

Looking Ahead

Statement by Commissioner Louis Michel at the WTO General Council on Aid For Trade

Geneva, 21 November 2007

Ambassadors, Ladies and Gentlemen.

As trade experts, you may be surprised to see the European Commissioner for Development Policy, and not my dear colleague Peter Mandelson. My presence here is a testimony of the importance we attach, in Europe, to trade as an engine for development.

I see the Aid for Trade initiative as a genuine opportunity to really integrate trade and development policies.

Where countries put economic development and world competitiveness at the centre of their development strategy, and not at the outskirts, then growth and poverty reduction happens. This is our common experience.

I am glad to say that economic development and trade have now moved to the centre of the EU development policy as well. Our European Consensus for Development, adopted in December 2005, is testimony to that.

To succeed, trade and development policy makers must not only talk to each other but, even more importantly, must work together. This first WTO Review exercise of what is happening and what is not happening in the Aid for Trade agenda in the world demonstrates how crucial this is to us all.

1. What is the European Union doing in Aid for Trade?

In view of this meeting of the General Council, the European Union adopted a Joint Strategy on Aid for Trade on 15 October 2007. Copies of this Strategy are available in the room outside this one (the so-called "ante-room"). It brings together the Commission and the Member States in an overall policy strategy that can be summarised in one simple sentence: More, better and quicker aid for trade.

- Firstly, more aid: the EU has pledged to increase its trade related assistance to a total of 2 billion euros per year by 2010. I can assure you that we are delivering on these commitments taken in 2005, both at Gleneagles, and in Hong Kong. In 2006, the European Commission financed trade related projects worth approximately 960 million euros, and 880 million on average per year since 2001. In the same period, Member States financed an annual average of 370 million euros, and they will increase their spending significantly in line with their commitments.

In addition, we will strengthen our support to the wider aid for trade agenda. Most importantly, the EU already gives more than 2 billion per year to infrastructure. This will go up.

- The second element of the EU strategy is better and quicker aid. How to achieve this?
 - (i) ownership: we value the prime responsibility of developing countries in define what is best for them and what they need to achieve with our support. To that end, EU donors will enhance efforts to support integration of trade policies and AFT priorities in national development strategies and implementation plans of developing partners.
 - (ii) coordination and collaboration: we want to make the best use of our resources, so we need to minimise inconsistencies between donor policies. Therefore, EU donors will collaborate closely when assessing and responding to partner needs, and will encourage other donors to join in.
 - (iii) effectiveness and alignment: it is essential to minimise transaction costs for developing countries. For this, EU donors will apply modern delivery approaches which reinforce partner countries ownership and control of efforts undertaken. Budget support is a particularly effective tool to address trade adjustment costs such as tariff revenue losses.

2. What should happen next?

Three things:

- First, we need to keep the pressure up on ourselves and other donors to live up to the pledges we made and increase financial contributions. The EU is clearly in the lead, delivering more than half of world Aid for Trade.
- Second, to boost their economies, we need to keep trade as a priority in development strategies of developing countries. Aid for trade must be based on countries' own assessments of their strengths and weaknesses in the global competition and on their own trade and development strategies. I am glad that we have reached a global consensus on this key parameter to address the root causes of economic marginalisation.
- Third, on the donor side, we need to continue the efforts for effective delivery. I don't believe in global funds or multilateral initiatives as offering the magic solution for aid for trade. I am therefore happy that you are no longer speaking about new multilateral instruments or new global funds, but rather focussing on reinforcing coordination amongst donors through joint analysis, joint response, joint programming etc.

3. Concluding remarks

Let me conclude by saying that the path we are on is the right one. It will lead us all: donors, recipients, multilateral and regional institutions, to constantly keep under the spotlight efforts that must be made in support of developing countries' integration into the global economy.

You can count on me, on the European Commission and on the European Union for doing this.