling for a WTO Trade Facilitation Agreement, and committing to help less developed countries implement it. Such an agreement would go a long way towards supporting the emergence of regional and global value chains, and the enhanced participation of developing countries in these fragmented production processes.

### ***Aid for Trade has fallen from recent highs but tangible results are being achieved***

Since 2005, donors have allocated more than US\$170 billion to help developing countries achieve these goals. Due to the financial crisis however, aggregate Aid for Trade declined to US\$41.5 billion in 2011. This is largely attributed to a reduced contribution by G20 countries, which are now likely to fall short of their pledge to maintain Aid for Trade at the average level from 2006-2008. These unfulfilled commitments are giving rise to missed opportunities such as reduced support for the large scale infrastructure projects needed to boost connectivity.

On the other hand, Aid for Trade for the lowest-income countries has been relatively less affected, while aid to private sector development and trade development programmes has become increasingly important. Commitments for trade facilitation projects, for instance, reached US\$380 million in 2011 giving us reason for optimism that we can progress this agenda in Bali and beyond. At the same time, South-South cooperation is also gaining traction in the Aid for Trade landscape as China, India and others ramp up their contributions.

There is abundant evidence that Aid for Trade is having a big impact. It is lowering trade costs and improving trade performance. More specifically, OECD analysis found that US\$1 in Aid for Trade is associated with an increase in developing countries' exports by US\$8. For the poorest countries, the return is US\$20. The impact is higher still for exports of parts and components, underscoring the benefits that value chains can offer to developing countries.

This analysis is backed up in concrete terms by the 270 Aid-for-Trade case studies incorporated into the previous Global Review. Examining these cases in detail has taught us that “Aid for Trade in Action” works best when it is focused on improving infrastructure, facilitating trade, and supporting the private sector. Such programmes are particularly effective when target countries have a supportive business environment, including stable macro-economic policies and an investment climate that encourages private investment.

I’d like to conclude by emphasizing the central role of the private sector in trade. Policymakers can help to till the soil to foster commerce, but it is ultimately businesses that plant the seeds of growth. Our challenge is to engage better with the private sector and to ensure that aid also promotes ‘investment for trade’. The Busan Partnership for Effective Development Cooperation offers a framework for ensuring that public and private sector funding streams are complementary.

Today, we have a great opportunity to build on this and other initiatives to improve the effectiveness of Aid for Trade overall. I have every confidence that by working together we can strengthen Aid for Trade and cement its importance on the global policy agenda.

Today is also one of our last moments to recognize Pascal Lamy’s great contribution to the advancement of trade on so many planes in both developed and developing countries. I think everyone here feels deeply inspired by his service, and without a doubt, will work passionately to continue his great work.

**Session 2:**  
**Connecting to Value Chains –**  
**Aid for Trade Support from**  
**Multilateral Development**  
**Institutions**

This session discussed trends in the global economy and their implications for developing countries and, in particular, LDCs from both a multilateral and regional perspective. Presentations focused on how the programmes and policies of international organizations are helping connect developing countries to the trading system – in particular through participation in value chains.

**Speakers:**

Helen Clark, Administrator, United Nations Development Programme

Donald Kaberuka, President, African Development Bank

Sri Mulyani Indrawati, Managing Director, World Bank Group

Min Zhu, Deputy Managing Director, International Monetary Fund

Bindu N. Lohani, Vice-President, Knowledge Management and Sustainable Development, Asian Development Bank

Betsy Nelson, Vice President, Risk, European Bank for Reconstruction and Development

Hans Schulz, Vice President for the Private Sector and Non-Sovereign Guaranteed Operations, Inter-American Development Bank

Waleed Al-Wohaib, Chief Executive Officer, Islamic Trade Finance Corporation, Islamic Development Bank

## Remarks by Helen Clark, Administrator, United Nations Development Programme

It is a pleasure to participate in this 4<sup>th</sup> Global Review of Aid for Trade, and for UNDP to be part of the broad global partnership which has emerged in support of the Aid-for-Trade Initiative.

This expanding coalition owes a great deal to the strong and able leadership of WTO Director-General Pascal Lamy and Deputy Director-General Valentine Rugwabiza, and, on behalf of UNDP, I thank them both for their vision and leadership. There is now heightened awareness of the importance of trade in advancing the prosperity of all countries, and of how poor countries and populations can participate in, and benefit from, trade.

Aid for Trade has the potential to generate growth and development in ways which leave no one behind. As inequalities grow within and between countries - generating new and destabilizing vulnerabilities, following explicitly inclusive approaches to development is an imperative. This needs to underpin the post-2015 global development agenda currently being debated and approaches to trade and development.

UNDP's 2013 Global Human Development Report *"The Rise of the South: Human Progress in a Diverse World"*, identified openness to trade, investment, and innovation as a key driver of the human development transformations being made by many emerging economies. As concluded in this year's *"Aid for Trade at a Glance: Connecting to Value Chains"* report, participation in global value chains presents many opportunities for developing countries.

The liberalization of trade and lower costs of communication and transportation have been significant factors in organizing production and distribution systems around value chains. That lifts the potential for local producers in countries and communities which have traditionally been marginalized from trade to engage in global or regional markets. UNDP is committed to supporting developing countries to take advantage of these opportunities – working through Aid for Trade and through the Enhanced Integrated Framework (EIF).

The initiatives promoted through Aid for Trade and through smart development assistance can be catalytic in helping countries attract and use finance, produce goods and services efficiently, and develop skills and infrastructure. In these respects, UNDP has learned from its experience that three things are particularly important:

### **1. Ensuring coherence between trade and development strategies.**

To boost productive capacity and connect local producers to value chains, countries are likely to need improvements and reforms across a wide range of sectors.

To generate the broadest possible synergies and engagement of stakeholders, UNDP helps countries to mainstream trade in their national development plans and strategies. By considering trade as a means for achieving development objectives, countries are better able to identify opportunities for key populations and areas and align their budgets and actions accordingly.

With this perspective, developing countries can put in place the policies and initiatives which will encourage lead firms in value chains to transfer skills and technology to local suppliers. Schemes may be set up to reward local sourcing, establish public-private platforms, or engage firms in building needed skills, through vocational and on-the-job training.

Countries can also use development strategies to move up value-chains by establishing an enabling environment for the production of higher value-added products and services. Clustering business support services, such as design and marketing, around lead firms, for example, can help grow local markets.

Requests for UNDP support in all these areas has increased.

3 <http://www.undp.org/content/undp/en/home/librarypage/hdr/human-development-report-2013.html>.

**2. To attract investment, including through value chains, and to use financing effectively, countries require support to strengthen their institutional and governance capacities.**

This support helps establish more predictable and effective regulation, dispute resolution systems, and environmental and safety standards, and helps stem corruption and advance the rule of law.

**3. Support for integration into regional markets is important.**

Regional integration can improve competitiveness and deepen domestic markets. For these reasons, UNDP helps countries and regional organizations to shape and implement inclusive regional trade strategies. Through the *African Facility for Inclusive Markets*, for example, we are helping Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Mali, Tanzania, and Uganda integrate regional value chains for the production and distribution of commodities such as sorghum, onions, and mangoes. Larger markets and better products have helped raise the incomes of many thousands of smallholder farmers.

Global agendas also matter. Had the Doha Round been completed by now, the opportunities which participation in value chains present, including in the agriculture sector, would have been greater. I encourage Member States to use the occasion of this Global Review to reflect on the successes and shortcomings of MDG 8 and global partnerships for development. A global, rules-based, fair, transparent and up-to-date multilateral trading system remains essential for equitable development.

**Remarks by Donald Kaberuka, President, African Development Bank**

***Time to raise the bar***

I come from here from Tanzania, where we were meeting with President Obama who has been visiting Africa in the last ten days. This is one of the things he said in Cape Town – quite pertinent to what we are doing here. I quote: “Many of the fastest-growing economies in the world are here in Africa, where there is an historic shift taking place from poverty to a growing, nascent middle class”.

Fewer people are dying of preventable disease. More people have access to health care. More farmers are getting their products to market at fair prices. From micro-finance projects in Kampala, to stock traders in Lagos, to cell phone entrepreneurs in Nairobi, there is an energy here that can't be denied – Africa rising.

We know this progress, though, rests on a fragile foundation. We know that progress is uneven. So there is no question that Africa is on the move, but it's not moving fast enough. We've got more work to do.

To date, African firms have been operating at the lowest rung of the ladder in global value chains.

I believe all of us in this room can readily agree with President Obama on this. That is Africa's challenge. This is why we are here today. If the continent is to get to the next level, we must accelerate the speed of transformation. That is where jobs are created. That is what will reduce the level of dependence by African countries, by trading our way out of poverty.

So the point I want to make today is this. The last decade has seen the most dramatic decline in poverty throughout human history. It has happened through growth, trade and investment. Africa has made some progress as well.

Trade has played a key role, to service the rapid growth in commodities abroad and the massive increase in domestic demand within the continent of Africa. After two decades of sustained economic growth, if you adjust for inflation, Sub-Saharan Africa's GDP has almost doubled.

This has created a large window of opportunity. African consumers with significant disposable income have reached US\$350 million in 2010, up from US\$126 million in 1980. Consumer spending is now estimated at

US\$720 billion and we project it will pass the one trillion dollar mark by 2020. This burgeoning demand for consumer goods provides the first foot in the door.

Intra-regional trade in processed goods will be the first opportunity for African firms to move up the chain. Our preliminary analysis shows that while intra-African trade is still relatively modest, it has more than doubled between 2005 and 2011, rising from US\$49 billion to US\$108 billion. In fact, trade between African countries grew faster than Africa's exports to the rest of the world.

In 2010, 16% of Africa's exports were directed to other African states – higher than the 10% figure cited in most papers. In fact, the level might be higher once the gaps in statistics are corrected, as was reported recently for Uganda. That includes instant coffee or chocolate sold to neighbours of Côte d'Ivoire and Kenya. So this is the most logical place to begin – utilising 'smart aid' such as we are doing in Aid for Trade to make that happen.

## **Solution**

But we will have to go beyond that to draw lessons from our experience so far, including with trade facilitation. I once spoke to a Chinese manufacturer who has relocated some of their business to Ethiopia to make footwear, for the US market, taking advantage of the country's ample hide and skin supply and relatively cheap energy. This is what they said:

"We make a first-class product, here in Ethiopia. We can compete on quality, on price. However, what eats into our margins are two things: lack of clusters and logistics."

I will have an opportunity to return to the issue of clusters. For now let me focus on the whole area of logistics and related services, an area where Aid for Trade has contributed greatly, especially on the soft side, and where the Bank has some comparative advantage.

Logistics begin with infrastructure. History tells us that no country can sustain the levels of economic performance Sub-Saharan Africa is seeing today unless they overcome the infrastructure obstacles, especially power.

I just came here from Tanzania, a country which has registered very strong growth and is on the verge of becoming a major natural gas economy, like Mozambique next door. Three years ago, the country had severe power outages, up to 70%. They had to resort to emergency thermal power supply which is quite costly, while providing the much needed electricity. It has entailed huge disequilibria in the power sector, requiring deep seated reforms. That is why for the AfDB, infrastructure is our core business, 60% of everything we do.

In the past five years alone, our commitments to infrastructure totalled more than US\$12 billion, often taking a regional perspective. Business surveys across Africa consistently indicate infrastructure as the number one obstacle to overcome. This is not to underestimate the other issues around productive capabilities, policy, regulations, and so on. It is only to say that while risk perception is steadily changing, there is overall agreement on the need to fix infrastructure. From passable roads, repairing dilapidated railways, often built a century ago, maritime ports where ships have to wait for weeks, to the most dilapidating power – from availability, access affordability and sustainability: this is one area which policy makers and all of us must give our undivided attention.

Today, if you talk to businesses who are already investing, the 'Africa risk' is rated as comparable to other parts of the world, although for those who are yet to invest the perception often diverges from reality, but they worry about infrastructure.

This is not to say policies and regulations are not an issue; it is only to say, as business leaders tell me, that legislation and texts are often adequate, sometimes even better than elsewhere. It is implementation which does not always follow, often due to poor capacities to follow through.

Going forward, therefore, assisting countries implement their own legislation – which is often excellent – will be a priority. The politics and 'nationalism' do not disappear even if infrastructure is there, far from it. Just take the Yamoussoukro Agreement, aimed at deregulating the aviation sector where progress is painfully slow –

very slow – which means intra-African air travel is a level of 40% higher. We need to also take a deeper look at training and skills. At this meeting with President Obama, one of the CEOs present observed the paradox of youth unemployment on one hand and, on the other, businesses who cannot find the skills they need. Each of our countries needs more university graduates of all kinds of disciplines, but they need even more artisans, technicians, builders, electricians, plumbers – the “missing middle” that gets things done.

On all these issues, I want to acknowledge the Enhanced Integrated Framework which has provided a shared platform to analyse scope and assess gaps, so that individual organisations can come up with appropriate support. I understand we will have an opportunity today to decide on how to reinforce this very useful platform.

### ***Financing trade***

You will recall that in the aftermath of the 2008 financial crisis, together with other international financial institutions, we stepped in with an attempt to close the gap.

The AfDB launched a US\$1 billion trade finance initiative. Over the past three years we have supported a cumulative level of trade of US\$2.5 billion. It would seem that even as the financial crisis abated somehow there remains a significant market gap in financing trade. This is what commercial banks tell us, and it is what I have concluded.

That is why we have now adopted a permanent in-house trade finance programme, mainly risk participation agreements which seem to have worked so well in Asia. Going forward, we have a broad agenda. I think the donors to programmes such as the EIF who have contributed to this joint endeavour. But we are now at a critical juncture. Budgets are under pressure everywhere. Whether it is soft or hard infrastructure – we need to innovate to seek new ways of doing things. Africa’s US\$45 billion annual infrastructure financing gap will remain the elephant in the room, far beyond the financial capacity of individual countries and development partners.

It is time for both partners and African governments and institutions to make a step change. We have achieved a lot together in the past 50 years, but we have also given up a lot.

In the coming weeks, you will hear a lot about ‘Africa50Fund’, an innovative financing vehicle the African Development Bank is putting in place to take our possibilities of infrastructure finance to the next level, complementing existing instruments, innovating among them, and mobilising Africa’s own pool of savings. As a piece of financial engineering, it is quite complex, but there is little alternative, and it is doable. The idea is to leverage the Bank’s track record in infrastructure, Africa’s natural resources, internal savings, smart use of external support and capital markets to finance bankable, high-return, transformational regional infrastructure projects – an idea which was already envisaged by the G-20 at the summit in Korea.

The facility, which is expected to build enough equity on Africa’s domestic pool of savings to be able to issue a high quality infrastructure bond, is in the final stage of development. It still requires sophisticated financial, institutional and legal work on our part. Bank staff are working on this with the ingenuity and urgency that the issue deserves.

Africa Finance Ministers studied the matter at our last annual general meetings in Marrakech and gave their blessing. Next week I will meet with my Addis colleagues, Dr. Zuma, Mr. Lopes, Mr. Mayaki, the RECs, and sub-regional financial bodies to refine this. We are convinced that this vehicle is feasible and is needed for the transformative infrastructure Africa needs.

### **Conclusion**

Going forward, we have a lot on our table. We need now to build on the Enhanced Integrated Framework, Aid for Trade, improve on it and go beyond – and the Bank will play its part.

To conclude, I wish to say a few words about my good friend Pascal Lamy. Pascal, it is with great admiration that I have watched a tireless champion for a fair global trading system, frontloading the interests of developing countries, in particular those of Sub-Saharan Africa.

You brought to bear your vast experience and deep knowledge to the trade agenda, working hard with all parties in order to reignite global trade as a key solution for the global recession. In the aftermath of the financial crisis, you succeeded in the battle against the would-be forces of protectionism.

You worked tirelessly to ensure flow of trade financing, helping to overcome the initial hesitancy by those who did not agree this was a problem. You ensured the solutions to the global crisis such as some elements of Basel III did not hamper growth prospects of the Low Income Countries. What Aid for Trade has delivered will be a lasting legacy. Like you, I can only express the hope that politics can be mobilised for global trade agreement which poor countries need to trade their way out of poverty. As you hand over to your successor, I am sure we have not heard the last from you.

On behalf of the African Development Bank and your many friends in Africa, I say thank you for the work you have done to make the world a better and fairer place.

## Remarks by Sri Mulyani Indrawati, Managing Director, World Bank Group

### *Introduction: The role of Value Chains in trade development*

I would like to thank the WTO for organizing this event, as well as my fellow panellists. This year's theme "Connecting to Value Chains" is especially timely. Value chains are becoming the linchpin of global trade. No longer is trade as simple as manufacturing a product in one country and selling it to another. Rather, goods often cross many borders, accrue components and require complex interactions while contributing to local economies. In this context, supply chain efficiency has emerged as a leading determinant of trade growth and offers significant opportunities for developing countries.

But there are also major challenges. Many developing countries, particularly the poorest, are unprepared to benefit from the networks of supply chains crossing the globe. They often remain export dependent on a few primary commodities and attract little foreign direct investment due to deficiencies in their enabling environments. These deficiencies are particularly harmful at a country's borders where complicated regulations or lengthy delays hinder any supply chain that operates on a strict schedule. Supply chains go where the logistics are smooth.

### *Supply chain barriers*

Supply chain barriers are, therefore, significant impediments to trade for developing countries. According to a recent report by the World Economic Forum and the World Bank<sup>4</sup>, a concerted effort to reduce supply chain barriers could increase global GDP by 4.7%. That's six times more than what could be achieved from eliminating all remaining import tariffs. Thus, the costs associated with inefficient trade facilitation and logistics are much higher than the cost of tariffs. Research we have done at the Bank shows that a new trade facilitation agreement in the WTO would be a win-win for all – and that developing countries would benefit more as their traders face significantly higher costs.

While some differences remain on the specific provisions of a new Agreement there is little doubt that a productive deal could be concluded if developed countries could provide confidence that any capacity building support needed for implementation of the agreement by developing countries would be forthcoming. At the Bank, our support for trade facilitation continues to grow with a portfolio of US\$5.8 billion of which two-thirds is supporting low income countries.

<sup>4</sup> World Economic Forum (2013), 'Enabling Trade: Valuing Growth Opportunities', [http://www3.weforum.org/docs/WEF\\_SCT\\_EnablingTrade\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_SCT_EnablingTrade_Report_2013.pdf).

Supply chains also highlight the importance of adding value to goods. Much of this is accomplished through the delivery of services. Services on their own account for a much smaller share of world trade than do services that add value to goods in production.<sup>5</sup> Value-added services can be provided by both foreign and domestic providers. So barriers to trade and investment in services also hurt the ability of developing countries to integrate into global value chains.

### ***Why Aid for Trade matters for Global Value Chains***

The good news is that many barriers to supply chains can be fixed with policy changes. As the largest multilateral provider of Aid for Trade, we help developing countries lower their trade costs. We understand that success requires that both the “hardware” and “software” of trade work well. So we help countries build infrastructure. But we also work with them to establish clear customs rules, efficient logistics, and access to trade finance – the building blocks of a healthy regulatory climate for private business. Finally, we understand that building shared prosperity through trade also involves helping people, especially the poorest, to adjust to new circumstances.

### ***What are we doing?***

Let me give you some examples.

#### ***Transport sector***

Costs associated with transport and delays remain high in many developing countries trying to gain a foothold in global value chains. So we are helping to address weaknesses in roads and ports. For example, in Kazakhstan a US\$1.8 billion project is improving trade-related transport along a corridor that bisects the country. These improvements are bringing economic stimulus to some of the poorest provinces, while working to improve connectivity between Europe and China.

We are also working with the Nepalese government to improve its trade with India. The majority of exports from Nepal go to India via a steep, narrow and largely unpaved road. With our help, the government plans to rehabilitate this 33-kilometre passage which not only hinders trade, but also claims lives.

#### ***Improving conditions at borders***

Hardware investments must also go hand-in-hand with improvements in the ‘software’ of trade to be effective. For example, in some parts of Africa traders must pay a multitude of fees – formal and informal – deal with multiple, uncoordinated border agencies; and suffer long delays. So we are working with the five governments served by the Abidjan-Lagos corridor to help overhaul the customs and immigration posts and systems located along it.

In Cameroon, we are helping to simplify trade procedures through the port of Douala with the creation of an electronic single window. We are also working to extend this concept to the rest of the CEMAC<sup>6</sup> region where we are supporting a new transit regime to reduce policy barriers along the corridor linking Cameroon with Chad and the Central African Republic.

And in Laos, we have supported the establishment of a Trade Information Portal – an online resource providing information to traders on all trade-related laws.

5 Francois, J., M. Manchin and P. Tomberger (2013), ‘Services Linkages and the Value Added Content of Trade’, World Bank Policy Research Paper, 6432. For example, services trade accounts for one-fifth of world trade, but if we account for all the services – such as transportation or distribution – that help make-up finished goods, services make up half of all trade.

6 Central African Economic and Monetary Community: Gabon, Cameroon, the Central African Republic, Chad, the Republic of the Congo and Equatorial Guinea.

## *Trade finance*

For many small firms trying to export, the ability to access global supply chains is also a question of finance. Many find themselves strapped for cash while waiting for multinational companies to pay their invoices. Supply chain financing allows small suppliers to have invoices paid up front by a bank. Unfortunately, just 10% of exporters in developing countries have access to such facilities. Since 2010, the IFC's Global Trade Supplier Finance program, a US\$500 million facility provides short-term finance to SMEs in emerging markets, reaching thousands of small firms.

## *Improving the efficiency of services*

Embodied services such as finance, telecommunications and distribution are also becoming increasingly important for global value chains. So the World Bank has been working with Cambodia, Malaysia, Laos and Kazakhstan to identify inefficient regulations that are hindering development in their services trade.

## *Conclusion*

Looking forward, it is clear that success in a world increasingly shaped by global value chains requires that a country add value to the goods that pass through its borders. This reality has introduced new challenges for developing countries. Our aim is to provide developing countries support to reduce their trade costs and improve their connectivity to enhance their ability to engage in global value chains.

This will continue to be an essential part of our Aid for Trade.

And since the costs of connectivity are often fixed, they disproportionately affect small firms, farmers and the poor, prohibiting their participation in trade and limiting inclusiveness. Reducing these costs has a direct bearing on the World Bank's strategic goals of ending extreme poverty and promoting shared prosperity.

Lastly, let me add my congratulations to Pascal Lamy for his eight years of strong stewardship of the WTO, and in particular, for launching this very important Aid-for-Trade Initiative.

## **Remarks by Min Zhu, Deputy Managing Director, International Monetary Fund**

I am very pleased to have this opportunity to attend the 4<sup>th</sup> Global Review of Aid for Trade. This meeting is taking place at a critical moment for the multilateral trading system.

At this time, it is more important than ever to support developing countries' participation in world trade. Global value chains (GVCs) present new opportunities for development that should not be missed. I will come back to this topic, but let me first say a few words about the global economic outlook as the IMF currently sees it.

Overall, the near-term outlook for the global economy is improving, but the road ahead is unlikely to be smooth. During the past year, policy makers have managed to diffuse the most immediate threats to the economic recovery and the acute near-term risks have receded. Indicators point to a firm recovery in the US and there is some evidence that monetary policy is working in Japan, but activity in the euro area is expected to be weak. Emerging markets, with the exception of emerging Europe, are expected to continue to grow at a fairly good pace, but likely slower than we expected in the IMF World Economic Outlook, published in April 2013.

This recovery is not without significant downside risks, including remaining vulnerabilities in the euro area. Recently, market uncertainty about the continuation of quantitative easing in the US and the outcome of the Japanese "three arrow" agenda has put pressure on emerging market assets and currencies. In the World Economic Outlook, we predicted a rebound in global trade growth from 2.6% in 2012 to 3.6% for 2013. Weak export data in some key emerging markets, such as China, are putting these expectations of a trade rebound in doubt. In the medium term, the risk of insufficient reforms and prolonged stagnation in the euro area as well as high fiscal deficits and debt in the US and Japan remain a concern.

What does this imply for Low Income Countries (LICs)? As before, external demand from advanced economies is key to the outlook for most LICs. The on-going transformation of the international trade landscape opens new opportunities for development. First, rapid growth in emerging market economies in the last twenty years has allowed LICs to diversify their export destinations. In the same period, the share of South-South trade as a share of total world trade has increased from 10% to nearly 30%, while the share of North-North trade has shrunk.

Second, global value chains present an opportunity to reduce the traditional dependence of many LICs on demand for natural resources and, importantly, can be a new path for economic growth. Let me focus on this last point, which is at the heart of the 4<sup>th</sup> Global Review of Aid for Trade.

We can now begin to analyse the role of GVCs given the improvement in trade data that resulted from the indispensable endeavour of the WTO and the OECD under the leadership of Mr. Lamy and Mr. Gurría. So, what do these new data say? A forthcoming IMF study has some interesting findings:

First, more income is generated by being part of global value chains. Specifically, value-added exports (that is, income generated by exporting) are becoming a bigger part of world income. Value-added exports in the world have increased from 15% of world GDP in 1995 to 22% in 2008 and then slightly declined in the aftermath of the Great Recession. The data show that, while LICs often focus on the assembly part of GVCs (thus adding relatively low value to final products), they generate a large proportion of their income from exporting.

Second, participation in GVCs increases both labour and capital income. Labour income generated by exporting has increased over time from 9% of world output in 1995 to 12% in 2008. Capital income generated by exports has increased faster from 6% to 10% of world output during the same period, implying that value-added exports have become more capital-intensive.

Third, it is not all about manufacturing; increasingly, income is generated by exporting services within GVCs. The reliance on supply-chain trade is generally thought of in the context of manufacturing goods production. However, increasingly, selected tasks in services sectors are also exported. Income generated by exporting financial and other services has increased from 6% of world output in 1995 to almost 9% of world output in 2008.

Fourth, being part of GVCs is associated with higher growth rates. Data show that countries with higher value-added trade experience on average stronger growth. While being part of global value chains is not the only way to generate value-added exports, measures of GVC participation and of value-added trade are highly correlated. This indicates that there are important positive externalities, such as knowledge spill-overs, that countries can exploit if they successfully anchor themselves to international production networks.

In concluding my remarks, let me stress once again that global value chains represent an opportunity for developing economies. However, whether LICs will actually be able to take advantage of this new reality will depend both on the international policy environment and on domestic policies and trade capacities. The latter puts the spotlight on efforts by the international community to help build capacity, which makes initiatives as Aid for Trade all the more important to ensure inclusion of LICs in the growing GVCs. The debate over the next three days will help us understand how we can further enhance this support and I really look forward to having these discussions.

## **Remarks by Bindu N. Lohani, Vice-President, Knowledge Management and Sustainable Development, Asian Development Bank**

### ***Introduction***

On behalf of ADB, it is my honour to be here. I will briefly present ADB's work on "Aid for Trade" in Asia and the Pacific. We at the ADB have been active in Aid for Trade since 2006, as a member of the WTO Advisory Group and as co-host for our Regional Review Meetings, most recently in Tokyo.

## *Asia's challenges in regional trade*

Let me start with trade in Asia. It is very common to hear about Factory Asia. Over 58% of our region's trade is intraregional – and much of that in parts and components. This value chain trade has helped increase growth, expand employment, and draw millions out of poverty.

But **Factory Asia covers just a sliver of the region. The challenge is to extend its benefits more equitably**, so that the trade networks can be accessed by all. We are focused on the one question: How can we do this?

## *The need to strengthen trade facilitation*

We must strengthen trade facilitation – which certainly is one of the most important ways to promote national, subregional, regional, and importantly, inter-regional development.

Infrastructural hardware is prerequisite and more than 70% of our investment is in infrastructure – national and regional. But the software that eases the flow of goods and services is increasingly important. From customs to free trade agreements, or FTAs, **rules and regulations are often complex, even contradictory, and difficult for exporters to understand**. And we have many FTAs in Asia.

I see two ways we can boost trade facilitation in our region.

**First is to involve the private sector.** Governments need to know where bottlenecks exist. And the private sector knows best. Public-private dialogues are key to learning what the private sector needs to facilitate trade. They must be involved from the start. And I wish to emphasize this message this morning.

**Second is regulatory harmonization, whether easing customs procedures or consolidating FTAs.** For example, in May, negotiations began to create a Regional Comprehensive Economic Partnership (RCEP) among the ten members of the Association of Southeast Asian Nations plus the six countries with which ASEAN has existing free trade agreements – Australia, China, India, Japan, Korea, and New Zealand. Targeting an end-2015 deadline, the agreement would affect 3 billion people and 27% of global trade by value. Hence it is a significant undertaking.

This Regional Comprehensive Economic Partnership can help facilitate trade across East Asia. But much trade facilitation work is also being done across the Central Asia, South Asia, and across the Pacific Islands.

## *ADB's work on trade facilitation*

**Hence, ADB has focused its work on Trade Facilitation – as one of the key priority areas.** ADB's program include: Regional infrastructure connectivity, customs modernization, harmonizing measures, and reducing bottlenecks are core elements. Let me mention five quick points on our work related to trade facilitation.

First, we have provided our strong operational support – US\$30 billion for regional transport connectivity alone over the past two decades – we also contributed more than **US\$200 million since 2000 to help promote trade facilitation, as well as in capacity building** and policy support.

Second, ADB supports trade facilitation working toward the ASEAN Economic Community by 2015. We have been helping in preparing Time Release Studies to identify problems in customs and trade procedures.

Third, we are working with authorities on national Single Windows – a key element of the ASEAN Economic Community.

Fourth, we support knowledge sharing and private sector partnerships. And we provide several regular regional capacity building and training activities covering trade policy, customs procedures, rules of origins, and trade enabling services.

Fifth, in 2012 we joined our development partners in establishing the Regional Organizations Cooperation Mechanism for Trade Facilitation – to develop coherent strategies for effective project and programme implementation.

Furthermore, in addition to these, we work closely with the WTO on regional Aid-for-Trade issues. As you know, we organize the Regional Technical Group meetings and publish the Aid for Trade regional report. Our first report was presented at the 3<sup>rd</sup> Global Review in 2011. Today we will present our second report.

### **Conclusion**

Let me close with a few words about the new report – *Aid for Trade in Asia and the Pacific: Driving Private Sector Participation in Global Value Chains*.

The report highlights the tools that worked in identifying bottlenecks to trade and investment; and underlines the importance of creating an enabling investment environment to link domestic production to global value chains. Findings of this Report will be presented this afternoon at Session 11 at 4.30 p.m.

For Global Value Chains to spread trade benefits to more countries, it is critical that we continue to engage the private sector in our efforts to link production capacity to export opportunities. **The real value in “value chains” is putting the private sector squarely in the middle of the trade facilitation process.** ADB’s Aid for Trade work has contributed much to the region’s ongoing success. But more needs to be done. We must activate the private sector in pushing this agenda forward. Hence, we must activate the private sector in pushing the trade facilitation agenda forward.

### **Remarks by Betsy Nelson, Vice President, Risk, European Bank for Reconstruction and Development**

The past eight years of Aid for Trade have been a tremendous success, and this success is largely owing to your commitment and personal dedication, Pascal, during your time as Director-General of the WTO. The European Bank for Reconstruction and Development (EBRD) has always been strongly supportive of Aid for Trade.

In the 20 years since EBRD was established to promote the transition of the former centrally planned economies of Central and Eastern Europe towards market based economies the Bank has invested almost €80 billion in over 3,500 projects and has mobilised over €150 billion in additional financing from co-investors. More recently EBRD has broadened its reach to invest in Southern and Eastern Mediterranean countries.

The Bank’s focus is project-based and we work primarily with the private sector, supporting enterprises to integrate into markets and participate in international trade. Connecting people and companies to trade is at the heart of EBRD activities.

The expansion of GVCs offers great potential to enterprises in both the Bank’s “traditional” and the “new” region. But often there are many obstacles to overcome for these enterprises to reap the benefits from accessing these value chains.

This is why we very much welcome today’s theme of “connecting to value chains”. The 4<sup>th</sup> Global Review provides an important forum to examine how Aid for Trade can help connect developing countries and least-developed countries to value chains.

## *EBRD activities in the area of trade facilitation*

There are several areas where EBRD's work intersects with efforts to support this type of activity. Let me mention four areas where the Bank's work helps to enhance international trade integration of countries of operation:

- 1. By improving private sector enterprises' access to trade finance.** Since 1999 we have provided over €8 billion of trade finance for 13,000 international trade transactions.
- 2. By increasing access to trade infrastructure.** Since the establishment of the Bank we have invested more than €6 billion in cross-border trade infrastructure.
- 3. By providing access to trade-relevant capacity building opportunities.** Using a grant-based donor financed programme, EBRD has provided finance and technical support worth €220 million to around 14,000 private enterprises including small- and medium-sized enterprises (SMEs) to help them to improve product quality and connect to higher value markets.
- 4. By improving the general business environment, through policy dialogue activities focused on reducing trade barriers and a better investment climate.** In total EBRD has provided almost €15 billion to enhance international trade.

Let me further elaborate a little on how we help to connect enterprises to value chains.

The main objective of the EBRD's trade finance support under the "Trade Facilitation Programme" is to reduce the payment risks of local commercial banks for international trade transactions. We do this by providing guarantees to banks in more advanced countries to cover risks associated with local commercial banks.

EBRD also provides assistance to local commercial banks to develop their trade finance operations on a self-sustaining basis, including through support for enhanced skills. We are glad that many of the banks that we supported have graduated from the programme as they have become more credit-worthy as a result of EBRD's assistance in capacity building.

EBRD is also actively engaged in removing infrastructure bottlenecks for both domestic and international trade. In many of EBRD's countries of operations lack of transport capacity is a major constraint for farmers to access markets. For example, last year, the Bank supported a large grain trader in Ukraine to buy several hundred railway waggons and a number of river vessels for the transport of grain from the Ukrainian hinterland to grain terminals in Odessa at the Black Sea. The additional transport capacity will enable farmers to obtain improved access to export markets – for example Egypt – through Odessa reducing overall transport costs and losses.

EBRD pays particular attention to the difficulties faced by micro, small and medium-sized enterprises (MSMEs) to connect to regional and international value chains. MSMEs often lack the knowledge to reach quality requirements necessary to enter higher-value markets. In order to help overcome this particular problem, EBRD provides support through the Business Advisory Services (BAS) programme.

For example, in Tajikistan BAS supported a small local company specialised in the production of dried fruit that was unable to produce the required quality of dried fruits for export to Russia. EBRD helped the company to develop, design and install a solar dryer for drying fruits, which led to a doubling of their exports. There are many such examples of how the Bank has helped private sector companies to overcome barriers related to quality standards which have posed obstacles for companies to access regional value chains.

## *Closing remarks*

EBRD's experience strongly indicates that know-how and skill transfers should complement finance activities for impacts to be long-lasting. By combining both we can help companies better connect to or move up value chains.

Another important lesson is to bring together many partners in the process. EBRD benefits from bilateral donor funding to provide technical assistance for building know-how and skills in our region. We also cooperate with other international financial institutions to share the costs of financing especially in trade relevant infrastructure. And especially important, the Bank brings together many partners from the private sector. This is why we welcome that the 4<sup>th</sup> Global Review of Aid for Trade has extensively involved the private sector in its monitoring exercise. We need to pay close attention to the conclusions of this exercise to further focus our efforts.

In closing, Chairman, let me again express my sincere gratitude to your commitment and persistent efforts to make Aid for Trade successful. Let me assure you that the EBRD is ready to play its part in the common effort to promote Aid for Trade. Let us use the momentum gained through eight successful years so Aid for Trade emerges stronger from this year's 4<sup>th</sup> Global Review. It is my pleasure to add EBRD's support for the joint high-level statement to deliver assistance to implement a WTO Trade Facilitation Agreement.

## **Remarks by Hans Schulz, Vice President for the Private Sector and Non-Sovereign Guaranteed Operations, Inter-American Development Bank**

Thank you very much for inviting the Inter-American Development Bank. I would like to congratulate you for picking value chains as the topic this year. I think this is a great way of focusing attention around a subject that really hits home on a key challenge: bringing the public and the private sectors together. Value Chains is a great way of focusing on this issue.

The Latin American and Caribbean (LAC) region has made a lot of progress over the last five years. It has moved from 3.5% to 4% in annual economic growth. This growth has been strong, but not without challenges. Taking stock, it is clear that prudent macro-economic policies that targeted programs to overcome social divisions have had a more inclusive pattern in the growth path. This has led to deepening trade and a lot of poverty reduction.

Purchasing power of LAC citizens has doubled in the last ten years. 65 million people escaped poverty over the same period. The middle class now makes up 30% of the population. As we can see recently in the news in Brazil, and also in Chile and other countries, people are in the streets demanding better education. That is an expression of a growing middle class; it is an expression of changes in the region that need a different policy response.

Nearly 80% of Latin American citizens now live in big cities. And the kinds of issues that urbanization provokes in terms of logistics and infrastructure are part of the issue of Aid for Trade. During the same period, Latin America has tremendously increased its volume of international trade - tripling in overall terms. Trade with China has multiplied by a factor of 25. This has been accompanied by a lot of trade agreements that go back to late 1990's, and a tremendous reduction in tariffs and other policies that facilitated trade throughout this period. For example, the average tariff fell from 45% in 1985 to just under 10% now, which is a tremendous progress again.

Very complex challenges still remain, and this is very important to take them into account when looking forward. A recent IDB study found that a 1% reduction in China's growth would lead to a 2% reduction in the region's exports. That is significant and you have to take it into account whether or not Latin America is still primarily dependent upon high commodity prices - a major source of trouble in the 80's and early 90's. 70% of exports that go to China are commodities. So, softness in growth in China, softness in the price of commodities, which is already being seen, will again, make visible the vulnerability of the continent. It underscores the importance of investing in value addition - a deeper development pattern out of the simple tying into the world economy.

So that brings us to the difference between software and hardware. You also need the software to transport goods and services efficiently across borders. For this reason, I like the expression of the “thickness of borders”; it’s very illustrative. Like any computer, hardware and software must be compatible, and if they don’t coordinate or speak to each other there won’t be any competitiveness.

Latin America has long been facing an infrastructure finance gap, an infrastructure investment gap, and that is unfortunately still the case. Even today, the region is spending less than 2% of GDP in infrastructure. Most experts say that it should be between 5 and 6%. So, this has been building up over time and it is very clear that we need to redouble our efforts on infrastructure, especially integration infrastructure. Roads, ports and airports in some countries, especially in Brazil, in the largest market, are still a big issue. Generally infrastructure spending needs to double. For one dollar invested in infrastructure, we get at least US\$1.7 if not US\$2 out in economic activity overall.

The second point is logistics. Logistics still runs at between 18 to 35% of the total product value – and even 40% for smaller companies in the region. It is only 8% in OECD countries. That is unacceptable if you really want to be a world champion in export and tie into the international trade.

This afternoon I will participate in a session in which examples of value chains will be discussed. Like how can a region in Mexico become an industry hub for aeronautical equipment? How can Costa Rica become a leader in medical device exports? And you will find that in all of these cases it requires a tremendous amount of joint public-private sector work together to coordinate on infrastructure, logistics, policy – all the areas which make that make relationship thrive and come to fruition.

At the IDB we like to support these kinds of experiences and like to help them scale up. The Aid-for-Trade Initiative has been a fantastic tool to support this process of global and regional integration. IDB has, over the last five years, provided US\$28 billion in Aid-for-Trade activities, with the public and private sector. Fifty-six per cent of this expenditure has been on infrastructure, economic infrastructure that supports integration. Forty-three per cent has been on productive capacity, including financial markets.

Financial markets are an important ingredient for consistent growth, and integral to the competitiveness of companies. Latin America went through several crises in the 1990s. Since then the banking system has been fixed and not a single problem has been experienced in the banking sector in the region since the crisis began. However, Latin American local capital market development is still below its potential, the reforms of the 1990s that provoked private pension funds, accumulating a lot of domestic savings are still not investing enough of those funds into productive investment. This is especially true for infrastructure, where these funds, because of their long-term nature, could be useful. Too much is still going to public sector instruments, and this will have to change, if the region is to redouble infrastructure investment.

So, on the productive side, the 43%, going back to the US\$28 billion, included other productive sectors, including the agricultural tourism sectors, and only 1% into the resources, but a tremendous amount in terms of impact has been dedicated to trade policy and regulations, and working with many of you here on international agreements, regional agreements and in supporting our Member countries.

The IDB has a specific target for integration and, and regional cooperation operations, which is 15% of our overall lending. This annual target includes trade facilitation trade finance, other enabling policies, and also IT solutions.

I would like to extend a word of congratulations to the EBRD who started the international trade finance facilitation programs at the multilateral development banks and who, from the very beginning, were extremely open in sharing the information. The EBRD was also instrumental in getting us all together so that the IDB, IFC, the Asian Development Bank and the African Development Bank could all set up trade finance programs. Director-General Lamy and his team have been helpful in getting us together to talk about the outlook on trade finance, to look at different experiences, see what we can learn from each other and how different regions needs actually complement what we can do together.

The IDB, of course, is also involved in other activities, such as trade promotion and match-making events across different regions. We have been very active in the relationship with China since it became a member of the Bank. IDB has developed a pretty unique menu of things available that we can use to strengthen our Member countries. Most of all I would like to leave you with the thought that we need to think much harder and deeper about how we can bring together the private and the public sector. Let's zoom in on value chains in the next couple of days and figure out what else the regional development banks can contribute.

### **Remarks by Waleed Al-Wohaib, Chief Executive Officer, Islamic Trade Finance Corporation, Islamic Development Bank**

I am honoured, on behalf of the Islamic Development Bank Group, to be here at this important forum, and of this opportunity to speak on a subject that is very near and dear to our hearts.

At the outset, let me join the previous speakers in thanking WTO for taking the initiative to organize this event, and applauding their efforts for the excellent arrangements and for the warm hospitality extended to us.

A special thanks to Director-General, Pascal Lamy, whose untiring efforts in pushing the Aid-for-Trade agenda have started to bear fruit. I think I would not be exaggerating in saying that Aid for Trade will remain a legacy of Mr. Lamy. I also wish to congratulate the incoming Director-General, Roberto Azevêdo, and I wish to assure him of the IDB Group's whole hearted support on the Aid-for-Trade Initiative.

Trade has a very special importance for the Islamic Development Bank Group due to its critical role in poverty reduction, growth and development. The IDB Group is at the forefront of boosting trade between member countries of the Organization of the Islamic Co-operation (OIC). In order to meet this challenge, the IDB Group has taken a number of strategy initiatives: An Executive program for enhancing Intra-OIC Trade adopted in 2008 has five major business lines: trade financing, trade promotion, trade facilitation, capacity building, and developing strategic commodities.

The theme of this review – Global Value Chains – is a pertinent and important theme. In this context, it should be noted that trade has always taken place in value chains, and over the last decade, there has been an increase in complexity. These changes have led to new challenges, but also to many development opportunities. Indeed, participation in value chains can lead to positive development outcomes, but only if countries have the opportunity to gainfully insert themselves into value chains. Also, the terms of participation should be equitable and this is where multilateral trade rules, Free Trade Agreements and Bilateral Investment Treaties come in.

In this context, the IDB Group is at the forefront of enabling its Member countries in particular its least-developed Member countries to gainfully insert themselves in value chains. The IDB Group is doing this in various ways, through investments in economic infrastructure, supporting private sector development, trade finance and (trade-related) technical assistance.

Development of trade-related infrastructure, particularly for transport, information and communication technology and energy, is at the heart of the Bank's assistance to the Member countries. Over the years, the Bank has financed more than US\$7.5 billion for infrastructure and related operations.

The IDB Group plays a special role in the development of the private sector through ordinary operations, and through the Islamic Corporation for the Development of the Private Sector (ICD). ICD provides a variety of financial products.

The Islamic Development Bank has, since its inception over three decades ago, been a pioneer among the Multilateral Development Banks (MDBs) of initiative trade financing. The International Islamic Trade Finance Corporation (ITFC) was started in 2008 as a specialized Entity for trade financing. To date, the Group's trade financing has amounted to US\$48 billion or close to 52% of the Group's lending volume. Last year alone, IDB Group financing amounted to US\$4.6 billion.

It is worth mentioning that the social sectors are equally important for enhancing productive capacity. Unless we have a healthy and educated population, no development and trade can take place. This is also recognized in the IDB Group's new Vision 2020, called *A Vision for Human Dignity*. We prioritize five key areas for poverty reduction: (i) comprehensive human development; (ii) infrastructure development; (iii) regional economic co-operation and integration; (iv) productive capacity development, and (v) private sector development.

Just providing electricity to the off-grid rural communities increases productive capacity, promotes cottage industry, increases business hours, expands trade opportunities, and brings prospects which one cannot imagine otherwise. Therefore, I urge the development community to not only focus on the hard-core infrastructure but also pay due attention to the enabling factors that promote trade and development in the rural communities.

It gives me profound pleasure in saying that the IDB Group through the ITFC in partnership with UNDP, UNCTAD, UNIDO, ITC, and ILO has also launched the Aid for Trade for the Arab States Initiative. This Initiative has garnered much support from the Member states and other regional organizations and international donors.

In conclusion, we express our readiness to cooperate with all other international financial institutions and partners on Aid for Trade, with the objective of scaling up trade-related infrastructure financing and capacity development in common Member countries.

### **Session 3: Value Chains – Adding Value for Development?**

The central theme of this session was the role that GVCs can play for developing countries. New research is revealing the extent to which global and regional trade flows are influenced by value chains. As production is more and more fragmented, today's trade is often characterized as "trade in tasks" rather than "trade in goods". In other words, instead of exporting final products countries tend to specialize in specific stages of production process. For developing countries, complex production systems open the possibility of market access based on comparative advantage in one or more tasks in a product or value chain, rather than in the full product or service itself. The emergence of so-called "Factory Asia" has been intrinsically linked to this process.

#### **Moderator:**

Gary Gereffi, Director, Center on Globalization, Governance & Competitiveness, Duke University

#### **Panellists:**

Karel de Gucht, Commissioner for Trade, European Commission

Md. Shaful Islam, Member, Bangladesh Garment and Exporters Manufacturers Association

Anabel González, Minister of Trade, Costa Rica

Hloni Matsela, Corporate Affairs Director, SAB Miller Africa

Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation, Netherlands

Luc Magloire Mbarga Atangana, Minister of Commerce, Cameroon

**Luc Magloire Mbarga Atangana, Minister of Commerce, Cameroon**, stated that for countries such as Cameroon it was necessary to connect to value chains in order to revitalize their economies. He explained that Cameroon exported mainly primary commodities, such as oil, timber and cocoa. However, cocoa or cotton from Cameroon could not be processed entirely in that country. In his view, Cameroon needed to industrialize its economy and change the products that were destined for export. He also stressed that connecting to value chains was absolutely vital within regional economic communities in Africa. Minister Antangana further stressed the importance of a good business environment to integrate in GVCs. In this context, he referred to EU assistance and spoke extensively of numerous initiatives undertaken by Cameroon's government such as the fight against corruption, the establishment of a Cameroon Business Forum, the creation of a single office for setting up new business as well as the adoption of new legislation providing incentives for creating special economic areas. In the second part of the panel, Minister Antangana reiterated the importance of regional trade in connecting to value chains. However, he noted that regional cooperation was not possible without complementarity between different countries. The key issue thus remained specialization.

**Anabel González, Minister of Trade, Costa Rica** spoke of the experience of Costa Rica in participating in GVCs and pointed out that, while in the past Costa Rica exported predominantly agricultural goods such as coffee and bananas, today, due to GVCs, its economy was driven by the high technology sector. She noted that connecting to GVCs was not automatic and explained that countries should be realistic; they should adopt a concrete development strategy as well as necessary policies, but at the same time bear in mind that this process would take some time. She also stressed the importance of investment and trade in services in connecting to GVCs. According to Minister Gonzalez, free trade agreements (FTAs) had a very important role to play in connecting developing countries to GVCs and explained that the key benefit accruing from participating in FTAs was the access to other markets.

According to **Karel de Gucht, Commissioner for Trade, European Commission** value chains could be both regional and global. Global value chains were often made up of a number of regional chains. He explained that the European single market was a great example of how regional value chains successfully operated in practice for the benefit of efficiency and consumer welfare and served as stepping stones towards global chains. He noted, however, that this degree of economic integration necessarily required time. He further referred to the Economic Partnership Agreements (EPAs) between the EU and ACP regions that aimed not only to connect African countries to GVCs but also, and perhaps more importantly, to create regional trade in Africa. According to Commissioner de Gucht, a country that was well connected at a regional level had a better chance to participate in GVCs. He also noted that services were critically important for moving up value chains. In his view, the trend of value chains fragmentation would continue and the comparative advantages of different countries would eventually prevail over any move to so-called "on-shoring". He also expressed his hope that what would be seen in the future was the qualitative change of GVCs in which sustainability aspects would play an important role.

**Md. Shafiul Islam, Member, Bangladesh Garment and Exporters Manufacturers Association**, spoke about the role of the garment sector in Bangladesh and how it was lifting people out of poverty. He referred to the constantly growing number of workers in the Bangladesh garment industry and said that the garment sector would continue to create new jobs. He also noted that the minimum wage for garment workers in Bangladesh had increased over the last year. Many buyers were already engaged in the process of improving standards in the Bangladesh ready-made garment sector and he pointed to the close collaboration between his country and the International Labour Organization. He identified capacity building at the inspection level and standard/safety improvement as key priorities for Bangladesh today. In concluding, Mr. Islam welcomed EU (and other actors') support and constructive criticism, but said that Bangladesh was now ready to move forward.

Speaking from the perspective of the private sector, **Hloni Matsela, Corporate Affairs Director, SAB Miller Africa**, stressed the importance of developing local supply chains. He referred to examples of some of the new products developed by SABMiller to explain the crucial role that cooperation with multiple partners, such as local governments and (local) private actors, played in supporting its brewing activities in Africa. He further noted that many of his company's recently-launched products used raw materials from Africa in order to support the local economy.

**Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation, Netherlands**, referred to the new Dutch policy connecting the issue of GVCs, trade and investment and emphasized the importance of public-private partnerships (PPPs) that provided a framework for dialogue in terms of products and services. She also said that public funding could further leverage private investment. Minister Ploumen recognized that in many developing countries corruption remained one of the main problems which prevented successful integration into GVCs. Combatting corruption should be one of the top priorities and she stressed the need for a strong and simple policy. Minister Ploumen also drew attention to the importance of SMEs that were perceived by the Netherlands as the engine for growth and stressed the role of multinationals that, in her view, were best positioned to engage SMEs in regional value chains.

### ***Questions and comments***

Several participants (including **Peru, Turkey, Bangladesh and the Solomon Islands**) made comments and raised questions. Peru stated that value chains had the potential to ensure development in both short and long term. Thus, according to Peru, GVCs should be seen as an opportunity for developing countries. Peru further stressed the importance of international cooperation which was necessary to connect developing countries better into GVCs.

The economic crisis of 2009 underscored the multilateral trading system's dependence on trade finance for its effective functioning. Between 80-90% of global trade depends on some sort of trade finance. Structural access issues, related to such factors as poorly developed banking sectors or perceived country credit risk continue to limit developing countries' access to trade finance, particularly for SMEs. A recent Asian Development Bank survey estimated that some US\$1.6 trillion of global demand for trade finance went unmet in 2011. This session examined progress made on access to trade finance and the scale of the task still ahead.

## Session 4: Trade Finance and Value Chains – Overcoming Structural Access Issues

### Moderator:

Ravi Ratnayake, Director, Trade and Investment Division, United Nations Economic and Social Commission for Asia and the Pacific

### Panellists:

Marc Auboin, Counsellor, Economic Research, World Trade Organization

Steve Beck, Head, Trade Finance, Asian Development Bank

Lamin M. Drammeh, Senior Investment Officer, Trade Finance, African Development Bank

Thierry Senechal, Senior Policy Manager, Banking Commission, International Chamber of Commerce

H. Scott Stevenson, Senior Manager, Trade and Supply Chain Department, International Finance Corporation

Stoyan Tenev, Manager, Independent Evaluation Group, World Bank Group

Bram van Helvoirt, Programme Manager, Centre for the Promotion of Imports from Developing Countries

**Ravi Ratnayake, Director, Trade and Investment Division, United Nations Economic and Social Commission for Asia and the Pacific**, reflected on the importance of trade finance for world trade, defining it as “oiling the wheels of trade”, and recognized that trade had faced a shortage of finance. He explained that the session would aim to identify the causes of the shortage of trade finance, possible solutions to the problem and how Aid for Trade could help reduce this gap. During the session, he asked Panellists to express their views on: trade finance and the global financial crisis; the response to the crisis with respect to trade finance; structural access problems in developing countries; the role of multilateral development banks and Aid for Trade in trade finance; and the impact of the current financial regulatory environment.

**Thierry Senechal, Senior Policy Manager, Banking Commission, International Chamber of Commerce**, explained that most trade flows required some form of finance, involving in many cases bank intermediation; without trade finance, trade would not happen. The global financial crisis had not only short-term effects for the trade finance industry, but also longer-term, game-changing impact. While financial re-regulation was important, the International Chamber of Commerce had proven that trade finance was a low risk activity that should not be penalized by the new Basel III Directives.

**Marc Auboin, Counsellor, Economic Research, World Trade Organization**, explained that trade finance had been hit by the contagion of the global financial crisis – although the low end of the market had always suffered from chronic under-supply. Being essentially a short-term activity, trade finance suffered from the liquidity shortages in the global inter-bank markets after the collapse of Lehman Brothers. Subsequent re-appraisal of risk became an issue in the trade finance market. The G-20 support package for trade finance, designed under the leadership of DG Lamy and President Zoellick, had helped restore confidence through additional capacity to the market of up to US\$250 billion, more than half of which was used in one year. The support package helped finance existing orders for merchandise trade – one could not rely on liquidity from central banks which, at the time, was not intermediated by banks in the form of new loans. One lesson of the global financial crisis was that trade finance could no longer be taken for granted.

**Steve Beck, Head, Trade Finance, Asian Development Bank**, stressed the structural gap in trade finance in developing countries which had been exacerbated during the crisis. He made a link between access to finance and global trade integration. The Asian Development Bank had increased its resources during the crisis to intervene in the most challenging markets, with tangible and measurable results. Supply chain finance was a promising area for SMEs in developing countries.

**Stoyan Tenev, Manager, Independent Evaluation Group, World Bank Group**, explained that trade finance in developing countries had been more affected by the global financial crisis. Currently, institutions were focusing more on structural issues which reflected a more holistic approach with respect to trade finance. Access to trade finance was one element to link up to global supply chains, as were attracting foreign direct investment, improving quality standards and strengthening the local financial sector.

**H. Scott Stevenson, Senior Manager, Trade and Supply Chain Department, International Finance Corporation**, described the role of the International Finance Corporation in facilitating trade through their trade finance programmes. He stressed the importance of assessing the impact of Basel III on local banks and recipient countries’ SMEs.

**Lamin M. Drammeh, Senior Investment Officer, Trade Finance, African Development Bank**, said that Africa in general had been affected by the crisis in relation to existing structural problems, with the smallest countries being most affected. Small local firms found it very difficult to access trade finance because financial markets in those countries were hardly developed.

**Bram van Helvoirt, Programme Manager, Centre for the Promotion of Imports from Developing Countries**, described the recent CBI study on SMEs’ access to trade finance in Africa, Asia and Latin America. Poor access to trade finance commonly ranked high in the list with crucial barriers to trade by SMEs in these regions. Due to risk aversion, banks tended to focus on well-established clients, limiting the opportunities of SMEs. At the same time, SMEs lacked adequate financial administration and technical capacity to prepare decent requests for loans. He also explained the role of (regional) development banks under their newly-established trade finance facilities.

In the discussion, the Panel recognized that there was a lot to gain from financing cooperatives. The example of the joint Rabobank and Dutch Government initiative to provide access to finance through cooperatives was cited, but it was noted that cooperatives needed to have a well-organized institutional structure to qualify. The Panel also opined that MDBs should not exert pressure on local banks to limit interest rates they charged to traders. The Panel's preferred approach was for multilateral banks to mitigate risk and to promote local competition to help lower interest rates. The work of export credit agencies was considered complementary to the work of multilateral development banks – whose actions were normally below the radar screen of export credit agencies. On micro-finance, the Panel noted that MDBs were de facto proposing trade-related micro-finance. Transactions guaranteed by MDBs could be as low as US\$5,000.

## Session 5: Aid, Trade, and the Post-2015 Development Agenda

Founded on the core values of human rights, equality and sustainability, the UN's Post-2015 Development Agenda and its Global Partnership for Development aim to "ensure that globalization becomes a positive force for all the world's people of present and future generations". A central question for this panel was how to ensure that globalization helps build sustainable and inclusive development. Another question concerned the role of aid and trade in helping developing countries benefit from globalization. Stakeholders from developed and developing countries, from the public sector and from civil society explored the inter-linkages and debated how globalization can be shaped to benefit all.

### Moderator:

Shada Islam, Head of Policy, Friends of Europe

### Panellists:

Michael Anderson, Prime Minister's Special Envoy on the UN Development Goals, Department for International Development, United Kingdom

Carlos Lopes, Executive Secretary, United Nations Economic Commission for Africa

Betty Maina, Chief Executive, Kenya Association of Manufacturers

Pradeep Mehta, Secretary General, CUTS International

Andris Piebalgs, Commissioner for Development, European Commission

Eric G. Postel, Assistant Administrator, Bureau of Economic Growth, Education and Environment, United States Agency for International Development

Gita Irawan Wirjawan, Minister of Trade, Indonesia

**Shada Islam, Head of Policy, Friends of Europe**, explained that a central question for the panel was how to ensure that globalization helped to build sustainable and inclusive development. Another question concerned the role of aid and trade in helping developing countries benefit from globalization. Noting that several of the panellists had participated in the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, she explained that the recent report – “A new Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development” – was being described as ground breaking.

**Betty Maina, Chief Executive, Kenya Association of Manufacturers**, explained that the Post-2015 Agenda and the High-level Panel Report (HLPR) would be the focus of increased attention by the UN Secretary General at the next UN General Assembly meeting in September 2013. She said that while the High-level Panel recognized that the Millennium Development Goals (MDGs) were compelling, it was recognized that the MDGs did not pay sufficient attention to economic growth and economic transformation. In her view, the focus over the next 15 years would change. Principal actors behind such a change were the private sector and enterprise. In order for enterprise to thrive attention had to be paid to the international trading environment, to regional integration, to regional value chains and to the linkages which exist between small and large farms with employment creation. She believed that economic growth was central and that it formed a core pillar, integrating production capacity with regional and international markets.

**Michael Anderson, Prime Minister’s Special Envoy on the UN Development Goals, Department for International Development, United Kingdom**, noted that the High-level Panel considered growth as the exit route from poverty and that the trade community could be more active in putting forward ideas on how trade could contribute to this process. Many said that they wanted their economies to diversify, that they sought more productivity and it was clear that trade was absolutely central. He hoped that participants in the session could emphasize the role that trade could play, but that they should not forget either that there was no single recipe to economic transformation. Some key ingredients were constant – an open and fair rules-based trading system which removed trade distorting policies was needed. It was vital to agree on trade facilitation at MC9 and to have an integrated global economy where low income countries also benefited.

**Carlos Lopes, Executive Secretary, United Nations Economic Commission for Africa**, was asked about how the hundreds of millions of young people in Africa who would enter the work force between 2015 and 2030 would find jobs and how he thought trade or more aid could help? In response, he said Africa had a vast potential for more growth but that the size of manufacturing in Africa had gone in the opposite direction. There had been low productivity with only marginal increases. He called for more and better statistics, especially in regard to demographic data and said that it was time to reflect about real economic transformation in the African context. Africa had to industrialize and create jobs for young people. Its natural resources provided a way out but markets needed to be more integrated if Africa’s share of world trade was to move beyond 3%. He underscored the importance of statistics when it came to tracking future growth and welcomed the data revolution that had been endorsed by the High-level Panel.

**Andris Piebalgs, Commissioner for Development, European Commission**, said the post-2015 Agenda placed a lot of emphasis on inclusive sustainable development and underscored the importance of economic growth for such a development agenda. He believed that the HLPR provided a sound focus on poverty and sustainability. While he understood the importance of economic growth and trade, he said that the benefits were not always evenly distributed at the domestic level. He insisted that an integrated approach be taken to tackle challenges related to climate change and development issues, thereby avoiding separate accountability systems.

**Eric G. Postel, Assistant Administrator, Bureau of Economic Growth, Education and Environment, United States Agency for International Development**, was asked about accelerating the work on those MDGs which had not yet been realized and which risked being overtaken by time. He said it was necessary to keep working on the MDGs and not to lose sight of them. For example, while the MDG goal concerning water had been met, this did not mean that there was to be less of a focus on water in the future. The United States supported the core vision of the Panel to end extreme poverty in our time and President Obama had spoken about that as well. There was a need for a multi-dimensional approach to poverty eradication which included both the economic and sustainable development pillars. There were also other areas to be addressed, including gender equality, food security, disabled persons, indigenous people and peace.

**Gita Irawan Wirjawan, Minister of Trade, Indonesia**, was asked to explain the idea of inclusive economic development as it was elaborated in the UN's Post-2015 Development Agenda and what Indonesia was doing on this front to ensure sustainable development and to address the variety of economic and trade inter-linkages at the local, regional and national level. He said that in 1998, Indonesia was seen as politically and democratically moribund but that today Indonesia had a very robust economy, sufficient "fiscal space" and a very youthful population. Consumption had been good as had been investment and an increase in government revenue thanks to better tax collection. There were now more funds available for education, roads, ports and airports. But Indonesia could not stand alone if it wished to grow further. Indonesia had been lucky with its 6% growth rate over the past six years, but this was not considered to be sustainable. Indonesia needed the rest of the world and wanted more multilateral agreements including success at MC9 where a possible package, including on trade facilitation, aspects of agriculture and benefits for Least-developed countries should be worked out. The aim was also to address poverty, food security, equality and sustainable economic growth. He said one could not talk about trade being free; it also had to be fair.

**Pradeep Mehta, Secretary General, CUTS International**, was asked about the High-level Panel's call for nothing less than a "Transparency Revolution" in which all states were to be held accountable for making progress when it came to tackling core problems such as corruption and governance issues. He said when it came to trade issues, the transparency of trade rules was important because they had a lot of impact on equality issues. There was a need to restore equality in the trading system. There was also a need to ensure inclusive growth. The problem was that the rich were becoming richer, but trade was not necessarily a solution for inequality. He referred to the World Bank's programme for social accountability and global partnerships and regretted that only 20 countries were participants. He thought the low number was perhaps due to the fact that civil society groups were not always well liked by governments!

**Mr. Anderson** referred to a recent paper by the European Commission which recognized that adequate distribution mechanisms had not been put in place, in part due to governance issues. He cited the paradox of "WTO free trade led growth" and said that the country that had reaped the most was China which was not always very transparent. He added that it seemed that centralized economies actually did best.

In response to questions from the audience on the role of trade for Africa's and challenges linked to its need to industrialize, **Mr. Piebalgs** said Overseas Development Aid (ODA) was still highly important in order to eradicate extreme poverty. But so was access to energy and regional integration for Africa. He hoped for successful trade facilitation negotiations as this was crucial for Africa and referred to the border problems that the Baltics states had faced before implementing trade facilitation programmes and harmonization. More regional trade could make a huge difference when it came to assisting economic recovery as had recently been seen.

**Mr. Lopez** repeated the need for increased production. He also said better data was needed especially since the MDGs had actually misjudged Africa's performance because they had been measured against universal goals as compared to a specific group of countries. He did not wish to present a gloomy picture of Africa but said that at present two-thirds of Africa's growth was coming from internal consumption. There was a need for more industrial production to make growth sustainable. He added that Africa had to realize that aid was decreasing and Africa could improve its situation through domestic resource mobilization.

**Ms. Maina** believed that economic growth in Africa also depended on a stronger role for women. She said that in order to eliminate poverty, action was required to create better jobs. There was also a need for institutional reform, but said that the real sustainable path to poverty reduction was via jobs through which people could transform themselves and achieve a path of dignity. It was also necessary to create an environment where investment could thrive. Gender equality was central as, too, was the work of economic empowerment.

**Mr. Mehta** said industrialization was important but so was the role of agriculture and animal husbandry in creating more and better jobs. He added that if the Doha Round of multilateral trade negotiations were not resolved, then it would not be possible to move forward with the poverty alleviation agenda. There was simply no way around it.

**Mr. Wirjawan** said the Doha Round was not dead but that it had been in a coma for a long time. He said that in Indonesia, less than 20% of the population had access to bank financing and that his Government had “not been able to check off the box when it comes to equality of access and rights”. He explained that while broadband penetration in Indonesia was less than 10%, the use of mobile technology had grown and people were able to circumvent broadband. There was also sufficient money and banking institutions for his country’s 250 million people to do business. It was a matter of time before the less than 20% had access to banks. In regard to the trade negotiations, it would be necessary to see over the next three to five months how WTO Members would address a possible Bali package. There would also need to be some meeting of minds between the G33 and the US. Trade had to serve everyone’s interest and be fair. In the absence of a way forward, the future of multilateral trade was dead and the world would only see more bilateral and plurilateral agreements. Even though there were a number of problems, he hoped that governments would come to an understanding. It would also be good if the name of the current trade Round could be changed to the Bali Round and not just the Doha Round because of possible negative connotation implied by “Doha”. He added that what his region took for granted was peace and that without peace sustainable development would not be possible. ASEAN had been blessed because it had not been at war.

In regard to questions concerning the need for data, **Mr. Anderson** said the High-level Panel had recognized the need for better and more data and that now was the time for a real political push to get the necessary information. However, what was needed was a lot of political attention to get people to talk and a stronger capacity building effort to assist statistics offices throughout the world.

In response to questions as to how to finance the future goals of the Post-2015 Development Agenda, **Mr. Anderson** said that one could not write off the importance of ODA, even though it was declining. The UK was facing tight fiscal constraints but was still maintaining its targets. He emphasized that it was important to link up the capital with need and that the world needed to do a better job of managing risk. More concessional and blended finance was necessary, as was philanthropic money.

**Mr. Piebalgs** referred to the importance of strengthening domestic tax systems while **Mr. Lopes** mentioned the illicit financial flows and the fact that between 2000 and 2008, US\$240 billion had left Africa. He noted that in order to mobilize the private sector Africa’s brand had to change. He said ASEAN and Indonesia had done this successfully.

In closing the session **Ms. Islam** asked each of the Panellists what they thought was most important point for the post-2015 agenda. Responses included the need for more monitoring and evaluation, the growing importance of South-South assistance, the need for better public welfare and safety nets, the elimination of extreme poverty, leaving no one behind, the need to unleash the potential and energies of all actors – public, private and international institutions.

## Session 6: Connecting LDCs to Value Chains

In 2011, LDCs posted robust trade growth of over 20%. Total exports of goods and services reached an historic high of US\$230 billion. Yet, the share of LDCs in world trade remains little more than 1.1% and most LDCs remain dependent on a narrow range of primary commodities and services. Diversification and adding value to commodity exports emerge strongly as policy priorities for LDCs. But how can this be achieved? Through “policy space” to develop productive capacity? Through policies to target constraints to joining and moving up value chains and attract investment? This session explored the implications of a value chain world for LDCs’ trade integration and their development prospects.

### Moderator:

Shanker Das Bairagi, Ambassador, Permanent Representative to the WTO, Nepal

### Panellists:

Gyan C. Acharya, UN Under-Secretary-General and High Representative for the Least-developed Countries, Landlocked Developing Countries and Small Island Developing States

Minelik Alemu Getahun, Ambassador, Permanent Representative to the WTO, Ethiopia

Fonotoe Nuafesili Pierre Lauofo, Deputy Prime Minister and Minister for Trade, Samoa

Patrick Low, Chief Economist, World Trade Organization

Alioune Sarr, Minister of Industry, Informal Sector and Trade, Senegal

Taffere Tesfachew, Director, Division for Africa, Least developed Countries and Special Programmes, United Nations Conference on Trade and Development

**Shanker Das Bairagi, Ambassador, Permanent Representative to the WTO, Nepal**, sought to focus discussion on three main issues: (i) What obstacles LDCs were facing in adding value to exports and connecting to value chains?; (ii) What role national, regional and global value chains could play in achieving this objective?; and (iii) How Aid for Trade could assist in overcoming these obstacles?

**Gyan C. Acharya, UN Under-Secretary-General and High Representative for the Least-developed Countries, Landlocked Developing Countries and Small Island Developing States**, provided an overview of the Istanbul Programme of Action (IPoA) targets and explained why the IPoA was necessary. He noted that to overcome their difficulties in effectively integrating in GVCs, LDCs needed trade as well as solidarity, partnership in human and social development, and capacity building. He mentioned that focusing solely on resilience would not achieve sustainable growth. Examining the role that national, regional and global value chains could play, he highlighted the role of national policies to connect to GVCs: Given the small size of LDC's internal markets, a regional approach to build economies of scale for LDCs was important; trade facilitation which would be a key contribution to LDCs' participation in and moving up value chains; investments and diversification; and international level support to LDCs through a system of mutual accountability as well as better national and international governance. He said that areas that should be targeted by Aid for Trade included: agriculture, infrastructure, production capacities, and services. Aid-for-Trade support should not be reduced and its growing momentum should be maintained.

**Patrick Low, Chief Economist, World Trade Organization**, highlighted national and international obstacles that LDCs faced in adding value to exports and connecting to value chains. With regard to national obstacles, he noted that: enhancement of capital, infrastructure, and governance; social and foreign investments; industrial policy which was one particular approach to modify relative prices in order to reinforce competitiveness; and trade facilitation. As far as WTO rules were concerned, he noted that debate was on-going on how to set conditions that would help add value to exports and connect to value chains whilst not modifying relative prices and how LDCs could handle this issue. With regard to international obstacles, he noted the lack of sufficient resources rendered it difficult for LDCs to move up value chains. Other obstacles included tariff escalation and compliance with international standards. Aid for Trade needed to help link LDCs to value chains.

**Taffere Tesfachew, Director, Division for Africa, Least developed Countries and Special Programmes, United Nations Conference on Trade and Development**, highlighted the distinction between two categories of LDCs: those that had entered value chains and those that were excluded from them. He noted that the services sector was not well developed in LDCs due, *inter alia*, to international standards and the lack of real value added for their exports. He said that in 2008, almost all African LDCs had registered a phase of deindustrialization and noted that LDCs should therefore move from commodity exports to added value exports. Asked by the Moderator to provide insights on UNCTAD's World Investment Report's conclusions with regard to LDCs, he said that the Report had noted that countries with a high level of investment could participate in, and take advantage from, value chains. The coordination of such participation was ensured by transnationals (around 80% of global trade). To effectively integrate into value chains, LDCs should assess their assets in terms of profile, capacity, policy coherence, etc.

**Fonotae Nuafesili Pierre Lauofo, Deputy Prime Minister and Minister for Trade, Samoa**, underscored that Samoa was facing huge difficulties in developing exports including in respect to transport, energy, water, development of SMEs, access to property for customary law; labour force, resources and capacity; and meeting international standards (a difficulty encountered particularly by producers and farmers). He said that Government stability, development of the manufacturing sector, and development of public private partnerships had contributed to strengthening sectors. Samoa had lowered tariffs and that the Government focused on non-tariff barriers. The next phase would be to focus on services. He noted that Aid for Trade could help overcome the difficulties through the development of infrastructure, the transformation of agricultural products, and improvement of the connection between production and commercialization sites. Aid for Trade was decisive in facilitating the participation of LDCs to global trade.

**Alioune Sarr, Minister of Industry, Informal Sector and Trade, Senegal**, said that GVCs offered opportunities but also created challenges. LDC remained at the bottom when it came to participation in GVCs due to the fact that they were mainly commodity exporters. He noted that LDCs should increase their capacity to

attract more investments but said that this would require changes in public policies. Senegal had transformed its business environment and had attracted investments amounting to approximately €2 billion. LDCs could integrate in GVCs, for example, by adopting a strong policy of investment attractiveness; orienting industrial policy towards the transformation of agricultural products; signing win-win international agreements; and through delocalisation that should allow the development and strengthening of SMEs. Key to success was the development of infrastructure, energy and openness to international markets. LDCs should identify the main obstacles with regard to their connection to value chains: The sectors with high value added should be identified and the appropriate strategies implemented. In terms of services, there should be a better cooperation between donors to make Aid for Trade more effective. Aid for Trade should help promote LDCs' products on international markets and assistance should focus more on commercialization. Other important factors included: provision of support to enable enterprises to connect to international markets (i.e. openness of local markets to trade); provision of support to producers through structural transformation of products; trade between LDCs; removal of obstacles to intra-regional trade; and the need for institutional and public policy reforms with a focus on production and structural transformation.

***Minelik Alemu Getahun, Ambassador, Permanent Representative to the WTO, Ethiopia***, referred to the growth and transformation plan that Ethiopia was implementing which had resulted in Ethiopia obtaining double-digit economic growth with an average rate of 11%. Ethiopia was preparing for industrialization and the Government had adopted several measures that included: taking advantage of intellectual property rules (e.g., Ethiopian coffee) which resulted in the conclusion of PPPs benefitting farmers, connecting to large multinationals and enhancing exports. Implementation of programmes to reform the education sector were being pursued including for graduate studies and making the relevant links with the economy by focusing on natural science and creating institutes to support specific sectors (e.g., the government created the Institute of Leather which, associated with the Government's financial support, was helping increase the connection of the leather sector to global markets). South-South cooperation was attracting investment for infrastructure in the textile, leather and shoe sectors with associated benefits in terms of employment and market opportunities. He noted the importance of national policies and said that these should be complemented by regional and global policy space to facilitate LDCs' connection to GVCs. Market access of LDC products should be predictable, which meant consolidating trade standards and taking into account national strategies in the design of appropriate policies.

## Session 7: South-South Value Chains: Tapping into Growth Markets

Twenty years ago South-South trade accounted for approximately 10% of world trade; this figure is now closer to 30%. Strong growth rates in emerging economies are keeping South-South trade flows dynamic. Developing economies account for over half of global foreign direct investment flows – with an increasing portion of that investment emanating in the south.

Research by the Asian Development Bank<sup>7</sup>, the Confederation of Indian Industry<sup>8</sup> and the Inter-American Development Bank<sup>9</sup> highlight the vitality of these processes, but also how addressing bottlenecks in such areas as trade infrastructure, trade facilitation, residual trade barriers and insufficient regional cooperation can further invigorate these processes.

### Keynote remarks:

Alhaji Muhammad Mumuni,  
Secretary-General, African, Caribbean and  
Pacific Group of States, ACP Group

Moderator:

Valentine Rugwabiza, Deputy Director-  
General, World Trade Organization

### Panellists:

Jorge Daccarett, Executive Director, Chilean  
Agency for International Cooperation

Antoni Estevadeordal, Manager of  
Integration and Trade, Inter-American  
Development Bank

Jayant Menon, Lead Economist, Trade and  
Regional Cooperation, Office of Regional  
Economic Integration, Asian Development  
Bank

Sunil Kant Munjal, Joint Managing Director,  
Hero MotoCorp Limited & Chairman, Hero  
Corporate Service Limited

7 <http://www.adb.org/news/improved-south-southeast-asia-connectivity-key-boosting-trade-rebalancing-economy-0>.

8 <http://www.ciafricakonclave.com/index.aspx>.

9 <http://www.iadb.org/en/news/webstories/2012-10-17/latin-american-firms-investing-in-china,10164.html>.

**Alhaji Muhammad Mumuni, Secretary-General, African, Caribbean and Pacific Group of States**, recalled that the ACP Group had been established with the objective of fostering trade and investment cooperation between its members. ACP countries were still relatively marginalized in world trade, and significant barriers to trade still existed for them. While ACP countries had been involved in value chains for some time, this participation had typically been at the lower end of these chains in terms of the value created. He saw Aid for Trade as an opportunity to increase ACP capacity to participate in international trade and add value. While emphasizing the importance of South-South cooperation, he also stressed that it should not replace traditional ODA. He indicated that the ACP Group supported a fair, rules-based multilateral trading system, and called for a conclusion of the Doha Round.

**Antoni Esteveadeordal, Manager of Integration and Trade, Inter-American Development Bank**, highlighted the growing importance of trade between Latin America and Asia. He attributed this trend to the growth of several Asian countries, including China and India, as well as to the reforms that had taken place in recent years in many Latin American countries. He also pointed to the strong complementarity between the needs of Asian countries in terms of natural resources, and what Latin America could supply. At the same time, he pointed out that the economic relationship between Asia and Latin America was not only based on natural resources, as some Latin American firms were also investing in Asia. He indicated that there was scope to do more to boost trade between the two regions, since there were still important trade barriers in place in certain sectors. He also outlined the IADB's current efforts to strengthen its support for the private sector.

**Jayant Menon, Lead Economist, Trade and Regional Cooperation, Office of Regional Economic Integration, Asian Development Bank**, said that the value chains established in the context of "factory Asia" had thus far focused mainly on the East Asian sub-region. South Asian firms had not, as yet, really integrated into these chains. He explained that trade costs in South Asian countries remained high, and some infrastructure deficiencies remained. He also emphasized the importance of the complementary domestic reforms that needed to be put in place in order to make border reforms more effective, as well as the importance of education. In terms of possible opportunities that existed to integrate into value chains, he suggested that rising wages in some Asian countries, as well as firms' efforts to diversify production processes, could help South Asian firms eventually integrate into these chains.

**Sunil Kant Munjal, Joint Managing Director, Hero MotoCorp Limited & Chairman, Hero Corporate Service Limited**, referred to the experiences of the Hero company in Africa. He said that it had been found that trade blocs in Africa did not always function very efficiently, as infrastructure was limited, border facilitation was not always functioning properly, and trade finance not available in large amounts. He emphasized that governments needed to play a facilitating role in allowing businesses to work. He also discussed the India-Africa conclave and attributed its success to the fact that real business issues were discussed. He noted the huge growth in trade and investment flows between India and Africa in recent years.

**Jorge Daccarett, Executive Director, Chilean Agency for International Co-operation**, explained the rationale behind the Chilean Agency for International Cooperation. He said that the idea was to help other countries in the region benefit from similar economic successes to those enjoyed by Chile. To this end, the Agency provided assistance to countries in the region on various trade and related issues. He also noted that the economic success of other countries in the region would also benefit Chile, and thus was of benefit to the region as a whole. He referred to the Pacific Alliance which was creating great opportunities for cooperation between the countries involved.

The development community is paying ever-greater attention to the role of the private sector in achieving development impacts. Foreign direct investment flows are the most important source of external development financing for developing countries, including for many LDCs. Efforts to improve national investment climates are also galvanizing domestic private investment. Nevertheless, AfT flows remain important, particularly where investment is heavily sectorally focused (e.g., on extractive industries in LDCs), to the creation of productive capacity. The private sector is also redoubling its own efforts to build supplier capacity in developing countries, as part of core business strategy and through strategies to create shared value and corporate social responsibility. The Panel discussed the intersections of these various trends and how best public and private actors can interact to achieve development impacts.

## Session 8: Bringing the Private Sector and Investment into Aid for Trade

### Moderator:

Frans Lammersen, Principal Administrator,  
Development Cooperation Directorate,  
Organisation for Economic Co-operation and  
Development

### Panellists:

David Croft, Technology Director, Waitrose

William Kalema, Chairman, Uganda  
Manufacturers Association

Shannon Kindornay, Researcher,  
Governance for Equitable Growth Program,  
The North-South Institute, Canada

Leonor von Limburg, Advisor, Trade  
Programme, Deutsche Gesellschaft für  
internationale Zusammenarbeit, Germany

Anthony Miller, CSR Focal Point, Investment  
and Enterprise Division, United Nations  
Conference on Trade and Development

Jim Tanburn, Coordinator, Donor Committee  
for Enterprise Development

**Frans Lammersen, Principal Administrator, Development Cooperation Directorate, Organisation for Economic Co-operation and Development**, noted that the private sector was increasingly recognized as an important stakeholder in Aft dialogues, as a partner in the delivery of Aft programmes, and, in some cases, as a provider of capacity building. However, PPPs remained challenging in terms of roles, expectations and timeframes. With that in mind, he asked panellists to discuss how to better integrate the private sector into Aid for Trade and how best public and private actors could interact in order to achieve broader development goals.

**David Croft, Technology Director, Waitrose**, replying to the question whether partnerships for development “make for good business”, stressed that the increasingly important question today concerned the continuity of supply. In that context, he said that engagement in the agricultural sector was particularly important.

**Anthony Miller, CSR Focal Point, Investment and Enterprise Division, United Nations Conference on Trade and Development**, addressing the issue of Corporate Social Responsibility, said he believed that businesses were already convinced that CSR helped their bottom line and was worthwhile investment. He noted that the real challenge companies were facing today was no longer why they should engage in CSR but how they could do it. He further explained that the current challenge related to the issue of moving beyond the first tier supplier, which could not be overcome by the companies alone, who needed to rely on partners from public sector and civil society. Although the role of private actors was increasingly important, ODA still played an important role. In this context, he pointed at three areas where donors could play an important role today: (i) voluntary multi-stakeholders initiatives; (ii) development of key civil society actors, such as trade unions; and (iii) regulatory initiatives.

**William Kalema, Chairman, Uganda Manufacturers Association**, identified two main constraints for LDC business to attract private investment: (i) the deficit of physical infrastructure (such as roads, ports or railways) and power; and (ii) the lack of capacity of the public sector to deliver basic public goods. He referred to Anthony Miller’s presentation to explain that while the regulatory framework was often already in place in many developing countries, what was really missing was the capacity to enforce those regulations. He said that Uganda was trying to improve the business climate through better government and to develop economies of scale through regional integration. He noted that one of the biggest challenges for African countries was to gain access to neighbouring markets and increase regional trade. He also spoke about the experience of Uganda in encouraging tripartite dialogue between local business, government and donors and explained that the process, which started 20 years ago, involved donors such as the World Bank and USAID. In his conclusions, Mr. Kalema stressed that private sector and government needed to move in tandem. He noted, however, that the sound cooperation between donors, government and private sector required time and trust.

**Shannon Kindornay, Researcher, Governance for Equitable Growth Program, The North-South Institute, Canada**, spoke about the recent study undertaken by Canada on donor programmes that focused on “investing in the business of development”. She explained that the analysis of 30 cases showed the hybrid nature of public-private partnerships. She further explained that one could today observe two main types of public-private cooperation: (i) partnerships that involved big multinationals; and (ii) more discrete partnerships involving smaller companies wishing to contribute to development goals. She underlined that both were efficient and necessary for connecting developing countries to GVCs.

**Leonor von Limburg, Advisor, Trade Programme, Deutsche Gesellschaft für internationale Zusammenarbeit, Germany**, spoke of the German experience in supporting various public-private partnerships such as “Cotton Made in Africa Initiative”. She stressed the important role of public-private partnership in achieving development goals and said that even in scenarios where private investments would take place without public sector support, development goals could be better achieved within the public-private cooperation framework.

**Jim Tanburn, Coordinator, Donor Committee for Enterprise Development**, focused his presentation on the role of the private sector in promoting aid effectiveness, noting that in many fora the core issue seemed to be the need for better monitoring. However, in his opinion, there could be no good monitoring without proper implementation. While talking about the role of the private sector in the context of aid effectiveness, he stressed that it should be borne in mind that in order to be effective one needed to always be clear about objectives.

Questions from the audience addressed the problems of working with SMEs, what really drove private sector investments and the motivating factors for private actors investing in developing countries. Panellists agreed that there were many different reasons for companies to engage in development partnerships. In terms of CSR, the private sector wanted to build a long-term strategic relationship with both customers and the suppliers. The private sector could effectively contribute to development was by creating new jobs. Another reason cited by the panel as to why private actors were engaged in development projects was that today more and more companies were interested in “doing good”. Furthermore, the growing importance of collaboration with SMEs was highlighted.

## **Session 9: Aid for Trade, Value Chains and Intra-African Trade**

Africa's trade performance has outperformed the global average in the past decade, but Africa's intra-regional trade remains low by international standards at around 12% of total trade. In January 2012, African Heads of State and Government adopted an African Union (AU) Action Plan for "Boosting Intra-African Trade and the Establishment of a Continental Free Trade Area" that spells out programmes, activities, outputs, timeframes and key lines of responsibility. This session examined progress towards achieving the goals set out in the AU Action Plan.

### **Moderator:**

Carlos Lopes, Executive Secretary, United Nations Economic Commission for Africa

### **Panellists:**

Fatima Haram Acyl, Commissioner for Trade and Industry, African Union Commission

Luc Magloire Mbarga Atangana, Minister of Commerce, Cameroon

Hakim Ben Hammouda, Special Advisor to the President of the African Development Bank

Siep Hiemstra, President Africa and Middle East, Heineken

Frank Matsaert, Chief Executive Officer, Trade Mark East Africa

Yaya Sow, Ambassador to the European Union and the African, Caribbean and Pacific Group, Economic Community of West African States

**Carlos Lopes, Executive Secretary, United Nations Economic Commission for Africa**, outlined the key findings of a UNECA report entitled “Building Trade Capacities for Africa’s Transformation”.<sup>10</sup> The report found that mainstreaming regional integration strategies was gradually getting traction in African countries; Aft support to regional integration had been on a rise since 2005 and was expected to continue; there had been tangible progress in donor coordination; monitoring and evaluation could be improved (including through joint arrangements to better focus on the African Union’s Action’s Plan for a Continental Free Trade Area (CFTA)); and more could be done to better align Aid for Trade with national development strategies. Mr. Lopes also mentioned the need to deal with overlapping membership of regional trade agreements (RTAs), to increase capacity to develop bankable projects, and to encourage donors to set up sustainable financial instruments. All of these were important if Intra-African trade was to move beyond the current level of approximately 12% of total trade. He said that while Aid for Trade could play a key role in supporting Africa’s transformation, there was need to scale up resources.

**Luc Magloire Mbarga Atangana, Minister of Commerce, Cameroon**, responding to a question about how African countries can add value, shared the experience of Cameroon with cocoa and cotton. He called for investments in regional infrastructure to widen market share and enable Africa to utilize initiatives such as the African Growth and Opportunity Act (AGOA). He called for internal responsibility in terms of political will, but also external responsibility, proposing that Aid for Trade would be better focused on research and development and technology transfer.

**Fatima Haram Acyl, Commissioner for Trade and Industry, African Union Commission**, stressed that Africa’s agenda was clear: Heads of State had agreed to have a CFTA by 2017. She stressed that on-going European Partnership Agreement negotiations needed to arrive at development tools that supported, not threatened Africa’s regional integration. She encouraged Aid for Trade to focus on promoting projects that were in Africa’s interest. On the issue of overlapping regional economic communities, she clarified that this was to be dealt with in the context of the CFTA by 2017 – building on the success of the eight African Union-recognized regional economic communities. In this regard, a lot of expectation was being placed on the Tripartite Free Trade Agreement between the East African Community, Common Markets of East and Southern Africa and the Southern African Development Community. These negotiations were expected to be concluded at the end of 2014. She also cautioned against Bilateral Investment Treaties.

**Frank Matsaert, Chief Executive Officer, Trade Mark East Africa**, stressed the importance of political will in overcoming barriers of an institutional nature - and stressed its presence in the East African Community integration process. Since Trade Mark East Africa had begun operating in the region, there had been an increase of about 67% in intra-East African Community trade. He stressed the importance of trade facilitation. Mr. Matsaert noted the work done on single windows in Rwanda and Uganda, as well as authorized economic traders, harmonized customs procedures and, in Uganda, one-stop border posts. Looking forward, TMEA would continue support the region and was developing a score card to look at de facto implementation of EAC trade commitments.

**Hakim Ben Hammouda, Special Advisor to the President of the African Development Bank**, focused on the Bank’s work on infrastructure, noting the important focus that infrastructure had taken, especially under the tenure of President Kaberuka. Since 2005, the Bank had spent US\$12 billion in financing infrastructure projects in Africa. Other key focus areas of the Bank were work on the African Union’s Plan for Industrial Development and trade finance. In this context, he noted the important role Director-General Lamy had played in convincing the Bank’s shareholders to increase support for trade finance. The Bank was also working with partners to enhance the role of the private sector and to encourage banks to invest some of their reserves in Africa’s infrastructural projects. It was hoped that if each African central banks allocated 5% of its reserves, this could yield to up to US\$25 billion in funding.

10 Building Trade Capacities for Africa’s Transformation, United Nations Economic Commission for Africa. Available at: [http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review13prog\\_e/gr4\\_rep2013\\_e.pdf](http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/gr4_rep2013_e.pdf).

**Yaya Sow, Ambassador to the European Union and the African, Caribbean and Pacific Group, Economic Community of West African States**, acknowledged the importance of political will for regional integration, especially with regard to enticing the private sector to participate in infrastructure projects. He also addressed the importance of free movement of persons, which in the case of Economic Community of West African States had existed for over 30 years. However, he highlighted the importance of ensuring that the situation on the ground matched commitments made on paper.

**Siep Hiemstra, President Africa and Middle East, Heineken**, shared his company's experience of trading in Africa by recalling Heineken's long history in Africa. He explained the specificities of the brewing industry, which allowed them to interact closely with local communities, including through sourcing at least 50% of their raw materials from Africa. He stressed the need to improve infrastructure, energy and skills in Africa. Asked why it was easier for beer companies to operate in Africa than it was for other sectors that would transform the continent, he explained that Africa contained a lot of the materials needed for beer. Indeed, in recent years, 70% of Heineken's growth came from Africa.

Questions from the audience were raised as to the lessons that could learn from the East Africa integration process; how energy generation challenges could be tackled; how the problem of road blocks in some African countries could be resolved; what systems were in place at regional and AU level to monitor progress of regional integration; and what lessons could be learnt from graduating least-developed countries. In reply, the panellists cited the importance of the Comprehensive Free Trade Agreement, noting that African Union members should lead the process of informing the AU on how implementation was going. The importance of harmonizing policies in the energy sector was underscored. It was noted more generally that there was a need to get the sequencing right between infrastructure and institution-building.

This session discussed the constraints of firms in Latin America and the Caribbean (LAC) region to integrate into GVCs and the initiatives from the Inter-American Development Bank (IaDB's) and other Aft donors to address these constraints, such as through trade facilitation, trade finance and IaDB's new ConnectAmericas platform. The panel examined the role of Aid for Trade in connecting the LAC region – both with itself – and with the global production networks. It also reviewed the performance of support given and discussed how to direct future assistance for maximum impact.

## Session 10: Aid for Trade and Value Chains: Connecting the Americas

### Moderator:

Jorge Daccarett, Executive Director, Chilean  
Agency for International Cooperation

### Panellists:

Pierre-André Dunbar, Ambassador,  
Permanent Representative to the WTO, Haiti

Anabel González, Minister of Trade,  
Costa Rica

Isaías González, General Manager, Hospira

Patrick Kilbride, Senior Director, Americas, US  
Chamber of Commerce

Gail Mathurin, Ambassador, Director-General,  
Office of Trade Negotiations,  
CARICOM Secretariat

**Hans Schulz, Vice President for the Private Sector and Non-Sovereign Guaranteed Operations, Inter-American Development Bank**, began the session by looking at three success stories from different countries in the LAC region with industries that had been able to connect to value chains. He referred to fruit exporters in Chile who had become one of the main suppliers in global markets, medical device producers industry in Costa Rica that had integrated into world markets and become the largest exporters in this sector in Latin-America, and the aeronautical parts and maintenance services in Queretaro, Mexico. These experiences underscored how the LAC region could connect to value chains. However, there were still four main areas that could be improved: (i) information and communication technology (ICT) investment (particularly, telecoms and broadband access); (ii) transport and logistics infrastructure; (iii) contract law and property rights' enforcement; and (iv) simplification of trade rules, particularly RTA convergence. Investment and access to trade finance were also important issues especially for small companies. He noted that the IADB was working on a project – ConnectAmericas – which would serve as an ICT platform to help SMEs network and share experiences on connecting to value chains and raising financing.

**Anabel González, Minister of Trade, Costa Rica**, commented on how Costa Rica had been able to integrate into value chains through a concerted strategy focusing on a favourable business climate and educating the workforce. This had allowed Costa Rica to attract crucial investment in the ICT, and was now diversifying into other sectors such as medical devices and services. This had resulted in Costa Rica being able to industrialize at a fast pace. Nevertheless, some challenges remained such as improving trade infrastructure, reducing the cost of doing business, guaranteeing access to energy and improving education to align it to the demands of the market.

**Isaías González, General Manager, Hospira**, argued that the most important factor when deciding where business would invest concerned human capital. A skilled flexible workforce was crucial, coupled with political and social stability. In his view these were decisive factors for developing business for the long-term, enabling it to develop local suppliers and focus on quality production.

**Patrick Kilbride, Senior Director, Americas, US Chamber of Commerce**, agreed that human capital development was critical to generate investment. However, since it was difficult to generalize what skills were needed, it was important to bring the private sector to the table to inform policymakers on what was needed and in which areas each country needed to improve.

**Pierre-André Dunbar, Ambassador, Permanent Representative to the WTO, Haiti**, noted that there had been interesting initiatives in Haiti, led by both the Government and the international community. The Government had created the Centre for Promotion of Investment and enacted a Code of Investments that provided tax and duty exemptions for investors in Haiti. Efforts had also been made to improve the business climate, reducing the time to set up companies. This had been helped by the creation of an Electronic Registry financed by the Inter-American Development Bank. Haiti was now working on skill creation which it was hoped would help it connect to value chains.

**Gail Mathurin, Ambassador, Director-General, Office of Trade Negotiations, CARICOM Secretariat**, presented the recently-launched CARICOM Aid-for-Trade Regional Strategy which focused on developing trade infrastructure, increasing competitiveness and diversification, deepening integration, and maximizing the gains from regional trade agreements. The Strategy, which had been developed in consultation with the private sector and civil society, provided a framework for partners to focus their cooperation on identified priorities. Two of the projects highlighted were the development of a pan-Caribbean maritime corridor and a single ICT space.

In the discussion, some concerns were expressed from the floor about the low level of AfT flows to the LAC region and the fact that many countries did not qualify for aid due to their “middle-income” status. In response, the Panel said that, as “middle-income”, LAC countries now had to increase their own sources of financing, including domestic investment and South-South cooperation. However, this was challenging for highly indebted countries and countries that had a competitiveness handicap due to small markets and insularity. The importance of the CARICOM Aid-for-Trade Strategy as a framework for cooperation was underscored as it would allow CARICOM to address issues, such as transportation, that would allow CARICOM member states

to integrate better into global trade. It was noted that the factors which attracted foreign direct investment, were the same as those that kept it in the country and that constant adjustment and dialogue between the private sector and the Government was required for this inward investment to be sustainable. The challenge of developing bankable AfT projects and coming up with innovative financing was noted. The absence of a "factory LAC" concept presented a great opportunity for some, although the importance of each country having its own development plan, as there was no one-size-fits-all solution, was noted by others.

## **Session 11: Aid for Trade, Value Chains and Intra-Asian Trade**

Intra-regional trade now accounts for more than 50% of Asia's total trade. Asia's experience with the creation of regional value chains highlights how aid and trade can work alongside investment to stimulate economic growth and development. The focus of this session was a new report of the co-chairs of the Asian Pacific Regional Technical Group on "Promoting the Private Sector and Global Value Chains"

### **Moderator:**

Ravi Ratnayake, Director, Trade and Investment Division, United Nations Economic and Social Commission for Asia and the Pacific

### **Panellists:**

Noeleen Heyzer, Executive Secretary, United Nations Economic and Social Commission for Asia and the Pacific

In Soo Kang, Director, Center for International Economic Studies, Sookmyung Women's University

Bindu N. Lohani, Vice-President, Knowledge Management and Sustainable Development, Asian Development Bank

Zubair Ahmed Malik, President, Federation Of Pakistan Chambers Of Commerce and Industry

Pwint San, Deputy Minister of Commerce, Myanmar

Pan Sorasak, Secretary of State, Ministry of Commerce, Cambodia

Nam Viyaketh, Minister of Industry and Commerce, Lao PDR

Gita Irawan Wirjawan, Minister of Trade, Indonesia

**Ravi Ratnayake, Director, Trade and Investment Division, United Nations Economic and Social Commission for Asia and the Pacific**, began the session by reflected on the importance of trade as an engine of growth and the fact that some countries, in particular LDCs and Landlocked developing countries (LLDCs), had been left at the margins of the dynamic factory Asia phenomenon and its accompanying network of value chains. Aid for Trade was necessary if these countries were to be brought into the regional and global economy.

**Bindu N. Lohani, Vice-President, Knowledge Management and Sustainable Development, Asian Development Bank**, discussed the main findings of the AsDB Report on Aid for Trade in Asia and the Pacific, one of the key messages of which was the importance of engaging the private sector in trade capacity building. The Report noted that one way to do this was through creating Public-Private Dialogue which could identify areas where Aid for Trade would have the greatest impact on the investment climate. In addition, the Report recalled the challenges that remained, in particular those faced by LLDCs and SVEs.

**Noeleen Heyzer, Executive Secretary, United Nations Economic and Social Commission for Asia and the Pacific**, stressed that economic rebalancing in the Asian region should look to address economic inequality, ecological imbalance (through efficient use of resources and looking at systems of production and consumption), and creating job-led growth by building domestic capacity. Aid for Trade was crucial to increase the skill base of the people and get out them out of low value trap.

**Pan Sorasak, Secretary of State, Ministry of Commerce, Cambodia**, said that the dynamic global economic environment provided opportunities but policymaking should be balanced. Taking Cambodia as an example, he said that the National Strategic Development Plan looked to mainstream the 2<sup>nd</sup> Diagnostic Trade Integrated Study (DTIS) into the national development plan. The objective of the policymakers was to devise strategies that resulted in linking production sectors to global supply chains. Expected outcomes would be to improve trade facilitation measures to the levels of other Association of Southeast Asian Nations (ASEAN), productivity increases and the development of competitive export sector clusters. He also highlighted the role that public-private dialogue had played in Cambodia's accession to the World Trade Organizations and was continuing to play in subsequent trade policy making.

**Gita Irawan Wirjawan, Minister of Trade, Indonesia**, said that the relative peace, fiscal and monetary stability enjoyed in the ASEAN region had helped drive economic growth. Some had suggested that ASEAN economies might fall into the "middle income" trap but using these drivers as well as demographic dividend would help countries like Indonesia move up value chains. However, without the necessary investment in infrastructure development, Indonesia would not be able to meet this challenge. Indonesia had to put in place a good business environment. The good news was that Indonesia had, over the past 15 years, been able to create the necessary fiscal space which could be crucial in surpassing the low and middle value trap.

**Nam Viyaketh, Minister of Industry and Commerce, Lao PDR**, said that implementation of commitments under the WTO and ASEAN remained a priority for his country. Sub-regional initiatives had greatly helped cooperation in transport and trade facilitation issues. The Greater Mekong Subregion has helped Lao PDR improve road connectivity and customs procedures. Lao PDR was working hard to develop its first trade and development programme and the country needed a strong AFT system on which it was working closely with regional and multilateral donors.

**Pwint San, Deputy Minister of Commerce, Myanmar**, said that after a recent series of reforms, Myanmar was focusing on building its economy by pursuing a policy that fostered trade-led growth and value addition. Myanmar was developing a strong public-private dialogue to enhance the role of the private sector, aiming to take advantage of GSP schemes and then penetrate into global markets. Myanmar looked forward to Aid for Trade in infrastructure development and to building its productive capacities. In this regard, he said that Myanmar's National Export Strategy was aimed to support competitiveness of the private sector and make trade work for development.

**Zubair Ahmed Malik, President, Federation Of Pakistan Chambers Of Commerce and Industry**, addressed the issue of non-tariff barriers that South Asian firms faced in connecting to GVCs. The Pakistani private sector faced major hurdles in connecting to either the Central Asian Regional Economic Co-operation (CAREC) or

the South Asian Free Trade Area (SAFTA) due to the security situation in the region and international sanctions against Iran. Linkages between CAREC and SAFTA were weak and trade costs were high. Signed in 2006, SAFTA had failed to take off and, despite huge potential, trade had only grown by 6% over the past years. Although recent bilateral initiatives had shown some improvements in trade relations between Pakistan and India, the presence of a number of non-tariff barriers still inhibited potential, with nearly the double of formal trade occurring through informal channels. He noted that the “war on terror” had thwarted efforts to attract foreign domestic investment.

***In Soo Kang, Director, Center for International Economic Studies, Sookmyung Women’s University***, spoke about the Korean model and its applicability to developing countries. Korea actively participated in value chains, with over 45% of its trade within Asia. Customs procedures in Asian countries and limited access to finance were considered some of the major obstacles to integrating value chains. He said that realizing the importance of market economy and supporting the private sector through meaningful participation, coordination and strong implementation of policy was key for countries to improve their business environment. Korean development assistance was focused on providing such technical assistance, such as the export credit guarantee to Viet Nam, that would assist the country connect to value chains.

This session highlighted successful efforts at value added production and trade in goods and services in the Middle East and North Africa in the context of a rapidly changing political economy. It also focussed on the challenges of trade and economic integration and on addressing such problems as youth employment as part of the response to the post-2015 global development framework.

**Session 12:  
UNDP/Islamic Development Bank  
session for the Arab Region:  
“Trade and Economic Integration  
in a Changing Middle-East  
and North Africa:  
Enhancing Value-added Production,  
Trade Flows and Employment”**

**Chair:**

Waleed Al-Wohaib, Chief Executive Officer,  
Islamic Trade Finance Corporation

**Panellists:**

Adel Alghaberi, First Economic Affairs Officer,  
Economic Development and Globalization  
Division, United Nations Economic and Social  
Committee for Western Asia

Abdelkader Amara, Minister of Commerce,  
Industry and New Technologies, Morocco

Wafaa Bassim, Ambassador, Permanent  
Representative to the WTO and Coordinator  
of the WTO Arab Group, Egypt

Mohammed Bin Ibrahim At-Twajjri, Assistant  
Secretary General for Economic Affairs at the  
League of Arab States

Petko Draganov, Deputy Secretary-General,  
United Nations Conference on Trade and  
Development

Charlotte Petri Gornitzka, Director-General,  
Swedish International Development  
Cooperation Agency

Ziad Abdel Samad, Executive Director,  
Arab NGO Network for Development

**Waleed Al-Wohaib, Chief Executive Officer, Islamic Trade Finance Corporation**, outlined the aim of the session as to highlight the challenges faced and the efforts being made in reinforcing value chains in Arab countries.

**Abdelkader Amara, Minister of Commerce, Industry and New Technologies, Morocco**, noted that Morocco was working towards enhancing trade and regional integration to promote its prosperity and well-being. As an economically open country, Morocco was developing new infrastructure for trade, was keen to enhance communication and had been attracting foreign investment. He also recognized that concerns were no longer only economic but also about climate change, food security, natural resources, and that this had put a new burden on development. Morocco was now working to shift consumption modes that were more environmentally friendly.

**Charlotte Petri Gornitzka, Director-General, Swedish International Development Cooperation Agency**, expressed the view that trade was one of the key areas that SIDA saw as having the potential to promote economic development, employment and business opportunities. The main responsibility of enhancing education, health services and employment rested with governments. SIDA supported the AFT agenda, which could be successful in achieving effective trade of value added products in the region, employment and investment. However, aid should aim at a wider scope, for example at changing societies, and she noted that Sweden was active in promoting democracy, human rights, regional integration and sustainable use of resources. Policymakers had to be aware of the changes in trade and the need for responsible business models. Sweden was proud to be a partner in these kinds of activities.

**Petko Draganov, Deputy Secretary-General, United Nations Conference on Trade and Development**, said that most members of the League of Arab States were involved in regional trade agreements. He noted that there was concern that the various trade agreements had not been successful in expanding exports and creating jobs, although there were some successful examples. Intraregional integration in the Arab region was low and there was clear scope for improvement, but the reduction of tariffs would not translate into trade gains without tackling other problems. Specific attention needed to be given to customs procedures and infrastructure, the reduction of non-tariff measures, regulatory harmonization and mutual cooperation in trade infrastructure.

**Adel Alghaberi, First Economic Affairs Officer, Economic Development and Globalization Division, United Nations Economic and Social Committee for Western Asia**, underscored his organization's belief in regional economic integration in the Arab region and noted that the current integration efforts, such as the Greater Arab Free Trade Area, were not reflected in terms of trade. Lack of complementarity, lack of diversification, poor infrastructure, and non-tariff barriers were the main obstacles to integration. Aid for Trade was an important tool to achieve regional integration and should be targeted at building productive capacities and gaining added value. He explained that the United Nations Economic and Social Committee for Western Asia was implementing a package of projects aimed at promoting economic integration in the region.

**Ziad Abdel Samad, Executive Director, Arab NGO Network for Development**, expressed the view that there was a need to address the region's structural challenges. He noted that the latest International Labour Organization and United Nations Conference on Trade and Development reports had both reached the same conclusions, highlighting the structural problems that had led to concentration of work in low value added activities and lack of industrialization. He also noted that countries were achieving economic growth while inequality increased, which was something that needed to be addressed. On regional integration, he expressed the view that through regional co-operation complementary productive cycles could be built and the protection of labour rights and movement across the region promoted.

**Wafaa Bassim, Ambassador, Permanent Representative to the WTO and Coordinator of the WTO Arab Group, Egypt**, suggested that reducing non-tariff measures could play a role in alleviating the region's two main challenges: (i) unemployment; and (ii) low intra-regional trade. She also expressed the need for a policy reform package and the renegotiation of GAFTA to create an agreement of a wider scope that included trade in services, liberalization of capital flows, freedom of movement of persons and companies. There was also a need to invest in transnational infrastructure projects such as roads, railways, transport, energy and a Pan-Arab integrated communications network. Increased openness and integration would require adjustments and

policy reform to tackle imbalances. On value chains, she said that in her view this should not be considered as an objective per se but as a tool to achieve a better level of technical expertise and a platform that would foster economic development. She concluded that regional integration could contribute to satisfying regional needs.

In the discussion, the benefits from regional integration in terms of diversification and increased intra-regional trade were highlighted. On the topic of remittances, the cost of sending money was highlighted. It was noted that the poorest often had to pay the most to remit money and governments could do more to bring these costs down.



## Day 2: Trade, Development Goals and Value Chains



**Session 13:**  
**Connecting African**  
**Agri-business to Local,**  
**Regional and Global Value Chains**

With 70% of Africa's poor living in rural areas and depending on agriculture as their primary source of livelihood, agricultural development has a critical role in inclusive economic growth and poverty reduction. Growing attention was being given to accelerating public and private investment into African agriculture as a route to deliver sustainable and inclusive growth. Initiatives include, for example, the Comprehensive Africa Agriculture Development Programme, the Grow Africa Initiative and sectoral initiatives, such as the Africa Cashew Alliance. The session examined experiences of connecting governments, businesses, investors, farmers and development partners and how they examine the impacts that can result from such common action.

**Moderator:**

Sean de Cleene, Co-Chair, Grow Africa and  
Senior Vice President, Yara

**Panellists:**

David Croft, Technology Director, Waitrose

Mohamed Dowal Doumbouya, Minister of  
Trade, Republic of Guinea

Thomas Elhaut, Director, Statistics and  
Studies for Development Division,  
International Fund for Agricultural  
Development

Stefan Maard, Senior Advisor, Business  
Development, Novozymes

Hloni Matsela, Corporate Affairs Director, SAB  
Miller Africa

Theodore Partheeban, Vice-President, OLAM  
International

Shengwen Wang, Director General,  
Department of Foreign Aid, Ministry of  
Commerce, People's Republic of China

**Mohamed Dowal Doumbouya, Minister of Trade, Republic of Guinea**, noted that with approximately 70% of Africa's poor still living in rural areas and depending on agriculture as their primary source of livelihood, agricultural development played a critical role in inclusive economic growth and poverty reduction. This was in particular the case in Guinea, a country that was not only rich in mineral resources but also one that benefitted from an abundant water resource. Guinea could develop agricultural production both for export and for local consumption, such as in the fruits and vegetables sector. Local industry was becoming more attentive to the preferences expressed by consumers, in particular on the European market, and was adapting production to consumers' needs. Different actors in the same value chain also had to work in a cooperative way together to be as efficient as possible.

**Thomas Elhaut, Director, Statistics and Studies for Development Division, International Fund for Agricultural Development**, explained several major changes that were currently taking place would have significant consequences on African agriculture, and in particular smallholder farmers. These included the urbanization phenomenon, changes in diet (with more diversified consumption and growing demand for high quality products), and change of distribution channels that were moving towards more formal market places (such as local supermarkets). Such changes created new opportunities, not only for farmers but also for all kinds of rural services around the agriculture production.

**Shengwen Wang, Director General, Department of Foreign Aid, Ministry of Commerce, People's Republic of China**, noted that African exports of agricultural products to China had increased in recent years. He noted the importance of South-South cooperation and described the various initiatives implemented by China to support the development of African agriculture production and exports, which included, for example, the participation of African companies in Chinese trade fairs, the creation of regional exhibition Centres for agricultural technology in Africa, the exchange of agricultural technicians, and the granting of concessional loans to build infrastructure.

**David Croft, Technology Director, Waitrose**, noted that the situation of agricultural value chains in Africa could vary widely. Some, like Kenya, were already reasonably efficient and well-organized, with sometimes excellent agricultural practices (such as in terms of water use). In most cases, however, huge challenges remained for smallholder farmers, including lack of organization, lack of training, land tenure issues (i.e. lack of clarity in terms of property that could hamper agricultural development), and lack of infrastructure. The need to respect food safety standards imposed by importing countries, such as those related to pesticide residues, was also a critical challenge for smallholder farmers. In some cases, the problem was not so much compliance, but the inability to demonstrate that the smallholder farmers were meeting requirements.

**Theodore Partheeban, Vice-President, OLAM International**, used the example of the cashew nut sector to identify several challenges faced by investors in Africa, such as lack of political stability, lack of labour skills, and insufficient infrastructure for transportation within the continent. As a result, investment and running costs were higher than in other parts of the world, and the major part of cashew nut production was exported in raw form to India and Viet Nam to be processed there and from thence partially re-exported to final destinations. He said that to become as competitive as countries such as India and Viet Nam, countries that could benefitted from domestic markets for their cashew production, Africa would have to overcome these challenges.

**Stefan Maard, Senior Advisor, Business Development, Novozymes**, recalled his company's experience in a project in Mozambique and suggested that opportunities existed to develop agricultural value chains in Africa. He noted that partners were available to invest, often in innovative ways, but that to take advantage of these opportunities, it was important to create an appropriate environment to reduce the risk at the initial stage of the projects, i.e. transform an initial promising idea into a viable business plan. In this regard, development agencies had a critical role to play in providing "catalytic" funding at this inception stage.

**Hloni Matsela, Corporate Affairs Director, SAB Miller Africa**, noted that his company had long-standing experience in Africa. One of the lessons learned was that small projects were preferable to mega projects, because the costs resulting from the transportation deficiencies were higher than the potential economies of scales. Consumers' affordability of products was also one key challenge for a company like SAB Miller. This was one of the reasons behind the creation of a new beer made out of cassava, which at the same time was

cheaper for local consumers and constituted a sustainable market for the local production of cassava. It was because it had a global vision of its business that SAB Miller had been able to get involved in local agricultural production, in particular through the diffusion of innovations.

During the discussion, comments were offered about the importance of looking at agricultural value chains in a holistic way, including the need to reinforce the services available to local rural communities, such as in terms of education or health, to ensure the sustainability of the projects. Creating the proper enabling environment ("positive ecosystem") for private investment required steady and inclusive cooperation between all the interested parties from the public and private sectors, as well as civil society and the supporting agencies. A number of speakers noted in this context that several initiatives taken under the "Grow Africa" platform, with the support of USAID or under the EIF were going in the right direction. Some speakers also considered that the specific role played by women and the need to retain young people in rural areas should also be taken into consideration.

Pacific Island economies face inherent supply-side constraints that may prevent them from fully harnessing the opportunities offered by trade liberalisation. This session focused on Aid for Trade's role in assisting Pacific economies overcome these constraints and connect to value chains.

## Session 14: Aid for Trade, Value Chains and the Pacific

### Moderator:

Cyrus Rustomjee, Director, Economic Affairs  
Division, Commonwealth Secretariat

### Panellists:

Amanda Ellis, Ambassador, Permanent  
Representative to the Office of the United  
Nations in Geneva, New Zealand, and former  
Head of the New Zealand Aid Programme

Edwini Kessie, Chief Trade Adviser, PACER  
Plus Negotiations, Pacific Island Forum  
Secretariat

Sashi Kiran, Founder and Director, FRIEND Fiji

Fonotoe Nuafesili Pierre Lauofo, Deputy  
Prime Minister and Minister for Trade, Samoa

Richard Maru, Minister for Trade, Commerce  
and Industry, Papua New Guinea

Moses Mose, Ambassador, Permanent  
Representative to the WTO, Solomon Islands

Shiu Raj, Director, Economic Governance,  
Pacific Island Forum Secretariat

Tim Yeend, Ambassador, Permanent  
Representative to the WTO, Australia

Trade is widely recognized as an important contributor to economic growth. However, most Pacific Island Countries face supply-side constraints that prevent them from fully harnessing the opportunities offered by trade liberalization. Pacific countries are constrained by small domestic markets, limited natural and human resources, high transaction costs in particular transport costs associated with geographical isolation, remoteness and fragmentation, as well as vulnerability to natural disasters. These factors combine to limit the Pacific's capacity to achieve scale economies, to attract foreign direct investment and to participate in global value chains.

This session focused on Aid-for-Trade's role in assisting Pacific economies overcome these constraints and connect to global value chains. The policies and experiences of Samoa, Papua New Guinea and the Solomon Islands were shared. The Pacific Islands Forum Secretariat outlined the Regional Aid for Trade strategy's role in fostering regional integration and highlighted the role of regional institutions in connecting to value chains. In addition, a Pacific producer outlined the potential benefits of strengthening regional value chains for trade in agricultural products.

The session discussed the importance of organic certification as being a key strategy for the Pacific as consumers would be willing to pay the premium price if they understood the value chain. Categories of Aid for Trade in the Pacific that were emphasised included transport infrastructure, improving human skills, product development for organic fair trade, and technology transfer.

The session also highlighted donor support on building the capacity of Pacific producers to connect to GVCs. This included initiatives to support the economic empowerment of women in trade as well as addressing climate change and energy vulnerabilities in the Pacific. Development partners highlighted the value of a coordinated donor approach complementing a country-led approach. It was noted also that programmes in the Pacific targeting sanitary and phytosanitary and technical barriers to trade issues have been useful to Pacific economies and should be further extended. Regional trade initiatives such as PACER Plus were also noted as a way to facilitate the integration of Pacific Island Countries into regional and global value chains through expanding trade and investment opportunities.

The importance of having adequate Pacific representation in Geneva was also discussed. There is a need for Pacific nations to be present at the WTO so as to lobby for issues of national interest; however, the cost implications for Pacific countries are significant. A solution would be to strengthen the mandate of the Pacific Island Forum Secretariat Office in Geneva to speak on behalf of the Pacific WTO members. A key point made during the session was that in order to overcome the challenges of small isolated economies focus should be put on trading as a regional block and on dried products to ensure income generation for cottage farmers.

Transport and logistics is a sector in which value chains play a vital role in connecting countries, spreading technology, and promoting best practice. The transport and logistics sector is also critical to the performance of other sectors. Manufacturing and agriculture both depend on being able to ship their goods to consumers quickly, cost-effectively, and reliably. Transport and logistics value chains are extending their reach into low-income countries and least-developed countries. This session discussed the central importance of the transport and logistics value chain and actions that government, operators and the private sector can take to improve its efficient functioning. A main focus of discussion was the role of transportation logistics in linking companies to global value chains.

## Session 15: Connecting to Transport and Logistics Value Chains

### Moderator:

Selina Jackson, Special Representative to the  
UN and the WTO, World Bank

### Panellists:

Craig J. Burchell, Vice-President, European  
and International Affairs, Global Head of  
Trade and Market Access, Royal Philips  
Electronics

Amadou Diallo, Chief Executive Officer, DHL  
Freight, Deutsche Post DHL

Kunio Mikuriya, Secretary-General, World  
Customs Organization

Umberto de Pretto, Secretary-General,  
International Road Transport Union

Carolyn Robert, International Trade Lead  
Specialist, Inter-American Development Bank

Rajan Sharma, President, Nepal Freight  
Forwarders Association

**Carolyn Robert, International Trade Lead Specialist, Inter-American Development Bank**, identified four factors as especially important for the LAC region: trade reforms, non-tariff barriers, decades of under-investment and poorly functioning transport logistics. Transport costs were higher than tariffs. Heavier goods and weak competition in shipping services across the LAC region increased costs by 40% for SMEs as compared to 8% for SMEs in OECD countries.

**Craig J. Burchell, Vice-President, European and International Affairs, Global Head of Trade and Market Access, Royal Philips Electronics**, said that key for business and the private sector were efficient customs clearance procedures. In this regard, an agreement on Trade Facilitation at MC9 would be a great step forward. Any related infrastructure cost should be seen as an investment and quoted the Inter-American Development Bank's estimate that a 1% investment in trade facilitation would generate a gain of 1.7% in trade flows. In his view, anything that facilitated trade, helped unlock potential in a country and created a virtuous cycle.

**Rajan Sharma, President, Nepal Freight Forwarders Association**, emphasized the needs of landlocked countries and the fact that SMEs in Nepal could not grow if they could not export or had difficulty doing so. Transport issues needed to be addressed as did other factors such as inadequate warehouse infrastructure, weak packaging methods, and inadequate adherence by the Government to rules and regulations to facilitate trade. With its neighbouring countries, Nepal, as a landlocked country, was looking at a transshipment mechanism which, he said, could solve 35% of the problems of transport logistic costs. In response to the suggestion that Nepal should not see itself as landlocked but as land-linked and that it could turn this "hurdle" into an "opportunity", he emphasized that it was essential to overcome hurdles at borders and transshipment ports. Another point he underlined was that in order to connect to global value chains, countries had to frame their rules and regulations keeping in mind multilateral agreements. He also spoke of the AfT support (for document processing, time and cost reduction) and World Bank support (for trade facilitation, Logistic Master Plan and construction of an inland container depot and container freight station) that Nepal was receiving for on-going improvements to its transport logistic measures.

**Amadou Diallo, Chief Executive Officer, DHL Freight, Deutsche Post DHL**, reported that a major hurdle to overcome in the 206 countries where DHL operated was the lack of street names and house numbers. His company needed to hire and train staff with key local knowledge. DHL was therefore very global but also very local, i.e. "glocal", as it referred to it. Transportation costs were high, especially in Africa (with its 15 landlocked countries) and many of the costs were linked to customs compliance issues. In order to tackle these issues more awareness-raising needed to be directed at government officials. DHL was a trade enabler, i.e. enabling people to have access to goods, but a major hurdle remained the regular supply of electricity.

**Kunio Mikuriya, Secretary-General, World Customs Organization**, noted that in talking to political leaders, he had observed the increased awareness of border procedures as an important determining factor for improving the investment climate and ensuring connectivity. The WTO negotiations had heightened political will for trade facilitation and also the use of global standards such as the World Customs Organization (WCO) Revised Kyoto Convention as the implementation tool for a future WTO Agreement on Trade Facilitation. As shown by the use of the WCO Time Release Study (a performance measurement tool), border procedure delays were caused not only by customs but also by other agencies and ministries involved in border regulations and service providers. Thus, an important objective was close coordination between all border agencies and relevant ministries. In particular, this required a single window solution, supported by a standardized dataset provided by the WCO Data Model to respond to data WTO requirements of various border regulations. Another benefit of the WTO negotiations was donor engagement, epitomized by Aid for Trade, and the WCO enjoyed enhanced cooperation with many regional development banks and donors in the area of Customs modernization.

**Umberto de Pretto, Secretary-General, International Road Transport Union**, stated that 29 companies from 18 countries were involved in allowing customers in Geneva to drink a single cup of coffee! Penalizing road transport impacted on production and competitiveness. He explained that 57% of transport time was spent at borders and that when trucks were stuck at borders, conditions were ripe for corruption. When trucks were stuck at borders, often with engines running, this blocked the economy and harmed the environment. One fast way to start the process was to implement the Convention on International Transport of Goods (TIR) agreement.

In the discussion, panellists agreed that there was a lack of awareness of the benefits of these agreements. Many governments did little or nothing to stop the business – much of it illicit – that came from having trucks blocked at the border sometimes for up to two weeks. The role of Ministers was important in that they had to make a “top down” decision on economic development. Performance measurement was stressed as important and, in that context, the use of the Time Release Study, including monitoring the performance of corridors from transit to landlocked countries. As an example, the East African Community had done a regional Time Release Study to measure time needed for goods moving from the major port in Kenya passing through Uganda to the final destination.

Bribery at borders occurred due to complex regulation procedures and low salaries paid to customs and border officials. Evidence suggested that reducing corruption required reasonable regulations, simplified procedures backed by the use of technology, performance measurement, and good human resource management for border agencies, including providing decent working conditions and a systematic career path. In this connection, partnership with business was important.

It was agreed that with easier and clearer procedures, the transport of goods would increase and the government would increase revenue collection. Political will, however, was vital. Panellists also discussed infrastructure concerns, especially the problem of electrical outages and shortages. Examples were cited of how Aid for Trade was helping to improve trade facilitation. Projects in Latin America focused on border crossing harmonization between Colombia and Ecuador and between Peru and Colombia. New simplified procedures on both sides had resulted in clearance reduction times of up to 80%. Aid for Trade had also contributed to applying modern information technology solutions. Single windows in Latin America were reducing cost and waiting times and increasing transparency.

It was emphasized that the private sector had a role to play in sharing its experiences to set up pilots to emulate best practices. Governments needed to realize that trade facilitation unlocked the potential for more growth which, in turn, generated income for governments. Several panellists noted that funds in the form of grants and loans as well as Capacity Building were available to help governments implement trade facilitation agreements.

## Session 16: Connecting to Tourism Value Chains

Tourist arrivals surpassed 1 billion for the first time in 2012, according to the World Tourism Organization. Despite occasional shocks, international tourist arrivals have enjoyed virtually uninterrupted growth – from 277 million in 1980 to 528 million in 1995, and 1.035 billion in 2012. Developing countries are playing an increasingly prominent role in this growing sector. Tourism is one of the top three exports for the majority of developing countries and for at least 22 LDCs. This session discussed the development impact of the tourism sector and actions that developing countries, their development partners and tourism operators can take to maximize backward linkages into their economies to meet job creation and sustainable development objectives.

### **Moderator:**

Dale Honeck, Counsellor, Trade in Services  
Division, World Trade Organization

### **Panellists:**

Humberto Brito, Minister of Tourism, Industry  
and Energy, Cape Verde

Neil Linwood, Senior Vice President, Strategic  
Development, Carnival Australia

Helen Marano, Vice-President, Government  
and Industry Affairs, World Travel and  
Tourism Council

Youssu Ndour, Minister of Tourism, Senegal

Fatou Mass Njie, Minister of Tourism,  
The Gambia

Keith Nurse, WTO Chair, Shridath Ramphal  
Centre for International Law, Policy and  
Services, University of the West Indies

Taleb Rifai, Secretary-General,  
World Tourism Organization

**Taleb Rifai, Secretary-General, World Tourism Organization**, shared his insights on why tourism had become a truly life-shaping industry in the modern globalized world. According to statistical data, 135 million people crossed borders in the year 2012 which was an unprecedented number considering that this figure totalled only 22 million in the year 1950. Out of the 5.2 5.4 billion trips registered in the world in 2012, 2.9 billion trips were made by Chinese residents alone. He further pointed out that currently 1 out of 11 people in the world was employed in the tourism sector. The tourism sector constituted 9% of the world GDP and 6-7% of total world exports and was characterized by the continuous growth and remarkable resilience despite some major global impediments that had taken place over the last two decades (i.e. 9/11 or the 2008 economic and financial crisis). In this context, he underlined the special role played by developing countries in shaping the face of the tourism sector. The so-called “emerging destinations” had accounted for 42% of the market share in 2000, 47% in 2013 and, according to World Tourism Organization research, this figure would reach 54% in 2030. Calling tourism “the oil that never runs out”, he indicated its role in diversifying the economies of developing and LDCs, with the latter group having increased the number of tourists from 6 to 20 million over the past decade. He believed that the benefits of tourism lay, *inter alia*, in job creation, infrastructure development, as well as rural development and subsequent poverty alleviation.

**Humberto Brito, Minister of Tourism, Industry and Energy, Cape Verde**, illustrated the role that the tourism sector could play in helping LDCs to graduate from an LDC status, as had happened in the case of Cape Verde which had managed to harness the benefits of developing its tourism sector by making it work for improving living conditions of its people, GDP growth, capacity building and creating vital linkages between sectors of the economy. He noted the energy sector as an interesting example where currently 30% of all the energy produced came from renewable sources. Cape Verde had an ambitious goal to increase this figure up to 100% by 2020. He underlined the tremendous impact that tourism had on island countries such as Cape Verde which, in 2012, had welcomed over 500,000 tourists and which hoped to welcome 1 million by 2017. Special importance was put on the diversification of the tourist activity and exploiting specific characteristics of each of the ten Cape Verde islands, as well as their strategic location and unique combination of long coast lines, fisheries and creole culture and music that attracted tourists. Another important objective for Cape Verde was to improve linkages between the island by focusing on infrastructure building programs and attracting more public and private investment through creating a favourable business climate all of which would promote the potential of the tourism sector.

**Keith Nurse, WTO Chair, Shridath Ramphal Centre for International Law, Policy and Services, University of the West Indies**, focused his remarks on the Caribbean experience. In his view, value chains were not being fully utilized. The retention level remained low since most of the tourism-related infrastructure and services were owned and provided by developed country service providers. The Caribbean tourism sector was characterized by a high level of concentration of large firms which made the participation of small, local providers difficult – yet the goal was to ensure the fair distribution of the tourism sector revenues. The most crucial point was to guarantee moving up the value chain in the tourism development strategy.

**Helen Marano, Vice-President, Government and Industry Affairs, World Travel and Tourism Council**, highlighted the importance of bringing governments and the private sector together in devoting financial resources to develop reliable statistical sources in order to be able to measure and to correctly assess the impact and perspectives of the tourism sector.

**Youssu Ndour, Minister of Tourism, Senegal**, shared Senegal's plans to make tourism a priority sector and to upgrade local operators to suppliers of goods and services, create a viable relationship between music and tourism, promote handicrafts and cultural activities and convert it into mass tourism making it work for poverty alleviation and development of local communities.

**Fatou Mass Njie, Minister of Tourism, The Gambia**, highlighted that tourism and travel combined contributed 23.4% of The Gambia's GDP and 17% of total employment. Regional tourism was a priority. With its short tourist season, The Gambia could only achieve its all-year tourism objective through regional tourism. However, some of the main challenges for regional tourism included, *inter alia*, peace and security issues; cumbersome and unnecessary visa and customs formalities (including excessive number of checkpoints at and between borders); limited air access and good quality accommodation satisfying internationally standards.

**Neil Linwood, Senior Vice President, Strategic Development, Carnival Australia**, elaborated on the cruise business activities of Carnival Australia and its close engagement with local governments, the private sector and the donor community. He pointed out the company's efforts in sharing revenues with the local community to enable them to build facilities, as well as in creating jobs and donating revenues for charity.

Services occupy a dominant place in most economies. According to the World Bank's World Development Indicators (2012), the share of services value-added in world GDP was 70% in 2010 – a figure that has risen steadily from 53% in 1970. The services' share has risen as a result of structural changes in economies that have led to greater specialization. Notwithstanding national variations in the shares of GDP attributable to services, manufacturing, agriculture and mining, in most economies the services' share is greater than that of the other three components of economic activity combined. Yet the services sector is typically neglected within the development policy debate. The aim of the session was to affirm the central role of services in economic development, and the potential for growth in services exports from Least Developed Countries, by highlighting several successful LDC exporters, and to draw lessons for policymakers in other LDCs. The session was organised by the Australian Mission, and supported by the International Trade Centre.

## Session 17: Aid for Trade, Services and Global Value Chains – Opportunities for Least Developed Countries

### Moderator:

Tim Yeend, Ambassador, Permanent  
Representative to the WTO, Australia

### Panellists:

Jane Drake-Brockman, Senior Adviser,  
International Trade Centre

François Kanimba, Minister, Trade and  
Industry, Rwanda

Stephen N. Karingi, Director, Regional  
Integration, Infrastructure and Trade Division,  
United Nations Economic Commission for  
Africa

Florence Kata, President, Uganda Export  
Promotion Board

Jeffrey D. Lewis, Director of Economic Policy,  
Debt and Trade, World Bank

Fahim Mashroor, President, Bangladesh  
Association of Software and Information  
Services, Chief Executive Officer, BDJobs

Abdoulaye Ndiaye, Director General, Agir et  
Promouvoir, Senegal

Trudy Witbreuk, Head of Division,  
Development Division, Trade and Agriculture  
Directorate, Organisation for Economic Co-  
operation and Development

**François Kanimba, Minister, Trade and Industry, Rwanda**, explained that Rwanda was looking to services as an avenue for diversifying from its traditional agrarian economy because of its small geographical size and absence of natural resources. At the same time, the country's natural beauty provided an opportunity to develop the tourism sector. In addition, the return of refugees in the wake of the 1994 genocide had accelerated the need for real estate services. He described how the Rwandan Government had made a policy priority of increasing services trade and shared details of Rwanda's focus on liberalization and how it was turning its landlocked, but centrally-situated situation into a regional and continental communication, and trade and transport hub. He stressed the importance of accompanying liberalization with a clear legal framework and strong regulators. He also observed that Rwanda had sought to create opportunities for the ICT sector by enhancing fibre optics capabilities in the country. The resulting certainty created confidence among foreign investors and had a beneficial impact on FDI inflows. He agreed with the notion that services liberalization could contribute to the manufacturing competitiveness.

**Florence Kata, President, Uganda Export Promotion Board**, focused on Uganda's policies to promote trade in educational services and how, initially in the face of opposition from the Ministry of Education, it had liberalized this sector opening it up to private investment and encouraged the development of private universities, which currently made up the bulk of the country's 26 universities. Domestic demand for tertiary education was a consequence of a national programme to prioritize universal primary and secondary education. Uganda's British-inspired university system attracted students from around the region and Uganda had been promoting its education sector through regional publicity campaigns, as well as through complementary measures such as relaxed visa regulations. At present, lecturers from various countries came to Uganda to promote what she described as "brain circulation". One of the biggest barriers to growth was changing mind sets that it was wrong to commercialize education and that educational services needed to be promoted.

**Fahim Mashroor, President, Bangladesh Association of Software and Information Services (BASIS), Chief Executive Officer, BDJobs**, noted that BDJobs was Bangladesh's largest jobs website and spoke of the efforts made by the private sector in Bangladesh to promote ICT services. He explained that many of the factors which aided India's development as a major exporter of ICT services were equally applicable to Bangladesh, such as an English-language based education system. He expressed concerns that Bangladesh was yet to receive the necessary degree of visibility for the ICT sector and noted that greater engagement and publicity was necessary to resolve this, suggesting that the diaspora in key markets such as the Netherlands and Denmark could assist in the process. He also observed that the promotion of this sector had an important societal impact, particularly for the country's educated youth.

**Abdoulaye Ndiaye, Director General, Agir et Promouvoir, Senegal**, explained the basis for Senegal's success in the ICT sector. As a consequence of its role as a transit country between Europe, Latin America, and Africa, Senegal's services sector was fairly well-developed compared to agriculture and manufacturing. In addition, Senegal was connected to three submarine cables, as a result of which 80% of Senegal had internet access. Labour costs were about a tenth of those in the European call centre industry. Moreover, call centre staff in Senegal were more qualified than similar staff in Europe. The Government had taken steps such as adopting data protection laws to comply with EU requirements – a step that he suggested would become increasingly relevant as LDCs moved up value chains. He expressed concerns posed by language barriers and observed that people in Senegal were trying to become bilingual and to speak in English as well as French.

**Jane Drake-Brockman, Senior Adviser, International Trade Centre**, explained that differences in the delivery of services as distinct from goods exports, specifically the multiple modes of services delivery, meant that LDC services exporters accessed international markets in very different ways from their goods' counterparts. Services exporters tended to be project-based and to require different teams of expertise for each project. They were often less about sending something overseas than about attracting international work onshore; clients needed assurances of technical reliability and it was necessary for exporters to be open to all kinds of international collaboration with their clients. She noted that for services exporters to reach international markets, it was necessary to market their capacity to offer innovative solutions. In this context, she observed that LDCs faced some challenges, such as lack of "national branding", and that export agencies were ill-equipped to help promote exports of services. She also referred to a background technical paper of case stories on services exporters of interest to LDCs.<sup>11</sup>

11 LDC Services Exports: Trends and Success Stories International Trade Centre. Available at: [http://www.intracen.org/uploadedFiles/intracen.org/Content/About\\_ITC/Aid\\_for\\_Trade/A4Trade\\_event/LDC%20Services%20Exports%20for%20web%20\(2\).pdf](http://www.intracen.org/uploadedFiles/intracen.org/Content/About_ITC/Aid_for_Trade/A4Trade_event/LDC%20Services%20Exports%20for%20web%20(2).pdf)

**Stephen N. Karingi, Director, Regional Integration, Infrastructure and Trade Division, United Nations Economic Commission for Africa**, addressed the potential of African LDCs to step up services exports and highlighted the importance of regulatory policies to the growth and efficiency of services sectors. He questioned the wisdom of African free trade area negotiations in addressing goods first, and services later, given that efficient services sectors were crucial to the competitiveness of manufacturing and agriculture sectors.

**Jeffrey D. Lewis, Director of Economic Policy, Debt and Trade, World Bank**, spoke about the economic policy setting which could help LDCs develop services exports. He noted that technological advances had enabled a host of services activities become tradable. Furthermore, a general relaxation of government policies requiring, for example, companies to be audited by local firms, had also enabled the expansion of services trade. He explained that some of the drivers of services exports, such as human capital and infrastructure quality, were fixed in a particular moment in time but could be expanded in the long run. He stressed that government's job should be to provide the enabling environment and not to engage in picking winners.

**Trudy Witbreuk, Head of Division, Development Division, Trade and Agriculture Directorate, Organisation for Economic Co-operation and Development**, commented that services were an integral part of manufacturing trade. For instance, quality control was an intrinsic part of some goods trade. As such, the distinction between goods and services had become increasingly artificial. She suggested that, just as closing a market to goods imports was now recognized as damaging to a country's export competitiveness in the manufacturing sector, the same was also true for services.

In the discussion, panellists highlighted that it was wrong to assume that services exports were too sophisticated for LDCs. One quarter of LDCs were net exporters of services, and not only in tourism. While the importance of physical infrastructure was emphasised, so too was the importance of domestic and/or foreign investment in digital and other connecting services, together with complementary skills policies. Together, these would boost the competitiveness of both services and manufacturing sectors, helping LDCs diversify.

**Session 18:**  
**Connecting to Information and  
Communication Technology  
Value Chains**

Value chains in ICT manufacturing have led to the successful emergence of “factory Asia”, but LDCs and most developing countries outside Asia are only minor producers of ICT goods. ICT services such as telecommunications and computer services constitute vital inputs to both services and manufacturing sectors of the domestic economy and also offer opportunities for developing country firms to participate in international value chains. Sound regulation of telecommunications markets, ICT infrastructure and ICT skills facilitate the formation of ICT value chains and can unleash the full potential of ICTs for a country's economic and social development. Many developing countries have made significant progress in ICT regulation and infrastructure, but the digital divide between OECD countries and developing countries, LDCs in particular, is still large. The session discussed the development, trade, and AfT implications of entering, moving up and establishing ICT value chains.

**Moderator:**

Carlos A. Primo Braga, Professor of  
International Political Economy and Director  
of the Evian Group IMD

**Panellists:**

Beñat Bilbao, Associate Director and  
Economist, World Economic Forum, Geneva

Azdine El Mountassir Billah, General  
Manager, National Agency for  
Telecommunications Regulation, Morocco

Héctor Hugo Huerta Reyna, Director,  
International Regulation, América Móvil

Fahim Mashroor, President, Bangladesh  
Association of Software and Information  
Services (BASIS) and Chief Executive Officer,  
BDJobs

Susan Teltscher, Head, ICT Data and Statistics  
Division, International Telecommunication  
Union

**Fahim Mashroor, President, Bangladesh Association of Software and Information Services (BASIS) and Chief Executive Officer, BDJobs**, highlighted that Bangladeshi firms faced two main challenges with respect to ICT. First, Bangladesh had an image and branding problem as only few countries considered Bangladesh a credible provider for advanced ICT services. Second, Bangladesh faced a human resource and skills problem. In particular, while a large pool of young technical workforce was available, the country lacked skilled managers. He mentioned that BASIS, in collaboration with the International Trade Centre, had recently finished the implementation of a three-year AfT project. The project had been successful in matching Bangladeshi ICT firms with European firms and had also helped improve the branding of the Bangladeshi ICT industry. Most ICT companies in Bangladesh were SMEs and hence public support to ICT firms was generally targeted at SMEs. Regulators needed to help ensure a fair revenue sharing between telecommunication operators and software firms, which were often micro-firms. He acknowledged that ICT-enabled crowdsourcing could allow more women to engage in economic activities. More support should be given to the development of ICT skills.

**Héctor Hugo Huerta Reyna, Director, International Regulation, América Móvil**, stated that, for América Móvil, ICT infrastructure was crucial for the provision of telecommunication services. América Móvil had effected large investments in infrastructure including fibre optic networks, antennas, radio stations, satellites and submarine cables. He highlighted the main difficulties when investing in infrastructure: first, there was a lack of harmonization in legislation and regulation both regionally and at the national as well as local level; second, spectrum was becoming increasingly scarce as demand for mobile broadband and data traffic was rapidly growing. In particular, the current spectrum available in Latin America was only on average one fifth of the level stipulated by the International Telecommunications Union; third, over regulation. He also highlighted that political and regulatory stability and legal certainty were key success factors for economic development, together with incentives for investment. Commenting on poor service quality in Latin American countries, he argued that spectrum scarcity as well as the lack of a stable spectrum policy in some countries had contributed to the problem. He reiterated the point that harmonization of regulation was required as restrictions imposed by local authorities often hindered investment and deployment of infrastructure. Regulatory policy should focus on access to spectrum and on driving further investments.

**Azdine El Mountassir Billah, General Manager, National Agency for Telecommunications Regulation, Morocco**, highlighted the importance of the telecommunications sector in terms of private investment and as a source for public revenue through the auctioning of licences. Smart regulation had helped achieve mobile network coverage of 100% in Morocco. In particular, a universal services fund was used to subsidise private operators in order to extend their networks to population living in rural areas. Telecommunication services and regulation allowed the emergence of new sectors such as IT offshoring, accounting services, payroll services, thereby creating jobs for 60,000 young people. Public policies supported the emergence of these offshoring services through (i) ensuring the availability of land; (ii) infrastructure development; and (iii) human resource availability. Telecommunications regulation could facilitate private investments by providing predictability, clear principles and transparency. He highlighted that many operators were now confronted with the problem of decreasing revenues from voice services. Morocco had opted to structure telecommunications market around three main operators in order to facilitate service quality and private investments. Market demands in developing countries were different from developed countries, e.g. mobile money in African countries. Due funding constraints, developing countries would refrain from developing fixed-line networks and focus on the development of mobile networks or internet access through satellites.

**Susan Teltscher, Head, ICT Data and Statistics Division, International Telecommunication Union (ITU)**, highlighted that the digital divide between developed and developing countries had been shrinking in terms of mobile phone access with almost 100% of the world's population now covered by mobile networks. However the digital divide was still large when it came to internet access and fixed broadband, where penetration in LDCs was less than 1%. Furthermore, the speed and the quality of broadband access were lower in developing countries than in developed countries. In contrast to fixed broadband, mobile broadband had been growing rapidly in recent years and would contribute to narrowing the digital divide in the future. The ITU worked with policymakers and regulators to ensure the expansion of infrastructure and on regulatory issues such as harmonization of regulation. Much progress had been achieved in the liberalization of telecommunications markets. More than 160 countries had established telecommunication regulators and 145 countries had national broadband plans. She highlighted that quality of service was important not only for voice services but also for

data services. Broadband would have a major impact on audio-visual services in terms of service delivery, e.g. IPTV, and also in terms of regulation, as converging services required broadcast regulation and telecommunication regulation to adapt. Regarding youth and gender, she mentioned that the ITU had a special programme for women and ICT. Finally, she stressed that ICT infrastructure should be considered as key infrastructure and of equal importance to transport and energy infrastructure. More support should be provided to infrastructure development, in particular for public-private partnership and for ICT development in rural areas.

**Beñat Bilbao, Associate Director and Economist, World Economic Forum, Geneva**, highlighted the need for a broad definition of the digital divide that went beyond ICT infrastructure and access. In particular, ICT had a significant impact on the productivity of firms, countries' competitiveness and the well-being of citizens. Actions should aim at improving countries' capacity to translate access to ICT infrastructure and services into competitiveness and productivity gains. Policies should target three areas: (i) ICT infrastructure; (ii) skills to use ICTs; and (iii) business conditions including corruption and the proper functioning of the legal framework. A holistic approach to innovation was required that allowed ICT to interact with other technologies. Countries increasingly recognized the opportunities at the regional level to create synergies in terms of ICT infrastructure and ICT content. ICT was crucial infrastructure for productivity gains and more support should be given to the development of ICT skills.

The textile and apparel sector has played a pivotal role in the industrial development and export diversification of many countries, in particular, low-income countries. The aim of this session was to discuss the dynamic factors driving textiles and apparel values in the post-Multi Fibre Arrangement world. The session debated issues of connectivity, economic and social upgrading and concluded by looking at the implications for public and private actors in this critical sector of the global economy.

## Session 19: Connecting to Textiles and Apparel Value Chains

### Moderator:

Cornelia Staritz, Senior Researcher, Austrian  
Research Foundation for International  
Development

### Panellists:

Md. Shafiul Islam, Member, Bangladesh  
Garment and Exporters Manufacturers  
Association

Salim Ismail, Chairman and Chief Executive  
Officer, Socota Group, Madagascar

Henrik Lampa, Head of Product  
Sustainability, Hennes and Mauritz AB

Arianna Rossi, Research and Policy Officer,  
ILO-IFC Better Work Programme

Joshua Setipa, Chief Executive Officer,  
Lesotho National Development Corporation

Tatsufumi Yamagata, Secretary-General/  
Professor, Institute of Developing Economies  
Japan External Trade Organization

**Salim Ismail, Chairman and Chief Executive Officer, Socota Group, Madagascar**, explained how the Socota Group – a vertically integrated apparel company – had to restructure and adapt to take advantage of the opportunities offered by global value chains. The company had developed expertise in innovation, marketing and design, and had been able to adapt swiftly to new market demands thanks mainly to its human resource policy of skills enhancement, secure working conditions and adhering to social and ecological standards. This virtuous dynamic was matched by work performance. He underscored that the needs of least developed countries were manifold: attracting foreign direct investment, secure market access, make customs procedures more efficient and transparent, and encouraging assistance to frame their policies and enforce standards.

**Joshua Setipa, Chief Executive Officer, Lesotho National Development Corporation**, explained that trade preferences alone were not sustainable and showed limitations in terms of predictability and preference erosion. The local embeddedness of the apparel industry in Lesotho was low, reflecting an uncertain business environment. He underlined the urgent need to invest in skills, improve efficiency, aim at achieving full vertical integration, and to diversify, not only with regard to end markets, but also into other industrial sectors. He signalled that, in 2004, 90% of Lesotho's apparel exports were destined for the US market, while nowadays 40% of those exports were directed to regional markets. He underscored that in order to address competitive issues, a predictable environment was necessary and, in particular, consistency from buyers. Lesotho had to invest in skills development and make the business environment more transparent. Aid for Trade was also needed to address the inefficiencies which undermined competitiveness.

**Tatsufumi Yamagata, Secretary-General/Professor, Institute of Developing Economies Japan External Trade Organization**, referred to the findings of the joint IDE-JETRO, OECD, WTO publication on Aid for Trade and Value Chains in Textiles and Apparel and the survey on which results were based.<sup>12</sup> He noted that while the private sector stressed the seriousness of border governance issues for business transactions, the public sector put more weight on inadequate transportation-led infrastructure. He pointed out that Aid for Trade was channelled mainly to raw materials, such as cotton and silk, but very little to the garment industry and he appealed for an increase in the scale of assistance. He noted that it was feasible for firms in developing countries to move from a labour intensive value chain such as the garment industry, to other value chains with similar labour intensity.

**Arianna Rossi, Research and Policy Officer, ILO-IFC Better Work Programme**, stressed that to focus only on low labour cost was short-sighted and not sustainable. The experience of the Better Work Programme in countries such as Cambodia, Indonesia and Viet Nam showed that adherence to labour standards could be a ladder to achieve long-term growth, by forging a closer relationship between suppliers and buyers, increasing productivity, reducing workforce turnover and making companies more resilient and more likely to survive economic crises. She emphasized that the international buyers' commitment to improve standards was pivotal in achieving the goal of economic and social upgrading in global value chains. On the policy front, she believed coordination and dialogue amongst all stakeholders was fundamental. In concluding, she emphasized the belief that global value chains can be an engine for development, where attention was given to the quality of jobs created.

**Md. Shafiul Islam, Member, Bangladesh Garment and Exporters Manufacturers Association**, praised his Government's support in making it possible for Bangladesh to compete and succeed in the global apparel market. He pointed out that an agreement had recently been reached between the EU, the ILO and Bangladesh to improve safety in factories, adhere to social standards, and allow freedom of association. Furthermore, he stressed that Bangladesh was committed to reviewing salaries every two years which showed that a clear process of improvement was in motion. Policy-wise, he pointed to the need of coordination and integration of all stakeholders in order to share responsibilities, develop market access and adapt to the new context and drivers. He requested an engagement from donors and international institutions to deliver much needed technical assistance for skills development and noted that, even if Bangladesh had the most sincere intention to make improvements, it could not do it alone.

<sup>12</sup> "Aid for Trade and Value Chains in textiles and apparel" IDE-JETRO, OECD, WTO 2013 Available at: [http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review13prog\\_e/textiles\\_and\\_apparel\\_28june.pdf](http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/textiles_and_apparel_28june.pdf)

**Henrik Lampa, Head of Product Sustainability, Hennes and Mauritz AB**, spoke on sustainability issues and the importance of managing resources from the qualitative and quantitative point of view. He signalled, for example, how water-scarce areas for cotton cultivation would become more degraded with time, the importance of energy costs and the correct management of hazardous chemicals in factories. He underlined that as garment recycling was close to zero, Hennes and Mauritz AB was working on ways to prolong the life of fibres and chemical recycling, citing the example of second-hand clothing trade. He believed that the attitude of a responsible buyer was a key contribution to reward suppliers sharing the same concerns, and constituted a good balance of the different economic and social interests.

**Cornelia Staritz, Senior Researcher, Austrian Research Foundation for International Development**, underscored the importance of local linkages in economic and social upgrading. She also stressed the increasing importance of regional and domestic markets, the crucial role of regional integration, in particular, for small countries, and the importance for all actors in understanding fully the dynamics of GVCs.

**Session 20:  
Moving the Development  
Effectiveness Agenda Forward:  
Assessing the Impact of  
Aid for Trade**

The 3<sup>rd</sup> Global Review advanced the debate on showing results from Aid for Trade. Subsequent research has provided additional methodological depth and detail to the debate, notably through research work at national level in developing countries – some of which uses methods such as impact evaluations. The Busan High-Level Forum on Development Effectiveness has also sought to further develop the Paris Principles on Aid Effectiveness and focus attention on the development outcomes needed to sustain public support for official development assistance. At the same time, new South-South partners were also becoming important trade, investment and development partners. This session sought to survey the state of our knowledge on the development effectiveness of Aid for Trade, how to satisfy the political imperative to show results, and debate how monitoring and evaluation systems could be further improved in practice – particularly with a view to capturing the development priorities of partner countries within this process. It also addressed the need for more effective data collection, accountability, transparency and monitoring and evaluation of Aid for Trade projects.

**Moderator:**

Michael G. Plummer, Eni Professor of International Economics, Johns Hopkins University

**Panellists:**

Matti Anttonen, Under-Secretary of State for External Economic Relations, Finland

Debapriya Bhattacharya, Distinguished Fellow, Centre for Policy Dialogue

Eamon Cassidy, Deputy Director, Trade Policy Unit, Department for International Development, United Kingdom

Jorge Daccarett, Executive Director, Chilean Agency for International Cooperation

François Kanimba, Minister, Trade and Industry, Rwanda

Ricardo Meléndez-Ortiz, Chief Executive, International Centre for Trade and Sustainable Development

Gabriel André Duque Mildenberg, Vice-Minister, Commerce, Industry and Tourism, Colombia

**Michael G. Plummer, Eni Professor of International Economics, Johns Hopkins University**, highlighted that assessment and accountability with respect to Aid for Trade had become very important. He recommended the recent OECD publication “Aid for Trade and Development Results: A Management Framework, which responded to the conclusions of the 3<sup>rd</sup> Global Review on Aid for Trade, as additional reading.<sup>13</sup>

**François Kanimba, Minister, Trade and Industry, Rwanda**, explained that Rwanda had successfully built a management system in which citizens, donors, and Government had similar understanding of the issues and the same goals. The management system had started in 2000 when the Government had defined Rwanda’s Vision 2020, an important focus of which was on how to upgrade Rwanda from a least-developed country to a middle-income country by 2020. Elements in the management system included the use of the Economic Development and Poverty Reduction Strategy every five years as a participatory exercise where Government and the private sector consulted with each other to understand various development indicators and what was needed to achieve the Vision’s goals. Additionally, every minister and mayor signed a performance contract with the President. It was a rigorous mechanism that had resulted in efficient monitoring, evaluation and performance and also a dramatic reduction in corruption. It had also led to good public finance mechanisms whereby resources could be traced from donors to the poor and was part of the reason how Rwanda had sustained a high growth rate. The mechanism had created a trusting relationship with donors and even had direct government support. Given that Rwanda was a landlocked country, he highlighted the importance of the regional dimension and the need to look beyond borders, small market size given that Rwanda’s capacity was low. He concluded that strong public-private partnerships were needed to connect to global value chains and Aid for Trade should focus on the binding constraints that promoted investments.

**Gabriel André Duque Mildenberg, Vice-Minister, Commerce, Industry and Tourism, Colombia**, highlighted Colombia’s progress on a results-based management approach to the public sector. Colombia’s domestic and international strategies were guided by its national development plans, Vision 2019 and Vision 2032. Colombia had taken ownership of the process with minimal international donor involvement, instead with donors to find solutions and financing for specific programmes already outlined in the national plan. He highlighted the regional dimension by mentioning that Chile, Mexico, Peru, and Colombia had helped each other achieve trade goals.

**Ricardo Meléndez-Ortiz, Chief Executive, International Centre for Trade and Sustainable Development**, highlighted ICTSD’s work on a monitoring and evaluation (M&E) exercise to find factors that favoured or hindered effectiveness. The exercise had looked at ownership at the local level, alignment with national priorities, and sectoral and broad economic impact of trade performance. The general results were: without M&E systems in place it was hard to assess Aid for Trade; there was a lack of implementing capacity; there was a lack of local ownership in programmes (i.e. donor defined programs). In the future, it would be necessary to build capacity and better implement Aid for Trade. He also highlighted the regional nature of global value chains and suggested that more needed to be done at regional level.

**Eamon Cassidy, Deputy Director, Trade Policy Unit, Department for International Development, United Kingdom**, emphasized that, as a donor that spent US\$1.4 billion a year on Aid for Trade, it was necessary to demonstrate results. That said, it was still difficult to monitor since data was not readily available. Additionally, working through multi-country programming was hard. Their solutions had included having an M&E system from the beginning and contracting out evaluation work, though this could be expensive and give case-specific results. Working with other stakeholders and finding where you had the comparative advantage needed to be part of the bigger strategy of doing the right things in the right way. Too often donors still took a one-size-fits-all approach, including with regard to results. Donors should look at organizations such as TradeMark for good examples of coordination and harmonization. Regional issues mirrored domestic issues but there was less ownership at the regional level. That needed to be addressed because there were spill-over effects (positive and negative). Donors needed to get used to working with new partners – for example, China, India, etc.

**Debapriya Bhattacharya, Distinguished Fellow, Centre for Policy Dialogue**, emphasized the rationale for Aid for Trade in LDCs and that it was evident that LDCs needed to join GVCs. Additionally, LDCs needed to focus on integration, competitiveness, and delivery of results in line, for example, with the Busan High-Level Forum

13 Aid for Trade and Development Results: A Management Framework, OECD: Available at: [http://www.oecd-ilibrary.org/development/aid-for-trade-and-development-results\\_9789264112537-en](http://www.oecd-ilibrary.org/development/aid-for-trade-and-development-results_9789264112537-en).

Declaration on Development Effectiveness and the Paris Principles on Aid Effectiveness. The definition of Aid for Trade remained an issue as did predictability, additionality, and counterfactuals. Bangladesh, for example, had experienced robust export growth over the last decade, although AfT flows had declined during that period.

**Matti Anttonen, Under-Secretary of State for External Economic Relations, Finland**, highlighted Finland's 2008-2011 Aid-for-Trade Action Plan including its many smaller, somewhat experimental, plans which were still on-going and said that, over time, it had been necessary to set clearer goals. While EU fiscal pressures would remain for some time, at least three quarters of the Finnish population believed that Aid for Trade was money well spent and it continued to get public support because the Government had demonstrated its effectiveness.

**Jorge Daccarett, Executive Director, Chilean Agency for International Cooperation**, focused on Chile's experience in becoming a donor and joining the OECD. While Chile was a growing economy, this did not mean that its budget was growing. He was optimistic about South-South cooperation, the commitment to see Aid for Trade succeed (for example, vis-à-vis enabling policies, good business environment, education) and partnerships. Chile was integrating into global value chains and continued to expose itself to technology and consumer trends and the movement of people. It measured results by exports, value added, and services. He noted that priority needed to be put on South-South and regional growth.

# Day 3: Future Perspectives on Aid for Trade



## Session 21: Trade, Development, and the Private Sector

### Welcome remarks and introduction:

Michael Roberts, Aid-for-Trade Coordinator,  
Development Division, WTO

### Keynote address:

Marcus Wallenberg, Chair, International  
Chamber of Commerce G-20 Advisory Group  
and Director, Investor AB

**Marcus Wallenberg, Chair, International Chamber of Commerce G-20 Advisory Group and Director, Investor AB**, described the recovery from the global economic crisis times as fragile. He welcomed the important contribution the WTO had made to global trade matters for the business community. As a representative of an industrial group whose development had been dependent on free trade, he felt very much at home at the WTO. Sweden's enterprises were dependent on the multilateral trading system to market their goods globally and thrived on a level playing field and a free market. He underscored the positive effect the multilateral trading system had had since World War II – characterizing it as “difficult to overestimate”. The WTO and its dispute settlement system had contributed significantly to global economic growth. Failure of the Doha Development Agenda (DDA) negotiations was disheartening, especially coming at a time when the international community was meant to address needs of the developing world. The International Chamber of Commerce had been active in promoting ways to harvest gains from the DDA, such as through the prospect of a Trade Facilitation Agreement.

In such difficult times, it was inevitable for countries to turn to regional trade agreements as solutions. He welcomed the start of negotiations on a transatlantic trade agreement between the European Union and the United States as an important step for global trade. Those involved needed to focus on concluding what would be a historically significant agreement. The importance of ensuring that the gains of regional trade agreements were shared, and that these agreements were not obstacles, but catalysts for multilateral trade liberalization was also emphasized. He cautioned against such agreements undermining the WTO; regional trade agreements to be consistent with WTO rules. If done well, though, regional trade agreements could contribute to the future of global trade by addressing new issues arising from globalization. In this context, they would give an impetus to the multilateral trading system. Some of the risks associated with RTAs were trade diversion and trade distortion, which inevitably increased costs in the global value chain. However, as long as the DDA remained stalled, countries would naturally explore other avenues, such as regional trade agreements.

Mr. Wallenberg highlighted the fact that global trade had changed. Global value chains had coincided with a rise in protectionism. As such, there was a need for a new round of trade liberalization that was debt-free and job creating. He stressed the need to look at the role that the emergence of fast growing markets could play in global value chains. Multinationals like ABB, Atlas Copco, Ericsson and SKF, all associated with the Wallenberg family, had been early investors in Africa and had benefitted local small firms – a relationship that had helped local firms to participate in global value chains.

On the importance of aid, he stressed that economic growth and advancement was more important than foreign aid – but welcomed the fact that Aid for Trade had increased since 2005. He stressed that business needed policymakers that worked for proper business environments. Moving up GVCs was about the ability to attract investment and international commerce. Governments could increase investment flows through free trade, because more liberalized regimes made foreign actors keener to invest. Removal of cumbersome regulations would also

attract and make investment more efficient. Countries also needed to have predictable trade and investment regimes and rule of law in order to attract long-term investors. In explaining the importance of this enabling framework, he noted that business would always look for risk reduction as a key to the success of a venture. He called for more dialogue between business and the private sector.

Governments needed to be committed to investing in infrastructure and education. The former was a key question being dealt with in the context of the G-20: how to finance the US\$60 trillion cost for infrastructure needs between now and 2030. Business was keen to be part of developing roads, railways, power systems, telecoms, etc. Education was also important to increase skill levels so more research and development could take place in developing countries. The importance of fluid capital, as a lubricant for free trade, was also emphasized because its absence could lead to severe consequences, as recently seen with the global economic crisis. In a G-20 context, it was important to see how new banking regulations could support trade and infrastructure.

He urged business to be ready to invest, take risks and be there to develop new markets. They should also want to promote free trade, deregulation and investment. The ICC advocated free trade to strengthen commercial ties between nations and was willing to partner in this dialogue. Business was also urged to remind governments that there were huge costs in protectionism. The importance of public-private partnerships to develop infrastructure was raised and a dialogue on investment need to ensure that it made business sense. Given the need for dialogue, it was a good initiative that WTO had started to engage the private sector. The more global scope of value chains would lead to new growth for emerging countries, as well as all other countries.

## **Session 22:** **Tracing the Future of Aid for Trade**

This session sought to bring together key themes and messages from the preceding analysis and analyse implications for the Aid-for-Trade Initiative. The discussion sought to frame the debate in terms of MC9 planned for 3-6 December 2013 in Bali, Indonesia, and how Members might wish to drive forward the agenda thereafter.

### **Moderator:**

Valentine Rugwabiza, Deputy  
Director-General, World Trade Organization

### **Panellists:**

Anabel González, Minister of Trade,  
Costa Rica

Jinzhao Li, Vice Minister of Commerce,  
People's Republic of China

Dick de Man, Deputy Managing Director,  
Centre for the Promotion of Imports from  
Developing Countries

Eric G. Postel, Assistant Administrator,  
Bureau of Economic Growth, Education  
and Environment, United States Agency for  
International Development

Alioune Sarr, Minister of Industry, Informal  
Sector and Trade, Senegal

Erik Solheim, Chair, Development Assistance  
Committee, Organization for Economic Co-  
operation and Development

**Valentine Rugwabiza, Deputy Director-General, World Trade Organization**, traced the background of the Aid-for-Trade Initiative. She recalled the mandate that had been given to Director-General Lamy in 2005, the Aid-for-Trade Task Force and its recommendations and recalled the themes of the three preceding Global Reviews: Mobilizing Resources; Maintaining Momentum; and Showing Results. She singled out the priorities that had been identified by the Aid-for-Trade Task Force (mobilizing additional resources, integrating trade priorities into development plans and strategies, the need for a regional focus, the need to show results, and the development of the private sector) and said that, while progress had been registered on all these issues, there was room to do more.

**Jinzao Li, Vice Minister of Commerce, People's Republic of China**, discussed the opportunities that China's impressive growth and progress in fighting against poverty meant for other developing countries. Those in poverty had declined to 27 million in 2010, per capita income had grown by 10 % on average, and in 2012 domestic consumption had contributed over 51% of its growth. China was also the largest market for LDCs. In 2011, China had announced that it would provide duty-free quota-free market access for 97% of products originating from LDCs with diplomatic relations with China. This would be implemented by 2015. In future, China's economic development would rely on domestic demand, people's incomes would increase, and productivity would grow. Over the next five years, China would also invest a lot overseas which would create opportunities for other developing countries and LDCs in terms of poverty reduction and employment. Shedding light on how he saw China's cooperation as playing a role in assisting in value addition and trading value, he noted China's first White Paper on foreign aid which aimed to increase transparency on its foreign aid policy. China had worked with several African countries on various projects, and, in 2011, had worked with the C-4 countries to provide high quality seeds, and personnel training to help them in their cotton industry. China had also worked in Rwanda on bamboo craft production. He also noted the China-Africa Development Fund as well as the economic and trade cooperation zones to expand cooperation with Africa. Chinese companies were also encouraged to go to Africa and China had contributed to the WTO China Program, and had hosted the Beijing Forum on best practices in WTO Accession.

**Alioune Sarr, Minister of Industry, Informal Sector and Trade, Senegal**, discussed the recently-signed cooperation agreement with China and what Senegal was doing to benefit from it. He stressed the key role China played in Africa, as its first trading partner and fourth largest investor. If Members wanted to connect least-developed countries to GVCs, it was critical that investments be made, and this was what China was doing. Senegal had enjoyed growth since 2005 when its cooperation with China resumed. He encouraged Africa and LDCs to diversify their partnerships to enable them to also become key players. The China model with 400 million middle-class citizens (a market the size of Europe) alone justified renewed engagement between China and Senegal. He called for better coordination of trade policies regionally and adoption of international standards, as well as tackling challenges with volume of supply and sanitary and phytosanitary issues. Senegal needed capital to connect to global value chains and China was a privileged partner in this respect. Senegal was working on transforming its business environment, had signed a number of international agreements, including with Canada, to make investments more secure, and were providing tax benefits and creating fewer fiscal charges. He encouraged companies to come to Senegal as they would benefit from the African Growth and Opportunity Act, as well as cooperation agreements with China and the European Union. Senegal also had an industrial policy focused on processes and value-added that supported agriculture. Connecting to global value chains was important, but value added was even more important for people in the fight against poverty.

**Erik Solheim, Chair, Development Assistance Committee, Organization for Economic Co-operation and Development**, stressed the importance of listening to private sector as the only way to get them to invest in infrastructure. He highlighted that what the private sector wanted from every country was to be like Switzerland: i.e. to have a stable political climate, with clear systems for conflict resolution and no need to know the politicians. He stressed the need for LDCs to get into manufacturing but also to build sectors around their natural resources, in the way that Norway had done. He said that Angola had started doing that with some success. There was a need to find alternative sources for domestic resources, as tariffs went down; a fair taxation system that ensured that taxes were paid by all was a way around this.

**Anabel González, Minister of Trade, Costa Rica**, expressed her appreciation of the 4<sup>th</sup> Global Review's focus on GVCs which, in her view, was a reflection of the maturity of the Aid-for-Trade Initiative. Getting more LDCs into global trade required helping them to take advantage of the opportunities that existed in all sectors, as well as to bring down the cost of trade. While aid was important, the sustainable solution lay with investment which generated more income and was more results-oriented. Foreign direct investment was key for promoting competitiveness, expanding productive capacity, and bringing in more technology, advanced processes, etc. Investment should therefore be a central part of Aid for Trade. Value addition needed to be looked at as developing capacity to compete on factors other than price. The first step was to integrate into global and regional value chains. Referring to the recent cooperation between Costa Rica and Lesotho, she said that Lesotho had requested expertise in establishing institutional capacity to attract investment and work was on-going to further this collaboration.

**Eric G. Postel, Assistant Administrator, Bureau of Economic Growth, Education and Environment, United States Agency for International Development**, explained how USAID had been able to leverage private sector financing by recalling the work that had been done in the 1980s and 1990s to enhance enabling environments. While that had been necessary, it was not sufficient and what was needed was to get companies involved. USAID worked on a firm-by-firm basis through global development alliances of which there were now over 1,600. It was also trying to work on three-way partnerships, such as between India, African countries and the US in agriculture with the aim of trying to connect Indian entrepreneurs with people in Africa to increase trade and investment. More companies were interested in trade and investment and they wanted to reduce risk. As such, USAID was creating relationship managers for 40 big multinational corporations that could talk about specific sectors. Providing information about how USAID measured real time evaluation, he said that USAID were working to see how raw data as it became available could be used to make any real time changes. He suggested that a good topic for the next Global Review could be Aid for Trade and technology.

**Dick de Man, Deputy Managing Director, Centre for the Promotion of Imports from Developing Countries**, discussed how CBI was measuring the results of its investments in its work with the private sector. Roundtable meetings were held with representatives from European industry and this input drove CBI's intervention with trade promotion authorities and small and medium sized enterprises in developing countries. Trade finance was a particular issue that emerged from these discussions as a priority to be addressed. In the last four years, CBI had moved to real time monitoring and evaluation as this gave the possibility to see in which direction things were going and to make early adjustments. It was a work in progress and there was a need to be realistic as there were many actors handling different aspects and thus a need to revise the idea of accountability.

In the discussion, questions were asked about what least developed countries could do to improve the climate for investment, and on the need for private sector to pay taxes. Panellists stressed the importance of political commitment to ensure companies paid taxes. The role of Aid for Trade in bringing in more investment to LDCs and developing countries was underlined. Macroeconomic and democratic stability and a sound business environment were highlighted as important to attract investment. The importance of approaching Aid for Trade from the inside, i.e. by recipients themselves taking a serious look into how they could effectively get assistance and improve the investment environment was stressed.

**Valentine Rugwabiza, Deputy Director-General, World Trade Organization**, in closing, noted the need to keep the focus and improve the business climate, as well as infrastructure; the need to use Aid for Trade more to attract domestic and foreign investment; the value in coordination within recipients and amongst donors; countries and companies were interested in adding value and trading value to get into local, regional and global value chains; and the need to keep a focus on the results agenda, but to maintain a pragmatic approach to this issue.

This plenary session provided an opportunity for Members and Observers to make formal statements on the theme of connecting to value chains and to offer views on future AfT priorities and focus.

## Session 23: Plenary Session for Members/Observers

### Moderator:

Ms. Marion Vernese Williams, Ambassador,  
Permanent Representative to the WTO,  
Barbados and Chair of WTO Committee on  
Trade and Development

**Ms. Marion Vernese Williams, Ambassador, Permanent Representative to the WTO, Barbados and Chair of WTO Committee on Trade and Development**, noted that the 4<sup>th</sup> Global Review (4GR) had brought together inter-governmental organizations, academia, and civil society in a productive exchange and that all had benefitted from the opportunity to increase their knowledge on what developing countries and least-developed countries faced in integrating into and moving up value chains.

**Indonesia** provided a brief account of Indonesia's AFT-related activities. Indonesia's policy for South-South and Triangular cooperation was set out in the 2009 Jakarta Commitment and 2010-2014 Mid-Term Development Plan (MDTP). Indonesia was working with multilateral and bilateral partners with regard to specific programmes. Budget allocations had consistently increased since 2000 and currently amounted to US\$49.8 million. Indonesia planned to enhance international cooperation for innovation, particularly through technology transfer and research. It was also keen to improve capacity needed for better market integration by providing knowledge, information, materials and training. South-South and Triangular cooperation were an essential complement to North-South cooperation which should be moved forward and institutionalized with appropriate monitoring and evaluation mechanisms to appraise effectiveness.

**Comoros** highlighted the importance of the EIF for SVEs such as Comoros to strength institutional capacity for the formulation and implementation of trade strategies, strengthen the coordination of Aid for Trade, and implement its Diagnostic Trade Integration Study (DTIS) through institutional reforms. He noted that this support had enabled Comoros to become the first LDC to integrate trade into its national development plan. Results had included, *inter alia*, the development and adoption of a 2012-2015 medium-term plan for trade integration and of a trade policy framework, implementation of a project dedicated to strengthening its health system, the development of eco-tourism and exports, and updating of its DTIS which will form the basis for the adoption of a foreign trade policy. However, Comoros still faced challenges including with regard to the cost of regional and multilateral adjustment and the improvement of supply side capacity which would enable it to better seize the opportunities provided by trade liberalization. He stressed the importance for the EIF to take particular note of Comoros's specificities in order to combine the necessary effective operational and strategic support. Value chains were included in EIF projects for Comoros as an important approach to improve the competitiveness of its main export products as well as the development of its eco-tourism. In addition to adding value to goods and services, integrating into value chains impacted on human and institutional development by providing additional value through capacity building. In conclusion, he announced that, on behalf of the Government of Comoros, he had officially submitted a memorandum for accession to the WTO.

**Colombia** noted that deliberations would help prepare for MC9 at which there would be a need for concrete results (such as an agreement on trade facilitation) as well as a reaffirmation of the Aid-for-Trade mandate. He noted the positive results achieved since the launch of the Aid-for-Trade Initiative in 2005: mobilization of additional resources; integration of trade priorities in national development strategies; support to infrastructure, trade facilitation, and trade promotion; and, as demonstrated by the Fourth Global Review, the fact that Aid for Trade could assist developing countries to integrate into, and move up, value chains. Noting the 14% decrease in AFT flows, he said that Aid for Trade should be used more effectively and that more should be done with less. The continued work by the OECD and the WTO – including on the AFT monitoring exercise, quantification of aid, measuring impact, country case stories, and identifying key issues on which Aid for Trade should focus – would be extremely helpful in this regard.

**Mozambique** said that Global Review meetings were instrumental for the discussion of aid, trade and development-related issues with a focus on addressing constraints and challenges faced by developing countries, and particularly LDCs, in their development efforts. He stressed the importance of Aid for Trade in the fight against poverty through its role in the promotion of economic diversification and enterprise development which, in turn, could, *inter alia*, help countries build national trade-related capacities and connect to international GVCs. He welcomed the continued dedication to Aid for Trade despite the global economic crisis and called for continued focus on enhancing productive capacities and trade-related infrastructure to achieve increased and sustainable exports. Like many other African countries, Mozambique needed to develop policies to attract both domestic and foreign direct investment which would add value to local production, sustain productive capacities, and provide skills and job creation to boost competitiveness in the global economy. He therefore called for investment into Mozambique to allow for value addition and participation

in value chains, especially in sectors such as wood processing, tropical fruit and citrus processing, agro-processing, cotton, extractive industries, tourism, and transport and logistics. He reaffirmed Mozambique's commitment to Aid for Trade and said that the debate on aspects such as promotion of national development, regional economic integration, and the enhancement of trade facilitation and logistics become even more important in the context of MC9.

**China** noted the positive role that Aid for Trade had played in promoting economic development and social progress in developing countries and the fact that it had helped these countries to integrate into the multilateral trading system and benefit from trade liberalization. China had developed a unique "China Model" and had taken practical action to support the Aid-for-Trade Initiative since its launch in 2005. While receiving aid from other countries, China also provided aid to other development countries, particularly least developed countries. He explained that China's Aft assistance was a meaningful supplement to North-South cooperation which included, for example, the launch in 2011 of the China Program to facilitate LDCs' participation in the WTO; organization of roundtable meetings for LDCs on best practices in the WTO accession process; the announcement on Duty-Free, Quota-Free Market Access for LDCs with diplomatic relations with China to be implemented by 2015. Chinese investment in Africa had reached a total of US\$16.3 billion in 2011 with a further US\$2.9 billion added in 2012. Support had been provided to the Cotton-4 countries by way of, for example, multilateral and bilateral training for managers and technicians and support to business cooperation projects to promote technological upgrading and industrial chain expansion. In continuing to increase its Aft efforts, China would leverage the role of multilateral and regional cooperation mechanisms such as Forum on China-Africa Cooperation, Association of South-East Asian Nations 10 plus three, Greater Mekong Delta Sub-Region, the China-Caribbean Trade and Economic Cooperation Forum and the China-Pacific Economic Development Cooperation Forum to promote cooperation with other developing countries and LDCs in industrial and agricultural production, infrastructure and capacity building with the aim of helping these countries to improve their economy and thereby their position in GVCs. In conclusion, he announced that China had pledged US\$400,000 in 2013 to the WTO China Program for LDCs.

**Republic of Guinea** noted that the theme "Connecting to Value Chains" was timely given the globalization of the production of goods and services and the need for a range of measures to reach world markets. The Republic of Guinea was convinced that Aid for Trade could help in this regard. He called for PPPs for the development of basic infrastructure, notably in the telecommunications, energy, transport and logistics, education and health sectors. Coordination at regional and international level was also essential for the implementation of projects and programmes. Also critical was the modernization of the business environment and industrial transformation which could be achieved through investment and transfer of technology. Aid for Trade should continue in order to help countries achieve economic growth and poverty reduction. The EIF, for example, played an important role in coordinating support and bringing more visibility to trade. Members should therefore reaffirm their commitment to Aid for Trade and renew the Director-General's Aft mandate at MC9.

**Nepal, speaking on behalf of the Group of Least Developed Countries (LDC Group)**, noted the importance of the Global Review meetings as a multilateral forum to discuss aid, trade and development-related issues with particular focus on addressing constraints and challenges that developing countries, and in particular LDCs, faced in their development efforts. The 4GR, he said, had helped least-developed countries understand the relationship between Aid for Trade and GVCs and the steps needed to advance their trade agenda within the overall framework of national development. Referring to the Istanbul Programme of Action for LDCs, he stressed the importance of market access if the number of LDCs was to be halved by 2020. He therefore called for delivery on all LDC issues at MC9. Recognizing the progress made thus far, LDCs stressed that, in the context of the future direction of Aid for Trade, there was need for: a renewed Aft mandate; additionality and predictability of Aft resources and for maintaining Aft spending, as pledged by the G-20, at least at the average of 2006-2008 levels; the share of Aid for Trade to LDCs to be commensurate with LDC needs and for at least one-third of Aid for Trade to be disbursed to LDCs by the end of 2014; a progressive rise in the grant component of Aid for Trade to reach four-fifths of total Aid for Trade to be disbursed in the next three years; an alignment of Aid for Trade with national priorities and an improvement in the quality of assistance provided; Aid for Trade to be leveraged to improve the investment climate and to mobilize other sources of development finance and, in this regard, for Aid for Trade and investment to be the main theme of the next Global Review; Aid for Trade to be implemented through regional projects; for transfer of technology

and for capacity building support; LDCs participation in global and regional value chains to be guided by the objective of value addition and wealth creation; engagement of South-South partners on a voluntary basis; and the continuation of the EIF as a key vehicle for Aid for Trade. In addition, he also stressed the need to look at Aid for Trade as beneficial to all – donors and recipients alike – referring, in this context, to recent research by the International Trade Centre on the Participation of LDCs in Value Chains which revealed that emerging and developed countries had a clear incentive to support Aft programmes for LDCs. Noting that Aid for Trade was an important legacy of Director-General Lamy, he said that LDCs hoped that his successor would give equal, if not more, attention to the Aid-for-Trade Initiative.

**Dominican Republic, speaking on behalf of the Informal Group of Developing Countries (IGDC),** welcomed the progress made on Aid for Trade thus far and called for an increase in Aft resources as well as a meeting of the 2006-2008 G-20 pledge. While expressing concern about the decreasing trend in, and outlook for, Aft resources, he welcomed the fact that, despite budgetary pressures, some donors – such as the UK – had been able to keep to their ODA targets. Developing countries still faced supply-side and trade-related infrastructure constraints that limited the possibility of using trade as a tool to achieve their developmental objectives and it was therefore important that developed partners continued to honour commitments concerning Aft flows. For developing countries to integrate and move up value chains there was a need to focus on capacity building, infrastructure, trade facilitation, bringing down the costs of trade, improving trade finance, and increasing resources to regional integration. There was also need to look at the methodological challenges on monitoring the outcomes and impact of Aid for Trade and suggested that national systems should ideally be used in this regard. Also to be looked at was how Aid for Trade could be used to improve investment systems and how to find new sources of funds to finance development of productive capacity and export infrastructure. The IGDC was encouraged by the growth of South-South cooperation over the last decade which reflected the important complementary role that this could play in assisting fellow developing countries. Since a conclusion to the DDA would be key to achieving the MDGs, so continued work on Aid for Trade was one of the key contributions that the WTO could make to the post-2015 development agenda.

**Morocco, speaking on behalf of the African Group,** noted the challenge that Africa faced in participating in GVCs and called on Aid for Trade to support the African Union's process to enhance intra-African trade. He proposed that in between Global Reviews, the WTO Committee on Trade and Development should measure results of previous Global Reviews. Concern was expressed over the reduction in Aft resources for Africa and LDCs in 2011. MC9 would provide the opportunity for Ministers to reiterate a lasting commitment to Aid for Trade and for Ministers to assess the future operationalization and implementation of the Aft process and the role to be played by the WTO. He hoped that the next Director-General would continue with this work.

**Jamaica, speaking on behalf of the African Caribbean and Pacific (ACP) Group,** said that the 4GR had allowed for an in-depth discussion of different aspects of the theme Connecting to Value Chains with a particular focus from an Aft perspective. While ACP members accounted for only a small percentage of global trade, all recognized the important contribution of trade to national development. He highlighted the need for focused and practical Aft inputs to help overcome challenges such as lack of competitiveness, weak infrastructure and supply-side constraints. While recognizing the negative impact of the current global economic and financial crisis, he stressed the need to maintain additional, predictable, sustainable and effective Aid for Trade. Participation of many ACP countries in global value chains was limited and the 4GR had contributed to a better understanding of the challenges faced in making trade a significant contribution to growth and development, especially in relation to the growing impact of global value chains. The ACP Group hoped that the outcome of the 4GR would generate more targeted, focused, results-oriented and effective Aft programmes building on the progress made thus far. He stressed the important role that Aid for Trade could play in support of trade facilitation and noted that increased support for, and investment in, infrastructure development and technical assistance to overcome supply-side constraints and other challenges associated with production and export must be increased to allow ACP members achieve effective integration into GVCs.

**Jamaica** noted its active engagement in the Aid-for-Trade M&E exercise as well as in other related initiatives led by the WTO and other partners. Jamaica had developed its own national Aid-for-Trade Strategy which was built on three pillars (network infrastructure, competitiveness and export diversification, and trade development) to ensure effective alignment of Aid for Trade with Jamaica's long-term development objectives. Resources for

implementation of the strategy had thus far largely been drawn from traditional funds for on-going projects negotiated outside the context of Aid for Trade and it was hoped that AFT support could eventually be accessed to implement individual projects, such as the key project to develop Jamaica as a global shipping and logistics hub. Jamaica was also committed to harnessing the potential of Aid for Trade to contribute to value chain creation which, he said, was the key objective of its logistics hub initiative. As a member of CARICOM, Jamaica fully endorsed the CARICOM Regional Aid-for-Trade Strategy and was confident that, with the support of the international community and development partners, the Strategy could advance regional integration objectives and development priorities.

**El Salvador, speaking on behalf of the Small, Vulnerable Economies (SVEs)**, noted the positive results achieved thus far through Aid for Trade and the efforts being made by countries, including SVEs, to mainstream trade into their national development plans, including through the development of national and regional Aid-for-Trade Strategies. Establishing priorities and effective use of cooperation represented a constant challenge for small, vulnerable economies. He called for more involvement of the private sector in trade policy making, for regional development projects, and for an examination of the complementary nature between Aid for Trade and investment, all of which would allow businesses to connect to or promote value chains which, in turn, would allow small, vulnerable economies to integrate in global trade. SVEs expressed concern about the decline in ODA and reduction in overall AFT flows and the fact that a number of SVEs did not have access to Aid for Trade and were penalized because of their high income level and efforts to improve their economic and social conditions. SVEs called for a better distribution of aid flows to all groups of developing countries and reiterated the importance of continuing the Aid-for-Trade Initiative so that all developing countries, including SVEs, could receive appropriate cooperation and support. They were confident that during MC9 Ministers would renew their commitment to the Aid-for-Trade Initiative and believed that the Conference would ensure that the post-2015 development agenda would be recognized as an instrument for sustainable and inclusive development.

**Haiti, speaking on behalf of the CARICOM Group**, expressed appreciation for the opportunity to review the progress made thus far with respect to the Aid-for-Trade Initiative and noted that Aid for Trade continued to be a crucial component of CARICOM's mid- to long-term development strategies. He then referred to some of the findings of the joint OECD-WTO Aid for Trade At a Glance publication, including, *inter alia*, reports of increased commitments to building productive capacities, significant increases in trade-related adjustment financing and significant growth in South-South non-concession support, which he said, were important for CARICOM economies to develop their supply-side capacities and effectively participate in the multilateral trading system. Less encouraging were the findings that pointed to reductions in support for large economic infrastructure development projects and the continued difficulties of accessing trade finance, standards compliance and market access, all of which were important for the long-term development projects of CARICOM economies. He called for a delinking of Aid for Trade and high per capita income which led to the exclusion of many deserving middle-income countries from the assistance they needed. In closing, he referred to the recent launch of the CARICOM Aid-for-Trade Strategy and the development of projects for AFT support that would be presented at a donor conference in 2014.

**European Union** said that themes and conclusions had emerged from the 4GR discussions that pointed to how collectively to better integrate developing countries and least-developed economies into a world economy that was strongly marked by the dynamics of regional and global value chains. On the trade side, discussions and surveys had clearly shown the importance of open trade and investment policies to allow developing countries' businesses to tap into value chains and that import restrictions led to high production costs and stifled competitiveness. Access to affordable infrastructure services (e.g., telecommunications, logistics and financial services) were important and there was scope to put more focus on these in the AFT discussions. Likewise, an agreement on Trade Facilitation would help developing countries address bottlenecks. On the aid side, the EU acknowledged the need for continued and targeted Aid for Trade and noted that the onus for setting priorities lay ultimately in the hands of developing countries. More private sector engagement was also needed and the EU was working to combine grant aid with loans from financial institutions to boost resources for development. The EU already had encouraging examples of regional investment facilities and infrastructure trust-funds which they wanted to take further. With regard to the continued technical assistance and capacity building that developing countries and least developed countries would require to implement a

trade facilitation agreement, he said the EU was already providing 60% of global support on trade facilitation and had reaffirmed its commitment to continue doing so. The 4GR had demonstrated that there was a need to approach trade and development issues holistically and that to connect to value chains, developing countries needed to be able to attract investment, needed political stability, good governance, and a skilled and healthy labour force. It had also demonstrated that Aid for Trade could be an extremely effective way of using aid resources to boost growth, to promote sustainable poverty alleviation and sustainable development. The Aid-for-Trade Initiative had reached an important dimension globally that already affected the lives of a huge number of people, and was destined to grow further.

**Japan** noted that Aid for Trade could help create attractive investment climates and explained how foreign direct investment could contribute to building productive and trade capacities which, in turn, could help connect countries to global or regional value chains. The expansion of production and trade would also lead to employment creation and stronger growth. Aid for Trade could also enhance trade facilitation and therefore had a key role to play in supporting the trade facilitation negotiations. Japan, on its side, would continue its efforts on Aid for Trade in trade facilitation which thus far had included assistance to customs as well as the establishment of a one-stop border posts in several African countries. In response to the demand from the private sector, he said that Japan would also enhance its cooperation with Africa, in particular through building infrastructure and human resources. In this respect, he noted Japan's assistance package of US\$32 billion – including official development assistance amounting to US\$14 billion – that had been announced at the recently-held 5<sup>th</sup> Tokyo International Conference for African Development. Stressing the importance of collaboration with multilateral development banks and other international organizations, he said that improving the investment climate and connections to value chains would continue to be a significant focus of Japan's future work. In closing, he noted that Japan would chair the 2014 OECD ministerial meeting where it would take the opportunity to strengthen cooperation with the OECD and encourage further collaboration between WTO and the OECD in the analysis of Aid for Trade, investment climate, and value chains, and encourage discussions for exploring future policy directions in this regard.

**Norway** referred to its new Action Plan on Aid for Trade that would be launched in August and expressed commitment, as one of the major donors, to continue support for Aid for Trade by channelling its trade-related assistance – for which Africa and LDCs would have priority – through multilateral institutions such as, for example, the WTO, ITC, EIF, and UNIDO. The Action Plan took as its strategic guidance for cooperation and assistance the three main thematic areas of Norway's development cooperation: (i) fair distribution; (ii) gender equality; (iii) and environment and climate change. Norway intended to place more emphasis on fair distribution and growth in poor countries and would need to rethink its policies for redistribution of wealth between, and within, countries. Noting the complex relationship between trade and poverty reduction, he said that what was needed was national distributive policies and good governance which clearly put emphasis on private sector investment as well as government regulations and requirements which could increase local economic activity, production of services and skills development. Gender equality, i.e. increased female participation in economic activities (including trade and the work force) would enhance productivity and create the base for long-term sustainable and inclusive growth. In order to promote sustainable development, environmental and climate change concerns should be taken into account in all development cooperation – including Aid for Trade – and he said that Norway would increase its assistance allocations in this regard. In conclusion, he emphasized Norway's commitment to trade facilitation assistance and to finalizing the Trade Facilitation negotiations by the time of MC9.

**Benin, speaking on behalf of the co-sponsors of the Sectoral Initiative on Cotton (C-4)**, said that the C-4 countries supported the statements made by Morocco (on behalf of the African Group), Nepal (on behalf of the LDC Group), and Jamaica (on behalf of the ACP Group). The 4GR served as an opportunity to reiterate the message resulting from the C-4 Ministers Conference held in 2010 calling for the establishment of a link between the development aspect of the C-4 Initiative and the Aid-for-Trade Initiative so as to define an appropriate framework for the formulation of regional and sub-regional programmes and projects based on priorities identified by least developed countries that could be submitted to development partners. In this way, Aid for Trade could contribute effectively to support developing countries' – including African cotton producers' – regional and sub-regional integration efforts. Noting the 4GR's theme of "Connecting to Value Chains" and emphasizing the importance of the development aspects of cotton, he said that in future due

attention should be paid to the involvement of cotton producing countries in global value chains. He called for an analysis of the work done so far and of the further implementation of the Aid-for-Trade Initiative in this regard to be carried out in the framework of the Committee on Trade and Development.

**Canada** said that discussions at the 4GR had underscored the importance of Aid for Trade and also that trade itself aided development. Discussions and reports had demonstrated that countries that participated in GVCs had faster rates of growth than those that did not. Noting the premise of Aid for Trade, i.e. the importance of donor coordination and the necessity of recipient country ownership, he said that success in connecting to value chains required a country to have a business climate that enabled investment and trade (e.g. a dependable and predictable regulatory environment, reliable infrastructure, access to finance, skilled workforce, and two-way market access). Through its development assistance – such as the Canada-Americas Trade-related Technical Assistance Program, the Canada-Americas Business Environment Reform Program and, through support for the International Trade Centre programmes such as that for Building African Capacity for Trade – Canada had sought to contribute to building and promoting stable, transparent and accountable institutions and good governance. Canada also remained committed with regard to its support for partnerships, including PPPs within regions and sub-regions to facilitate trade, and partnerships between bilateral, regional and multilateral donors and institutions. Canada's assistance in this regard included the Fedecovera Cooperative in Alta Verapaz, Guatemala; its Investment Fund for Africa; Aid for Trade channelled through the African Development Bank, the Inter-American Development Bank, and the World Bank; funding of WTO-related trust funds including the Standards and Trade Development Facility and the EIF; and support to regional economic communities. He concluded that, in Canada's view, the completion of a trade facilitation agreement by the time of MC9 would be the most significant contribution to enable developing countries' participation in global value chains and that the 4GR was an important step in acknowledging the link between trade facilitation, GVCs, and development.

**Korea** noted how Aid for Trade could help developing countries and LDCs enter and move up GVCs by allowing them to seize opportunities while at the same time minimizing risks. Korea stood ready to continue to engage with other Members as far as the next stage of the Aid-for-Trade Initiative was concerned. Referring to Korea's Aft policy, the representative noted that 35% of its ODA disbursements were classified as Aid for Trade by the OECD. Korea had substantially and steadily increased the level of its Aid for Trade that included, for example, a decision to establish a policy guideline to mainstream Aid for Trade into its ODA policy, a PPP – Development Alliance Korea – to leverage resources and expertise of the private sector of recipient countries, and a Development Experience Exchange Partnership Program to support developing countries' efforts to set up national development policies and strategies. Korea would be focusing on more customized Aft policies to address the major constraints faced by SMEs (i.e. access to trade finance, customs procedures, and lack of regulatory certainty). Korea hoped that Ministers could reaffirm their commitment to Aft at MC9.

**Switzerland** noted three issues that, in his delegation's view, had come out of the 4GR discussions: (i) Aid for Trade played an important catalytic role in the integration of developing country companies into global value chains; (ii) issues of traceability and sustainable production and consumption patterns were more and more important as value chains became increasingly fragmented; and (iii) Aid for Trade complemented the WTO's work on improving the multilateral framework conditions. On the first issue, he said that Aid for Trade should be considered in a broader context and should continue to reach out to the private sector which needed a stable and predictable business environment in order to substantially engage in GVCs. On the second, Switzerland believed that Aid for Trade played a critical role in supporting developing countries' efforts to take advantage of changing trends by bringing sustainable products and services to markets while achieving broader environmental and social goals. And on the third issue, from a development perspective, there was need to achieve ambitious results at MC9, including a common interest to succeed on the trade facilitation negotiations. He concluded by noting that, while the Aid-for-Trade Initiative had been instrumental in underlining the importance of trade for development and had contributed to its mainstreaming into national development strategies, it was perhaps appropriate now to reflect on the future orientation of the Initiative, including with regard to whether the Global Review meetings contributed to the effective implementation of Aid for Trade on the ground. Switzerland pledged its commitment to engage in a constructive assessment of the Initiative with partners to increase its responsiveness to needs for the post-2015 period.

**Papua New Guinea, speaking on behalf of the Pacific Island Countries (PICs)**, noted the supply-side constraints that prevented PICs from fully harnessing the opportunities offered by trade liberalization. Small domestic markets, limited access to resources, high transaction costs, and remoteness and vulnerability to natural disasters limited the Pacific's capacity to attract FDI and to participate in regional and GVCs. Referring to the Session on "Aid for Trade, Value Chains and the Pacific", he said that improving trade-related infrastructure had been highlighted as the key priority for Aft interventions in the Pacific and that Aft support should focus equally on goods and services trade to enable PICs to move up the value chain. Appropriate Aft interventions in the fisheries industry, for example, could assist in developing productive capacity in this sector; clear benefits could be gained from focused Aft initiatives to support organic product certification; and access to affordable credit for SMEs, particularly in the agriculture sector, could support small and medium sized enterprises' efforts to engage in and join national, regional and global value chains. He informed of the new Pacific Regional Aid-for-Trade strategy currently being finalized which, he said, would take into account the 4GR discussions.

**Gabon** said that the 4GR discussions had highlighted the importance of investment and the need to strengthen capacity at the national, sub-regional and regional level in order to be able to connect to GVCs. A decision that Gabon had taken a little over three years ago was to locally process raw materials – notably minerals and timber – to create added value and to be better able to integrate into value chains, while at the same time preserving its rich biodiversity and to develop an eco-tourism industry. He said that continued support from donors in the development of its infrastructure, as well as that of the sub-region, would enable Gabon to improve its tourism and handicraft industry and increase its trade. Gabon hoped that by the time of MC9 further progress would have been made in the area of investment for trade and Aid for Trade. With regard to trade facilitation, he noted Gabon's on-going efforts in this area as well as the recent decision – that would come into effect as of 1 January 2014 – taken by the Economic and Monetary Community of Central Africa (CEMAC) to abolish visas to allow the free movement of goods and people between CEMAC member States.

**Solomon Islands** associated his remarks with those made by Nepal (on behalf of the LDC Group) and Jamaica (on behalf of the CP Group). With regard to the discussions on monitoring and evaluation and managing development results, he cautioned against being too prescriptive and a "one size fits all" approach. The outcome of the 4GR could provide broad ideas and parameters to use as guidelines, but measurable targets should be left to interventions at the regional and national levels. He highlighted five areas of focus that could assist Solomon Islands to effectively participate in regional or global value chains: development of products and productive capacities (including of the private sector); infrastructure development; access of affordable finance for the private sector; human resource development; and effective coordination (among donors and between donors and recipient countries).

**Finland** noted that despite current economic difficulties, its Aft flows were still well above the 2005 baseline level and that Aid for Trade was helping developing countries in their integration to global trade. He said that Aid for Trade was most needed in low-income countries that faced serious constraints in their ability to better utilize the opportunities offered by global trade. Noting the opportunities provided by global and regional value chains, he said that these could only be realized if a functioning infrastructure, efficient customs and logistical services, skilled work force, and open and transparent trade and investment policies were in place. Agreeing with others, he suggested that Aid for Trade could be better used to harness investment or how investments could be made were an more important part of the Aft work. The Aid-for-Trade Initiative needed to adapt to the changing world and MC9 would be an occasion to provide the Initiative with new direction, emphasis and relevance.

**Chinese Taipei** said that the transformation of the concept of free trade from one of simply "opening up domestic markets" to one of "deeper engagement in global value chains" brought with it a new meaning and methodology for conducting Aid for Trade. It was no longer enough to focus merely on helping a country enter the global market, but what was now needed was assistance to create a trade-friendly environment which involved government policies, institutional frameworks to enable a country to move up GVCs and reach a level that was sustainable. Countries needed to achieve a level of self-sufficiency before they could fully integrate into the global economy. He shared information on Chinese Taipei's Aft support including in the creation of business-friendly environments. Examples included, *inter alia*, the International Cooperation and Development Fund (ICDF) which, together with the support of the Inter-American Development Bank, had

committed US\$50 million to help with projects aimed at fostering a stronger financial services sector in Latin American countries. He also cited the assistance provided to transform the southern part of Haiti from a “food shortage area” to a “rice barn”. Chinese Taipei reaffirmed its commitment to the Aid-for-Trade Initiative and to help developing partners engage further in GVCs.

**Barbados** supported the statement by El Salvador (on behalf of the SVEs), Trinidad and Tobago (on behalf of the CARICOM Group) and the Dominican Republic (on behalf of the IGDC). The 4GR discussions reinforced Barbados’s view that, despite the increasingly apparent challenges that the financing of an ambitious Aft agenda presented, the Aid-for-Trade Initiative remained relevant and important. The joint WTO-OECD publication “Aid for Trade at a Glance 2013” had made it clear that real development gains could be achieved if the right strategies and national priorities were coupled with effective and targeted assistance. The representative noted that SVEs such as Barbados continued to have difficulties accessing Aid for Trade and financing. A call was made for more work to be done on examining the structural challenges facing SVEs and their firms in integrating into GVCs. It was also hoped that the recent launch of the Caribbean Regional Aid-for-Trade Strategy would provide a coherent platform for structural collaboration between the Caribbean region and the donor community.

**India** argued that limited technological bases, infrastructural bottlenecks, low human capital, and weak business environments, and other factors keep developing countries at the low end of global value chains, and that they needed technology transfer, capacity building and Aid for Trade to address those constraints. India also questioned whether investing in trade facilitation measures to lower trade costs was a better use of money than improving infrastructure or addressing other pressing needs. Noting that GVCs had thrived even as ODA had dropped in areas such as aid to energy infrastructure, the representative said South-South cooperation was voluntary and was complementary to, rather than a substitute for, North-South aid.

**United Kingdom** was encouraged by the evidence shown during the 4GR deliberations of the effectiveness of Aid for Trade and the real difference it was making to the ability of developing countries to trade. The representative noted the importance of ensuring that Aid for Trade kept pace with a rapidly changing context and that developing countries were being helped to tackle the binding constraints they faced in breaking into regional and global value chains and in moving up the value chain. The UK agreed with the notion of trade in tasks replacing that in goods. It highlighted its own commitment to Aid for Trade, praised the private sector role at the 4GR, and stressed the importance of Aid for Trade to business.

**United States** said that the Aid-for-Trade Initiative was continuing to yield positive impacts and the US stood ready to continue to engage with Members – and the private sector – to ensure that the Initiative remained effective and relevant. Discussions during the 4GR had highlighted the importance of value chains, and the costs associated with inefficient border procedures, tariff and non-tariff barriers and impediments to investment. In the US’s view, Aid for Trade helped address the challenges that developing countries faced so that they could leverage the opportunities presented by GVCs. As a signal of the US commitment to Aid for Trade, the representative quoted the new USTR Michael Forman’s recent comment on the importance of trade and investment, not just aid and assistance.

**Peru** underscored the importance of helping MSMEs of medium-income developing countries such as Peru to benefit from GVCs thus enabling them to successfully participate in international trade and to promote sustainable development and inclusive goals to which Peru was committed. For this a series of policies and a favourable business environment, to move from local value chains to regional and global value chains, was needed. While noting the positive impact that Aft support to Peru had already had, in particular with regard to trade facilitation, competition policy and its Biotrade sector, the representative said that significant challenges remained in areas such as climate change, institutional reform, competitiveness, physical infrastructure, research, development and innovation, and access to markets for which Peru encouraged increased assistance. In conclusion, the representative said that MC9 would provide an opportunity for Ministers to send a clear message about the future work plan of Aid for Trade which should include, for example, topics such as innovation and investment for development in the field of GVCs, the development of productive supply, and trade facilitation.

**Ecuador** noted that its policy goal was “productive transformation” and to move from exporting raw materials to more value addition and diversified, sustainable production. Four AFT priorities had been identified: change productive matrix (through, for example, market diversification and export supply); development of strategic sectors (e.g. non-renewable natural resources, telecommunications); knowledge sharing (e.g. by strengthening human capabilities and potential and promoting scientific research); and environmental sustainability (based on its National Plan for Good Living). It also highlighted the importance of regional integration and supply chains. The representative called for new tools for special and differential treatment, and more balanced rules within the multilateral trading system, as a means to bring vulnerable countries into world trade.

**Australia** stressed the importance of looking at the future of the Aid-for-Trade Initiative in a broader context. Four main themes had come out of the 4GR discussions that needed to be emphasized and kept in mind for the next phase of the Initiative. These were the importance of trade facilitation, services, complementary reforms if the impact of Aid for Trade was to be maximized, and the need to continue to monitor and explain the impact of Aid for Trade. The representative urged Members to ensure that Aft discussions remained central to the WTO’s work.

**Maldives** noted that its graduation from LDC status in 2011 and relatively high per capita income had not changed its intrinsic vulnerabilities and the challenges it faced when seeking to integrate into the global economy and diversify out of tourism and fisheries – challenges shared by many SVEs. Post-graduation technical support had been helpful in its pursuit of sustainable development. A 10-year National Economic Diversification Strategy had been prepared under the EIF programme to identify, foster and facilitate trade and economic activities in other sectors. The representative said that the Aid-for-Trade Initiative needed to be strengthened to take account of the specific needs of SVEs, including the trade and diversification needs of graduating LDCs. It noted that it had applied for the EU’s Generalized System of Preferences-Plus scheme.

**New Zealand** stressed the importance of resilient basic infrastructure and connectivity for small islands (and itself) to overcome the tyranny of distance and link up to GVCs. It stressed the importance of cost-effective renewable energy to sustainable development. An argument was made in favour of improved donor coordination so that Aid for Trade best fostered productive capacities. It reiterated its commitment to providing assistance for Trade Facilitation implementation.

**Chile** spoke of its own trade-opening policies, highlighting the role of governmental commitment to trade opening and policy stability. While not a traditional donor, Chile supported trade policymaking in comparable or poorer countries, through experience sharing. It asked for continued implementation of South-South cooperation, the positive impacts and results of which had been widely recognized.

**Sweden** said that the fundamental aim of the Aid-for-Trade Initiative was to help low-income countries overcome the structural limitations that prevented them from seizing the opportunities presented by global trade (GVCs being one such opportunity). Reforms to trade facilitation and services were essential for boosting productivity and competitiveness. Ensuring that Aid for Trade contributed to pro-poor growth would need better coordination and communication among donors, business, and civil society. Sweden had increased its trade-related assistance by 23% from 2011 and was committed to ensuring that Aid for Trade was the key driving force for development.

**Paraguay** pointed to the challenges faced by landlocked developing countries that had contributed to their current economic asymmetry and their heavy reliance on mainly three products that accounted for over 70% of exports. The representative said that the Group of Landlocked Developing Countries would be reviewing its work programme under the UN system and would push for better recognition of their specific needs in the area of infrastructure and services for which Aft support was an important element. It was hoped that credible results on trade facilitation, agriculture, and services – all of which were key to achieving development goals – could be realized at MC9.

**Costa Rica** recognized that the 4GR had demonstrated the role that Aid for Trade could play to enhance the participation of developing countries in trade and in particular in regional or global value chains. Trade in tasks had created new opportunities by inserting a link in the chain where comparative advantages were stronger –

be it for value chains in agriculture, services, tourism or in ICT. The representative emphasized the importance of strategies and trade and investment policies that create and maintain favourable conditions and policies for, for example, human capital development and measures to facilitate trade.

**Guatemala** supported the statement by El Salvador (on behalf of SVEs) and emphasized the importance of AfT programmes for countries such as Guatemala. The representative provided an example of how a Canada-backed project had helped a cooperative working with rural indigenous communities export cardamom, timber, and essential oils.

**Bangladesh** spoke of its engagement with the EIF and the DTIS which was currently being undertaken so as to put trade at the heart of its planning process and other trade-related initiatives. Support from global Aid for Trade and the EIF programme were instrumental in Bangladesh's efforts to become a middle-income country by 2021.

**Yemen** expressed backing for the statement by Nepal (on behalf of the LDC Group). Supply-side constraints remained a key challenge for LDCs and it was hoped that this issue would be addressed in the next phase of the Aid-for-Trade Initiative and at the 5<sup>th</sup> Global Review of Aid for Trade. The representative thanked Members and the Director-General for supporting Yemen's WTO accession.

**International Trade Centre** said that Aid for Trade was now fully established in the global development framework and its results were increasingly well-measured and acknowledged. ITC was dedicated to this cause and intended to continue to serve and innovate at the forefront of the Aid-for-Trade Initiative by intensifying its efforts and increasing investment in the area of export promotion and environmental strategies and improved collection and dissemination of firm-level trade performance and employment data to help SMEs connect to GVCs.

**Session 24:**  
**Closing Statement by**  
**Director-General**

At the beginning of the week, I mentioned some statistics: 1,400 people registered; 54 plenary sessions and side events; 800 pages of analysis.

As we close these three days of proceedings, let me give you some additional statistics. Over 40 ministers and representatives of agencies attended; over 300 of you have participated as speakers; a Memorandum of Understanding between the WTO and the Economic Commission for Africa has been signed; one country — the Comoros — has announced the submission of its memorandum on foreign trade regime, bringing it one step closer to becoming a WTO member; 27 development partners signed a pledge to support capacity building for trade facilitation; we've had 3,000 bottles of beer at the brewing the difference event; I've had three cups of Ethiopian coffee and anticipate having at least two bowls of Cambodian rice for lunch; I've watched one fashion show and what is surely a highlight — sang one song on stage with the Minister of Culture of Cape Verde, Mário Lúcio Matias De Sousa Mendes!

It has not just been three days of numbers and reports and analysis but it has been three days of experiences. By any metric, we achieved the objectives we set ourselves over the past three days. And all with one aim in mind: making trade work for development. I thank you all sincerely for your engagement at this 4<sup>th</sup> Global Review.

I take four distinct impressions away from this review: engagement, partnership, convergence and results. Let me expand on each.

## Broadening engagement

The mandate given by members on Aid for Trade in Hong Kong in 2005 was to the Director-General of the WTO. Both myself and Deputy Director-General Valentine Rugwabiza have since been the public faces of the Aid for Trade initiative. But the work, both with respect to the planning and implementation, has been done by many others.

Our main tasks have been twofold: to promote Aid for Trade and to periodically review it. To do so in collaboration with a growing number of partners — most notably the OECD.

Bringing together the broad community engaged in Aid for Trade policy and implementation has been challenging but extremely rewarding. Rewarding because the results have been remarkable, but rewarding also because of the broad geographical coverage and involvement. Not only is there engagement here in Geneva; it is also out there on the ground in the different regions and countries, where it is needed. This Fourth Global Review has shown how deeply rooted in the day-to-day realities Aid for Trade has become. And the engagement is broadening. Partner countries have greater choice with new partners, notably with South-South partners becoming increasingly more involved. And, as the joint report with the Confederation of Indian Industry highlights, the private sector is starting to play a critical role.

The participation of the private sector in this Global Review has been a revelation. The business input has been experience driven and focused on what the priorities and expectations are on the ground. As one of the speakers said, “in essence, it is the private sector that knows where the shoe pinches” and we have benefited from that perspective in every session over the three days.

## Partnership

The value of the Aid-for-Trade initiative in 2013 has exceeded the expectations we had when it was launched in 2005. One of the most concrete examples of this is the depth and breadth of the partnerships that have been formed. Aid for Trade has been an instrument of coherence. The United Nations organizations, the Bretton Woods institutions and the regional development banks have collaborated around Aid for Trade as a platform for growth in developing countries. We have advanced coherence in global economic governance in a very practical manner.

This same cooperation has been clearly seen at all levels — global, regional and local — between the public authorities and the private sector, between countries and regional economic communities, and between agencies in-country such as the trade, development and finance constituencies. It has been a template for partnership and confirmed the high value of establishing national, regional and global consultative mechanisms focused on connecting the reality on the ground with the policies at the domestic, regional and international level.

Two examples of this partnership are with the Enhanced Integrated Framework and the International Trade Centre. One only had to walk through the EIF exhibition or attend the ITC event on small- and medium-sized enterprises to know that Aid for Trade is at the heart of their work. The EIF is a gateway to Aid for Trade for the least developed countries. It is an incubator that helps to build the institutional capacity and confidence to allow least developed countries to better identify and elaborate their trade-related priorities. From mangoes and cashew nuts to textiles, music and honey, the EIF has been the greatest interlocutor of Aid for Trade with the least developed countries. The ITC's work with the private sector, in particular SMEs, in helping them to identify and overcome barriers to trade and to develop new and exciting markets for their products and services is truly Aid for Trade in action.

## Convergence

The other impression I take away from this event is that of convergence. Convergence on challenges: the challenges developing country firms face to connect or add value, the challenges of getting the policy environment right, of sustainable development, of regional cooperation.

I also heard convergence on opportunities. The opportunity that Aid for Trade offers to connect firms to local, regional and global value chains; that growing South-South trade offers for new trade connectivity; that services offer for value addition; that trade can offer for women's economic empowerment; and the opportunity that the infrastructure deficit offers for engaging the private sector.

Looking at the challenge of connectivity through the lens of value chains makes Aid for Trade more, not less, relevant. Aid for Trade has also engendered convergence between trade and development; trade and aid; domestic issues and international issues; and helped address disconnect between business and policy makers. This blurring of the frontiers between these concepts and the value of connecting these strands cannot be underestimated: it has not led to any one dominant philosophy or interpretation of trade, development or economic policy but has instead resulted in a more dynamic and inclusive approach to making trade work for growth, employment and poverty reduction.

The greatest examples of this I have seen are on the ground when I visit countries — developed, developing and LDCs. Developed countries are better mainstreaming trade into their development cooperation; developing and least-developed countries are increasingly seeing the value of embedding trade in national and regional priorities and one common perspective in all of my interactions in countries is that Aid for Trade helped to build the legitimacy of that coherence agenda on the ground. Aid for Trade may have had its genesis in a top-down approach but it is now led from the bottom-up: it has morphed into a true demand-driven initiative.

## Results

### *What about the results? What have we achieved during this period?*

Economists are fond of counterfactuals. In layman's language, this is the alternate hypothesis. Let us apply it to Aid for Trade. What would have happened if we had not launched the initiative in 2005? If everything had stayed as it was? What would have been the outcome?

- On resource mobilization, fewer resources would have been mobilized. Aid for Trade spending in 2011 would have been US\$ 26.5 billion (the baseline period number), not US\$41.5 billion — 57% lower. Over the period 2006-2011, that means US\$77.5 billion less committed and US\$42 billion less disbursed. That is a lot of North-South corridors, Meso-American highways and infrastructure in the Greater Mekong sub-region that may not have happened. Would these have been built anyway? Maybe. But I firmly believe that we made it easier by making the case for the resources to be approved by governments.
- On mainstreaming, we have catalogued progress in getting developing countries to bring trade into their national development plans, with each successive edition of "Aid for Trade at a Glance". From the slim 80 pages of the first edition in 2007, we have thickened out to over 400 pages. Seven partner countries replied to the first monitoring questionnaire in 2007; that number was 80 in 2013 — and 36 were least-developed countries. Not only is the quality of reporting improving, so are the results. This monitoring shows clearly that trade is being mainstreamed into overall development planning, policies and activities. Mainstreaming needs political will and when I look at what has worked and in which countries, it has been where the political commitment to making trade work for development has been the most constant; where ministerial engagement has been sustained the most; where buy-in from the private sector has been built; and where we have local ownership of Aid for Trade.
- The African Union has adopted an Action Plan to Boost Intra-regional Trade. The Caribbean has launched an Aid for Trade strategy — so too has COMESA, Central Africa and various other regions. Aid for Trade focused on regional projects tripled in value to reach US\$7.7 billion in 2011. The laDB has a lending target for regional programming. Would these have happened anyway? Maybe. But again I believe the initiative made it easier.

- The private sector has told us clearly that it sees shared value in addressing many of the issues that Aid for Trade is designed to tackle. Grow Africa and the Cashew Alliance show how aid and investment can make the aid dollar go further — and make it more sustainable. The business sector should be seen not just as a service supplier in the development context. It should also be recognized for its potential as an independent actor — as an adviser and dialogue partner. As an investment partner. Just think of the work on Better Cotton.
- On monitoring and evaluation. We have now collected abundant evidence that the large sums mobilized on Aid for Trade are being well-spent. They result in lowering trade costs and improving trade performance.

I can say with confidence and conviction that we have operationalized Aid for Trade. We have achieved much more than what we expected when we launched the Initiative in 2005. I can say with certainty that the recommendations that the Aid-for-Trade Task Force made to the General Council in 2006 have been fully implemented. Based on the output and impacts since the Initiative was launched, it is clear that we have built a formidable pool of opportunities.

Listening to countries transform their challenges into opportunities has been one of the most important deliverables. Seeing land-linked instead of landlocked; seeing vulnerability as an impetus to strive for greater stability; using traditional culture and knowledge as exportable products and services; leveraging challenges as a platform for opportunities. This is one of the greatest outcomes of this process.

## The way forward

### *So what is next?*

Based on what I have heard over these three days, I would like to suggest that we focus on sustaining progress with two main targets in mind: bringing trade costs down while adding value to developing country trade.

### *One, sustaining progress*

As many of you have said this morning, much has been achieved since the start of the initiative in 2005. We cannot afford to lose the momentum which you have so painstakingly built. Hence, the focus on commitments and aid flows must continue. Pledges on future funding have been given. We need to continue monitoring them and to keep making the case for mobilizing resources. And here I believe our strongest argument is a simple one. Aid for Trade is not charity — it is an investment in future trade and trading partners. It brings benefits for both.

We also need to see Aid for Trade more in the context of other development finance flows to ensure that Aid for Trade attracts investment and additional sources of funding. Similarly, the focus on the private sector must continue.

There can also be no let-up in our efforts to improve the business climate, since both trade and investment flourish in a conducive business environment. So in short, we must continue to deliver more of what we have so successfully done in the last eight years. To get better and smarter at making the case for it.

### *Two, bringing trading costs down*

The second point that I would like to stress also comes from what we have heard in the different sessions; from the private sector in our monitoring exercise; and especially from members this morning. The discussions have brought some key areas into focus:

- access to finance — and trade finance in particular

- trade facilitation
- standards setting and compliance
- business and investment climate
- skills, as clearly evidenced by my discussion with ILO Director-General Guy Ryder
- infrastructure.

What binds these issues together is how they influence trading costs. Low-income countries do not mean low-cost environments. The costs of trading can be very high. High trading costs lock firms out of value chains even when the product or service may be competitively priced.

In the coming years, the focus must be to bring down these costs especially for the SMEs through effective and targeted Aid for Trade.

### *Three, adding value to developing countries*

We must also upgrade the exports from developing countries. Ensuring that developing countries can continue to expand their participation in value chains and use this as an enabler of adding value to goods and services. Where one can add value is sometimes counter-intuitive. Where exactly does your comparative advantage lie? How can it be leveraged? Proper analytical tools have to be available and this is probably an area where technical assistance can be improved.

We also must frame our work in the post-2015 agenda context in such a way that it is measurable, traceable and so that we are all accountable. The post 2015 development agenda offers an opportunity to embed the Aid-for-Trade Initiative in a global initiative that we all share and are committed to deliver on.

As I bring this 4<sup>th</sup> Global Review of Aid for Trade to a close, I have to state that although this was an initiative that was mandated to lead in 2005 as a complement to market access openings, in 2013 I can truly say that Aid for Trade is **your** achievement. It is you the members and the partners that have committed the energy, the dedication and the engagement. What started as a top-down initiative has truly become a bottom-up and results oriented programme. Aid for Trade is truly a part of the global trade and development architecture and as I listen to your statements this morning and over the past three days, it is clear that your investment in Aid for Trade will continue. Your call for a renewal of the mandate on Aid for Trade at MC9 and a new work programme which reflects the realities of the way you trade today and the new priority areas for the future have been well heard. Political will has been, and will be, a key to the success of the Aid-for-Trade Initiative, and I am sure we will see a member-driven reiteration of this political will at Bali.

In concluding, I would like to thank the WTO Secretariat for the way it has helped to support, sustain and widen the parameters of work on Aid for Trade. A special mention to all of the staff throughout the Secretariat that made the event such a success. To the Aid for Trade team — in all of its various iterations — but always led by the Director of the Development Division Shishir Priyadarshi – I give my thanks. Specifically to Michael Roberts, Deborah Barker, Aimé Murigande and the members of the Development Division.

### **It has truly been a collaborative effort**

And finally, to you the WTO Membership. I thank you for your commitment. Aid for Trade is an investment in people, in systems, in governance, in partnerships. The WTO is a Member-driven organization. Aid for Trade has become a partner-driven Initiative. This, I think, is our main achievement. My hope for the future is that Aid for Trade keeps helping to update the WTO agenda.

## Side Events



**Side event 1:**  
**Launch of High-Level Statement on**  
**Trade Facilitation**

The aim of this event was to demonstrate the development community's continued strong interest in working with developing countries to implement the Trade Facilitation Agreement.

**Organized by:**

Permanent Mission of Australia to the WTO,  
Geneva

**Report:**

Permanent Mission of Australia to the WTO,  
Geneva

The first side event of the Global Review comprised the launch of a high-level statement on trade facilitation. Issuing the statement on behalf of 27 donors and international organizations supporting trade facilitation assistance, **Tim Yeend, Ambassador, Permanent Representative of Australia to the WTO**, noted the importance of trade facilitation reform and the strong support provided by donors and international organisations to date. He noted that US\$1.2 billion in ODA for trade facilitation had been disbursed since 2006, and the volume of trade facilitation assistance had increased many times over since 2002-2005, providing confidence that ongoing support would be provided to meet any remaining trade facilitation implementation needs. Director-General Pascal Lamy welcomed the statement and the strong signal it sent to least developed countries and developing countries that their implementation needs would be met.

The high level statement<sup>14</sup> was signed by Australia, Canada, Denmark, the European Union, Finland, France, Germany, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, the United States, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the International Monetary Fund, the Islamic Development Bank Group, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Development Programme, the United Nations Economic Commission for Europe, the World Bank Group, and the World Customs Organization.

14 A copy of the high-level statement on trade facilitation can be accessed at:  
[http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review13prog\\_e/jointstatement\\_sideevent.pdf](http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/jointstatement_sideevent.pdf).

**Side event 2:  
State of Play and Perspectives for  
Aid for Trade in Francophone West  
and Central Africa:  
Issues and Challenges**

At the second Global Review of Aid for Trade in 2009, the International Organisation of the Francophonie (OIF) presented a paper titled “Aid for Trade in the French-speaking World: Status and Recommendations”. At this side event, the OIF presented an update of this paper which reflects the most recent data and developments of AfT results in Francophone countries. The Aid-for-Trade strategy for the Central African region was presented, and the ECOWAS Secretariat also presented a study on the impact of the Aid-for-Trade Initiative in the ECOWAS region.

**Organized by:**

International Organisation of La  
Francophonie (OIF)

Economic Community of West African States  
(ECOWAS)

*Economic Community of Central African States*  
(ECCAS)

**Report:**

OIF

## 1. Results of OIF action in the French-speaking Economic Area

Panellists thanked the OIF for its work that had allowed French-speaking African countries to strengthen their trade capacity, thus promoting better integration of these countries into the world economy. Programmes developed by the OIF had notably enabled the establishment of several economic cooperation networks between French-speaking African regional organizations (such as ECOWAS, ECCAS and the Commission of the Indian Ocean) and other international organizations such as the WTO, the OIC or the Commonwealth Secretariat. The strategy adopted by the OIF focused on: Strengthening regional cooperation and supporting the development of South-South trade and establishing a common Francophone thought framework.

Panellists welcomed this approach, noting that the current global trend also aimed towards increased bilateral and regional agreements. In addition, participants were informed of the request by the Heads of State and Government during the Kinshasa Summit held in 2012 to develop an economic strategy for the French-speaking world to present at the summit which would take place in Dakar in November 2014.

## 2. Identification of economic challenges in French-speaking Africa

After highlighting the progress achieved through OIF action, speakers then devoted part of their interventions on the challenges still to be addressed. Thus, in the context of the current economic crisis, **Mr. Remigi Winzap, Ambassador of Switzerland to the WTO**, recalled the fact that financial constraints might lead to a reduction in budgets for Aid for Trade. **Mr. Carlos Lopes, Executive Secretary of the United Nations Economic Commission for Africa** indicated that the African continent was still waiting for real structural transformation. In addition, he regretted that the statistics, notably those relating to African countries' population structure, were either not updated or were biased, which made it difficult to assess structural realities. To date, the expectations of French-speaking Africa in economic terms had not been met, mainly because of the weakness of its trade with the rest of the world and lack of export diversification. Panellists, including **Mr. Dahalob, Minister of Trade and Industry of Chad**, therefore stressed the urgency to open up African countries, including by allowing them to acquire modern infrastructure enabling Africa to link to other parts of the world.

## 3. The evolution of Aid for Trade

Several more-targeted preliminary results from the OIF study on "Aid for Trade: recent developments and prospects for OIF action and its specialized operators in the French-speaking area" were presented. While the study would not be finalized until sometime in August 2013, some early findings analyzed how AfT resources had been used: ECOWAS had benefited from US\$3 billion between 2009 and 2011 of which 52% was allocated to strengthen African productive capacities. More generally, 60% of Aid for Trade to African countries had been devoted to economic infrastructure development. Despite declining AfT budgets since 2011, AfT support to the Central African region has remained stable, amounting to US\$907 million per year between 2009 and 2011, which has allowed a diversification of beneficiaries. The study noted, however, that there were few strategies to mobilize Aid for Trade at a national level. Nevertheless, more and more instruments financed by Aid for Trade were beginning to call on private sector and civil society participation.

## 4. Aid-for-Trade dynamics in Africa and optimization opportunities

**Executive Secretary Mr. Lopes** noted that the integration of the African continent in international trade had increased in recent years, while at the same time regretting that its contribution to total trade remained low. Like other panellists, he stressed the need to accelerate regional integration in Africa, which required a better alignment between Aid for Trade and other instruments to facilitate trade. In addition, a special mention was also made of the major asset of Africa's youth. The idea of establishing a "global social contract" between Africa, as the "younger" continent and the rest of the "ageing" world had been proposed. The African continent thus appeared to be a key player in the future to maintain production chains and intergenerational solidarity.

## ***5. Aid-for-Trade Strategies and the need for technical assistance in Central Africa and in West Africa***

**Minister Dahalob, representative of ECCAS,** and **Ambassador Sow, Representative of the ECOWAS Commission in Brussels,** presented the AfT strategies implemented by their respective organizations. These strategies both had three main objectives: (i) trade facilitation (made possible by the elimination of tariff and non-tariff barriers and improved infrastructure and transport); (ii) harmonization at regional level (particularly in the energy, transport and telecommunications sectors). To note was the fact that the idea of creating a free-trade zone and free movement, or even a common market, was raised by both organizations; (iii) building productive capacity (including reducing the cost of production factors). To succeed in these three objectives, all panellists agreed that economic development could only be achieved if political instability and corruption of state officials in Africa was halted. All panellists agreed on the importance of supporting the establishment of an enabling environment for economic trade and investment in Africa, including providing legal security in developing countries and reducing the number of barriers to cross-border trade. In addition, they highlighted three key areas in which all efforts in French-speaking countries should be concentrated to improve their competitiveness in globalization: transport, health, and education.

Finally, in view of the very encouraging results of its work, a call was made to the OIF to increase its economic partnership process in order to implement coherent trade policies that would lead to the free movement of persons and property in French-speaking Africa.

This side event was organized for the Enhanced Integrated Framework (EIF) heads of agencies to reaffirm their commitment to the EIF, in particular, in the important phase of providing follow-up to the results of the EIF Mid-Term Review. The side event featured the launch of the EIF Film “Trading Stories”.<sup>15</sup>

### Side event 3: Heads of Agency Meeting, Enhanced Integrated Framework



<sup>15</sup> A video report of the side event is available at:  
<http://www.enhancedif.org/en/media/all>.

**WTO Director-General, Pascal Lamy**, opened the meeting by expressing his confidence in the future of the EIF and recalled the key messages emerging from the outcome of the EIF Mid-Term Review (MTR). The **Chair of the EIF Steering Committee, Ambassador Kairamo of Finland** and the **Chair of the EIF Board, Ambassador Getahun of Ethiopia** stressed the need for renewed and deepened engagement from all partners.

**UNDP Administrator Helen Clark**, said that, based on her Agency's experience in the EIF and the outcome of the MTR, she was confident that "the EIF was on the way and was doing good". She urged for customized support and noted that one template for all LDCs did not do the job. Commenting on the "Trading Stories" film, she said she found it heartening to see how it introduced a sense of the reality on the ground.

**UNCTAD Secretary General, Dr. Supachai Panitchpakdi**, underlined the importance of the nexus between trade and investment. He drew attention to some of the MTR recommendations, in particular that Board involvement should not become a burden on the process, and that partners must ensure that funding pledges were being paid. He recommitted UNCTAD's full support to the EIF and stressed that stakeholders should ensure that the EIF was extended beyond 2015.

**Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States**, welcomed the fact that in many LDCs trade was now being seen as part of the development agenda. However, he said that the trade situation in LDCs could be improved through: Duty-Free Quota-Free access for LDCs; support to diversify exports away from the current concentration on a few export products; and support for productive and trade capacity building since this was a very important factor in bringing about structural transformation. Looking to the future, he said that there should be more funding, quicker disbursement, broader partnership, and seamless connection between Aid for Trade and the EIF.

**Donald Kaberuka, President of the African Development Bank**, praised the EIF for successfully achieving the mainstreaming of trade into the overall development programmes in international financial institutions and said he hoped that bilateral donors would do the same. He noted that while partners might consider the EIF as slow starting, it was normal for initiatives of this nature to take time before taking off and the EIF was no exception. He said that the EIF was effective and that one should be realistic about what could be achieved.

**Talib Rifai, Secretary-General of the World Tourism Organization**, said his organization was encouraged by the fact that many of the Diagnostic Trade Integration Studies had included tourism as an important sector. He suggested that, if the EIF were to widen its partnership, the UNWTO could be included.

**Sri Mulyani Indrawati, Managing Director of the World Bank**, stressed that Diagnostic Trade Integration Studies leveraged additional funding. She noted that the EIF allowed the World Bank to extend its trade support. She reconfirmed her Agency's support to the EIF.

**Min Zhu, Deputy Managing Director of the IMF**, underlined that his agency would continue to contribute to trade support within its own mandate.

**Jean-Marie Paugam, Acting Executive Director of ITC**, pledged ITC's continued support to the EIF and provided information on what ITC was doing as part of the EIF.

**H.E. Mr. Kebba S. Touray, Minister of Trade, Industry, Regional Integration and Employment of The Gambia**, set out examples on how The Gambia was benefitting from the EIF, e.g. through projects with regard to institutional capacity building and mainstreaming. He looked forward to receiving more funding for larger projects and said that the EIF should focus on infrastructure. The EIF should also be extended beyond 2015.

**H.E. Mr. François Kanimba, Minister of Trade of Rwanda**, underscored the importance of the private sector for linking to value chains. He said that the WTO had a role to play in encouraging the creation of public-private partnerships. The EIF should focus on helping LDCs to persuade multinational companies to invest in LDCs and integrate LDCs into GVCs.

**Secretary of State of Cambodia, Minister Pan Sorasak**, said it was the duty of all partners to demystify the EIF. He said that the EIF obliged one to think out of the box and to reach out to trading communities.

**Ambassador Bairagi of Nepal** noted that the EIF had been successful in mainstreaming trade. He said that Nepal wished to see a strong political commitment on the extension of the EIF at MC9. He noted, too, that artificial deadlines were not helpful, and that LDCs needed market access with support to address supply side constraints.

On behalf of the EIF donors, **Sweden, supported by Finland**, expressed donors' commitment to continue to work with all EIF stakeholders.

In his closing remarks, the **Chair** stressed that the EIF should not become overly procedural. He said that the EIF was the gateway to Aid for Trade and was building LDC capacity to benefit from the "big pool of Aid-for-Trade resources available". He emphasized that the EIF's own Trust Fund was not about infrastructure. The Chair also praised the work done by the EIF Executive Director, Dorothy Tembo.

At the end of the event, the **EIF Executive Director, Dorothy Tembo** read out the agreed EIF Communiqué.<sup>16</sup>

16 <http://www.enhancedif.org/en/publication/2013-07/communique-eif-heads-agency-event-fourth-global-review-aid-trade>.

#### **Side event 4: Fair trade**

This side event was organized in connection with the first National Action Plan to Promote Fair Trade which was announced at the opening of the 2013 Fair Trade Campaign held on 29 April 2013. The side event demonstrated how Fair Trade can stimulate trade, how it allows small producers to connect to value chains, and why it should be supported by Aid for Trade.

Topics for discussion included: the concept of fair trade and its contribution to value chains, and to human, productive and trade development; fair trade sector initiatives in developing countries and the results achieved in economic sectors and territories; and on mechanisms and existing French cooperation that can support the developing countries' efforts to develop fair trade.

#### **Organized by:**

Ministry of Foreign Affairs and Development,  
and Ministry of Finance, France

#### **Report:**

French Fair Trade Platform

The French Ministry of Foreign Affairs and the Agence Française de Développement have invested for many years in the strengthening of Fair Trade and took the opportunity of the 4<sup>th</sup> Global Review of Aid for Trade to demonstrate in the side-event the relevance of its support to this sector as an efficient way of connecting small producers to value chains.

Fair Trade is a tool that provides valuable answers to the challenges of rural sustainable development. Fair Trade is a social and environmental voluntary standard guaranteed by private labels - the best known being Fairtrade International/Max Havelaar. A European barometer shows that the food label that European consumers recognise the most is the Fairtrade international label (ahead of the organic European label).

The Fair Trade market is estimated at around €5.5 billion of sales worldwide. More than 2 million small producers benefit from Fair Trade relationships in about 70 countries.

The French Ministry of Development has invested a lot in developing an accurate methodology to assess the impacts of Fair Trade, not only on the economic situation of small producers but also on their environment, their organizations, and their community at large. Agronomy and veterinaries without borders were involved in the development of this methodology.

**Christophe Chauveau, Director, International Development Program, Agronomists and Vets without Borders**, testified to the effectiveness of Fair Trade on the ground on the basis of NGO's work with producer organizations and on the basis of the numerous impact studies they had carried out.

**Julie Stoll, Executive Director of the French Fair Trade Platform**, reported on a meta-analysis of Fair Trade impact studies done by the CIRAD (International Center of Agricultural Research for Development). This research, based on 77 impact studies selected for the seriousness of their methodology, confirmed the impact of Fair Trade in terms of sustainable development. Fair Trade appeared to be an efficient tool to increase the well-being of small producers and their families. It enabled the strengthening of their organizations (cooperatives and others) through capacity building and better knowledge and management of international markets as well as local markets. Small producer organizations, through fair trade, became active stakeholders of their local and national development.

**Stephane Comar, Founder and Finance Director, l'Ethiquable of the French Fair Trade Cooperative l'Ethiquable** which imports fair trade products from 49 small producer organizations in Africa, Latin America and Asia, gave several examples of the ways small producers used Fair Trade relationships to better their situation. He talked of a cooperative in Peru that used to depend highly on low value coffee beans exports. In order to diversify their sources of revenues they invested in Fairly Traded Sugar Cane. In 10 years they were able to increase their production from 10 to 800 tons; they built 20 small sugar plant units and launched a real economic development dynamic that allowed to reduce migrations towards urban areas. He also gave the example of a coffee bean organization in Haiti that was facing low productivity and low quality issues. Fair Trade relationships enabled this organization to replant coffee trees, reduce erosion, develop quality and get US\$325 cents/pound while the world rates were at US\$180 cents/pound. These case studies, backed by a large body of research studies, justified the involvement of the French Ministry for Development in directing Aid for Trade towards the Fair trade sector.

The speakers encouraged promotion of Fair Trade principles (such as price regulation) and putting in place public policies that facilitated the involvement of small-holder organizations in fair trade schemes such as: access to credit and investment schemes, training, capacity building, etc.

**Side event 5:  
Roundtable on the Role of  
Competition and Consumer Policies  
in Connecting Value Chains**

The aim of this roundtable was to examine how developing countries, and in particular LDCs, can use competition law and policy in support of economic growth and development, and how development partners can support this process through their AfT assistance. Examples of UNCTAD activities and the Government of Switzerland, through COMPAL program support, competition law and policy strategies, were examined and the implications for future AfT support discussed. The side event complemented the work of the UNCTAD Intergovernmental Group of Experts on Competition policy, which took place from 8-12 July 2013 at the Palais des Nations, Geneva.

**Organized by:**

**Competition and Consumer Policies  
Branch, United Nations Conference on  
Trade and Development**

**Report:**

**Competition and Consumer Policies  
Branch, UNCTAD**

The roundtable reviewed the experiences and best practices of different countries in Latin America, Africa and economies in Transition in formulating competition law and policy strategies as a tool for maximising the benefits of globalisation of trade and Investment and reducing poverty. The roundtable focused on the UNCTAD-SECO project and its relevance to other interested countries. The West African Monetary Union, Peru and Nicaragua presented specific examples from their recent experiences.

**Supachai Panitchpakdi, Secretary General, UNCTAD**, discussed the role of Competition in connecting value chains. He said that competition policy improved economic performance, facilitated innovation and technological development, and played an important role in both competitiveness and sustainable development. Effective enforcement of competition and consumer laws could bring benefits to consumers and make markets work for the poor and therefore contribute to achieving the Millennium Development Goals (MDGs). He referred to the value chain which described the full range of activities that firms did to bring a product from its conception to end use thereby facilitating the integration of developing countries into the world economy. This included activities such as design, production, marketing, distribution, and support to the final consumer. Rarely did individual companies alone undertake the full range of activities required to bring a product from conception to market, but instead comprised a chain of activities that were often divided among different enterprises, often located in different places and sometimes in different countries. Global value chains (GVCs) offered opportunities for upgrading and modernization of firms in developing countries and LDCs thereby enhancing their supply capacity and capabilities to benefit from international trade in commodities, services and foreign direct investment. However, a deep understanding of the organization of inter-firm linkages, business models, internal and external structure of value chain, pricing, distribution and marketing strategies was needed to assess the potential contribution of GVCs to integrating developing and least developed countries into the global economy.

**Beatrice Maser, Ambassador, Delegate of the Swiss Government of Trade Agreements**, presented SECO's work on Competition Policy and trade policy measures in middle-income countries. She said that competition policy was an important ingredient in creating a business-friendly environment. It helped to create a level playing field for all market actors allowing them to capitalize on their comparative advantages. If companies were competitive, they could more easily access international markets and participate in GVCs. The integration of suppliers from developing countries in GVCs would, in turn, have a positive impact on their ability to add value and improve productivity through technology transfer, skill-building of the labour force, and modernization of the production processes. She presented COMPAL, a regional programme in Latin America, for which UNCTAD had been acting as executing agency, as well as the Viet Nam Project implemented by the Swiss Competition Agency (COMCO). She presented concrete successes of the COMPAL program which had had a positive impact on the poor and on businesses' competitiveness in GVCs. For instance, a COMPAL study analysing the situation of Nicaraguan consumer's protection rights with respect to the services rendered by financial institutions was presented. The study also analysed the capacity and requirements of the Nicaraguan institution in charge of consumer protection to give an accurate response to abuse issues. The study found that there were several cases in which consumers of financial services had their rights infringed and that almost every micro-finance institution exceeded the maximum interest rate permitted by the Loans to Individuals Law. Consumers were neither aware of their rights nor of the effective cost of the service rendered. Recommendations from COMPAL's analysis included the passage of a new law providing clearer obligations for financial service providers and rights for consumers; the creation of a Financial Services User Protection Policy; and the creation of a new unit for the protection of financial service users. She concluded by stressing the cross-cutting nature of the benefits that increased competition could bring not only to the poor but also to businesses.

**Hebert Tassano, President, Indecopi (Competition, Consumer Protection and Intellectual Property Authority of Peru) and Chairman of the 13th Meeting of UNCTAD's Intergovernmental Group of Experts (IGE) on Competition Law and Policy** and **Luis Humberto Guzmán, President, Procompetencia (Competition Authority of Nicaragua) and Chairman of the Central-American Competition Group**, presented national experiences of Nicaragua and Peru. Peru's experiences related to strengthening the work of the informal sector in the Peruvian economy. By reducing burdensome bureaucracy, opening markets and providing competitive infrastructure, competition policy contributed to increasing productivity in the informal sector and allowed it to be integrated in the formal economy and to participate in the various stages of value chain. For Nicaragua, Dr. Guzmán presented the sectoral study of basic grains, in particular the market of rice, and how competition

policy in this strategic sector of the economy allowed economic agents to increase efficiency and add value at all levels of the value added chain.

An interactive discussion then took place animated by **Ambassador Guillermo Valles, Director, Division on International Trade in Goods and Services, and Commodities, UNCTAD**. **Costa Rica** mentioned the technical interconnectivity that had allowed countries to be part of the GVCs, and the way Costa Rican policymakers had taken the decision in 1996, when the Singapore Issues were recommending different policy options, to have profitable sectors. **Jean Luc Senou, West African Monetary Union, Ambassador to WTO and the UN**, stressed the crucial role of regional integration as being the only viable strategy to integrate WAEMU countries into the world economy and GVCs. He emphasized the role of competition policy as a tool for maximising the benefits of trade and economic reforms. He said WAEMU had always supported negotiations on a multilateral agreement on competition policy within WTO and had taken a unilateral decision to adopt regional competition rules for the eight WAEMU member countries. He praised the UNCTAD-SECO COMPAL program and cited the UNCTAD-WAEMU project as evidence of WAEMU's commitment to placing competition policy at the centre of development strategies. Although seven of the eight WAEMU member countries were LDCs, the UNCTAD-WAEMU project was entirely self-funded by the beneficiary African countries and implemented by UNCTAD. **Chile** mentioned the importance of competition in opening markets and expressed regret that the Singapore Issues had dropped the case of including competition in WTO negotiations and said that this was a backward step towards the internationalization of competition laws against cross-border cartels. In this regard, **Egypt** mentioned the interdependence of the world economy where GVCs played a critical role through the expansion of trade and investment opportunities and enhancing innovation. He drew attention to the need for international market regulations to tackle anti-competitive cross-border practices as well corporate social responsibility issues. **Honduras** commented that conventional economic thinking about development and international economic cooperation should change. Drawing on the experience of Central America in promoting regional integration, he explained how recent regional initiatives had allowed meaningful impact on the ground. The challenge, he said, was how to balance political and economic considerations on the one hand, and the distribution of benefits from liberalized trade and investment between countries with different resource endowments and at different stages of economic developments, on the other.

In her closing remarks, **Ambassador Maser** reiterated her Government's support and commitment to enhancing competition policy as a development strategy, as well as cooperation with UNCTAD in this area. She also said there was need for more regional self-funded projects such as WAEMU so as to demonstrate demand for such technical assistance by beneficiary countries and enhance ownership. This would further convince donors, including the Swiss Parliament. In addition, she mentioned that UNCTAD was the best placed multilateral agency to carry out this work as shown by developing countries' praise for its work and the concrete results achieved so far under COMPAL and other like projects. She also suggested that Costa Rica's case study should be studied more in detail to show other developing countries the way of sharing national strategies and cross-fertilization among them.

This side event was organized to profile the results and findings of a joint India-Africa Trade Survey that was conducted as a separate initiative as part of the monitoring exercise for the 4<sup>th</sup> Global Review. The survey, which was addressed to the private sector, sought to take stock of the barriers to trade and investment between India and Africa.<sup>17</sup>

**Side event 6:**  
**India-Africa Economic Relations:**  
**Building Sustainable Partnerships**  
**through Creation of Supply Chains**

<sup>17</sup> A copy of the joint Confederation of Indian Industry and World Trade Organization report analysing survey results, "India-Africa: South-South Trade and Investment for Development" can be found at: [http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review13prog\\_e/india\\_africa\\_report.pdf](http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/india_africa_report.pdf).

**Organized by:**  
Confederation of Indian Industry (CII)  
UK Department for International  
Development (DFID)

**Report:**  
Confederation of Indian Industry

**Sunil Kant Munjal, Chairman of Hero Corporate Service and Past President of the Confederation of Indian Industry**, opened the event by sharing key findings from the CII-WTO Report on “India-Africa: South-South Trade and Investments for Development”. This study was one of the first to have looked properly at the commercial aspects of India-Africa relations. There were tremendous opportunities for growth and as such the report provided key policy recommendations. Access to Indian buyers and trade finance emerged as major concerns for African traders. Transport and logistics costs and poor business environments were cited as major difficulties by Indian traders – a factor also cited as holding back further investment. Several issues required policy level intervention and cooperation with the private sector. Recognizing that Africa was a huge continent, companies had modified their products to the requirements of each specific market. African countries were also attracting large Indian investments which, if managed well, added skills and increased productivity. From a value chain perspective, the India-Africa Conclave was one of the largest platforms enabling Indian companies to look at projects and investment tie-ups in Africa. Indian companies were trying to understand how the African regional trade blocs worked in terms of better market access. The frequent policy changes in some countries had reduced the attractiveness of their markets.

**Anthony Mothae Maruping, Commissioner for Economic Affairs, African Union**, said that growing trade and investment between India and Africa was important because trade was low and was mainly in commodities. He said that some viewed growing investments from BRICS in Africa with suspicion, but the question was why other companies were not investing in Africa since Africa was “open for business”. The economy was relatively stable with inflation at a controllable level and sound monetary and financial stability. African countries were also investing in trade facilitation and market development. The African Union was working on harmonising the investment code across countries, to develop a business directory on investments into Africa. With the growing intra-African trade and trade with other developing countries increasing, the global economy would be more resilient. This South-South cooperation should be pushed further to become not only resilient but sustainable.

**William Kalema, Chairman, Uganda Manufacturers Association**, discussed how to deepen the India-Africa partnership. The issue of trade finance was key as within Africa access was limited. The problem of domestic financing within Africa was a major bottleneck and supplier credit became important once the relationship between exporters and importers deepened. He pointed out that regional integration was not working as well as it should. Border crossing was a ‘mind-set issue’ even as East Africa was working for a single border concept with only one document required to pass through the EAC region. He then noted some of the opportunities that existed: transport and power infrastructure was an area where Indian companies could work on a public-private mechanism; building capacity in Africa through skills support; strengthening institutional links between Indian and Africa with sector focus; a platform such as the India-Africa conclave could be broadened to linkages between the investment promotion boards and civil society; and, given the ubiquity of India’s IT infrastructure, a virtual network of companies and market could be created.

**Eamon Cassidy, Deputy Director & Senior Economist, Trade Policy Unit, Department for International Development**, welcomed the report as an important collaborative product that examined how South-South cooperation worked from the private sector perspective. With regard to what the UK or EU could contribute, he noted that there was much overlap on the hurdles that companies faced in trading or sourcing. For instance, trade facilitation, from a donor’s perspective, was an important area where much could be achieved through the Doha Development Agenda (DDA) negotiations. What the Report showed was that the DDA negotiations were very relevant for the private sector. He said that the UK was increasingly engaged, through various initiatives, in bringing developing country firms closer to help producers understand each other’s markets within Africa, notably with India and China. One key message was to look beyond tariffs as businesses needed predictability and coherence of deeper trade issues. He said that policymakers needed to listen to business more as companies were developing a greater desire for shared value.

Capturing the Gains research and programmes examine the links between economic and social upgrading in global value chains in apparel, agri-food, tourism and mobile communications. Comparative studies have examined when and how economic upgrading of producers (moving to higher value activities) can lead to social upgrading of workers and smallholders (better conditions and enabling rights). Capturing the Gains brings together an international network of 40 researchers with expertise in GVCs, trade and development in Africa, Asia, Europe, Latin America and the United States.<sup>18</sup> This side event highlighted key research findings and facilitated debate on implications for trade and development policy in a GVC world.

<sup>18</sup> <http://www.capturingthegains.org>.

## Side event 7: Capturing the Gains

**Organized by:**  
University of Manchester

Duke University

**Report:**  
Duke University

**Gary Gereffi, Professor, Duke University**, provided an overview of the ever-increasing role of value chains in international trade, as well as important trends towards consolidation of value chains as lead firms relied on fewer but larger suppliers and concentration of production in relatively fewer larger emerging economies. Consolidation and concentration, he argued, presented both opportunities and challenges, particularly for small firms and countries at the periphery of the trading system.

**Stephanie Barrientos, Professor, Manchester University**, drew on her research on agro-food value chains in Africa to illustrate the relationship of standards to economic and social upgrading. Food exports from Africa had long been dominated by a small number of large supermarket buyers, notably Walmart, Carrefour and Tesco. African supermarkets were rapidly growing, sourcing and selling within the region. Selling to supermarkets presented challenges, particularly for small producers, who found it increasingly difficult to meet the product, process and social standards of the buyers including Global G.A.P. and the Ethical Trading Initiative. Regional supermarkets also applied standards, but they were often less stringent. This provided new openings for small producers and workers to 'climb the value chain ladder'.

**Dev Nathan, Professor, Institute for Human Development, New Delhi**, used the recent tragedy in the Bangladesh garment sector to point out that private governance in the form of corporate codes of conduct and safety standards were unlikely to be sufficient to guarantee worker safety and other social benefits. Further, he argued that buyers, who monopolized rents from GVC operations, should be brought into the regular frameworks for governing industrial relations and should be required to accept joint responsibility for worker conditions in supplier factories. He pointed out that although there had been advances in Bangladesh, including increases in minimum wages, there remained crucial lapses, and addressing these required strong public governance.

**Frederick Mayer, Professor, Duke University**, presented a paper co-authored with William Milberg (The New School) on "Aid for Trade in a Value Chain World", in which they argued that the distribution of gains from trade within a value chain depended fundamentally on the relative power of buyers and sellers. Typically, large lead firms enjoyed considerable power and therefore were much better positioned to capture value than relatively powerless workers and small producers. The policy implication of this asymmetry was that unless aid was targeted at the bottom of the chain, the benefits of aid might be captured by the powerful at the top of the chain than by the intended beneficiaries at the bottom.

**David Croft, Technical Director of Agriculture, Waitrose, and a member of the CtG Advisory Group**, acted as a discussant of findings. He emphasized the importance of companies addressing social and economic resilience at the base of their value chains. He commented on the importance of collaboration between the private sector and local civil society and governmental actors. Although it was in the interest of businesses to invest in the communities that supply them, there were also practical limits to what the private sector, alone, could do.

The objectives of this side event were to share best practices and lessons learned from Asia's experiences of Aid for Trade and to explore dialogue with other regions including Africa, based on the discussions and findings from the Regional Technical Group on Aid for Trade for Asia and the Pacific (RTG) and the 5<sup>th</sup> Tokyo International Conference on African Development (TICAD-V).

## Side event 8: Asia's Experience and Dialogue with Africa

### Organized by:

Japan

Cambodia

Asian Development Bank (AsDB)

### Report:

Permanent Mission of Japan to the WTO,  
Geneva

The key issues examined in this side-event were:

- Asia's Experiences on Aid for Trade – What role did Aid for Trade play to improve the investment and business environment in the context of Asia's deepening integration into regional and global value chains?
- Current situation and challenges on trade and investment in Africa - What are the opportunities and bottlenecks to attract investment in Africa? What role does Aid for Trade play to address the impediments?
- Exploring dialogue between Asia and Africa – challenges and opportunities.

**Yoichi Otabe, Ambassador, Permanent Mission of Japan**, stated that sharing Asia's experiences was especially important in the context of value chains. He also shared information on Japan's AfT activities which included infrastructure development and improvement of productive capacity and creating an enabling business environment to attract FDI in developing countries.

**Bindu N. Lohani, Vice-President for Knowledge and Sustainable Development, Asian Development Bank**, introduced the AsDB's AfT activities which including assistance for trade facilitation, knowledge sharing, and AsDB's programme on trade finance. He also shared the AsDB's assistance in customs improvement in Africa, as well as its partnership with the AfDB.

**Sorasak Pan, Secretary of State, Ministry of Commerce, Cambodia**, stated that FDI was key to connect Cambodia to the value chain and that Aid for Trade played a fundamental role to attract FDI. He also emphasized that Asia must diversify its Aid for Trade, especially in the area of human resources development and improvement of trade logistics.

**Donald Kaberuka, President of the African Development Bank**, stated that while Africa, like Asia, enjoyed high growth, many African countries still faced a challenge when adding value to their exports and further effort was needed to translate the benefit of growth to the people's daily life. It was important to build both hard and soft infrastructure for the growth in Africa, and he said that Aid for Trade had contributed in this regard.

**Alisa DiCaprio, Regional Cooperation Specialist at Office of Regional Economic Integration, Asian Development Bank**, presented the second RTG Co-chairs report titled "*Aid for Trade in Asia and the Pacific: Driving Private Sector Participation in Global Value Chains*"<sup>19</sup>, which focused on the role of Public-Private Dialogue in designing and implementing development strategy as well as the important role that Aid for Trade and other financial flows played (i.e. development bank loans, EXIM banks loans, trade insurance, private bank loans and investments) in improving investment climate and attracting investment to be connected to value chains.

**Sopheak Sok, Director General for International Trade, Ministry of Commerce, Cambodia**, shared some of Cambodia's best practices to attract foreign direct investment which included a strong private-public dialogue mechanism led by the Prime Minister, mainstreaming Aid for Trade into the national development strategy, and capacity building of the private sector. He emphasized the importance of PPP to finance infrastructure projects.

**Magdi A. Farahat, Partner, Senior Economic Consultant, Global Trade Consultants, Riyadh, Saudi Arabia**, mentioned that inter-donor and intra-government cooperation was one of the obstacles for Aid for Trade in Africa. He stated that stronger focus on the private sector and PPPs, further regional integration, focus on downstream industry and coordination by all parties were key to securing Aid for Trade in Africa.

**Shinichi Asazuma, Director, Second Africa Division, African Affairs Department, Ministry of Foreign Affairs, Japan**, introduced the outcome of Japan's 5<sup>th</sup> Tokyo International Conference on African Development (TICAD-V) meeting which had put strong emphasis on the "quality growth" of Africa. It had also affirmed the importance of promoting trade and investment through PPPs while recognizing Africa as an important business partner.

19 <http://www.aric.adb.org/pdf/RTGreport.pdf>.

The promotion of sustainable value chains is at the heart of Switzerland's trade cooperation program in Peru. This side event aimed to share lessons learned from the development and implementation of a trade cooperation program focused on sustainable value chains; shed light on value chain development interventions from a donor and beneficiary perspective; and stress the importance of the three dimensions of sustainability in value chain development interventions.

**Side event 9:  
Value Chains –  
A Motor for Sustainable  
Economic Development**

**Organized by:**

Ministry of Foreign Trade and Tourism  
(MINCETUR), Peru

State Secretariat for Economic Affairs (SECO),  
Switzerland

**Report:**

Ministry of Foreign Trade and Tourism  
(MINCETUR), Peru

State Secretariat for Economic Affairs (SECO),  
Switzerland

## 1. *Evaluation of SECO's sustainable trade promotion and contribution to Aid for Trade in Peru*

**Thomas Finkel, Managing Director, Como Consult GmbH** (a private and outside contractor), presented the results of its independent evaluation. The presentation covered SECO's approach to sustainable trade promotion, cooperation and coordination with other donors, effectiveness of SECO's trade promotion projects in Peru, contribution of projects in Peru to Aid for Trade, and sustainability of SECO's projects in Peru.

The presentation concluded with the following recommendations for the future work on sustainable trade: (i) the emphasis that SECO puts on social and environmental issues in specific value chains should continue; (ii) to further encourage trade of products and services that are socially and environmentally sustainable was very much needed; (iii) SECO and other AFT supporters should help create the regulatory and institutional framework conditions needed to make inclusive green trade the mainstream; and also establish partnership with a "coalition of the willing" from the business sector.

## 2. *Swiss Response*

**Beatrice Maser, Ambassador, Delegate of the Swiss Government of Trade Agreements**, focused on the importance of global value chains, linking trade and sustainability issues and public-private partnerships. She emphasized that the challenge was to use the findings and recommendations to strengthen SECO's cooperation programs. The lessons learnt were, among others: (i) to maintain focus on sustainable trade and social and environmental concerns; (ii) to amplify the impact of SECO's development work through public private partnerships; and (iii) to reinforce the belief on principles like the importance of aligning development cooperation work with the development policies and plans of partner countries, and the strengthening of donor coordination to exploit complementarities between the bilateral and multilateral levels.

## 3. *Peruvian response*

**Carlos Posada, Vice Minister of Foreign Trade and Tourism, Peru**, stated how important the assessment of Aid for Trade impact and effectiveness was for guiding future cooperation activities. His presentation highlighted two projects developed with the support of SECO: "Peru Biodiverso" and "Región Exportadora – Subcomponente Cacao" programmes. Through these projects, peasant communities had been able to participate in value chains.

## 4. *Villa Andina presentation*

**Pedro Martinto Housman, Villa Andina**, a biodiversity company, made a presentation on the views of value chain stakeholders. He explained how it benefitted from trade promotion efforts, as well as knowledge and technology transfer from programmes by SECO and the Peruvian government.

## 5. *Closing remarks*

After a brief session of comments and questions raised by UNEP and ITC, **Vice Minister Posada** made the closing remarks of the side event. He stressed that the challenge for the future was to generate mechanisms and tools that accompanied the performance of the foreign trade sector and made it a sustainable, diversified and inclusive activity.

The side event was followed by a Reception where participants were able to taste Pisco Sour and emblematic Peruvian biotrade products, such as Peruvian chocolates with gold berries ("aguaymanto"), quinoa, algarrobina, sachu inchi, among others.<sup>20</sup>

20 Further information is available on the Biotrade website: <http://www.biotrade.org/index.asp>.

The side event presented and discussed examples of EU assistance programmes, financed or managed by the European Commission and EU member States, which have contributed to reducing trade costs and fostering better integration into regional and global markets. Speakers also provided information on how beneficiary countries can access funding for supporting trade facilitation reforms.

**Side event 10:  
Trade Facilitation for Enhanced  
Integration into Global and  
Regional Value Chains**

**Organized by:**  
European Union

**Report:**  
European Union delegation

The side event, moderated by **Ambassador Päivi Kairamo, Permanent Representative of Finland**, presented and discussed examples of EU assistance programmes in the area of trade facilitation which contributed to reducing trade costs in developing countries and fostering their integration into regional and global markets. Speakers included representatives of the European Commission, the UK, Spain and Sweden as well as managers of programmes financed by these donors. Examples of tangible benefits from trade facilitation reform attracted questions from the audience, INCLUDING developing countries aiming to improve the efficiency of their customs procedures.

**Andris Piebalgs, European Union Commissioner for Development**, reiterated the European Commission's continued commitment to support the implementation of trade facilitation related reforms in developing countries, noting that the EU and its member States were the leading Aid for Trade donors. He underlined that trade facilitation reform produced tangible benefits in countries irrespective of their level of development and was an integral part of the EU's internal integration agenda. There were good examples demonstrating that trade facilitation supported growth.

**Giorgio Cocchi, Deputy Head of Unit, European Commission Directorate-General for Development and Co-operation**, presented the EU's approach to trade facilitation related aid and mentioned that in 2011 the Commission had committed €130 million in support of trade facilitation. Programmes were organized at country, regional and, in the case of Africa, continental level. The global envelope of EU development aid for the next seven years (2014-2020) was expected to be €50 billion, to be complemented by programmes of EU member States. He also referred to a recent OECD study suggesting that trade facilitation reforms could reduce the trade costs by up to 10% and increase public revenues.

**Abel Chaupis Porras, Single Window Coordinator, Ministry of Foreign Trade and Tourism, Peru**, described how Peru had made use of EU development assistance for creating a single window for external trade. This project, with a value of over €10 million, was part of the wider Peruvian efforts to diversify exports. The EU assistance had helped reduce red tape and had focused on areas such as better port facilities, medical-related technologies and origin-related procedures. An awareness building campaign was also carried out. In 2012 these reforms had already generated savings in the range of US\$20 million. The situation of the country had changed with this new export boosting plan and trade facilitation reforms had increased the volume of exports significantly. Currently, the final consolidating phase was ongoing and other donors had also stepped in. The Peruvian Government intended to incorporate other areas into the single window scheme.

**Eamon Cassidy, Deputy Director, UK Government's Joint Trade Policy Unit, Department for International Development**, underlined that the UK was committed to continue providing Aid for Trade and stressed the importance of a positive outcome at MC9. He introduced two regional programmes for trade facilitation in Africa, TradeMark East Africa (TMEA) and TradeMark Southern Africa (TMSA).

**Frank Matsuert, Chief Executive Officer, TradeMark East Africa (TMEA)**, pointed out that the cost of trade in the East African Community region was three times higher than in Europe. TMEA focussed on reducing cost and time spent with customs procedures and invested in improving infrastructure, in particular in ports where 50% of trade costs was concentrated. He highlighted that the release time for goods destined for Kigali, Rwanda had been reduced by 50%. In addition to the UK, the Netherlands, Belgium, Sweden, Denmark and the United States also provided support to TMEA.

**Mark Pearson, Programme Director, TradeMark Southern Africa (TMSA)**, outlined the regional approach of the TMSA programme which focussed on improving trade conditions along the North-South corridor. Fully financed by the UK, TMSA intended to bring in other donors and was also working closely with the World Customs Organization and assisting WTO trade facilitation needs assessments. He observed that Sub-Saharan Africa was not yet well-connected to value chains and tackling the challenge of employment was a priority for the future, as the African population was expected to double in the next 30 years. Reducing the thickness of borders was essential in this regard.

**José Alberto Plaza, Director, Centre for Economic and Trade Studies, Spain**, presented the example of how investment in human capital contributed to facilitating trade in Equatorial Guinea. Equatorial Guinea had

financed a project by itself to train 40 people in Spain during nine months on trade in general and imports and exports control. Two main objectives of the programme were to gain a better understanding of how trade can work for development and how to tackle the import of counterfeit products. The trained staff would be able to contribute to the country's objective of reducing its dependency on oil exports and diversifying its production structure.

**Joakim Reiter, Ambassador, Permanent Representative of Sweden**, outlined that Sweden was one of the five largest donors per capita. Most Swedish development aid was channeled through multilateral channels. He pleaded for concluding the Trade Facilitation Agreement at MC9, highlighting the potential of the agreement to help developing countries better integrate into value chains.

**Side event 11:**  
**Aid for Trade Effectiveness –**  
**Current Issues and Future Directions**

This side event brought together a range of contributors for the launch of a Commonwealth Secretariat/Overseas Development Institute book, "Assessing Aid for Trade: Effectiveness, Current Issues and Future Directions".<sup>21</sup> The effectiveness of Aid for Trade was discussed from various angles: quantitative studies, country case studies, and considerations for the future. The sixteen chapters of the book were written by international experts and academics from organizations including the Commonwealth Secretariat, ODI, ECDPM, DIE, ICTSD, Saana Consulting, and Columbia University.

**Organized by:**  
Commonwealth Secretariat  
Overseas Development Institute (ODI)

**Report:**  
ODI

<sup>21</sup> Available at: <http://publications.thecommonwealth.org/assessing-aid-for-trade-1000-p.aspx>.

**Cyrus Rustomjee, Director, Economic Affairs Division, Commonwealth Secretariat**, opened proceedings by expressing his satisfaction with the degree to which the joint Commonwealth Secretariat/Overseas Development Institute book, "Assessing Aid for Trade: Effectiveness, Current Issues and Future Directions" was able to draw on the synergies among policy analysts in the various organisations.

**Mohammad Razzaque, Commonwealth Secretariat**, focused his presentation on the empirical evidence on the effectiveness of Aid for Trade examining the impact of (i) Aid for Trade facilitation on the cost of trading; (ii) Aid for Trade-related infrastructure on total export flows; and (iii) Aid for building productive capacity on sectoral export flows. In the case of the first two, Aid for Trade was found to have a positive and significant impact. For example, a doubling of Aft-related infrastructure was associated with a 3.5% increase in exports. In some cases this impact was larger for SVEs and sub-Saharan Africa. However, aid for building productive capacity was on the whole not found to have a significant positive impact on export flows – though potentially its impact was more indirect.

**Yurendra Basnett, Overseas Development Institute**, discussed the findings of the chapter on the Effectiveness of Aid for Trade at Country Level. He summarized a framework that looked inside the 'black box' of Aft interventions. The framework examined potential barriers to the effectiveness of Aid for Trade at the level of individual projects and programmes, focusing on different stages of the project cycle, including needs identification, the delivery of funds, project design and implementation, and monitoring and evaluation. In the case of project design, for example, there was frequent evidence of coordination failures where priorities of donors and governments were not aligned. Frequently donors used very simple before/after frameworks for monitoring and evaluation rather than more sophisticated tools.

**Dirk Willem te Velde, Overseas Development Institute**, looked ahead at the future of Aid for Trade, referring to one of the five potential scenarios he discussed in his chapter. He argued that, looking ahead, Aid for Trade (and aid more broadly) would be only one of many flows (including FDI, remittances, sovereign wealth funds, and others), buttressed by increasingly dynamic equity markets. These could all be leveraged for trade capacity building. He cited the example of Cambodia where, ten years ago, aid used to be the most significant financial flow. In the interim this had reversed, with the country receiving large amounts of FDI and soft loans. More broadly, during the last ten years there had been a big push to increase aid volumes. Given the current economic climate this was unlikely to be sustained. Furthermore, the types of investments needed – especially in large-scale infrastructure – were unlikely to be financed through aid alone. Here it was important to consider how Aid for Trade could leverage in other flows and in which circumstances combinations or single flows were most appropriate. As such, Aid for Trade could be an important tool to solve market failures and this "third-generation Aid for Trade" should encompass and address these new flows and consider how this could be catalytic.

**Sheila Page, Overseas Development Institute**, discussed the history of the Aid-for-Trade Initiative, pointing out that it had initially been conceived to help countries adjust to the consequences of a Doha Round agreement. But, paradoxically, currently Aid for Trade was not viewed at all as a potential remedy to help countries adjust to the consequences of trade diversion caused by RTAs. Finally, she discussed some of the findings from the UNIDO Trade Capacity Building Resource Guide. She pointed to the relative concentration in agricultural sectoral support of many donors, as well as the risk and potential conflict of interest entailed in bilateral donors funding regional organizations with which they were negotiating.

**Luciana Mermet, Policy Analyst, UNDP**, pointed to its success at mainstreaming trade in national strategies and raising awareness (especially through the EIF in the context of LDCs), enhancing the capacity of trade-related institutions and improving the level of coordination of donors. This spotlight effect had raised interest at the country level. Finally, a central success had been the ability of the Aid-for-Trade Initiative to mobilize resources. However, as a challenge moving ahead, there remained a significant disconnect between the global debate on Aid for Trade and the discussion on this topic going on at the national level.

**Frans Lammersen, Principal Administrator, OECD**, argued that a key contribution of the Aid-for-Trade Initiative had been to provide a voice for trade in the development community. However, this should not invite complacency: rather, there was a continued need to show results. While funds and exports had increased,

more remained to be done. He pointed to the centrality of mutual accountability in this process and focused on the importance of six new OECD case studies on management systems at the national level.

Questions from the audience focused on how adjustment costs following the erosion of preferences should in fact be compensated. **Ms. Page** suggested that it was more a matter of recognizing which countries were likely to lose, rather than how much the cost was, and in turn focusing AfT efforts on those countries. ODI had carried out research on the likely impact of an EU-CARICOM European Partnership Agreement on the rum industry, which was largely consistent with other estimates and helped inform adjustment measures for that industry. However, identifying such needs was contingent on the ability of import-competing industries affected by preference erosion to effectively mobilize their members. In response to a question about the types of regional organizations that could most effectively support under-resourced developing countries in trade negotiations, she argued that the regional economic communities were generally not suited for this purpose, but that aid should instead be channelled through regional development banks or specialized UN agencies.

In terms of how trade and Aid for Trade best fitted into the post-2015 agenda, **Dr. te Velde** and **Dr. Basnett** pointed out that while the High-Level Panel report did not feature the role of trade very prominently, one should also look at the trade and structural transformation dimensions of the Istanbul Plan of Action for LDCs – which was central to the Sustainable Development Goal agenda. **Ms. Mermet** agreed with this assessment of the High-Level Panel report, which focused predominantly on “unfinished business” from the MDGs and poverty eradication more broadly. **Mr. Lammersen** concluded the discussion by reminding participants that the strong focus on trade was in part a proxy for growth and that Aid for Trade was intended to support investment and competitiveness, with definitional issues more secondary. This followed from the Aid-for-Trade Task Force which had defined Aid for Trade as anything that recipient countries defined as trade-related.

The Minister for Foreign Trade and Development Cooperation of the Netherlands, Ms. Lilianne Ploumen, conferred a Royal decoration (Knight Grand Cross in the Order of Orange-Nassau) on WTO Director-General Pascal Lamy. This honor is awarded by the King of the Netherlands to persons who have rendered exceptional service to society. The award ceremony was followed by a cocktail reception.<sup>22</sup>

## Side event 12: Ceremony to confer a Dutch Royal decoration

<sup>22</sup> Further information on this event can be found at:  
<http://geneva.nlmission.org/news/2013/07/royal-decoration-for-the-director-general-of-the-wto-mr-pascal-lamy.html>.

Organized by:  
Netherlands

**Side event 13:**  
**“Brewing Development” –**  
**Reception by the Worldwide**  
**Brewing Alliance**

This high-level social event aimed at the trade and development community provided an opportunity for an informal exchange between the Worldwide Brewing Alliance (WBA), the four major global brewers (SABMiller, Anheuser-Busch InBev, Carlsberg and Heineken) and delegates about brewers’ investment in value chains.

At the Reception participants were able to sample beers from a range of markets, including developing countries. Reports, brochures and videos, demonstrating brewers’ investments in value chains and emerging economies in particular, were made available to showcase the positive contribution of the brewing industry to economic development.

**Organized by:**  
Worldwide Brewing Alliance

**Report:**  
SABMiller

The WBA represents the brewing sector in Australia, Canada, China, Europe, Japan, South Korea, Latin America, Russia, the Ukraine and the USA. Around 90% of global beer production across the world was represented at the event.

**Andy Tighe, Chairman, Worldwide Brewing Alliance**, noted in his welcome remarks that the brewing tradition went back many centuries and that, wherever it was brewed, beer had a significant impact on local supply – and value – chains. Beer created local jobs in agriculture, raw material supplies, transport, marketing, restaurants, off-trade grocery and convenience stores, and bars and pubs. He noted that sourcing local raw materials, and investing in local suppliers, was part of the fabric of the brewing process. By securing the supply of quality raw materials – be that hops, barley, maize, sorghum, cassava or rice – brewers had always had, and would continue to have, a significant impact on value chains.

The event provided a unique opportunity for delegates and brewers to discuss, *inter alia*, global value chain investments in an informal and convivial atmosphere. Food was served and beers were available from a wide range of countries including Ghana, South Africa, Uganda, Rwanda, Democratic Republic of Congo, Nigeria, Laos, Ukraine, Germany and the United States. Many of these beers were innovatively developed as a result of investment in value chains in developing markets.

The event was attended by around 500 delegates, including representatives from WTO Members, aid and development agencies, and other global organizations.

## **Side event 14:**

### **Skills for Competitiveness**

Skills are an important determinant of the level and quality of countries' export growth. The availability of skills in the work force determines countries' ability to diversify exports and integrate more fully in the global economy. Availability of skilled labour is also a prerequisite for countries to absorb new technologies. Enterprise survey data show that many firms rank finding adequately skilled workers as a major constraint to their business. Difficulties finding adequately skilled workers also impede developing country firms, in particular small and medium sized ones, to connect to and benefit from global value chains. The session, organized by the ILO and WTO, provided an opportunity for sharing research findings and policy approaches on the role of skills development in translating trade openness into sustainable growth of productive and decent work

#### **Organized by:**

International Labour Organization (ILO)

World Trade Organization (WTO)

#### **Report:**

ILO

**Guy Ryder, Director General, International Labour Organization**, delivered a keynote address in which he stressed the importance of the “unprecedented collaboration between the WTO and the ILO” on trade, employment and skills issues and considered it essential to mobilize their respective constituents to overcome the gap between educational systems and the labour market. He asked for “greater coherence between international organizations” when it came to work in their shared goals. He said that “[T]he question was whether there was a will to do more in the future. On my part I have to say yes (...). It strikes me it can be a conversation for the future and I will be glad to have it”. Mr. Ryder considered that employers and trade unions were increasingly taking responsibility for investing in skills and in aligning skills development with policies on trade, sustainable development and equal opportunities for women. The ILO’s Skills for Trade and Economic Diversification programme worked with policymakers and social partners to identify economic sectors with growth potential, assess skill needs in those industries, and build up the capacity of training providers to meet those needs. “This is how to fix the problem: the chain of economic analysis and partnerships that can turn the potential of trade into the reality of more diversified economies and the creation of more productive and decent jobs”. He further explained that “the significance of tripartism” became particularly clear when, as the ILO had to do on occasion, we have to address some of the negative outcomes of developments in the world of work, along global value chains which are such a defining feature of the evolving global economy”. He referred to the “industrial catastrophe” that had occurred in April at the Rana Plaza garment factory in Bangladesh. “This is absolutely intolerable and I think it does draw our attention to situations in which some of the dynamics of trade liberalization are not matched by the development of institutions and practices in the world of work, which are necessary to ensure that decent work is the ultimate outcome of such processes”. He also pointed out that as a focus for trade facilitation, skills development was a huge opportunity. It reduced a constraint on productivity and equipped more people to participate in the growth sectors of the economy and to realise the benefit of trade for their livelihoods.

**Pascal Lamy, Director General, WTO**, asked for coherence by governments and international organizations in integrating education and vocational training in the capacity building architecture for trade preparation as a way forward for national economies to create quality jobs and increase competitiveness. He explained that technical assistance towards education and training was not considered part of the traditional definition of “Aid for Trade” according to the commonly used parameters. “Yet, evidence from the OECD-WTO monitoring survey suggests that where labour skills development are delivered as an element of Aid-for-Support, they are effective in helping local suppliers to connect and to move up value chains” he added. He highlighted the “complex relationship” between trade, growth and employment, and spoke of the need to consider workforce skills as a fundamental determinant of companies’ and countries’ competitiveness. He believed that skills were even more important than natural resources: “I am a firm believer – contrary to conventional wisdom which often highlights natural resources and the presence of extractive industries as a measurement of wealth – that the wealth of developing countries is in people”. “Given the strong link between skills and competitiveness, it makes sense,” he said, “for the ILO and WTO to join forces in this technical area”.

**Marion Jansen, Economic Research and Statistics Division, WTO**, focused her presentation on WTO’s recent study on “Skills and Export Competitiveness for SMEs” using the OECD-WTO Aid for Trade monitoring survey data, which had confirmed that skills were a major supply side constraint for SMEs. This was particularly the case in sectors with rapid technological change (e.g., ICT) and in sectors characterized by frequent employee-client contact (e.g., tourism). She also highlighted that lead firms reported labour skills as a typical obstacle when establishing a commercial presence in developing countries and LDCs, in particular the tourism and the transport and logistics industry. She stressed that technical assistance in the field of education and training can play an important role in helping suppliers in developing countries to increase competitiveness and to connect to value chains. Ms. Jansen also concluded that the survey evidence suggested support for labour development was considered to be an effective type of AfT support.

**Christine Evans-Klock, Director, Skills and Employability Department, ILO**, presented the ILO’s programme on Skills for Trade and Economic Diversification (STED) to help Governments, Employers’ Associations and Trade Unions which included to (1) identify sectors with potential to increase exports, diversify the economy and create productive and decent work; (2) assess skills needs and training gaps along their value chains; (3) agree plans on how to meet training needs that include public policies, training institutions, enterprises, clusters and value chains; and (4) build up institutions to sustain employer and worker engagement with training institutions

and improve accountability. She noted that the STED methodology was based on extensive data analysis and social dialogue. She also stressed the importance of building mechanisms for coordination to bring different stakeholders such as employers, education and training providers, and development partners together and to link skills development with policies on trade, the environment, and gender equality.

**Sylvain Giguere, Head LEED Division, OECD**, began his presentation by raising the importance of the local dimension in how skills are utilized. He stressed that in order to build a pool of skilled labour the education system needed to be flexible to match emerging needs, help the low-skilled to access jobs and progress in careers, and increase the demand or utilization of higher skills. He classified local economies into the relative categories of low- and high- skills equilibrium, skills shortage and skills surplus areas. Many SMEs had difficulties identifying their skills needs and managing their human resources in order to continue to be competitive and creating quality jobs. He explained that local actors, especially in areas characterized by low-skills equilibrium, needed to take a joined-up approach to skills development, linking educational investment with longer-term economic development. In order to develop such strategies, area-based partnerships that break down “policy silos” could be beneficial. He concluded that skills utilization should be a strategic priority as part of the response to the job crisis. This had strong implications for policy and guidance to institutions, as well as strong governance implications: while it broadened the agenda of all agencies, at the same time governments needed to give a space to act locally.

**Jeffrey D. Lewis, Director, Economic Policy, Debt and Trade Department, World Bank**, stressed that skills development was crucial to inclusiveness of economic growth in order to eliminate poverty. He presented the main findings of the World Bank’s recent book entitled “The Right Skills for the Job: Rethinking Training Policies for Workers”. In addressing the problems, particularly in developing countries, such as (i) the low level of formal education, (ii) high unemployment even for many who had an opportunity to attain higher education, and (iii) training programmes that often provided skills that are not in demand, the book brought new ideas about how to build and upgrade job relevant skills for pre-employment technical vocational education and on-the-job training; and training related active labour market programs. He further explained that more productive investments in training and a better alignment between the supply and demand of skills would: (i) enable investments in the right types of skills; (ii) address coordination failures; (iii) develop integrated training programs for vulnerable workers; and (iv) deal with government failures. To this end, key implications for the years ahead included development of new tools, performing more systematic monitoring and evaluations and finding a better ways to share this knowledge.

**Hong Choeun, Head of National Employment Agency, Cambodia**, started his presentation by providing illustrative statistics to show the current education level and skills problem in Cambodia. He said that Cambodia’s low achievement in education was partly due to the loss caused by more than three decades of war. In 2011, more than 60% of the population of 25 years of age and above had no schooling or had not completed primary education. Consequently, as shown by the findings of the recent Skills Survey in Cambodia, there were a growing number of recruitment difficulties and skills mismatch. The average share of hard-to-fill vacancies was over 70% in 2012 and the small-sized companies or informal sector companies were facing the most recruitment difficulties. Skill shortage was one of the major problems of recruitment difficulties. He said that the Cambodian economy was narrowly concentrated in garments, construction, and tourism and was based on low-skilled and low-wage and informal economy. He summarized by saying that the challenges faced by Cambodia included, *inter alia*, the need to: (i) increase export diversification; (ii) improve international supply chains and to diversify and upgrade industry to higher value added sectors and create linkages to regional and global value chains; (iii) sustain competitiveness by improving productivity of workers through education and skills training; and (iv) improve policy coordination and coherence between different stakeholders.

**Md. Fazlul Hoque, President of Bangladesh Employers Federation (BEF), Bangladesh**, acknowledged the efforts by international and development agencies to help Bangladesh respond to the recent industrial challenge but also challenged the organizations to improve the coherence of their efforts. He also pointed out the importance of many other emerging sectors, besides garments, such as tourism and information and communications technologies, which also had skill gaps and which could benefit from more international partnerships. He noted that constraints on productivity and trade included not only technical skills but also entrepreneurship and business management skills.

**Charlotte Petri Gornitzka, Director-General, Swedish International Development Co-operation**, closed the event by noting that skills development was high on the substantive agenda for trade facilitation. She expressed appreciation for the presentations of fresh research by the international organizations and the illustrations of real-world challenges by the country representatives. She echoed the call expressed by all the panellists for a more coordinated response to these challenges and to combine data analysis with broad stakeholder consultations that would tackle immediate skill gaps as well as take a long-term perspective. She thanked the ILO Director-General and the WTO Director-General for the importance they placed on building coherence between trade and employment policies. She concluded by describing the side events a demonstration of ongoing commitment to share information and to work together.

## Side event 15: Pacific Breakfast

Global Review participants were invited to a Pacific-themed breakfast organized by the Pacific Island Forum Secretariat. The breakfast allowed participants to sample food typical of the Pacific islands. The Pacific breakfast showcased products from the Pacific's WTO Members and promotional material on the Pacific was on display. High level participants from the Pacific included the Honourable Fonotoe Nuafesili Pierre Lauofo, the Deputy Prime Minister of Samoa, and the Honourable Richard Maru, Minister of Trade, Commerce and Industry of Papua New Guinea (PNG).<sup>23</sup>

Pacific Island economies face inherent supply-side constraints that are preventing them from fully harnessing the opportunities offered by trade liberalisation. The Pacific's unique challenges of geographical remoteness, small size, and limited natural and human resources have curtailed its integration into the global trading system.

**Organized by:**  
Pacific Island Forum Secretariat (PIFS)

**Report:**  
PIFS

<sup>23</sup> Further information can be accessed at:  
<http://www.forumsec.org/pages.cfm/newsroom/press-statements/2013/pacific-products-showcased-in-europe.html?printerfriendly=true>.

The panellists on the Pacific session focused on Aid for Trade's role in assisting Pacific economies overcome the constraints and connect to value chains. National and regional experiences with AftT initiatives were discussed, as well as the role of trade in empowering rural communities.

During the panel discussion, the **Deputy Prime Minister of Samoa** spoke about the progress his country is making in connecting to tourism value chains. He outlined steps to foster links to regional hotel chains; the Government's decision to sign an agreement to establish a joint venture airline to improve air services between Samoa, Australia and New Zealand; and his Government's marketing of Samoa as an international conference venue.

"Tourism in Samoa is a very important sector. It accounts for approximately 25% of Samoa's Gross Domestic Product, and is growing at an average rate of 3.42% per annum since 2007". "A marketing strategy has been developed to rebrand Samoa as a tourist location promoting the 'Samoan Experience', Deputy Prime Minister Lauofo stated.

"Connecting all the key actors from the airline carriers, travel agents, inbound tour operators, farmers, and infrastructure to transport is critical to the success of the tourism industry", the Deputy Prime Minister added.

**Papua New Guinea's Minister for Trade, the Hon. Richard Maru**, emphasized the need for his country to move up the value chain and to capture more value addition domestically prior to the products being exported.

"The current Government is committed towards seeing value added to our raw products from the agriculture, forestry, fisheries and mining sectors in order for the country to generate sustainable revenue, and at the same time create employment opportunities for our people, particularly those in rural areas", Minister Maru said. "The Fisheries industry is losing significant value as most of its catch is processed offshore. Appropriate Aid for Trade could assist in developing productive capacity in this sector to process fisheries products in the Pacific before they are exported".

Pacific participants in the Fourth Global Review also highlighted the importance of regional solutions to boosting the Pacific's trade and fostering economic integration. The important role of the Pacific Regional Aid-for-Trade Strategy, which is undergoing a "renew and refresh" process was also underlined. Extensive consultation on the revision of the Strategy is currently ongoing and a finalized Strategy is expected to be available by August 2013.

**Side event 16:**  
**Agricultural Value Chains and Food**  
**Security in Transition Economies:**  
**Testimonials from the Field**

Achieving food security is a challenging development objective. In addition to ensuring the availability of sufficient supplies at affordable prices, it requires providing adequate nutrition levels, protecting public safety and meeting consumers' cultural expectations. For transition economies, delivering on this objective is complicated by weak productive capacities in agriculture and food manufacturing; insufficient natural resource endowments; high poverty rates; and, in some cases, inadequate land-title systems. These shortcomings have meant that most of these countries are net food importers, prompting targeted efforts to develop the agricultural sector and make it more efficient. A salient feature of efforts to date has been an emphasis on integrating farmers and food processors into agricultural value chains. Whether regional or global, these value chains are seen as a vehicle for empowering small farmers and manufacturers by providing them with access to knowledge, finance, inputs and technology while, at the same time, reducing production and trade related transaction costs. This side event brought to the fore AfT processes that have contributed to integrating transition economies into agricultural value chains, and their contribution to food security. It brought together public and private sectors stakeholders from transition economies as well as donor agencies in order to share information on best practices, based on actual field experiences.

**Organized by:**

UN Economic Commission for Europe  
(UNECE), on behalf of the UN Inter-Agency  
Cluster on Trade and Productive Capacity

**Report:**

UNECE

The UN Economic Commission for Europe, on behalf of the UN Inter-Agency Cluster on Trade and Productive Capacity, organized a roundtable discussion to highlight experiences of transition economies in integrating farmers and food producers into international agricultural value chains, which is increasingly seen as a key element in achieved food security. The Cluster's session sought to bring to the fore AfT processes and best practices based on the experiences of traders, Government agencies and market support institutions.

Speakers' presentations brought in first-hand experience from export quality management (**International Trade Centre**), poverty reduction (**United Nations Development Programme**), and international trade (**United Nations Conference on Trade and Development**). In the discussion that followed, the audience – which included public and private sector stakeholders from transition economies as well as donor agencies – shared information on best practices, based on actual field experiences.

It was highlighted that achieving food security was a challenging development objective. In addition to ensuring the availability of sufficient supplies at affordable prices, the provision of adequate nutrition levels, protection of public safety and meeting consumers' cultural expectations were also required.

In transition economies, delivering on this objective was further complicated by weak productive capacity in agriculture and food manufacturing; insufficient natural resource endowments; high poverty rates; and, in some cases, inadequate land-title systems. These shortcomings had meant that most of the transition economies were net food importers.

The need to integrate farmers and food processors into agricultural value chains was evident. Whether regional or global, these value chains were increasingly seen as a vehicle for empowering small farmers and manufacturers by providing them with access to knowledge, finance, inputs and technology while, at the same time, reducing production and trade related transaction costs.

A key message emerging from the discussions was that achieving such benefits required marshalling value-chain participation for the benefit of agricultural development. Efforts should focus on both import and exports. The logic was simple. While imports could play an important role in satisfying local demand, achieving food security would be difficult under conditions of insufficient supply of local agricultural products.

In this context, governments and private sector should pool efforts to promote Voluntary Sustainability Standards (VSS). While such standards were often viewed as a technicality, they can be used to: (i) advance sustainable production and consumption methods (including opportunities for energy/material/resource efficiency and cost savings); (ii) promote competitiveness in the growing and lucrative "sustainability" markets; and, (iii) facilitate the internalization of environmental and social costs.

In addition, farmers and food producers should be assisted to ensure compliance with requirements in importing countries at reasonable cost. Experience showed that an immediate measure would be to assist existing Conformity Assessment Bodies (CABs) in achieving international recognition. Where CABs were non-existent, governments could select foreign CABs.

Another message related to improving market access conditions for farmers and local producers. The all-important requirement of reducing non-tariff barriers aside, efforts should also focus on assisting farmers and food producers in improving their bargaining positions. Experience shows that this could be achieved through supporting agricultural cooperatives, improving market information services and developing trade-related infrastructure. The discussions also featured an exchange of views on how the resource base and delivery of technical assistance in transition economies could be increased.

Mr. Khemraj Ramful, Senior Advisor, Export Quality Management, ITC, Mr. Joern Rieken, Team Leader Aid for Trade, Poverty Practice, UNDP Europe and the Commonwealth of Independent States, Bratislava Regional Centre, Slovak Republic, Mr. Ulrich Hoffmann, Senior Trade Policy Advisor, Office of the Director, Division on International Trade in Goods and Services and Commodities, UNCTAD and Mrs. Virginia Cram-Martos, Director, Trade and Sustainable Land Management, UNECE participated as speakers in the event.

**Side event 17:**  
**From Standards Compliance to**  
**Shared Value: Making Value Chains**  
**meet Development Challenges**

Standards are an essential element of value chain governance and value chain development approaches look at both public and private bodies as drivers of standards and on the interaction and cooperation between. Moving from pure compliance to the creation of shared value should be an overriding principle for all involved actors. The side event focused on the interconnectedness of different elements of quality infrastructure (standards, accreditation and certification) and value chain development. Taking different value chain examples it analysed major challenges that developing country producers need to overcome in order to integrate into global supply chains. The panellists flagged what kind of support is most needed by different actors in the public and the private sector to surmount these obstacles and link these efforts to the Aid-for-Trade Initiative.

**Organized by:**

United Nations Industrial Development  
Organization (UNIDO)

International Centre for Trade and  
Sustainable Development (ICTSD)

Institute of Developing Economies-Japan  
External Trade Organization (IDE-JETRO)

Overseas Development Institute (ODI)

**Report:**

UNIDO

The main message that can be derived from the side event is that value chain development and Aid for Trade need to go beyond supporting market access and an increase of exports of developing countries. Stakeholders need to be engaged in collective action around shared values and objectives to ensure that value is created at each stage of the value chain.

The discussions of the side event were organized around three main topics:

***Topic 1: Setting the context: Value chains and developing countries – specific issues and needs.***

Topic 1 set the context and highlighted case studies from Ethiopia (horticulture sector), Cambodia (textile and clothing) and Viet Nam (shrimp) describing different challenges of local companies to integrate into global or regional value chains. The issue of standards compliance and which actor sets standards and values that need to be complied with was discussed for each case study. It was found that issues with standards compliance at the upstream segments of a value chain usually cause problems at later stages of the value chain, if they are not addressed through government measures, training and capacity-building (by development partners and/or retailers/buyers).

***Topic 2: Standards compliance in value chains: diversity and complexity of (private and also public) standards and possible solutions.***

The discussions in Topic 2 then focused on challenges arising from the proliferation of standards and how public and private actors could facilitate solutions. One of the main challenges of the mushrooming of different certification schemes was identified to be the lack of competent auditors, not only in developing countries, but worldwide. The work of the Global Food Safety Initiative (GFSI) in the Auditor Competence Working Group was presented and the need to bring private and public actors from the international standards-setting system together highlighted. Ensuring transparency in conformity assessment is one of the main concerns of this group of stakeholders. Another challenge identified was the lack of internationally recognized, and thus trustworthy, conformity assessment infrastructure (accreditation bodies, laboratories, certification bodies) in many developing countries. In these areas, development partners and governments could play an active role in helping to build or to ensure access to a performing system, either at national or at regional level.

***Topic 3: What role can different actors (governments, international development community, the Aid for Trade Initiative and the private sector) play? How can they contribute to the efforts of value chain development in developing countries?***

Topic 3 looked at the roles different actors could play to overcome the discussed challenges at each stage of the value chain. Applying international best practices – such as regulations on chemicals for aquaculture to increase domestic food safety and consumer protection – was identified as being a good option. However, the governments' enforcement capacity was not always sufficient so the private sector needed to complement these efforts. Support for the upstream segments of the value chain, as outlined in Topic 1, is of particular importance to succeed value chain integration and putting in place a green environment (soil, water, etc.) emerged as another good practice. For all measures the public and private sector should join forces and engage in a continuous dialogue.

At the end of the session the third edition of UNIDO's Trade Capacity-Building Resource Guide and the ACP-EU TBT programme were presented. Furthermore, the Chairman of the Sri Lanka Spice Council shared experiences from his sector and the need of the country to adopt international standards where possible.

The following speakers participated in the session: Mr. Vinaye Abncharaz, Senior Development Economist, ICTSD; Mr. Venkat Balakrishnan, Board Member, National Accreditation Board for Certification Bodies India and International Accreditation Forum; Mr. Bernardo Calzadilla-Sarmiento, Director Trade Capacity Building, UNIDO; Mrs. Cécile Gillard Kaplan, Global Food Safety Initiative Auditor Competence Scheme Committee Member and Grocery and Beverage Quality Group Manager, Carrefour, France; Mr. Kaoru Nabeshima, Chief Senior Researcher, Inter-Disciplinary Studies Center, Institute of Developing Economies-Japan External Trade Organization (IDE-JETRO); Mrs. Sheila Page, Senior research Associate, International Economic Development Group, Overseas Development Institute; and Ms. Jodie Keane, Research Fellow, Development Group, Overseas Development Institute.

**Side event 18:**  
**Africa Can Compete! Cases of Africa**  
**Succeeding in Global Markets**

More than 40% of the world's cashews are grown in Africa. Yet for too long, Africa's cashews have been exported to other countries for processing, denying Africa the value-added afforded by local processing. Sheanut is another indigenous African product that has served as a traditional source of nutrition in Africa but is only recently being recognized for its potential as a premium ingredient in food and cosmetic products. This side event told the story of these two value chains and discussed the catalyzing role that USAID has played in the creation of the African Cashew Alliance (ACA) and the Global Shea Alliance (GSA). The session offered insights regarding the role donors can play in bringing together a wide range of African and international stakeholders, all of whom have an interest in creating competitive industries, linked to global markets and providing economic growth opportunities for all involved.<sup>24</sup>

**Organized by:**

USAID

African Cashew Alliance

**Report:**

Mission of the United States to the WTO

<sup>24</sup> For information about the event visit:  
<http://geneva.usmission.gov/2013/06/17/global-review-of-aid-for-trade>.

This side event, sponsored by the United States, considered the topic of how the United States Agency for International Development (USAID), through its catalysing role in the creation of both the African Cashew Alliance (ACA) and the Global Shea Alliance (GSA), is connecting these two value chains to global end markets and helping the private sector add value or “upgrade” in developing countries.

***Eric Postel, USAID Assistant Administrator for the Bureau of Economic Growth, Education and Environment***

led the panel and discussion which offered insights into the role donors can play in bringing together a wide range of African and international stakeholders, all whom have an interest in creating competitive industries, linked to global markets and providing economic growth opportunities for all involved. Speakers’ remarks highlighted the development of these value chains, and the challenges, and noted the important role that these two value chains had played in creating new jobs in Africa, especially for women.

Other speakers included: Georgette Taraf, President of the African Cashew Alliance Executive Committee, and President of NAD & Co, Cotonou, Benin; Partheeban Theodore, Vice President & Head of Export Operations, Olam International; Arie Endendijk, Managing Director, Intersnack Procurement; Joseph Funt, Managing Director, Global Shea Alliance; Prince Asante Obeng, Deputy Managing Director of Ghana Nuts Ltd; Christian Sinobas, COO PlaNet Finance/Star Shea and Christian Merz, Research Manager, SAP.

**Side event 19:  
Global Value Chains in  
a Changing World**

In November 2012, the Fung Global Institute, the Temasek Foundation and the WTO Secretariat organized a Dialogue on Global Value Chains (GVCs) in Singapore that brought together government officials and GVC specialists from business, the policy world, economics, and management.

The dialogue examined a wide range of issues facing GVCs and their implications for government policy. The papers prepared for the Dialogue have been put together in a volume entitled “Global Value Chains in a Changing World” edited by Deborah K. Elms and Patrick Low. This book was launched at the side event. A second volume entitled “Global Value Chains: A Review of the Literature”, produced jointly by the Fung Global Institute and the WTO Secretariat, and written by Albert Park, Gaurav Nayyar and Patrick Low, was also launched at the session. This volume contains an extensive thematic review of literature on GVCs from a range of different analytical perspectives.

**Organized by:**

WTO

Fung Global Institute

Temasek Foundation

**Report:**

WTO

**WTO Director-General, Pascal Lamy**, outlined some potential concerns about the relationship between GVCs and trade-related policy, underlining the role of the WTO and policies in configuring supply chains and influencing their operations. First, WTO's rules and the Doha Round negotiations on trade facilitation helped keep delays to a minimum and ensure trade costs are as low as possible. Second, governments sought to deepen development and foster growth by shaping national participation in global value chains. However, domestic policies had to avoid possible sliding into protectionism. Third, non-tariff measures were often used to pursue domestic public policy objectives. The aim should be to minimize frictions between social policy objectives and the functioning of GVC operations. The WTO should have a role in how optimal policies are designed and implemented. It was necessary to understand the complexities of a more integrated world economy in order to design the best policies.

**Deborah K. Elms, Head, Temasek Foundation Centre for Trade and Negotiations**, gave a brief overview of the book "Global Value Chains in a Changing World". The volume, edited by Deborah K. Elms and Patrick Low, had its origins in a Dialogue on Global Value Chains held in November 2012 in Singapore and jointly organized by the Fung Global Institute, the Temasek Foundation, and the WTO Secretariat. The book highlighted a series of issues and trends related to global value chains that came out from the meeting of government officials and specialists from business, policy, and academia in Singapore. One of the major concerns was how companies plugged in the global value chain and moved upstream along the production network. The question of who gained from a more internationalized production was also touched on in the book. There were many issues that policy makers should take into considerations. Since firms could enter GVCs, in particular services and tasks, policies should go beyond the industry level and move towards tasks. Regional supply chains could provide an alternative channel for firms to enter global value chains, as the Asian experience had shown. Furthermore, tariff reduction was a very important matter in the presence of global value chains and should be pursued. Investment policies were another important factor since companies' location choices were very sensitive to the investment framework in a country. Finally, access to credit was an important determinant for the access of SMEs in supply chains.

**Hubert Escaith, World Trade Organization, Chief Statistician, Statistics Group, Economic Research and Statistics Division, World Trade Organization**, focused on the critical issue of the measurement of trade in value-added. Global value chains created international trade through outsourcing where traditional trade would not exist. Standard gross trade statistics tended to overestimate the trade in value added figures because of double counting along the value chain. A measurement of trade in value-added that combined trade statistics and input-output tables could shed light on the precise contribution of each country to the global value and better approximate real comparative advantage and specialization patterns of each country.

**Professor Gary Gereffi, Professor of Sociology and Director of the Center on Globalization, Governance & Competitiveness at Duke University**, outlined the increasing role of emerging economies in global value chain-oriented industrial policies. The fast growth of global value chains, their concentration in few emerging economies, the consolidation within global value chains in few and larger suppliers, and the increase in South-South trade create more opportunities for upgrading in emerging economies. However these trends also created challenges for small countries and firms. In particular, natural resource rich countries formulated policies vis-à-vis big markets such as China. This implied a different way to plug in the global value chain. In fact, whereas historically industrial policies concerned import substitution, nowadays policies are more oriented towards specialization in global value chain niches in global and regional production networks, domestic production upgrading, and local content requirements to attract global suppliers and facilitate intermediate goods imports.

**Patrick Low, Director, Economic Research and Statistics Division, World Trade Organization**, underlined the importance of services in international trade. In some industries, the services component along supply chains could be more than two thirds of the total trade value. Invisible assets such as retail, logistics, banking, etc., contributed a very large share of value-added in manufacturing. The role of services in production and marketing had increased in recent years. Moreover, services could be seen as a source of innovation, productivity, and growth. Brand equity, human capital, organizational know-how, reputation, advertising and marketing strategies, business relationships and values all contributed to the creation of value. Therefore, services were a vehicle for product differentiation and value addition.

**Gaurav Nayyar, Economic Affairs Officer, Economic Research, Economic Research and Statistics Division, World Trade Organization**, presented the second volume entitled “Global Value Chains: A Review of the Literature”. It had been produced jointly by the Fung Global Institute and the WTO Secretariat, and written by Albert Park, Gaurav Nayyar and Patrick Low. Mr. Nayyar briefly outlined the challenges faced and the methodology used to assemble an enormous and growing literature review on supply chains. In the first part of the book, supply chains were analysed under two different perspectives: economics and business. The second part of the book illustrated specific aspects of GVCs, such as job concerns, SMEs, upgrading, sustainability, services, risk management, measurement issues, and trade policy.

Trilateral Development Cooperation models of implementing Aid projects have multi-stakeholder coordination inherent in them and provide an ideal platform for regional Aft projects. The ideal model of Trilateral Development Cooperation goes much beyond simple tripartite aid initiatives, involving donors from developed and developing regions and recipient countries. It involves participation of a wide range of stakeholders in various capacities. This side event discussed the state of regional value chains in selected developing regions, particularly in South Asia, Eastern and Southern Africa and in MERCOSUR, and the possibilities of linking them with global value chains.

**Side event 20:**  
**Aid for Trade, Regional and Global**  
**Value Chains and the Role of**  
**Trilateral cooperation**

**Organized by:**

CUTS International

SAWTEE

**Report:**

CUTS International

**Pradeep Mehta, Secretary General, CUTS International**, noted that the Global Review process was an opportunity for stocktaking of the initiatives and said that value chains were now an important part of the trade architecture. Research had revealed that although a large number of countries were part of the supply chain in the trade of goods and services, gains and value addition was not proportionate along the chain. This called for a trilateral approach in addressing the challenges faced by developing and least developed countries to benefit from global value chains. He invited the panellists to review the state of regional value chains, analyse challenges faced by some of the players, and how the trilateral approach and cooperation could foster regional value chains.

**Hong Zhu Minister, Deputy Permanent Representative, Permanent Mission of China to WTO**, mentioned that while trade was widely recognized as an engine for development, many developing and LDCs were in need of support for infrastructure development and capacity building necessary to overcome supply side constraints, in order to leverage trade for development. Although China had undergone accelerated growth in the last decades, it was still a developing country. It had nevertheless contributed substantially to Aid for Trade. China also promoted outward investment of its firms in order to develop know-how in recipient countries as well as contributing to employment opportunities. Other development assistance offered by China included infrastructure development (railways, ports, and highways), and the Cotton cooperation initiative targeted specifically to Benin, Burkina Faso, Chad and Mali (Cotton 4).

**Mohammad Razzaque Advisor and Head, International Trade and Regional Cooperation, Commonwealth Secretariat**, observed that the trends of actual benefits from GVCs raised concerns; for instance, 66% of benefits were attributable to OECD countries, while Sub-Sahara Africa, Latin America, and LDCs shared a paltry 10%. The thrust should therefore be towards developing the capacity of these developing and least developed countries to reap more benefits from the value chains. This included by redressing trade facilitation constraints where, for instance, a study had revealed that by doubling the current trade facilitation Aid for Trade would translate into 5% reduced cost of business. Regional supply chains were also critical and studies had shown significant potential for regional cooperation to promote competitiveness and eventual capacity for breaking into GVCs.

**Ratnakar Adhikari Chief Executive Director, SAWTEE**, discussed the South Asian region where, he observed, integration was very low with less than 5% intra-regional trade. The LDCs in the region were all heavily integrated with India. Hence, logically, it would be through India that they could participate in regional value chains. Aid for Trade in the region had generally increased, but regional project financing was still limited due to low integration. He proposed some solutions on the way forward which included: pool funding for an LDC Integration Fund; funding based on comparative advantage; and clear division of labour in the case of trilateral cooperation.

In the ensuing discussion the issue of redressing thick borders was highlighted. National and Regional trade facilitation policies were suggested to address this issue that could be developed through trilateral cooperation. In his closing remarks, **Pradeep Mehta** called for a clear roadmap on the way forward, including the need to challenge fundamentals and eliminate the category of “least-developed” as a status for some countries.

Global value chains play a critical role in engaging developing countries in global markets. However, ensuring environmental sustainability in these value chains remains a complex task. The environmental impacts of global value chains vary according to methods and technologies used in sourcing raw materials, process and manufacture, transport, retail and waste management. Emerging climate challenges and other environmental pressures can also affect participation of developing countries in global value chains. Mainstreaming environment into Aid for Trade can help in improving sustainability of global value chains. It can help developing countries to strengthen their competitiveness, improve climate resilience and benefit from niche environmental market opportunities. The event presented case studies from Aid for Trade to demonstrate best practice in improving value chain sustainability. Pete Forster from World Radio Switzerland moderated the session

**Side event 21:  
Mainstreaming Environment  
into Aid for Trade: Improving  
Sustainability of  
Global Value Chains**

**Organized by:**

ITC Trade and Environment Unit

International Centre for Trade and  
Sustainable Development (ICTSD)

International Institute for Sustainable  
Development (IISD)

Foreign Affairs Trade and Development,  
Canada

Ministry of Foreign Affairs, Denmark

**Report:**

WTO

**Jean-Marie Paugam, Deputy Executive Director, ITC** opened the event by outlining that, for ITC, mainstreaming environment into Aid for Trade meant “harnessing export opportunities for green products and services and strengthening the environmental sustainability and climate resilience of trade”. UN consultations on the next set of Sustainable Development Goals revealed strong interest in environmental and sustainability aspects of development; for developing countries, a strong healthy environmental base was essential for livelihoods and exports; and the key trade-related challenge was to harness export opportunities for green goods and services, while safeguarding or assuring the environmental sustainability and climate resilience of trade. One case of ITC work was wildlife sourcing of value chains, bringing together IUCN and Gucci to ensure sustainable python snake skins in fashion products. To ‘green’ those sectors which were involved in export trade would entail: more technical solutions, more engagement of the private sector, more business incentives, and strengthening government trade support organizations to identify and promote opportunities – all to be advanced by integrating environment into Aid for Trade.

**Ambassador of Peru to WTO, Luis Enrique Chávez Basagoitia**, highlighted that Biotrade had played an important part in Peru’s export diversification and the development of a sustainable natural products industry had made a strong contribution to its economic growth over the past decade. With 25% of its agricultural exports – coffee, bananas, cocoa, Andean grains, and nutraceuticals – based on its biodiversity (Peru has 84 different climatic and ecosystem zones). In rural Peru, 10,000 were currently working in the biotrade sector earning 30% higher incomes than those in other commodities. He cited UNEP’s projection that if bio-trade exports grew by 30% by 2020, revenues would rise from US\$110 million in 2009 to US\$2.7 billion and 250,000 new jobs would have been created over 10 years. He noted that Peru continued to seek open access to foreign markets via decreased tariff and non-tariff barriers, and SPS measures (eg. which impeded its traditional foods into the EU). At the WTO Trade and Environment Committee, Peru sought a definition of Environmental Goods broader than industrial, rather including organic and biological aspects, and wanted sustainable production and public procurement added to the agenda for green growth. Peru encouraged Aid for Trade support directly to environment sustainability businesses. German GIZ aided its export of natural products to the North American market by meeting standards and label requirements. Peru would host the next summit on Climate change (UNFCCC Convention COP meeting of the parties) in December 2014.

**Chris Beaton, International Institute for Sustainable Development**, presented findings from IISD’s new publication “Integrating Environment into Aid for Trade: A handbook” which provided hands-on advice to practitioners on how to include environmental considerations in development projects. Environment was fundamental to the success of the aid for trade. Managing the environment and natural resources well led to increased exports and market share as consumer demand rose for certification of ‘environmentally sustainable’, ‘fair and equitable’, or ‘ethical’ goods. Cost-advantages accrued from more efficiency, and less energy usage, material inputs, and waste; and sectoral sustainability. Economic growth via trade affected the environment through ‘ecosystem services’ of water, air, and soil, that usually remain unpriced and thus tend to be undervalued, overused or degraded. If counted in GDP terms, for example, their value for agriculture was currently estimated at only 6% of Brazil’s GDP. But that rose to 90% of the Brazilian “GDP of the poor”, who survive off the land and depend almost wholly on goods and services from their local environment. The main opportunities for Aid for Trade in mainstreaming environment were through: strategic environmental assessments that offered practitioners a very methodical way to think through impacts to see how they could harness issues to do with the environment to increase exports and minimise environmental impacts; standards and accreditation: Aid for Trade could assist companies get accredited by setting up bodies to help industries understand what different certification schemes required; fostering cleaner production through interventions at plant level, Aid for Trade could make finances available so companies could invest in cleaner production; and strengthening climate resilience and sustainable sourcing. Consumer demand and trade was also driving negative environmental impacts including carbon emissions, water and air pollution as well as biodiversity loss. According to a study published in 2012 – Letter to Nature by Lenzen et Al. – 30% of global species threats were due to international trade.

**Alexander Kasterine, ITC**, outlined the valuable role that Aid for Trade can play in raising awareness about these impacts and providing capacity building support to improve management of natural resources linked to trade. He presented findings of an ITC/IUCN/TRAFFIC study on the *Trade in Southeast Asian Python Skins* that raised awareness on the illegality, animal welfare and conservation issues in trade in a raw material for the

luxury fashion sector. He showed that wildlife trade provided livelihood benefits to thousands of households in South-East Asia, but its sustainability and thus future economic viability was threatened by inadequate traceability systems. He said that Aid for Trade could work with the private sector and the scientific community to strengthen sustainability of sourcing and so safeguard both biodiversity and livelihoods. He informed that ITC's Trade and Environment Unit was developing a public-private partnership with Kering, the parent company of Gucci, and the International Union for the Conservation of Nature to work towards improving the sustainability of python skin sourcing used by the high-end fashion industry.

**Stefan Maard** shared [Novozymes'](#) successful investment experience in reducing Mozambique's reliance on burning charcoal for energy through an innovative and scalable ethanol fuel technology. He noted that charcoal was a US\$10 billion industry in Africa alone and was a major source of deforestation, greenhouse gas emissions and indoor air pollution. Facing a problem of deforestation (5 million hectares lost of protected forest) and rising charcoal costs (\$25-30 per month per family equal to 10 to 30% of family income, prices rising by 20 to 30% per year), CleanStar replaces charcoal with cooking oil, a byproduct of food crops and animal feed grown by local farmers. They supplementing the cooking oil by selling clean stoves, partly financed via a carbon deal with USA Bank of America, Merrill Lynch, ICM - a US bio-energy firm, Soros Economic Development fund and Danish DANIDA. Environmental benefits accrue from planting 2.4 million trees thus reducing deforestation by 4000 hectares per year, and agroforestry practices which boost productivity and reduce disease in crops of cassava, soya, beans and sorghum. The program's 3000 farmers have tripled their income and thus expect 15,000 participants by 2015.

**Vinaye dey Ancharaz, ICTSD** proposed that Aft funds could help developing countries adapt to trade-related climate threats, in his presentation. He stated that out of the 211 active National Adaptation Programmes of Action activities, 58 had clear trade impacts. On the mitigation side, Aid for Trade could enhance mitigation through investments in economic infrastructure including clean energy technology, energy efficient transportation, greener buildings as well as improve the productive capacity through projects that limit agricultural exploitation and put caps on greenhouse emissions. Funds were short. Compared to some US\$10 billion of Aid for Trade to LDCs, current funds explicitly earmarked to climate amounted to less than US\$1 billion (the Global Environment Facility (GEF) Least Developed Country (LDC) Fund and the World Bank / Clean Development Mechanism (CDM) "Adaptation Fund"). But LDC upcoming adaptation needs have been estimated at US\$100–450 billion per year, most of this needing to come from private sector investment into new facilities, plants, and infrastructure adapted to anticipated changes. As one way forward, the WTO Aid-for-Trade Task Force included such synergistic climate aid for trade as trade-related, fitting donor and recipient definitions of Aid for Trade. These 'additional' AFT funds would not be a redistribution or diversion of aid from trade to environment, nor simply a realignment of trade and climate funds.

ITC's Trade and Environment Unit showed their [video](#) on an ITC-Danida project on climate change mitigation and adaptation in Kenya's tea industry.

**Side event 22:**  
**Incorporating Developing**  
**Country SMEs into Value Chains:**  
**Implications for Aid for Trade**

The growing importance of regional value chains in international trade provides a unique opportunity to increase exports by small and medium-sized enterprises (SMEs) through their integration into these value chains. The, an agency with a private sector and SME focus, has developed a market-led approach to facilitate the value chain integration of SMEs from developing countries and transition economies, including from LDCs. International business, SME and trade and development actors shared their experience and discussed the opportunities and challenges. The panel explored the roles and contributions of different stakeholders in this integration process and the implications for the Aid-for-Trade Initiative. Participants were able to appreciate the challenges and have an understanding of good practices.

**Organized by:**  
International Trade Centre (ITC)

**Report:**  
ITC

For SMEs from developing countries, the geographical fragmentation and expansion of value chains can enhance the opportunities for entry into regional and global markets. This makes it easier for SMEs, as suppliers are allowed to focus on completing one step at a time in the value chain, rather than focusing on the whole value chain. At the same time, SMEs in LDCs with poor infrastructure face particular challenges in meeting international buyers' requirements.

The Panel identified major obstacles to the integration of developing country SMEs into value chains and the roles and contributions of policymakers, trade promotion organizations, private-sector trade associations and logistics companies in overcoming them.

**Valentine Rugwabiza, Deputy Director-General, WTO**, emphasized that SMEs required access to finance, and skills development and improved capacity to meet international quality standards, all of which the Aid-for-Trade Initiative should address. She said that SMEs had a disadvantage because they could not incorporate the costs of logistics the same way that multinational enterprises could. She quoted WTO Director-General Pascal Lamy in saying that development actors "need to connect the least connected", namely SMEs from developing and LDCs.

**Jean-Marie Paugam, Deputy Executive Director, ITC**, explained that ITC was developing market-based approaches to connect SMEs from LDCs to international markets and increase their competitiveness. He warned that without assistance, players in these countries were bypassed by GVCs, which increasingly dominated international trade.

**Joseph Nkole, National Coordinator, Cotton Association of Zambia**, emphasized that market knowledge and understanding of value chains were prerequisites for participation and for growing farmers' incomes. Until a few years ago, the Cotton Association of Zambia's 450,000 members sold raw cotton to local buyers at low rates. Working with ITC, they had since identified new markets and forged close ties with buyers in China, India, Bangladesh and Viet Nam. He said that Zambian cotton producers had moved up the value chain by meeting buyers' requirements and by ginning their own cotton and selling the fibre and seed separately.

**Stefano Arganese, Chief Executive Officer, DHL Freight Central Eastern Southern Europe and Americas, Middle East, Africa**, said that once SMEs in LDCs had identified a market need, they needed to get their products to those markets. He pointed out, however, that transportation costs were often two to three times as high in Africa as in Europe, leaving suppliers from these countries uncompetitive. He also explained that delivery often took twice as long as necessary because of slow customs procedures and roadblocks within countries. He gave examples of steps taken by countries to simplify processes at border posts and reduce the waiting time, thereby increasing exporter competitiveness. Logistics companies with a global presence were working with SMEs in several countries advising them on the practicalities of customs procedures and border crossing issues.

**Anabel González, Minister of Foreign Trade, Costa Rica**, emphasized that policymakers should focus on creating the right policy and institutional environment and economic incentives to support exporters. In 2001, Costa Rica had embarked on a programme to match local SMEs with multinational enterprises (MNEs), but officials had soon realized that more was needed. She explained that SMEs must be able to supply MNEs, and that companies needed support in obtaining international certification which was often a prerequisite to becoming suppliers to multinationals. She said that Costa Rica had carved out a niche in areas of higher value such as medical devices, and added that countries that focused on competing solely on costs would lose out, as there would always be a country that could do it more cheaply. She explained that Costa Rica had moved to a different value chain with more value added, but built on the skills already acquired in the textiles sector. Underlining the importance of trade support in the process, she said that her Government measured the value of the first purchase order signed by the companies as a result of assistance received. She noted that her Government had registered a 13-fold increase in 12 years.

**Debapriya Bhattacharya, Distinguished Fellow, Centre for Policy Dialogue (CPD), Bangladesh**, explained that trade policy had to be targeted in order to be effective. Countries first needed to decide which sectors and

companies to target for SME support. At the same time, they must focus on retaining value addition. He said that the success story did not lie in entering the value chain but in climbing up the value chain.

According to the panellists, needlessly expensive road transport, a lack of information about clients' requirements and the absence of international certification presented the most important obstacles to the integration of developing country SMEs into international supply networks. Policymakers had to assist in reducing transport times, streamlining border controls and building the technical skills and markets of SMEs, in cooperation with trade support institutions. Governments must focus on creating an enabling policy environment that allows developing country suppliers to connect to and move up regional and global value chains.

**Mr. Paugam** concluded the session by emphasizing the need for ongoing assistance in certification and the creation of market linkages. He called on trade development agencies to cooperate on further research on the economics of value chains and for the establishment of a public-private platform.

Geographical indications (GIs) are used to protect intellectual property and are often misunderstood and misjudged. But their positive contribution in terms of rural development, preservation of diversity, quality and local jobs is real. The objective of this side event was to improve the information in developing countries on GIs including in respect to their economic value. Based on the experiences of actors involved and participating in efforts to further the protection of GIs in their respective countries, the event sought to explain and illustrate the contribution and value of GIs. It also addressed the issue of cooperation between countries with experience in the field of GIs and countries that are willing to progress on GIs. The session was moderated by Mr. François Riegart, Permanent Delegate, Permanent Mission of France to the WTO

### **Side event 23: Geographic Indications and their Impact on Development and Integration into Value Chains**

**Organized by:**

Permanent Mission of France to the WTO

**Report:**

Permanent Mission of France to the WTO

**Lay Ngoun, President, Association for the Promotion of Kampot Pepper**, explained the different stages of the process that had led to the recognition and protection of GIs for Cambodia “Kampot pepper”. He indicated that, since 2008, the number of producers had increased by 34%, cultivated acreage by 250%, and the volume of pepper production by 116%. Product value and producers’ income had improved significantly as a result of a 90% increase in the selling price between 2009 and 2013.

**Sidiki Camara, Minister of Commerce, Republic of Guinea, and Representative of Ziama Coffee Producers**, and the representative of the **African Intellectual Property Organization (OAPI)**, both explained the process that had led to the protection of the GI for “coffee Ziama”. Although very recent, initial results were already visible, with improved brand recognition and sales prices increasing sharply compared to other coffees (+7.5% over one year). The results were very encouraging and promotion efforts would continue to give every chance of success with this typically Guinean product.

**Kouadio Adjoumani, Ambassador, Permanent Mission of Côte d’Ivoire to the WTO**, presented his country’s approach to GIs. First, with the support of the ORIGIN association, products that could potentially have GIs were identified. Thirteen agricultural products and three handicraft products had thus been identified. Then the legal and institutional framework for the protection of GIs had been put in place. The Ivorian Government had also adopted a strategy for the development of GIs which had helped secure financing for the initial stages (i.e. identification, characterization and delineation of GI) for eight products, and work continued.

The representative of the **European Commission** outlined the actions taken by the EC to promote GIs and to provide assistance to countries and organizations – such as ARIPO and OAPI – who wished to develop GIs and a legal and institutional framework to protect them.

**Jean-Claude Chesnais, French Development Agency**, said that, in terms of cooperation, AFD gave priority to the African continent, and that GIs were also a central thrust of support to developing countries. He described how AFD supported developing countries’ projects (notably through financial assistance) in identifying, protecting and developing GIs, and in their production and marketing.

**Jacky Charbonneau, International Trade Centre**, also explained the context in which ITC could support developing countries’ requests. Support was directed in particular to upstream sectors, on issues of producer organizations, development of terms and conditions and economic studies, as well as on the marketing side.

**Christiane Kraus, Enhanced Integrated Framework**, presented the EIF’s work and noted that support for GIs was possible particularly for upstream sectors (diagnosis, institutional capacity building, study of commercial and export potential, etc.).

Information and presentations are available from the Permanent Mission of France.

To celebrate its 30<sup>th</sup> Anniversary, CUTS International, one of the leading voices of the South on issues of Trade, Regulations and Governance, organized Public Lectures in major capitals, by eminent persons on contemporary issues and challenges facing the global development community. Frederic Jenny, Chaired the Anniversary lectures and Pradeep S. Mehta, Secretary General, CUTS International spoke on the journey of CUTS and its vision for the future.

## Side event 24: CUTS 30<sup>th</sup> Anniversary Lecture

**Organized by:**  
CUTS International

**Report:**  
CUTS International

**Pradeep S Mehta, Secretary General, CUTS International**, gave a brief overview of CUTS' progress in the last 30 years and its visions for the future.

**Fredric Jenny, Professor of Economics, ESSEC Business School, Paris**, observed that in the last three decades there had been amazing development of international trade that had contributed to growth and poverty reduction worldwide. He also noted that in the same period competition regimes had seen unprecedented spread worldwide, an indication of a push towards convergence. Furthermore, he noted that neither trade nor competition disciplines were sufficient on their own and that there was need for linkages to other complimentary policies. Civil Society Organizations such as CUTS had played an active and vital role in facilitating better understanding of these issues and the benefits therein.

**Pascal Lamy, Director-General, WTO**, in his lecture on "Trade Policy Issues", noted that three decades was an appropriate timeline that allowed for serious analysis of what had been achieved and what more needed to be done. He applauded Pradeep Mehta's single-handed achievement in transforming CUTS from a modest beginning to a global institution recognized for its work on the international scene. The last 30 years had also seen a rise in emerging countries that had led to a shift in global balance of power. While in the 1980s international trade that was governed under the GATT regime was largely seen as an exclusive club for developed countries, the transition to WTO in the 1990s saw an exponential increase in membership to the international trade body, the majority of which were developing countries. In the early 1980s, trade in goods had accounted for about US\$2 trillion which, in 2012, had increased by approximately 8%, to US\$18 trillion which was much higher than the average world economic growth. He also noted that in the last three decades disciplines in international trade had evolved to cover services, intellectual properties, and agriculture. The current global trade discussions had extended to include sustainable development and Aid for Trade, areas that earlier had not been considered as part of trade. He predicted that, given the current trends, in the next 30 years many more issues would become part of the trade discussion. He pledged his continued support to CUTS in its quest to ensure accountability in the multilateral trading system.

**Supachai Panitchpakdi, Secretary-General, UNCTAD**, in his lecture on "Linkages between Competition Policy and Consumer Protection", noted that opportunities from international trade liberalization and market openings should be used in a fair manner to ensure consumers were not abused. He expressed appreciation for CUTS' work and contribution in the areas of competition policy and regulation, as well as investment. These issues were part of the so-called "Singapore Issues" among which only trade facilitation was put on the current WTO negotiation agenda. But UNCTAD and institutions such as CUTS continued to work on all these issues, and hence had created more knowledge and understanding amongst developing countries. This had resulted in the evolution of the thought process today, manifested by the adoption of competition policies by about 122 countries as of 2012. He affirmed the need for strong competition and investment regimes in order to check and/or prevent practices such as collusion, which often resulted in higher prices of essential products, denying the poor access to them. He also highlighted the need for harmony between national competition authorities with sector specific regulators in order to avoid conflict over jurisdiction. Additionally, he called for cooperation and collaboration among regional competition authorities if they were to effectively tackle Trans-national corporations' often collusive behaviours.

In his closing remarks, **Professor Jenny** noted that as the interface between competition, consumer rights, and trade became more and more obvious, there might be no need for a Multilateral agreement on the issues. Pascal Lamy, on this issue, called for transparency through regular reporting by domestic competition authorities as a substitute to an international agreement on competition.

Cotton is the world's most important natural fibre. But for companies in the textile industry it is a challenge to reach out through the value chain to assure production is socially, environmentally and economically sustainable. Stakeholders, from farmers, suppliers and manufacturers to brands and retailers as well as civil society have joined forces and developed a voluntary initiative, the Better Cotton Initiative (BCI), with the objective to collectively address the negative impacts of mainstream cotton production and to create a global market for cotton produced in a way that is better for the people who produce it, better for the environment it grows in and better for the sector's future. Data already founding partners were H&M, IKEA and WWF, with support from SECO and SIDA. This event highlighted opportunities and lessons learned from the entire chain from farm to the retailer. The session was moderated by Lena Tham, Manager Market Transformation, WWF Sweden.

**Side event 25:**  
**Towards more Sustainable Cotton –**  
**Working with Global Value Chains**  
**in the Textile Industry**

**Organized by:**

Sweden

Switzerland

Better Cotton Initiative

**Report:**

Sweden / Switzerland / BCI

This side-event aimed to take a holistic approach to cotton production, including producers, suppliers, and retailers. Managing supply chains so they are socially and environmentally sustainable is a challenge for many companies that produce and sell cotton products. Cotton can be sourced from multiple suppliers and different countries, and products can be assembled at various stages in a value chain. The event explored how to work with value chains as a tool for development, how to address key negative impacts of cotton production globally, responsibility in the supply chain and the private sector perspective on value chains in textile production.

**Eva Walder, Director-General for Trade, Ministry for Foreign Affairs Sweden**, said that the vision of the Swedish Parliament in relation to trade was an inclusive international trading system that embraced all countries of the world. This was the reason for Sweden's focus on the need to combine free trade and trade-related assistance. She stressed the importance of bringing in the private sector since it was companies, and not countries, that traded with each other. The private sector should therefore be engaged further. She noted the connection between trade, on the one hand, and social and environmental concern, on the other and said that Better Cotton Initiative was one example where the private sector was actively brought in.

**Lise Melvin, Chief Executive Officer, Better Cotton Initiative**, introduced the Better Cotton Initiative, which was a voluntary initiative with stakeholders throughout the value chain. The objective of the BCI was to help cotton farmers with technical assistance to reduce the negative impacts of mainstream cotton. According to Ms. Melvin, BCI farms had lowered their use of water and pesticides while yields and profits had increased. Today, BCI was operative in seven countries with active or developing partnerships in a further ten countries. She stressed the importance of having close partners on regional, national as well as international level.

**Amelia Sidumo, Better Cotton Initiative Regional Co-ordinator for Mozambique**, presented the cotton sector in Mozambique, a country that consisted of 250,000 farmers and one that had embraced BCI. He said that technical assistance provided through the Better Cotton Initiative was vital for the increases in harvests. With good production practices a cotton farm could reach 2,000 kilos per hectare, while farms in Mozambique produced only around 500 kilos per hectare. The main challenges were mostly financial. He noted that the benefits, through training and falling within the BCI standard, worked as an incentive not as a barrier.

**David Rosenberg, Group Sustainability Advisor, Ecom Agroindustrial Corporation**, introduced the Ecom Agroindustrial Corporation which purchased and processed agricultural products as close to the production place as possible. He explained the risk management role that Ecom had taken on and how all companies on commodity markets were price takers. He stressed the importance of investing in farmers so that they stayed as suppliers by making them more productive. In his view, cotton was a special commodity compared to other commodities. The cotton value chain was long, with few concentrations compared to other markets. The private sector could not do all, but needed support by governments, especially with regard to financing, which was related to risk sharing, but also by changing the cotton market into a long-term market. Better Cotton Initiative's technical assistance had been especially successful with this since the harvests had increased.

**Henrik Lampa, Environmental Sustainability Manager, H&M**, said that H&M used cotton in more than 50% of their garments. Even though customers perceived cotton as a natural material, in 2002 H&M had initiated investigations relating to cotton cultivations. The aim for H&M was that all cotton in H&M garments would come from sustainable sources. H&M therefore engaged in BCI so they could use the Better Cotton. He said that during 2013, H&M would invest €850,000 in training cotton farmers. H&M had engaged in their whole value chain into using Better Cotton when possible and, for this reason, had also started to strategically map the supply chain and ask suppliers to join Better Cotton.

Questions were asked about how BCI reached scale in their training of farmers. **Ms. Sidumo** gave direct examples, i.e. training of trainers and empowering the government, and pointed out that some problems such as low levels of literacy required other ways of spreading the training. Other questions related to the supply chain as a whole and how BCI had influenced the supply chain when they mainly worked with farmers, as well as how to recognize hot spots within the value chain. In response, **Ms. Melvin** explained that BCI members came from every level and that this improved linkages within the supply chains as well as transferring best practices. One comment was raised in relation to the importance in selling the harvest. In reply, **Mr. Rosenberg**

pointed out that BCI did not guarantee the sale but that future demands were for Better Cotton. What BCI could do was connect the supply chain. In response to the question on how to be part of BCI, **Ms. Melvin** welcomed the interest and encouraged all interested parties to contact BCI.

**Ivo Germann, Head Operations South/East Economic Cooperation and Development State Secretariat for Economic Affairs, Switzerland**, in conclusion, pointed out that the side event had given good examples of how sustainable production could be a win-win for all stakeholders in the value chain. He also said that the sense of optimism was clear given that BCI farms' harvests were getting larger, countries were showing great interest in becoming members of BCI and the private sector was engaged, bringing their critical knowledge about markets to the initiative. He noted that Switzerland's projects involving private standards and labels had reaped results that were particularly positive and sustainable in the social, environmental and economic sense. Finally, he noted the complementarities between the BCI and Better Work Initiative in relation to textile production under the International Finance Corporation and International Labour Organization which Switzerland also supported.

## Side event 26: Cape Verde Roundtable

Cape Verde, a small archipelago of ten islands in the Atlantic Ocean, has in the recent years gained the status of a middle income country due to its sound economic and social performance. These efforts accompanied by the stable political situation, have allowed Cape Verde to graduate to a developing country in 2008, based on two of the three graduation criteria; gross national income per capita and the human assets index. The economic vulnerability index is yet to be met. To overcome the country's economic fragility, the Government has adopted a cohesive national strategy to move from an economy essentially relying on external assistance and remittances to the pursuance of alternative routes to development and economic growth, based on the creation of value addition through its cultural heritage and specific geographic and socio-economic context. The roundtable showcased the efforts and achievements of Cape Verde in graduating to a developing economy status in 2008, including the challenges ahead for a further integration of Cape Verde into the global economy. Contributing factors to this status are the sound economic and social performance, and stable political situation.

### Organized by:

Enhanced Integrated Framework (EIF)

World Intellectual Property Organization  
(WIPO)

United Nations Development Programme  
(UNDP)

### Report:

EIF Secretariat

**WTO Director-General, Pascal Lamy**, congratulated Cape Verde for its great strides and implored development partners to help Cape Verde in identifying their needs and mobilizing resources to meet the challenges it faced as a recently graduated least-developed country. He emphasized how the Enhanced Integrated Framework mechanism was helping Cape Verde in meeting the challenges within the context of trade for development and thanked the EIF Executive Director for sensitizing the WTO and development partners on graduating LDCs.

**Ambassador Kairamo (Finland) Chair, EIF Steering Committee**, congratulated Cape Verde for joining the ranks of developing countries and commended the EIF's relevance, as shown by the Mid-Term Review, in supporting least-developed countries to join the global trading system. She also requested development partners to join in providing the necessary support to Cape Verde.

**Ambassador Minelik Alemu Getahun, Ambassador and Permanent Representative of Ethiopia, Chair, EIF Board**, also noted the importance of the EIF in helping least-developed countries join the global trading system and emphasized the importance of the round table to all least-developed countries as they shared similar circumstances.

A video was shown on the history and transformation of Cape Verde to a developing country status.

**Prime Minister José Maria Neves, Minister Umberto Britto, and Minister Mario Lúcio Sousa**, described Cape Verde's efforts to move from an least-developed country to become a middle-income country in 2008, and its aspiration to become a high-income country in 2030. They stressed that this aspiration was based on the Government's adoption of a cohesive national strategy to move from an economy essentially relying on external assistance and remittances to the pursuance of alternative routes to development and economic growth, based on the creation of value addition through its cultural heritage and specific geographic and socio-economic context. They noted consistent investment in human capital, good governance, political and social stability, and a clear vision as the key drivers for inclusive growth and poverty reduction strategy in Cape Verde. However, they noted, too, that the road was not smooth and that the country faced challenges ahead including environmental vulnerability. They therefore called on development partners to build comprehensive partnerships with the Government of Cape Verde in overcoming the structural and institutional challenges in becoming competitive in the global market and sustaining their growth. They thanked the EIF for organizing the roundtable and for the support they were receiving in mainstreaming trade in Cape Verde's development agenda.

**Dorothy Tembo, Executive Director, Enhanced Integrated Framework**, emphasized that Cape Verde's efforts needed to be reinforced by support from development partners and noted that the tourism and culture and trade sectors were very important to the country's economy.

Contributions were made from the **Prime Minister of Samoa** who acknowledged the challenges faced by small island economies and who emphasized the importance of development partners to these countries.

**Carlos Lopes, Executive Secretary, UNECA** and the **Resident Coordinator of UNDP Cape Verde**, also emphasized the need for support and shared their experiences in working with the Government of Cape Verde, noting the importance of development enablers and consistent development strategies as lessons from Cape Verde for all LDCs. They commended the role of the EIF as a tool for LDCs to leverage resources.

**Mozambique, Brazil, Angola, and Portugal** commended Cape Verde on its progress to become a middle-income country and promised to continue supporting Cape Verde in its development plan. They added their appreciation of the opportunity to speak Portuguese during the roundtable.

Representatives from **Luxembourg** and the **Ambassador of Maldives** stressed the importance of development partners in helping Cape Verde in achieving its development objectives.

The **Director of UNWTO** stressed the importance of tourism to the economy of Cape Verde and noted how energy and culture were also important to that sector.

In concluding, and in response to issues from the floor, the **UNECA Executive Secretary**, the **Prime Minister and Minister of Culture from Cape Verde**, and the **EIF Executive Secretary**, called for partnership to maintain the momentum of the gross national income per capita and the human assets index that Cape Verde had achieved while striving to attain the third measure, i.e. the economic vulnerability index, for graduation from an LDC status.

While trade opening is indispensable to development and inclusive growth, it is not necessarily sufficient per se. Supply side constraints may make it difficult for low-income countries, in particular least developed countries to reap the full benefit from trading opportunities. While there is an ample empirical evidence identifying relevant supply side constraints, much less is known about the design of policies to overcome these constraints. The objective of this side event was to provide insights gained from research by WCP Chairs on the design of policies targeting trade-related supply side constraints and connection to global and regional value chains.

**Side event 27:  
Design of Policies Targeting  
Trade-Related Supply Side  
Constraints and Connection to  
Global and Regional Value Chains  
(WTO Academic Chair Programme)**

**Organized by:**

Institute for Training and Technical  
Cooperation, WTO

Economic Research and Statistics Division  
WTO

**Report:**

Institute for Training and Technical  
Co-operation, WTO

## SESSION 1

### ***Keith Nurse, WTO chair, University of West Indies: Aid for Trade, Export Diversification and Industrial Upgrading in Small States: Towards a Trade and Innovation Governance Agenda***

In recent decades Caribbean economies have increased levels of openness and high dependence on low technology exports. Although foreign direct investment flows and AfT assistance had increased Caribbean exports have remained concentrated despite attempts to diversify exports. FDI flows have remained concentrated mainly in the tourism industry. Overall FDI is considered to have contributed little to foster dynamic specialization in higher value-added production. Caribbean economies face low investment in research and development and low levels of patent registrations.

It was necessary to strengthen innovation governance in Caribbean economies to foster innovation such as building administrative and coordinating capacity. Trade diversification required a trade and innovation governance agenda that aimed to expand local value-added, deepen integration into global markets and value-chains thereby strengthen Caribbean economies against external shocks. The role of Aid for Trade could be given the relevant challenges of market and government failure. AfT allocations had largely focused on building productive capacity with more than half of AfT disbursements being allocated to this category. Around one third of Aid for Trade has been allocated to economic infrastructure and significantly smaller percentages to the categories of trade policy and regulations and trade-related adjustment. Institutional capacity among relevant government agencies was weak which hampered their contribution to the design and implementation of interventions and makes it challenging to consider coordinating local or regional efforts to increase innovative activity and to increase export diversification. He thought it beneficial to raise efforts at building relevant expertise among employees and administrators in governments, industry associations and business support organizations.

### ***Dorotea López, WTO Chair, University of Chile: Aid for Trade: Challenges for international cooperation for middle income countries - The case of Chile***

Over a few decades Chile's development had led to a new role in the international community from its position from a recipient of international aid to a potential donor. However for an upper middle income country like Chile it is difficult to commit resources to technical assistance at an adequate level. Chile like other upper middle income countries was not considered a typical recipient country while unable to fully play the role of a donor country, upper middle income countries find themselves playing a secondary role in the Aid-for-Trade Initiative. This situation could be addressed by upper middle income countries playing a facilitating role in co-operations that have a triangular nature.

### ***Riza Noer Arfani, WTO Chair, Universitas Gadjah Mada: Sustaining Post-Disaster Community Development Program in Indonesia's Export- Driven Industrial Clusters: Cases from Yogyakarta Handicraft/Furniture Industries and Tourism-related Services***

Indonesia had suffered a number of natural disasters or episodes of economic crisis that had disrupted its trade flows. In 2006, Indonesia saw a dramatic increase in aid as there was a disruption in production facilities and distribution and marketing infrastructure. Examples of three industrial clusters in the Indonesian region of Yogyakarta illustrated how stakeholders could manage to escape from production, distribution, market and business disruptions that follow the occurrence of natural disasters. The interaction between different stakeholders within a value chain turned out to be an important determinant of disaster management strategies. Aid for Trade could play a role in disaster management and in the post-disaster recovery phase.

## SESSION 2

### ***Taleb Awad Warrad, WTO chair, University of Jordan: Aid for Trade: Effects on the Arab Foreign Trade and Economic Growth***

Evaluating the impact of Aid for Trade on economic variables was not easy because of data limitations on the Aft variable, given that the initiative was only introduced in 2005 and became effective in 2006. It was nevertheless possible to conduct a quantitative analysis based on a simple economic growth model and conventional econometric techniques using annual data covering the period of 1980-2010 provided by the Central Bank of Jordan and World Bank statistics. First empirical results indicated that there had been a positive impact of Aid for Trade on export market shares, trade openness and competitiveness of selected countries in the Middle East and North Africa region. However, the impact on export diversification was found to be mixed and varies across countries. For the case of Jordan, other economic factors were found to have contributed significantly to economic growth. In addition, Aid for Trade was found to have had a positive impact on real economic growth in Jordan. Aid for Trade was likely to have played as a catalyst in a country like Jordan.

### ***Azzedine Ghoufrane, WTO chair, University of Morocco: Better integration of Aid for Trade in national development strategies: Morocco's experience***

Following the recommendations made from the second trade policy review of Morocco in 2009, Morocco had created an inter-ministerial committee in charge of monitoring Aft flows. This committee was piloted by the Ministry of Finance. Morocco was among the main beneficiary of this initiative and the first beneficiary in the Union of Arab Maghreb with a total flow of US\$1.45 billion for the period 2002-2006. Morocco had a GDP of about US\$100 billion and, in 2011, received US\$2.9 billion. In order to better appropriate the Aft flows, some conditions need to be reached: a better hierarchical organization of the priorities, an effective institutional coordination, an adequate and permanent follow up, and an institutionalization of the dialogue between the donors and the beneficiaries.

### ***Aly Mbaye, WTO Chair, University Cheik Anta Diop, Dakar: SPS standards and competitiveness-quality of African exports: Mango, green bean and tomato case story***

The question of quality was central to explain trade performance of a country. Programs which tackled the supply side constraints and contributed to increase the quality of the exported products had a direct and highly significant impact on the capacity of exporting and in time on the volume of exports. One recommendation was to target the sectors that have a strong export potential and could be adjusted with the world supply. The Aid-for-Trade Initiative had the possibility to tackle the issue of supply side constraints but needed to identify sectors with high value added potentials and which are able to be inserted in the regional and global value chains. Ex ante studies could provide such guidance.

**Side event 28:  
Public-Private Partnerships in  
a Value Chain Context**

The objective of this event was to present a report prepared by the Canadian North-South Institute entitled “Models for Trade-Related Private Sector Partnerships for Development”, to disseminate the results of Standards and Trade Development Facility work in the area of SPS-related public-private partnerships (PPPs) and to foster an extensive dialogue among public and private sector experts on key lessons learned and recommendations to enhance the future development and implementation of PPPs aiming to help developing countries in connecting to value chains. Specific experiences and case studies were presented and discussed.

**Organized by:**

Canada

Netherlands

Standards and Trade Development Facility  
(STDF), WTO

**Report:**

Canada

Standards and Trade Development Facility  
(STDF), WTO

The objective of this side-event was to disseminate the results of the work done by the Canadian North-South Institute and the STDF on Trade and SPS-Related PPPs and to foster dialogue among public and private sector experts on key lessons learned and recommendations to enhance the future development and implementation of PPPs aiming to help developing countries in connecting to value chains.

**Shannon Kindornay, Researcher, The North-South Institute (NSI), Canada**, presented the report “*Models for Trade-Related Private Sector Partnerships for Development*” and highlighted the main findings of this research work indicating that: (i) donors needed to be clear on the goals they were trying to achieve, which would determine the market-based approach and types of partnerships they support; (ii) the success of these partnerships required the right players at the table doing the right things (donors had a role to play in facilitating successful partnerships); (iii) different skills and expertise of partners must be recognized and harnessed; (iv) tensions and conflicts might arise during implementations so dialogue and communication of results should be permanently ensured.

**Melvin Spreij, Secretary, STDF**, highlighted key lessons stating that: (i) partners needed to select the right projects with clarity on the objectives, roles and procedures; (ii) partnerships should start small and grow gradually; (iii) strong leadership and trust were necessary to avoid political interference; and (iv) that public sector needed to recognize the private sector's technical expertise and not only their funds. The STDF concluded that SPS compliance was a shared responsibility and that PPPs brought added value as they stimulated innovation, leveraged knowledge and addressed resources constraints.

Six specific experiences/case studies were presented: (i) the Palm Oil Partnership between Indonesia, Malaysia and the Netherlands; (ii) the establishment of The Spice Council in Sri Lanka; (iii) the Federation of Cooperatives of the Verapaces in Guatemala; (iv) the Patagonian Zoo-Phytosanitary Barrier Foundation; (v) Cargill's current experience in facilitating PPPs around the world; and (vi) the case of COLEACP and the PIP and EDES programmes. The main challenges and obstacles encountered while establishing these partnerships and also the main results and lessons learned were highlighted.

The general consensus among discussants was that dialogue was critical to any partnership to ensure long-term sustainability. The quality of human resources and the importance of having the appropriate leadership was discussed as a very important factor to be taken into account. Investment in the training of human resources was important as well as having the necessary flexibility, a sufficient venture capital, and enough time to obtain and consolidate the results.

Discussants acknowledged that PPPs could be instrumental in including smallholders in agricultural value chains. Education was seen as pivotal to the inclusion of these smallholders who needed to be connected to markets. They should be supported not out of social arguments but viewed as important suppliers of agricultural produce/economic actors in the value chain.

**Brian Mitchell, Executive Director, Trade Facilitation Office, Canada** moderated the session. Other participants included: Frans Classen, Director, Product Board for Margarine, Fats and Oils (MVO), Netherlands; Samy Lopez, Business Manager, Federación de Cooperativas de las Verapaces (FEDECOVERA), Guatemala; Esteban Rial, Project Coordinator, Fundación Barrera Fitozoosanitaria Patagónica (FUNBAPA), Argentina; Mike Robach, Vice-President, Corporate Food Safety and Regulatory Affairs at Cargill; and Guy Stinglhamber, Director, PIP/COLEACP Programme, European Union.

**Side event 29:**  
**Connecting Artisans with Global**  
**Fashion Value Chains – ITC's Ethical**  
**Fashion Initiative Panel Discussion**  
**and Exhibition**

The ITC's Ethical Fashion Initiative connects the fashion business with artisans in Africa and Haiti. Providing work for marginalized people who have a strong desire to change their lives, ITC makes it possible for the fashion world to embrace the skills of artisans in the developing world. The event put focus on how ITC's Ethical Fashion Initiative has assisted in linking its beneficiaries into the global value chains, as well as the programmes of partner organizations in various African countries. Speakers discussed the various aspects of inclusive business models that integrate marginalized communities with the global value chains – and in particular the fashion and lifestyle industries – and so improve the livelihood of these disadvantaged communities. In addition to the panel discussion, there was an exhibition featuring the work of craftsmen and craftswomen and micro-producers who are participating in the Ethical Fashion Initiative.

**Organized by:**  
International Trade Centre

**Report:**  
ITC

As part of the event on 'Connecting to Value Chains', the Ethical Fashion Initiative with the support of SECO organized an exhibition and panel discussion featuring collaborating designers and key business counterparts. The event showcased ethical fashion products as a demonstration of how micro-enterprises based in Ghana, Burkina Faso and Mali have connected to high-fashion value chains and have accessed new markets through export trade. The panellists spoke about inclusive business models that integrate marginalized communities to international value chains, improving livelihoods.

**Jean-Marie Paugam, Deputy Executive Director, ITC**, introduced ITC's Ethical Fashion Initiative which had empowered nearly 7,000 artisans, 98% of which were women, to produce goods for brands and distributors all over the world.

**Simone Cipriani, Chief Technical Advisor, Ethical Fashion Initiative, Poor Communities and Trade Programme, ITC**, explained that the Ethical Fashion Initiative gave artisans in Burkina Faso, Ghana and Mali the opportunity to manufacture hand-woven fabrics and artisans in Haiti and Kenya the opportunity to produce fashion accessories. The workers benefitted from the increased income for their families and communities, while buyers were able to source ethically-produced goods that met their quality standards.

Ghanaian designers **Christie Brown** and **KIKI Clothing** showcased their collections on 7 July 2013 during Rome's fashion week, AltaModa, as part of the Ethical Fashion Initiative. The show also featured designs by the Swiss label Portenier Roth and the Italian brand Stella Jean, which have also used hand-woven fabrics produced by artisans in Burkina Faso and Mali.

**Stella Jean, Designer, Stella Jean, Italy**, said that she was honoured to take part in the Ethical Fashion Initiative, and said that she recognized the "great responsibility" she had in using her designs to convey a message. As such, she wanted her designs to serve as a "cultural translator", which had been made possible through the partnership with the Initiative.

**Sabine Portenier** and **Evelyne Roth**, two Swiss designers, launched their label, Portenier Roth, in 2007. **Ms. Portenier** said that good products had to be of good quality and had to have a history. Working with the Ethical Fashion Initiative meant there was always something different to discover and that, for a designer, that was very important.

**Hans-Peter Egler, Head of Trade Promotion, Switzerland State Secretariat for Economic Affairs (SECO), Switzerland**, said that SECO was delighted that the success of the Ethical Fashion Initiative had culminated in the showcasing of the work of rural micro-producers at Rome Fashion Week. He described Ethical Fashion as not only a one-way transfer of products from developing countries to the global fashion industry, but also a two-way exchange, with the North and the South being able to learn from each other, constituting a new form of cooperation.

**Nii Ansah-Adjaye, Chief Director, Ministry of Trade and Industry of the Government of the Republic of Ghana**, said that Ghana was one of the beneficiaries of the Ethical Fashion Initiative. He emphasized that, in Ghana, the Ethical Fashion Initiative was improving the livelihoods of those in disadvantaged communities. The main concept and principal of the Initiative was to provide an opportunity to link the product base to international markets, which led to the creation of jobs. In conclusion, he said that the project allowed Ghana to promote industrialization on a small level, as well as good work practices.

**Side Event 30:**  
**Making Money out of Music:**  
**the Cape Verde Experience**

Creative industries can add value to LDCs economies, generating revenue, jobs, export earnings while promoting social inclusion and human development. Given the right tools, artists can not only make the most from their creations but also contribute to the social, cultural, and economic betterment of their communities. This event – featuring live music from Cape Verde – shone a spotlight on ways policy-makers can support musicians and music professionals who are keen to hone their knowledge of the music business. The event showcased how Cape Verde is looking to use music as one element in its strategy to brand the country on the global market.

**Organized by:**

World Intellectual Property Organization  
(WIPO)

Cape Verde

**Report:**

WTO

This session focused on showcasing how money can be made out of music. It was opened by Cape Verde's Prime Minister and attended by dignitaries including WIPO's Director General, WTO's Director-General, and Cape Verde's Trade Minister of Culture, who doubled as lead singer for the band of the evening.

**José Maria Neves, Prime Minister, Republic of Cape Verde**, explained that Cape Verde's jewel was its people and, as such, an important Government policy was investing in them and their talent – a key one being music.

**Francis Gurry, Director-General, WIPO**, highlighted the importance of the creative industry and invited **David Stopps, Artist Manager and Promoter, Author of "How to Make a Living from Music"** – a producer that had worked with successful recording artists such as David Bowie – to share the key messages from his publication: *"How to make a living from music"*. In his view, all that was needed to make money out of music was: a table, chair, computer and a broadband network! That said, he stressed the importance of copyright, the WTO's TRIPs Agreement and the Beijing Audio-Visual Treaty, as key international regulatory frameworks for the music industry. He advised those interested to look at YouTube as the global discovery channel for musical talent.

**Mario Lúcio Sousa, Minister of Culture, Republic of Cape Verde**, also band leader for the event, explained the important role music played in Cape Verde, from being core to celebrating births, and processes surrounding death. As such, music was the spirit of Cape Verde's people. He then led the band in a wonderful performance that formed the perfect background to several networking discussions.





