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areas. World Bank projections suggest that in the absence of new actions, poverty in Sub-Saharan Africa will continue to increase in the coming decade, reflecting low rates of economic growth due in part to weak export performance. We face a major challenge of inclusion - it is vital to integrate the poorest countries more fully into the global economy.

In a report we published last week - "Global Economic Prospects - Making Trade Work for the World's Poor" - we pointed to four critical areas for action that are needed to strengthen the global trade architecture to better support development. These areas include (i) trade reforms under the WTO; (ii) greater "aid for trade" to reduce trade capacity constraint; (iii) unilateral actions by high-income countries in favour of the poorest countries; and finally, (iv) actions by developing countries themselves to liberalize and improve their investment climate.

1. <u>Under the umbrella of the WTO it is critical to improve market access focusing in particular on the products that are most important to the poor: agriculture and labour-intensive manufactures</u>. Labour-intensive manufactures and agricultural markets remain extensively protected in both OECD and developing country markets. Protection in agriculture comes in part through production and export subsidies, which are running at close to $1 billion per day in OECD countries, more than five times the level of international development assistance. We estimate that complete liberalization of merchandise trade and elimination of subsidies could add $1.5 trillion to developing country incomes. Developing countries also stand to gain from liberalizing trade in services. Indeed, the high levels of protection in service industries as well as the importance of services such as transport, telecommunications, and finance for the rest of the economy, suggest that progress in services liberalization could yield much greater gains for developing counties than liberalization of merchandise. And in both cases large gains would also accrue to rich countries.

2. <u>Efforts to expand market access should be complemented by greater multilateral cooperation outside the WTO - there is a large "aid for trade" agenda that needs to be met by the development community</u>. Full participation in the world economy by developing counties requires a concerted effort first to recognize, and then to deal with those constraints that hinder their capacity to trade. Providing financial support and technical assistance to complement trade liberalization programmes in developing countries is not merely desirable, it is urgently needed to improve the investment climate. The Integrated Framework for Trade-Related Technical Assistance for the Least-Developed Countries constitutes a good first step-one that needs to be substantially augmented. For example, there is a need to increase the capacity of the poorest countries to participate effectively in international trade negotiations. There is also a need to support reforms in favour of trade facilitation, including customs procedures. And, we need to expand the range of countries covered by the Integrated Framework. Finally, the improvement of labour and environmental standards should form the object of development assistance through the relevant specialized institutions.

Finance and Development Ministers will be taking up the baton and building on your discussions in Ottawa next weekend, when we will be discussing the broad array of concerted and effective action needed to ensure adequate financing for development outcomes. We must make the Financing for Development Conference that is to meet next year in Mexico a success, and follow through on the outcome of the LDC-III Conference in Brussels earlier this year.

3. <u>Unilateral actions by industrialized countries can do much to improve the ability of the poorest countries to use trade as an instrument for poverty-reducing growth</u>. Improving market access for exports of the Least-Developed Countries (LDCs), home to 600 million of the world's poorest people, is particularly important. The EU "Everything But Arms" initiative is a noteworthy example of such action, one that should be emulated by others as soon as possible. If the United States, Canada and Japan were also to grant duty free access for LDC exports, we estimate that the exports of LDCs would expand by some 10 per cent. As the exports of the LDCs today represent only about ½ per cent of world trade, the effects of granting such preferences on other countries' export opportunities would be insignificant. Yet the benefit to millions of poor people would be substantial.

There are many other areas where the rich countries can adopt policies unilaterally that support development. For example, encouraging competition in all modes of transport could increase the competitiveness of developing country exports - transport costs for African exports are often substantially higher than the tariffs they confront. Severely limiting the use of anti-dumping, a practice that began in the industrial countries and is unfortunately increasingly adopted by developing countries, is critical to reduce uncertainty of exporters and promote investment in export industries around the world. And, avoiding the use of restrictive rules of origin and excessively stringent sanitary and phytosanitary standards is critical in ensuring that market access opportunities can be exploited fully. Finally, given that there are more than 4 billion people in developing countries that are not LDCs, the industrial nations should expand their efforts beyond the LDCs.

4. Finally, let me turn to actions by developing countries themselves. Tariff barriers to trade in many developing countries remain high, creating disincentives for export-oriented investment and impeding South-South trade. But today in many developing countries the main impediments to trade are "behind-the-border", reflecting weakness in infrastructure, inefficiencies in ancillary services, lack of information about export markets, and poor governance. Successful integration into the global