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Statement by

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At the

WTO Informal Group of Developing Countries

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Mr. Chairman,

I thank you for holding this meeting with items on the agenda that are both timely and relevant in the context of the current developments. According to the Hong Kong Ministerial Declaration, Aid for Trade can be a valuable complement to the Doha Development Agenda. The task force designated by the Director General has done a delicate job to elaborate this important tool or mechanism which would be vital for developing and promoting trade. However, the present realities of world trade and financial relations reveal more systemic problems in financial aspects of trade relations which make it both costly and complex for many developing countries to conduct trade transactions. WTO secretariat document WT/AFT/W/24 enlightens us to the fact that international banks have adopted more stringent lending standards with higher fees and charges when trading with developing countries. According to the same report even in cases where the banking system is sound, developing countries may face difficulties in finding partners to share risks and seek guarantees. Low international credit rating in many cases do not reflect the fact that many developing countries with long history of risk-free, default-less transactions and proven creditworthiness, face unnecessarily higher charges and fees to issue letters of credit, guarantees, etc. Regional initiatives and institutions may provide partial solution to the problem in terms of providing finance and exports credit for certain projects and trade transactions. However, facilities provided by regional financial institutions may not be sufficient to cover broader international transactions where major international banks come into play.

Such circumstances indicate that even before discussing "Aid for Trade", it becomes necessary to make banking and credit conditions easier to handle. Persistence of such problems, inherently, will be detrimental to the objectives of the Development Round. While negotiations under the WTO are intended to reduce or remove tariffs as well as subsidies and other trade barriers, setting up of a new category of trade distorting barriers in the form of costly and hindered banking transaction should be tackled. Sometimes even short term modes of trade financing that are indispensable for smooth movement of goods are becoming costlier and more difficult to carry out. Both export & imports of goods face a new category of trade restrictions. An alternative provisionally sought by some traders in developing countries to circumvent restrictive banking operations would be resort to informal sector and informal channels that operate outside formal disciplines and

frameworks. Certainly, it would not be an option and alternative to the rule based and transparent multilateral trading system. Meanwhile, implications of such restrictive practices both at domestic and international levels go beyond the work program, mandates and concerns of World Bank and other international financial institutions. At this stage, I suppose WTO needs to step in and to become ever more responsive in this respect in order to ensure that the rule-based multilateral trading system will not face discriminatory and costly financing practices. It will important in the context of "Aid for Trade" initiative.

On the issue of accession I do not intend to stress further that this is an important aspect of WTO negotiations that enhances the vitality of the multilateral trading system and every efforts should be made to assure smooth process of accession for developing countries.

I thank you Mr. Chairman.