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From the Director's Desk

K.T. Chacko

Many developing and least developed countries (LDCs) face supply-side constraints that severely limit their ability to participate in the world trade. Lack of trade related skills and infrastructure deter them from realizing the gains that were promised to them at the time of joining the WTO. In recognition of these challenges, the Hong Kong Ministerial Conference in 2005 launched a new work programme, came to be known as Aid for Trade (AFT). This initiative was essentially meant to develop the productive capacity of the developing and LDCs in particular; to increase their market access to world economy; and to provide policy options that would help them integrate globally at their pace.

AFT initiative since Hong Kong Ministerial has made advancement by implementing various programmes that had energized the developing economies. Important among them is the Enhanced Integrated Framework (EIF). EIF is designed to provide LDCs greater ownership; ensure increased commitments from development partners; and make improvements in the decision-making and management structure, so that the exercise ensures effective and timely delivery of increased financial resources and other forms of trade finances.

Aid for Trade initiative is gaining support in the current Doha Round of negotiations as two-third of the WTO member countries belongs to developing and least developed countries. The WTO is aware and has now recognized that trade liberalization alone is not enough to benefit poor countries. Promises to provide technical assistance; develop productive capacity; and increase market access by ensuring duty-free-quota-free system are some of the immediate concerns that need to be addressed. While preparing these economies to compete in the world market, the world trading community may take into account the adjustment and implementation costs of various trade agreements that these countries would experience. Aid for Trade aims to accord such priority to the world trading community.

Aid for Trade and its Relevance

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Issue of Aid for Trade (AfT) of late has attracted huge attention in the WTO negotiations. Its significance is adequately deliberated in Doha Round of negotiations. Developing and LDCs who form more than two-third strength of the WTO have vociferously argued that they are currently at a minimal level of industrialization and therefore need strong support from other developed countries in terms of strengthening their productive capacity, market opportunities and policy options that would help them to integrate with the global economy. These developments can take place only when provisions for AfT are channelized in a coherent and positive manner. This paper makes an attempt to understand the critical issues involved with AfT and suggests a viable and well coordinated approach of institutional mechanisms and factors responsible for such integration with the world economy.

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I. Introduction

1.1 *Definition and Rationale*

What constitutes aid for trade and what does not is often not clear, with the distinction often made on subjective grounds. Aid for trade (AfT) is usually considered to be aid that targets tradable productive sectors, the development of which can contribute to increased economic growth. This is in contrast to aid that contributes to people's wellbeing in many ways but to growth less directly – for example, by meeting immediate needs in humanitarian emergencies or other crises; or leading to improved health and education outcomes.

This article focuses on the term as understood in the intergovernmental discourse on trade and development. The Aid for Trade Task Force of the WTO states that "projects and programmes should be considered as aid-for-trade if these activities have been identified as trade-development priorities in the recipient country's national development strategies."[1]

On similar lines, the WTO Ministers at their Sixth Ministerial Conference at Hong Kong in 2005 stated that AfT should aim to help developing countries, particularly LDCs, to build supply-side capacity and trade-related infrastructure that would enable these countries implement the WTO Agreements and benefit from these agreements; and more broadly to expand their trade.

While an operational definition of AfT is difficult to formulate, given its broad and all-encompassing nature, its economic rationale is two-fold: *first*, activation of trade as an engine of growth requires the attainment of certain pre-conditions; and *second*, trade liberalization itself imposes costs on developing countries which require adjustment. AfT finances the attainment of these pre-conditions and helps meet the mentioned costs. Each component of the mentioned rationale is discussed below.

1.1.1 *Activation of Trade as an Engine of Growth*

The need for AfT has been felt because of the realization that trade liberalization is only a necessary condition for sustained economic development but not a sufficient one. For such economic development to actually result from trade liberalization, certain complementary factors need to be present – for example, existence of productive capacities for producing exportable goods and services; adequate and modern transport related infrastructure which economizes on freight transportation costs and contributes to competitiveness in international markets; and human capital and expertise for bringing about necessary changes in trade policy and economic environment

Most of the AfT interventions in recent years have been triggered by this rationale, as we shall see in the rest of this article.

1.1.2 *Trade Liberalization Related Adjustment Costs*

Aid is needed as compensation for various kinds of losses borne by developing countries due to trade liberalization undertaken by them as part of their bilateral or multilateral commitments. Given that there was no recompense for costs borne by developing countries to implement their obligations under the Uruguay Round agreements, dissatisfied developing countries demanded that provisions for special and differential treatment be made more precise, effective and operational. The ongoing Doha Development Agenda emphasizes the development content of the new Round, which led eventually to the AfT initiative.

In addition, LDCs and other countries enjoying preferences could make a case for compensation for preference erosion with the lowering of tariffs through the ongoing negotiations. However, the justification for such compensation is valid only if their competitiveness has hitherto enabled them to utilize preferences to acquire a significant market share for their products. At present, such a situation can be observed in the case of tropical products, and textiles & clothing but not any other products.

First, compensation is needed for the direct fiscal loss in tariff revenues though such loss can be partially made up through changes in the consumption tax regime. Again, such changes might not yield huge offsetting revenues for the government if much of the economic activity takes place in the poorly governed informal sector. This is illustrated by a 2005 IMF study[2] which concludes that even with fiscal reforms, low income countries are only able to recover 30 per cent of their losses in tariff revenue resulting from trade liberalization.

The direct fiscal loss is of course in proportion to the amount of tariff revenues being earned in the pre liberalization stage. Figures highlight the extreme reliance of small developing country governments on tariff revenue – 62 per cent of tax revenue in Bahamas and 54 per cent in Guinea.[3] Thus, any uniform liberalization of tariffs across these countries will lead to losses which are directly proportional to such reliance.

Second, AfT might be considered as compensating net food importing developing countries for the losses incurred by them in the process of liberalization, especially the reduction/removal of production/export subsidies by food exporting countries. This is a significant source of loss as 45 out of 49 LDCs are net food importers. Though such countries also gain from their farmers being able to access markets better as a result of the mentioned reduction in subsidies, the losers (urban poor and landless labour) are not the same as the gainers.

Third, low income countries are characterized by weak credit markets. Thus, expenditure to meet adjustment costs in the process of redeploying labour or capital as a reaction to removal of distortions might not easily get financed. AfT can help meet these costs.

Trade adjustment costs are the least funded aspect of AfT if we go by the reporting systems put in place by the WTO and the OECD.[4] It is unclear whether this is due to lack of clear prioritization by developing countries; or lack of attention by donors to adjustment costs resulting from Uruguay Round commitments in arriving at aid related decisions; or a conscious decision by donors to wait for the Doha Round to reach the end game where such compensation can be used as a bait to force developing countries to swallow additional commitments and concessions.

1.2 *What Exactly is AfT: Compensation or Facilitator of Potential Gains from Trade?*

Though different schools of thought exist as to which rationale better justifies the provision of AfT, evidence points to a better fit of the first mentioned candidate.[5] This is also consistent with the classification of various components of AfT[6] and the actual disbursement of AfT by donors. Moreover, AfT motivated largely by compensation would imply that such aid would go to those who would lose the most from the removal of distortions (which might not be justified in the first place) rather than poor or under endowed countries who need aid to hone their capacity to trade.

The rest of this article is structured as follows. Section 2 elaborates on how AfT and the mechanisms for its provision have recently evolved in response to international developments, especially negotiations at the WTO while Section 3 explains the recently detailed classification of components of AfT. Given this classification, Section 4 provides a brief overview of trends in AfT and Section 5 tries to evaluate the extent to which AfT has been successful in pursuing targeted objectives. Section 6 concludes.

II. Historical Background and Evolution

While development aid has historically included many of the components that are intended to contribute to the ability of developing countries to benefit from trade liberalization, the origins of the concept of AfT[7] as currently understood can be traced to the conclusion of the Uruguay Round negotiations of the GATT and the subsequent establishment of the WTO in 1995. The Uruguay Round saw developing countries including the LDCs agree to certain concessions and commitments relating to market access in industrial and agricultural products and services as well as intellectual property rights as part of a single undertaking. Though certain benefits were envisaged from that undertaking it was well understood that putting in place the administrative, legal and institutional machinery would be costly in terms of both necessary skill upgradation and financial expenditures.

The WTO and related agencies such as the UNCTAD and ITC have historically provided Trade Related Technical Assistance (TRTA) to all developing countries to build long-lasting human and institutional trading capacity and enhance local ownership of trade policy regimes through training and technical cooperation. Such assistance primarily included training programmes to increase capacity of developing country officials to understand various aspects of the multilateral trading system.

Shortly after the signing of the Uruguay Round Agreements, African trade ministers called upon the international community to help enhance their capacity in regard to formulation of trade policy, and negotiation as well as implementation of trade agreements. This led to the establishment of the Joint Integrated Technical Assistance Programme (JITAP) by the WTO, UNCTAD and ITC which also focuses mainly on more effective participation in trade negotiations and implementation of trade rules, and improved supply capacity and market knowledge.

The first WTO Ministerial conference held in Singapore in December 1996 recognized the special difficulties faced by the LDCs in integrating with the world economy. As a result, the Integrated Framework for Trade Related Technical Assistance to the Least Developed Countries (IF), designed to help LDCs mainstream trade into their development strategies such as the Poverty Reduction Strategic Papers (PRSPs), was launched. IF was based on a diagnostic phase to identify the export potential in different sectors as well as the barriers to trade in each participating country so that suitable steps for harnessing potential or alleviating barriers could be integrated into the development plan. These Diagnostic Trade Integration Studies (DTISs) identified the priority interventions required in LDCs.

Noting the slow progress of the IF in facilitating the integration of trade by LDCs into their development strategies and the lack of local ownership characterizing such efforts, steps such as enhanced funding, regular updating of DTISs, and facilitation of arrangements that would help focus efforts by donors and national governments in regard to implementation of action plans arising from DTISs were agreed to in 2007. This Enhanced Integrated Framework (EIF) finally became fully operational in July 2009. It provides aid through Tier 1 for preparation of DTISs and establishing nationally owned implementation machinery, and through Tier 2 for implementing the action points identified in the DTISs for better mainstreaming of trade into national development strategies.

With US$180 million already disbursed out of a total commitment of US$250 million, realization has dawned that EIF funding may be grossly inadequate, especially for funding Tier 2 projects. Much of the funds required for Tier 2 may have to be provided by bilateral donors, whose priorities do not necessarily result from EIF related demands but their own strategic and other priorities.[8]

On a parallel though related track, several meetings in the run up to the Sixth WTO Ministerial Conference in Hong Kong in 2005 participated in by the Ministers of Finance and Development (including G8 and G7 meetings) led to a commitment to raise resources allocated to AfT. As a consequence, the World Bank and IMF submitted a paper entitled "Doha Development Agenda and Aid for Trade". This was endorsed by the Development Committee at the World Bank and IMF Annual General Meeting in September 2005, in time for endorsement also by the WTO membership in their Hong Kong conference in December that year.

The Hong Kong Ministerial Declaration created a WTO Task Force on AfT, pointing out that AfT should help developing countries, and in particular LDCs to build their supply side capacity and trade related infrastructure which in turn would help these countries expand their trade and implement WTO agreements.

The WTO AfT Task Force completed its work in mid 2006 and came to the conclusion that additional, predictable, sustainable and effective financing is fundamental for fulfilling the AfT mandate. It also identified the broad areas to which AfT was to be directed. These will be discussed in detail in the next section.

III. Aid for Trade: Classification with Policy Implications

3.1 *WTO Classification of Aid for Trade*

The joint WTO/OECD Trade Capacity Building Database originally included three categories for AfT: trade policy and regulations; trade development; and infrastructure. The WTO Task Force on AfT added three others: building productive capacity; trade-related adjustment; and other trade-related needs. These 6 categories have the following characteristics:

1. *Trade Policy and Regulations*: These include all kinds of policies, including the National Trade Policy, as well as various macroeconomic and sector regulations which are needed to leverage trade liberalization for the process of economic development – for example, a taskforce to reform foreign direct investment rules so as to better leverage the gains from trade liberalization; a mission for building capacity in regard to trade policy formulation and implementation; or a project to help stakeholders at the grassroots better understand the provisions of the National Foreign Trade Policy to facilitate utilization of these for economic gains.
2. *Trade Development*: This includes all kinds of investment promotion and institutional support for trade and market analysis and development – for example, incentives offered to developers to make them invest in export promotion zones.
3. *Trade Related Infrastructure:* These include all kinds of infrastructure that bring down the costs of trading, i.e. cross border movement of goods and provision of services – for example, better roads and railways, storage, communication, and energy generation and supply.
4. *Building Productive Capacity:* This is crucial as enhancement of productive capacity helps to bring down the cost of production and makes the product more competitive in markets abroad. All kinds of productive sectors such as agriculture, forestry, fishing industry, mineral resources and mining would be covered by such AfT activities.
5. *Trade Related Adjustment:* These include all kinds of adjustment needed to cope with the removal of distortions following trade

liberalization, with capital and labour leaving uncompetitive but hitherto subsidized or protected sectors (which no longer remain so after liberalization) for unprotected but relatively competitive sectors.

6. *Other Trade Related Support* is a residual category.

3.2 *Implications for Policy in regard to Management of AfT*

Two points deserve mention here.

First, the six activities complement each other in leveraging gains from trade in the post liberalization scenario. For example, the first activity ensures that trade related activities are suitably structured and promoted to pursue the objectives of the national development strategy — to illustrate, if inclusive growth is an acknowledged objective of the national development strategy, budding policymakers need to learn, through experience or capacity building, to not only reconcile this objective with trade promotion but also promote its pursuit through such promotion; and reduce transaction costs through better administration of rules and regulations and harmonization of customs and taxation rules across borders. One option, in this illustrative case is removal of protection from labour intensive yet relatively competitive sectors in a phased manner coupled with efforts for human capital formation to boost their competitiveness. In other words, the first kind of activity would help to build capacity which can help countries choose the second type of activities better.

Similarly, the fourth type of activity ensures that exportables are produced at relatively low cost and therefore enhances competitiveness in the international market. However, such efficiency in production can only promote market access if transport and communication facilities are efficient and the costs of trading are thus minimized – it is only then that prices inclusive of transport costs, the pertinent ones for determining competitiveness in international markets, would be low enough to facilitate market access. This requires complementing the third type of activity with the fourth.

Finally, all activities in the first four categories are futile if adjustment costs for the necessary redeployment of factors of production following trade liberalization cannot be met. This is why the fifth type of activity is crucial.

Second, given the mentioned complementarity of these activities, there is a need to ensure balance in allocations among them. For example, a large amount of money spent on roads near the border and port facilities to minimize costs of trading would not be successful in enhancing competitiveness if productivity in the economy, especially in the large sectors, is poor. Similarly, consider a sector in a developing economy, say horticulture, suddenly becoming competitive in international markets because of removal of protection in other economies. It, however, will not be able to utilize the competitive edge thus gained and profitably scale up production if efforts are not made to imbue farmers/other labour with the necessary human capital to shift to horticulture from other modes of cultivation/production; enhance the cold storage capacity in the country; and gear up the transport infrastructure to enable such perishables to rapidly and economically reach their destination in an undamaged state.

The necessary balance mentioned has to be maintained by a national authority, whose capacity in that regard can be enhanced through the first two activities.

This is, of course, easier said than done. It would not only require a robust national development plan where trade is mainstreamed and priorities set out, but also the availability of donors whose own national strategic priorities are aligned with the need for aid targeted towards mainstreaming. For better management of AfT, therefore, alignment between priorities of developing and developed countries is the key. This is precisely what AfT in general, and EIF for LDCs are aiming to achieve by applying the Paris Principles (see Box) in their implementation. Going by the priorities identified in the PRSPs and DTISs and the funds required to implement bankable projects therein, multilateral aid has to be significantly buffered through bilateral aid to reach the desired results.

With the financial crisis continuing in many developed countries, bilateral aid volumes are, however, expected to decline due to, among other reasons, planning of aid volumes as percentages of national GDPs which have recently been on the decline in many countries. Given this reality, a bold political decision needs to emanate from global powers. There have also been increased calls on emerging powers, members of the G20 in particular, to increase their aid efforts considerably. A connected issue relates to the decision regarding the magnitude of aid that should be tied to donor driven conditionalities, given that emerging donors are perhaps less constrained than traditional ones.[9]

IV. Trends in Aid for Trade

Trends in AfT can be discerned from the OECD-CRS[10] data on ODA. Given that the fit between categorization of ODA by OECD on the one hand and the definition of AfT and its classification, on the other, is not perfect; and the fact that some expenditure on trade promotion is not exclusively for that purpose, it is not possible to exactly deduce as to how much of ODA is being channelled as AfT and how such AfT is being allocated among its various mentioned components. However, approximation by OECD helps us get a reasonably clear picture of how global commitments and disbursements of AfT have grown over time; how distribution of AfT among its various components has altered over time; and how regional shares in AfT have evolved.

4.1 *Secular Changes in Aid for Trade at the Global Level*

A distinction needs to be made between commitments, which are paper pledges for provision of aid backed up by the appropriation of necessary funds, and disbursements which are actual expenditures.

Commitments at the global level have grown – total AfT commitments from bilateral and multilateral donors for 2007 (last year for which confirmed data are available) amounted to US$25.4 billion — up by US$4.3 billion from the 2002-05 baseline period. This represents a growth of 21 per cent over 3 years (on an average). However, this data is in nominal terms and the real growth (after accounting for the fall in the value of the dollar over time) would be much less – around 10 per cent.

It has been pointed out that much of this growth is accounted for by diversion of allocations from social programmes on poverty reduction, as enshrined in the MDGs, towards programmes that aim to accomplish poverty reduction through economic growth, international trade and investment. This diversion has been motivated by the failure of the first set of programmes and new evidence which reflected the potential for economic growth to bring about poverty reduction.

However, despite the presence of factors boosting AfT, its share in ODA at the global level has declined over time. In 2007, the share of AfT commitments in total ODA commitments was 34 per cent - down 2 percentage points from the average in the baseline period.

The sum of actual donor

THE PARIS DECLARATION

The WTO AfT Task Force recommendations were preceded and influenced by the Paris Declaration on Aid Effectiveness, endorsed by more than 100 countries on 2 March 2005, which lays down the following principles:

- **Ownership**: AfT programmes should respect the right and responsibility of the partner country to formulate and steer its development policies and strategies.
- **Alignment**: Donors should align their AfT assistance with the above development policies and strategies and deliver such assistance through indigenous systems in partner countries rather than their own parallel systems though they can provide capacity building and support to improve these systems.
- **Harmonization**: Policies, practices and procedures for aid delivery by donors have to be streamlined and harmonized across countries with in-built incentives for project managerial staff for maximizing such harmonization.
- **Managing for results**: Results would be focused on at all stages of the project development cycle — planning through implementation to evaluation. The development cycle would be implemented through the institutions of the partner countries.
- **Mutual accountability:** Efforts would be made by the partner countries as well as donors to enhance mutual accountability and transparency in the use of resources. Partner countries would ensure that projects implemented through AfT support or related implementation of national development strategies would involve collaboration with and guidance from a representative body of varied stakeholder groups. Donors would provide timely, transparent and comprehensive information on AfT flows.

disbursements during a year invariably differs from that of donor commitments which are generally for a multi-year period. But a multi-year commitment might not always be matched by actual disbursements during the relevant multi-year period. Data on disbursements from EC and bilateral donors can be used to work out disbursal rates, i.e. disbursals during 2006 and 2007 as a share of average yearly commitments during the baseline period. This suggests a disbursal rate of 92 per cent for 2006 and 88 per cent for 2007.

Such differences can be attributed to the following reasons:

- Developmental priorities might change with a change in political regime at the national level, necessitating a reallocation of some of the commitments. Such reallocation often involves time consuming renegotiation
- In many cases, countries fail to meet the stringent donor pre-conditions for release of funds
- Many countries suffer from poor absorptive capacity.

But the upward trend noticed in terms of commitments is also reflected in the data for disbursements. For example in 2007, disbursements from EC and bilateral donors were US$14.3 billion, much higher than the average of US$10.1 billion during the baseline period. In nominal terms, this is a growth of 40 per cent over 3 years which translates in real terms to an increase of around 30 per cent.

4.2 ***Allocation Across Components***

Data seem to indicate that the allocation of AfT among its mentioned components has remained quite stable between the baseline period and 2007 – economic infrastructure continues to dominate with an overall share of 54 per cent in total AfT; building of productive capacities, as described above, accounts for 43 per cent; and trade related technical assistance programmes lag far behind, though understandably, at 3 per cent, given that these are far less capital intensive than the first two components. Comparison of the 2007 level to the average baseline level for this component shows almost zero growth. This hides a 60 per cent increase that took place between the baseline period and 2006 in the light of the inclusion of the AfT mandate in the 2005 Hong Kong WTO Ministerial Declaration which was followed by an equally sharp fall.

Aid for trade related adjustments, which became a new category under OECD-CRS only in 2007, is a poorly reported category (in 2008, only Canada and EC reported specifically on these flows) because of its newness. A sharp rise in recorded magnitudes is expected over time, partly because of better reporting and partly because of the recent economic crisis requiring enhanced expenditure on trade related adjustment.

4.3 ***Distribution Across Regions/ Countries***

Asia has the largest share among continents in global AfT (42%) followed by Africa (38%) while others lag far behind. In dollar terms, Asia accounted for US$10.7 billion in 2007 while Africa accounted for US$9.5 billion. However, given that Asian population in 2007 was 3.8 billion as compared to 0.7 billion for Africa, the per capita accrual of AfT was around US$2.8 in Asia as against US$13.5 for Africa – in other words, the Asian incidence was only 20 per cent of the African level. China, the most populous country, ranks 17th among aid recipients, while India, the second most populous tops the rankings in 2007, up from third place in the previous year. While the top four recipients are from Asia, four other slots in the top ten have been taken by the African countries and Latin American countries have captured the other two.

The recent past has seen the share of Africa in AfT rising (from the level of 32% in the baseline period) which has been compensated almost equally by a fall in the Asian share (from 50%). This seems to be justified as two of the biggest recipients of AfT in Asia – India and Vietnam – have experienced rapid economic growth based on significant growth in trade volumes and might no longer need infrastructure support in the magnitude provided in the past. Moreover, Africa accounts for 33 of the world's 49 LDCs, which despite the institution of trade preferences favouring these, have been unable to make significant use of trade as an engine of economic growth. By the same token, the continued large share of Asia in AfT is justified as it accounts for 10 out of the 16 non-African LDCs, with one of them, Bangladesh, alone accounting for as much as 25 per cent of the global LDC population.

V. Outcomes

The period after 1994 was marked by the implementation of the Uruguay Round under the aegis of the World Trade Organization and the evolution of a formal mechanism for AfT. Figures discussed above show an increase in the magnitude of such aid for developing countries, though it is debatable whether there is additionality compared to what was ODA but not counted as AfT historically.[11] Both these factors should, in theory, have furthered the integration of developing countries, especially LDCs, into the global economy. This section tries to find out whether the desired enhancement of integration actually took place. As this article specifically deals with AfT it would have been desirable to isolate the effect of AfT but it is not possible to do so as the beginning of the implementation phase of the Uruguay Round and the initiation of a formal mechanism for AfT coincided and the trends subsequently observed in international trade are obviously impacted by both these factors as well as others such as autonomous liberalization in many countries; expansion of global production and supply chains, increased demand for commodities and minerals leading to their price increases, etc.

It is noted that though the mentioned formal mechanism for AfT started evolving around only after 1994 it does not mean that AfT had not existed in the past. Indeed, it can be established that AfT was provided by bilateral donors[12] and international organizations[13] to developing countries, including LDCs, through various projects for building infrastructure and productive capacity. But post 1994, the initiation of a formal mechanism saw the beginnings of its quantification and an increased focus on the mainstreaming of trade into the national development policies of developing countries, thus helping them to leverage the multilateral trading system better for development. Such leveraging may have included the strategic use of infrastructure and productive capacity related AfT for addressing identified barriers to growth of trade and enhancing the competitiveness of sectors with export potential.

The Table below is used to make comparisons between two periods – 1990-94 and 1994-2007 – in terms of growth rates of value of exports and imports of the group of "both low as well as lower middle income countries excluding China" and corresponding shares exhibited by this group in relevant global aggregates. A similar comparison is facilitated in the case of China.

The important inferences from the mentioned comparison are as follows:

- There is no acceleration in the rise of the share of the mentioned group in global value of exports in 1994-2007 as compared to 1990-94. In 1990-94, there was an increase in the export share by 0.43 percentage points, equivalent to an annual increase of roughly 0.11 percentage points whereas in 1994-2007 the increase was of 1 percentage point, equivalent to an annual

TABLE

TRADE RELATED SHARES AND GROWTH RATES AFTER 1990 — FOCUS ON LOW AND LOWER MIDDLE INCOME COUNTRIES

		Shares in Global Aggregates (%)			*Annual Growth Rates (%)*	
		2007	**1994**	**1990**	**1990-94**	**1994-2007**
World	**Exports**	100	100	100	5.3	7.05
	Imports	100	100	100	4.1	7.15
China	**Exports**	8.15	2.64	1.81	15.72	16.74
	Imports	5.63	2.66	1.32	14.61	13.57
Low or Lower Middle Income Economies excluding China	**Exports**	8.10	7.10	6.67	6.95	8.14
	Imports	8.29	7.71	7.84	3.66	7.74

Source: Computed from Data provided in World Development Indicators Online (http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2) on values of exports and imports (in US$ at 2000 prices) increase of roughly 0.075 percentage points. A look at growth rates of exports shows that an enhancement of the average annual growth rate of global exports from 1990-94 to 2004-07 was matched by an increase for the mentioned group of countries – global growth increased from 5.3 per cent per annum to 7.05 per cent per annum while that of low and lower middle income countries excluding China increased from 6.95 per cent per annum to 8.14 per cent. Based on this finding, it can be concluded that the Uruguay Round may have helped to boost growth in international trade while AfT provided the mentioned group of countries with the wherewithal to leverage such global growth for enhanced growth in the value of their own exports.

- However, China exhibits remarkably different trends in terms of increase in exports shares – a modest, though significant increase from 1.81 to 2.64 per cent in 1990-94 at the rate of 0.2 percentage points per annum was followed by a 5.51 percentage point increase in the next 13-year period at a more impressive rate of 0.425 percentage points per annum. Nevertheless, in regard to growth rates, China experienced the same acceleration from 1990-94 to 1994-2007 as other low or lower middle income countries. While China acceded to the WTO only in 2001 it obviously benefited from the tariff reduction brought about by the Uruguay Round. Further, China has been the recipient of ODA from international organizations, especially the IFC, since the 1980s for bolstering its infrastructure and productive capacity. More importantly, China has invested its own resources liberally on infrastructure and productive capacity enhancement required to boost external trade. Further, the absence of trade related technical assistance was probably not felt by China because of its substantial internal capacity in that regard.

- A similar exercise for imports shows a remarkable acceleration for "low and lower middle income countries excluding China" both in growth rates and in their share in global value (there was in fact a decrease in the share of this group over the period 1990-94). By making imports cheaper, the Uruguay Round contributed to their greater use in export production and therefore had a positive impact on economic growth; further enhanced Aid for Trade itself also might have led to an increase in the capacity to import with similar positive impact on growth. China too shows the mentioned acceleration in growth rates though not in shares.

VI. Conclusion

There have been important developments in regard to Aid for Trade over the last one and a half decades, starting from the establishment of the WTO in 1995. The concept has not only been more clearly defined with categories outlined, a formal and comprehensive mechanism for monitoring and evaluation of disbursal by bilateral donors and multilateral organizations has also evolved. Amounts disbursed are also showing a significant increasing trend over time, though debate on whether these are additional to what was historically being provided but not characterized as AfT continues. Our analysis shows that Aid for Trade in concert with multilateral trade liberalization under the aegis of the WTO and in combination with other supporting factors has probably made some contribution to the integration of developing countries into the world economy, as evident from enhanced rates of growth of exports.

But reviews also show that there is significant progress to be made in terms of transparency of flows of aid from donors to recipient countries, and local ownership of programmes for mainstreaming trade into development policy that are financed by such aid.

NOTES

1 Recommendations of the Task Force on Aid for Trade, document WT/AFT/1 dated 26 July 2006 available at www.wto.org.

2 Baunsgaard, T. and Keen, M. (2005), “Tax Revenue and (or?) Trade Liberalization”, IMF Working Paper 112.

3 Ebrill, L., Stotsky, J., and Gropp, R. (1999), “Revenue Implications of

Trade Liberalization", *IMF Occasional Paper*, No. 180, 1999. EC (2005) "Conclusions of the Council and of the Representatives of the Governments of the Member States Meeting within the Council on AfT", Brussels, 14 December 2005.

[4] See Figure 2.5 and related description in *Aid for Trade at a Glance 2009: Maintaining Momentum* released by WTO and OECD in the Global Review of AfT in July 2009.

[5] For more on this debate see Joseph E. Stiglitz and Andrew Charlton (2006), "AfT: A Report for the Commonwealth Secretariat", http://works.bepress.com/cgi/viewcontent.cgi?article=1008&context=joseph_stiglitz

[6] Details discussed in paragraph 3.1 below.

[7] This section draws on sources such as the *LDC Briefing Book* (2008) (http://www.unohrlls.org/UserFiles/File/LDC%20Documents/Lesotho/13%20Aid%20for% 20Trade.pdf) and the official website of the Integrated Framework http://www. integratedframework.org/files/docs/W15_Eng.pdf

[8] See study entitled *Reassessing Scope and Mandate of the Enhanced Integrated Framework*, by GTZ, Eschborn, 2010.

[9] See, for example, *International Development Cooperation Today: Emerging Trends and Debates*; Gretchen Luchsinger, published by UN-NGLS, 2008.

[10] This refers to the Creditor Reporting System of the OECD.

[11] There has been an interesting debate on the issue in the WTO Committee on Trade and Development since the advent of AfT. See among other literature minutes of the meetings in documents in the series WT/COMTD/AFT/M/* on www.wto.org.

[12] Good examples are USAID, CIDA, DFID and German projects in productive capacity building initiatives in various developing countries.

[13] Good examples are ITC, which characterizes itself as a 100% AfT organization, the STDF facility of WTO and PRSPs by World Bank.

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NEWS
(NATIONAL/INTERNATIONAL)

UK 'Looking Carefully' at Aid to Rising India

RESPONDING to public criticism of Britain giving aid to an increasingly prosperous India, the Department for International Development (DFID) has said it was looking "carefully" at its current aid programmes to the country.

India is the UK's single largest aid recipient with an annual budget of 250 million pounds. Amidst mounting national debt, there are growing demands on the David Cameron government to cut aid to India, which is widely reported in the UK news media as an "economic superpower".

Responding to public comments to "The Coalition: Our Programme for Government on International Development", the DFID said many respondents had questioned why Britain gave money to seemingly rich countries.

"They are right to do so. We are ending our aid to Russia, and the Secretary of State has decided to stop our development aid to China as soon as is practical," the DFID said in its response. "We will look carefully at our aid to India, bearing in mind that 20 per cent more people live on less than US$1.25 a day in India than in the whole of sub-Saharan Africa. Meanwhile, we are reviewing all our other country programmes, as well as our aid spent through multilateral institutions, such as the World Bank and the United Nations, to ensure taxpayers' money has the maximum impact on poverty," it added.

A decision to reduce or continue the same level of British aid to India will be taken by the end of the year when a report of the ongoing review of aid programmes in 90 countries will be finalized. A spokesman of the DFID said that Britain is currently reviewing "every single one of our country programmes", including India.

"The UK is reviewing every single one of our country programmes to ensure we are giving aid to where it's most needed – to help the world's poorest people. We have also announced a new independent aid watchdog – to scrutinize aid on the taxpayers' behalf. In future we will also publish all details of the Department's spending on our website," he said.

The review, part of the coalition government's efforts to find avenues to reduce spending and cut Britain's burgeoning budget deficit, is scrutinizing 90 countries which currently share 2.9 billion pounds in British bilateral aid.

The Cameron government has made clear that the international development budget will increase – to 0.7 per cent of gross national income from 2013 – but it will be better targeted to where it can do most good.

The redirected money will be channelled to priority countries and used for poverty reduction measures including programmes to improve maternal health, women's right to family planning and protection against deadly diseases like malaria.

The bilateral aid review will analyze DFID's programme in each country to look at results, delivery and value for money. The review, which will report after the comprehensive spending review in the autumn, is expected to herald a new focus for DFID's bilateral programme.

(www.news.outlookindia.com, 4 August 2010)

Integrated Framework on Aid for Trade

AID for Trade relates to the provision of a comprehensive trade package that aims to help developing countries, particularly least-developed countries, develop the trade-related skills and infrastructure for implementing the WTO agreement thereby benefitting from enhanced market access.

The success of the initiative depends on creating closer cooperation in national capitals between trade, finance and development officials of WTO member governments. This needs to be matched by close cooperation at the international and regional level among intergovernmental organizations with core responsibilities in these areas and their member governments.

Aid for Trade has assumed added significance especially in the light of the global economic crisis wherein Members are struggling to remain competitive and the external markets for exports are not too encouraging. For the year 2009, the OECD forecast of an expected fall in GDP by 2.75 per cent, WTO projections of a nine per cent world trade volume contraction and the IMF forecast of a 20 per cent dip in FDI inflows are indeed a cause for concern on the international economic front. Therefore, it is imperative that the aid is effectively channelized to developing countries so that they can cushion the economic shock and effectively compete especially on products and services of their interest.

In response to the complexity of LDCs' trade-related problems, the Integrated Framework (IF) was inaugurated in October 1997 at the WTO High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development by six multilateral institutions (namely IMF, ITC, UNCTAD, UNDP, World Bank and the WTO), which, with their distinct competence, could complement each other to deliver greater development dividends to LDCs in the multilateral trading system. Drawing from its experiences in its first years, the Integrated Framework was first restructured in 2000.

The Integrated Framework (IF) has two objectives:

- to "mainstream" (integrate) trade into the national development plans such as the Poverty Reduction Strategy Papers (PRSPs) of least-developed countries;
- to assist in the coordinated delivery of trade-related technical assistance in response to needs identified by the LDCs. The IF is built on the principles of country ownership and partnership.

An Enhanced Integrated Framework (EIF) was recommended by a Task Force and was adopted by the IF governing bodies namely the Integrated Framework Working Group (IFWG) and the Integrated Framework Steering Committee (IFSC) in May 2007 to start the implementation phase of the EIF. The WTO Hong Kong Ministerial Conference in December 2005 and the Development Committee of the World Bank and the IMF at its autumn 2005 meeting endorsed the adoption of the EIF. At the Hong Kong Conference, WTO Ministers welcomed the establishment of a Task Force by the IFWG and IFSC as well as an agreement on the three elements, which together constitute an enhanced IF namely the increased, additional, predictable financial resources to implement Action Matrices; strengthened in-country capacities to manage, implement and monitor the IF process; and enhanced IF governance.

The Enhanced Integrated Framework is the main mechanism through which least-developed countries access Aid for Trade. The aim is to enhance the operations of the current IF mechanism to ensure that its overall goal is achieved. An enhanced IF will give LDCs greater ownership of the EIF; increased commitments from development partners; and improvements in the IF decision-making and management structure to ensure effective and timely delivery of increased financial resources. An enhanced IF Secretariat has been established at the WTO, headed by an Executive Director.

The main objectives of the EIF are to:

- mainstream trade into LDCs' national development plans (NDPs), such as Poverty Reduction Strategy Papers (PRSPs)
- assist in the coordinated delivery of trade-related technical assistance (TRTA) in response to needs identified by LDCs

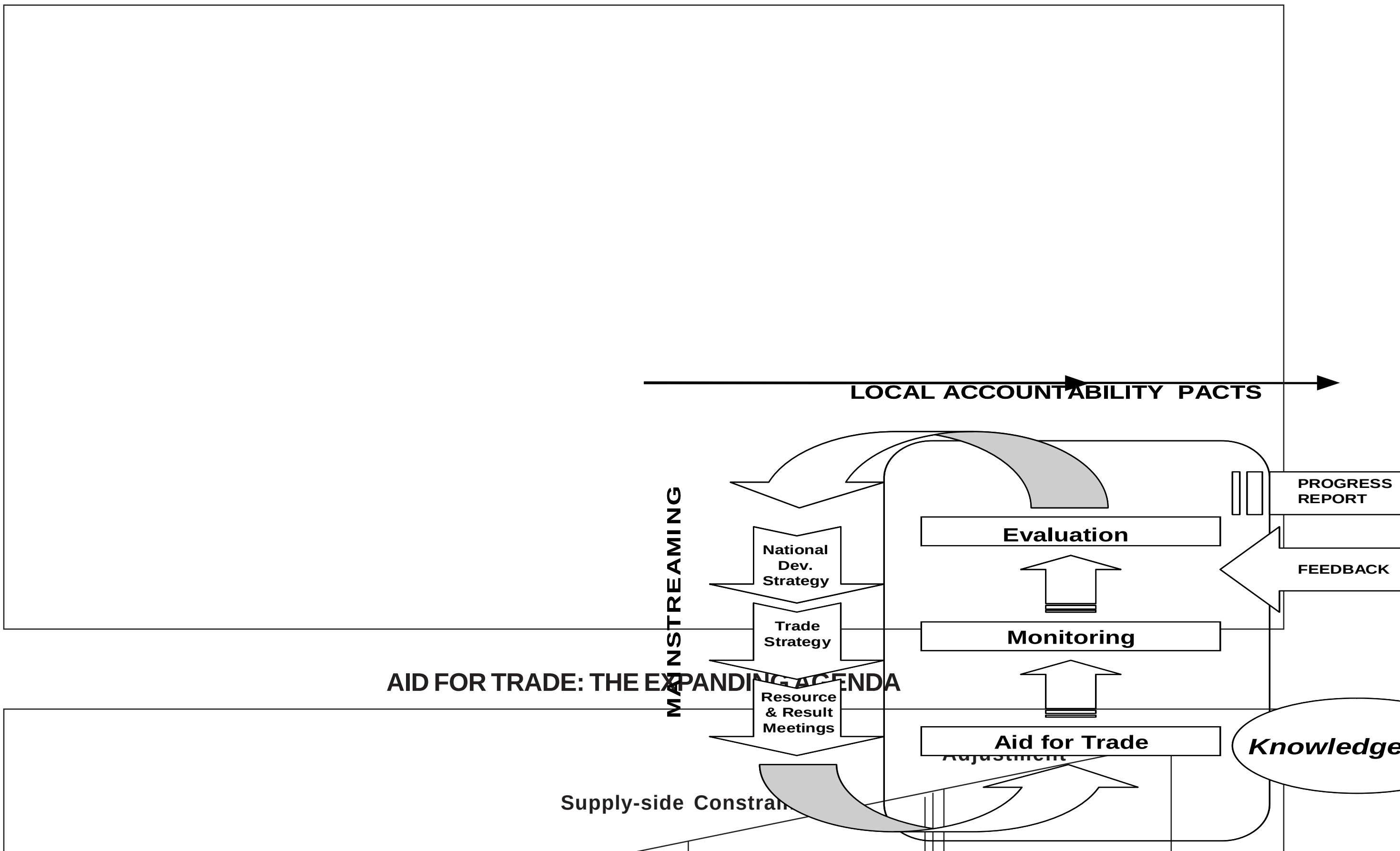
- develop the capacity of LDCs to trade, including through capacity building and addressing supply constraints.

A balanced and inclusive economic development is contingent on the mainstreaming the policy initiatives related to trade, growth and poverty reduction. Some of the key aspects that need to be kept in mind for mobilizing resources to build trade capacities, institutions and trade related infrastructure and must be part of our negotiating mandate on Aid for Trade are:

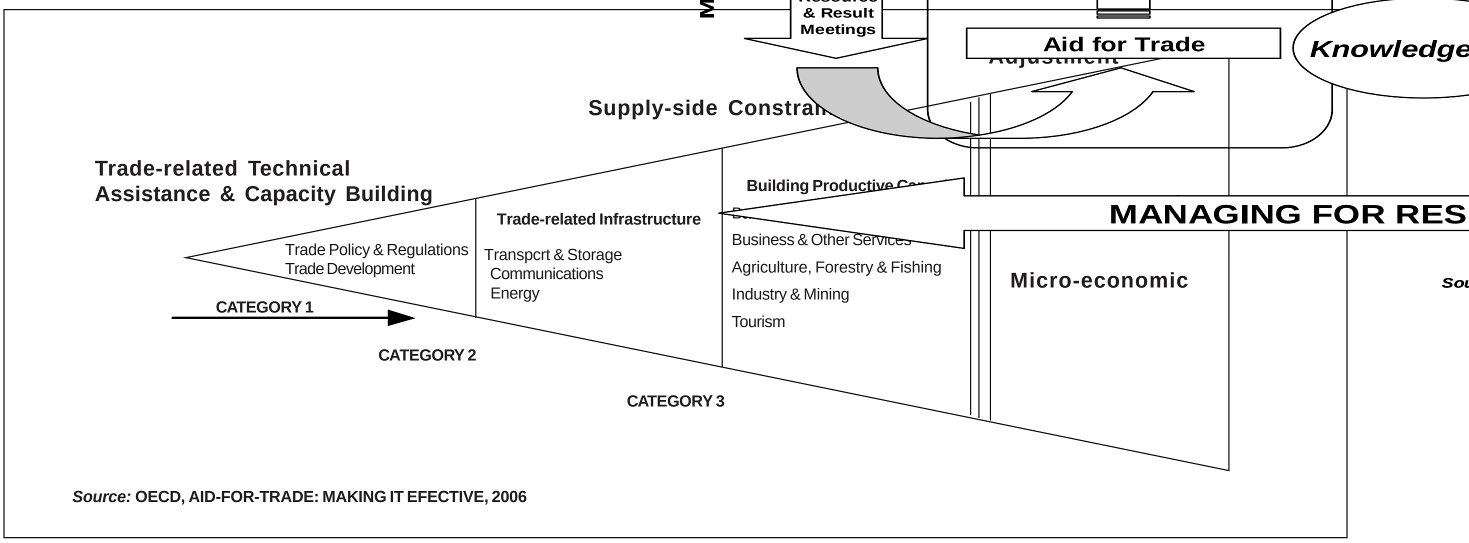
(i) need to demonstrate the large potential gains to be made from broad-based multilateral trade liberalization and the integration of developing countries through a viable aid for trade package,

(ii) aid for trade is part of an holistic policy initiative of international co-operation,

AN EFFECTIVE AID FOR TRADE PARTNERSHIP: LOCAL ACCOUNTABILITY AND GLOBAL REVIEW



AID FOR TRADE: THE EXPANDING AGENDA



Source: OECD, AID-FOR-TRADE: MAKING IT EFECTIVE, 2006 improved policy coherence and balanced economic policy development,

(iii) prioritizing Aid for trade by identifying specific Members and their trade related projects, and

(iv) identification of how aid for trade will address the trade impediments and fit into the evolving framework of regional and multilateral co-operation.

(www.commerce.nic.in)

Lamy: Doha and Aid for Trade are WTO Contributions to Millennium Development Goals

DIRECTOR-GENERAL Pascal Lamy, in his report to the General Council on 29 July 2010, said that "the strengthening of the multilateral trading system through the conclusion of the Doha Round and the Aid for Trade are the contributions that the WTO has to make" to meet the UN Millennium Development Goals. He added "reporting on outcomes and impacts" would be at the core of the Third Global Review of Aid for Trade in July 2011.

The latest report reviewing trade and trade-related developments in the period from 1 November 2009 to mid-May 2010 was circulated in document WT/TPR/OV/W/3. At the informal meeting of the TPRB on 8 July, witnessing encouraging news illustrating economic recovery in many parts of the world started, particularly in emerging economies, the world economy was not completely out of the woods. Concerns about the fragility of recovery, persistence of high unemployment levels and growing public finance difficulties in some economies remained. These are some of the challenges not only for the global economy, but also for the multilateral trading system. Mr. Lamy urged vigilance to ensure that WTO system continued to serve as an insurance policy against the resurgence of protectionism in difficult times.

Leaders around the world, including at the Toronto G20 summit have reaffirmed and extended previous commitments to resisting protectionism and their request for continued monitoring and quarterly reporting.

On Aid for Trade, work on this front is advancing well and we need to ensure that we sustain these efforts. A series of meetings at the regional and national level have taken place during the first half of this year and it is encouraging that Ministers and leaders around the world, including the APEC, the G20, Caribbean Community, African Union have urged that the momentum on Aid for Trade should be maintained. The call to accelerate regional projects on Aid for Trade is also encouraging.

The Enhanced Integrated Framework which is the special Aid for Trade vehicle for LDCs is also now up and running and focusing on concrete deliverables on the ground.

Mr. Lamy says: There is much reason to be proud of the progress we have achieved. But we must not rest on our laurels. We now need to show the positive effects of our collective endeavour. This is why we must place reporting on outcomes and impacts at the core of the Third Global Review of Aid for Trade a year from now, in July 2011. For us to sustain progress, we need to be able to report on impacts and outcomes. If positive to maintain funding; if less positive, to correct trajectory.

The strengthening of the multilateral trading system through the conclusion of the DDA and Aid for Trade are the contributions that the WTO has to make to this goal.

(www.wto.org, 29 July 2010)

Global Trade Talks at a 'Tipping Point', Warns Study

AFTER nearly nine years of inconclusive meetings, the continued drift in the global trade negotiations under the umbrella of the WTO could result in the "first outright failure of a multilateral trade round in the post-War era", warns a new study from a non-profit research body based in Washington.

In a just released report "Figuring out the Doha Round" by the Peterson Institute for International Economics' senior fellows Mr Gary Clyde Hufbauer, Mr. Jeffrey J. Schot, and research analyst, Ms. Woan Foong Wong, it is highlighted that the trade talks are at "a tipping point".

It said a global trade deal is still possible "with a concerted push by the major trading nations and with renewed political commitment to trade reform."

With additional effort by the G20 countries, the services negotiations members of the WTO could put together a Doha package that is both ambitious and balanced between the interests of developed and developing countries. The authors of the study improvized both trade gains and gross domestic product (GDP) gains for the major market access initiatives in the Round.

The dataset the authors used cover 22 Doha participants – seven developed and 15 developing countries with the latter including India, Brazil, China, Korea, Malaysia, Pakistan, the Philippines, South Africa, Taiwan, Thailand and Turkey.

The 22 countries account for 73 per cent of world exports and 76 per cent of world imports in 2008 and for 88 per cent of global GDP in 2007.

Liberalization

According to the report, liberalization from implementing what is already "on the table" in agriculture and non-agricultural market access (NAMA) or industrial tariffs, would yield an increase in exports of the 22 countries to the world of $67.7 billion.

Exports of these 22 countries to the world would increase by another $55 billion from a 10 per cent liberalization of services barriers; by a further $70.9 billion from the three sector initiatives, viz. chemicals, information technology goods and environmental goods (these go beyond the liberalization that would flow from the formula tariff cuts). Thus, total export gains of the 22 countries to the world could reach $280.4 billion. The authors contend that the Doha deal "on the table", topped up with additional liberalization in services and manufacturers plus expected gains from trade facilitation reforms, would raise the value of the Doha package, measured in global GDP gains, to as much as $282.7 billion. This translates into a 0.5 per cent increase in GDP for the 22 Doha participants in the sample.

"Development Round"

The authors agree with the view that a final deal should provide relatively larger benefits for developing countries if the Doha is to meet its much-vaunted goal of being "a development round".

Thus if the authors' recommendations are followed, developing nations would see a potential payoff of 1.3 per cent increase in GDP gains, more than four times the GDP payoff in developed countries (0.3%)

GDP gains from agriculture and NAMA formula cuts for developing countries amount to 0.2 per cent of GDP, more than double the percentage increase of 0.1 per cent for developed countries.

In services, under a 10 per cent liberalization scenario, GDP gains for developing world reaches $21.5 billion, a 0.2 per cent increase, compared with $18.5 billion for the developed ones, an increase of less than 0.05 per cent.

The increase in trade from the three sector initiatives result in GDP gains of $31.5 billion for developing countries and $18.2 billion for developed countries. As for trade facilitation, GDP gains for developing countries could be $60.4 billion, a 0.6 per cent increase and for developed countries an increase of $43.2 billion, around 0.1 per cent.

The authors contend that it might take a decade to reach gains of this magnitude once negotiations are wrapped up, because concessions would be implemented gradually and trade facilitation reforms would take time to become routine. Yet, "the prize is well worth a major push by world leaders", it said.

(*The Hindu Business Line*, 24 July 2010)

India May Turn Flexible at WTO Sectoral Talks

INDIA may agree to a steeper reduction in import duties in certain industrial goods beyond the general levels agreed to under the Doha Round of the WTO, if it can take the stalled talks forward.

These duty reductions are being debated under the controversial "sectoral" discussions at the WTO and call on countries to make steep reduction in identified industrial goods.

India has been resisting discussions on sectorals saying that participation should be voluntary and not linked to incentives or penalties.

Though India continues to maintain its stand, it may be ready to be more flexible on the issue.

"The sectorals will not go away. They will stay there. If all that I can say is no, it won't be intelligent (way to negotiate)," Commerce Secretary Dr. Rahul Khullar said at an interaction with the industry organized by FICCI. The Commerce Department has called for greater inputs from the industry on the products that could be opened up to unhindered competition and the ones that need to be protected.

"We have proved time and again that we can be competitive. We cannot cower in sheer fear that something bad is going to happen (if India participates in the sectorals)," Dr. Khullar said adding that such an attitude could drive the industry into inaction which would ultimately spell trouble.

The ongoing Doha Round of multilateral trade talks at the WTO seeks to further lower barriers to trade in both agricultural & industrial goods as well as in services.

While it has been roughly decided how much each country would bring down its tariff ceilings in industrial goods, there is disagreement over the nature of the sectoral negotiations.

The concept of sectoral was introduced much after the Doha Round was launched in November 2001 and sought to bring down tariffs on select industrial goods like textiles, auto parts, footwear, bicycles and gems & jewellery steeply and may be eventually eliminate them.

The softening in India's stand could be due to concerted US pressure on India to take on at least some commitments in sectorals.

Dr. Khullar pointed out that there were a large number of products such as specialized cheese and fish products, where India did not have big stake, that could be allowed free entry.

"It is not that all auto components or all chemicals need to be protected. Some do and some don't," he said.

He said that there was still time for the industry to go through all products line by line and differentiate between those that were sensitive and those that were not. When it is time for negotiations, the person who goes into the negotiating room should know what to say, he added.

The Doha Round had hit a road-block in July 2008 due to disagreement over certain key issues in agriculture and industrial goods, and has not picked up steam since then. However, now that the US has appointed a full-time ambassador to the WTO in Geneva, the pace of discussions is expected to pick up.

(*The Economic Times*, 21 July 2010)

Rising OECD Farm Subsidies

WITH farm subsidies touching record highs in rich nations and newer challenges such as climate change confronting global agriculture, the latest report on "Agricultural Policies in OECD Countries 2010" should be an eye-opener for policy-makers in India. The report concedes that in 31 industrialized countries that constitute the OECD, most distortive forms of support still dominate, reforms remain uneven across countries and hardly any new substantive policy measures have been adopted. The unconscionable levels of farm support in the OECD area have been under attack at the WTO's farm trade negotiations, but little has changed since the Doha Development Round began nine years ago. Keen observers of OECD practices and agricultural policies have always known that the rich nations would never whittle down massive farm support despite farm activity in those regions being agribusiness (not a 'livelihood issue,' as in developing economies) and less than 5 per cent of the population was engaged in it (versus, say, 55% in countries such as India). No wonder, in developed countries, total support to agricultural sector reached a staggering $383.7 billion in 2009, up from $379.4 billion in 2008 and $362.2 billion a year earlier.

Now, with agricultural markets turning volatile in last two to three years, the OECD countries are demanding a fresh, forward-looking approach to food and agriculture policy, which simply is a euphemism for continuing with the huge subsidy programmes. "The fall in (farm goods) prices at the end of 2008 has led to concerns about the impact of future market volatility on the ability of producers to expand output, on an environmentally sustainable basis, in response to growing demand," goes the argument. This can potentially deflect WTO talks as and when they begin.

An important element of OECD farm programmes is support for "general services to agriculture," which includes expenditure on research, infrastructure, inspection and control as well as marketing and promotion. This support has been rising regularly. For 2009, it touched a new high of $93.5 billion, up from $85.8 billion in 2008 and $77.3 billion in 2007. For India, too, these are critical areas that cry for policy attention, budgetary support and faithful implementation of schemes. Declining public investment in agriculture is a matter of public record. Budgetary outlays for farm research, irrigation and inputs have failed to produce tangible results because of tardy implementation and lack of accountability. Instead of striking public postures attacking OECD farm subsidies, India should concentrate on putting its own house in order by, for one, attempting to replicate the OECD "general services" model.

(*The Hindu Business Line*, 6 July 2010)

G20 Whimper : What Matters Now is What Individual Countries Do

IT is now increasingly clear that the international coordination of fiscal and monetary policies, which began after the global economic crisis broke out, has run out of steam. The G20 heads of government meet in Toronto would be dominated by a discussion on whether to continue fiscal stimulus, particularly in the context of the debt crisis that has unravelled in Europe. There were always going to be two sides of the debate and that's exactly how it turned out over the weekend—the US and leading emerging economies, including India, batted for continued stimulus given the fragile recovery while the major European economies batted for retrenchment in public spending to control their runaway deficits and debt. In the end, the G20 collectively agreed to halve deficits over a three-year period and to bring debt-to-GDP ratios under control by 2016. What really matters now, though, is what individual countries decide to do, given the different points on which they stand at this stage of recovery/crisis.

The US is likely to continue with soft monetary and fiscal policies for a lot longer—inflation isn't a real worry and output has been hopelessly slow in showing recovery. As long as the dollar is the world's reserve currency, the US can sustain this strategy for a while longer. India, too, must continue with relatively easy monetary policy for a while longer and only gradually move to an exit from stimulus. On the fiscal side, the Government has acted sensibly by reforming costly fertilizer and oil subsidy as a means to rein in the deficit rather than go for serious cuts elsewhere. China's dilemma is more complex because of pressure on asset prices, but they have acted in their own way by beginning a revaluation of the yuan. Europe simply has no choice but to cut deficits and cut debt straight away. It may indeed cost in terms of growth in the short run but it will yield positive results in the medium term, especially if Europe undertakes structural reforms that will unleash growth – Europe needs to finally address its supply-side bottlenecks. Expect a completely uncoordinated exit from stimulus during the rest of the year.

(*The Financial Express*, 29 June 2010)

Emerging Nations may Account for 60% of Global Economy by 2030

BOLSTERED by rapid growth and increasing domestic consumption, developing nations, including India, will account for 60 per cent of the global output by 2030, the Organization for Economic Cooperation and Development (OECD) has said.

The group of mostly developed nations, OECD, said the rapid growth of emerging nations has resulted in a global economic power shift.

"The global GDP growth over the last decade owes more to the developing world than high-income economies. If this trend continues, developing countries will account for nearly 60 per cent of the world GDP on a purchasing-power parity by 2030," OECD Secretary General Angel Gurria said.

According to the 31-nation grouping, the power shift towards developing nations has been accelerated by the financial meltdown.

OECD nations, including the US, France and Germany, currently make up for more than 60 per cent of the world economy. Mr. Gurria pointed out that while high-income countries were languishing in the worst recession since the 1930s, China and India continued to power ahead.

"This is not a single standalone event, but the sign of an important structural transformation in the global economy..." Mr. Gurria noted in a statement ahead of the G-20 Summit in Toronto, Canada.

Unlike their Western counterparts, emerging economies—especially India and China—have tackled the global financial crisis in a better manner and are growing at a healthy pace, the statement added.

In the first quarter of 2010, the Indian economy grew 8.6 per cent while the Chinese GDP expanded 11.9 per cent. According to an OECD study released earlier this month, India and China, due to their rapid growth and sheer size, exert influence on global trading and investment trends.

"... (India and China) influence the key macroeconomic variables that matter for poor countries: interest rates, the price of raw materials, and wage levels for low-skill jobs. They also have a major impact on global trading and investment patterns," the study says.

"Indian multinational Tata is now the second-most active investor in sub-Saharan Africa. Over 40 per cent of the world's researchers are now based in Asia," he said. "And by 2009, developing countries were holding $5.4 trillion in foreign currency reserves, nearly twice as much the amount held by rich countries," Mr. Gurria added.

(*The Financial Express*, 28 June 2010)

Replace Africa Aid with Trade, Rich Countries Told

RICH countries need to change the way they deal with Africa, shifting from aid to trade if they are not to lose ground to the emerging economic players of Asia and South America, a top think-tank said.

In a report analyzing Africa's small but evolving clout, the Royal Institute of International Affairs at London's Chatham House challenged the Western perception of Africa as a hopeless case, painting it rather as home to a billion people and up to 40 per cent of the world's natural resources. Its strategic position between Asia and the Americas increases its long-term appeal and potential, the report says.

"The overwhelmingly humanitarian interest of many Western countries and traditional partners has led to stereotyped perceptions of Africa in terms only of problems," it says.

"These views are increasingly patronizing, recursive, out of touch, and a deterrent to serious business interest. Meanwhile the emerging economic powers of the G20 see Africa in terms of opportunities, as a place in which to invest, gain market share and win access to resources."

Highlighting the shift, China overtook the United States last year as Africa's biggest trading partner. By contrast his Chinese counterpart, Hu Jintao, made a four-country trip in February to remind Africa what a firm friend it had in Beijing as the first waves of the global economic storm washed up on the continent's shores.

But the Chatham House report asks whether campaigns to open up Western wallets were to Africa's advantage. "The over-promising of what aid can deliver and the emphasis placed on aid to the exclusion and deterrence of considerations of business and private-sector links have diminished the relevance of the G8 for Africa," it says.

"The emerging economies of the G20 have brought entrepreneurialism, energy and recognition of mutual benefits that are increasingly attractive." In a note of caution, the report says Africa's political leaders might not be able to ensure the continent accrued the full benefits of the increased competition for its natural resources from the likes of China, India, Brazil and Russia.

"Without strong, effective leadership the competition for Africa's resources may degenerate into the kind of colonial exploitative scramble from which much of the continent has only recently begun to recover," it says

(*www.alertnet.org/thenews/newsdesk/LDE6511 W4.htm*, 2 June 2010)

Aid for Trade: Global and Regional Outlook

(Statement by Ms. Fatoumata Sy BA, Director, Sub Regional Office, Western Africa, United Nations Economic Commission for Africa)

BEFORE getting into what the "Aid for Trade" initiative aims at achieving for African Nations, let me first of all underline here that Africa's history is one of a trading people. The World is rich with history of trading routes, in which African people were key players. West Africa is specifically famous for its trading centres. Africa derives 80 per cent of its external resources for financing its development from trade, which correlates with the high level of trade openness of African economies. However, compared to other regions of the world, the continent has not benefited in an optimal way from trade. Why then has trade not helped Africa to develop?

Contemporary literature explains that African exports are of low value and not competitive in international market due to high transaction costs. It is also well known that, even if an agreement was reached in the Doha Round with a development dimension as requested by Africa, the region would still have difficulties taking advantage of the opportunities offered by trade liberalization under WTO. African countries lack infrastructure, institutions, technical capacity and investment that allow them to benefit from trade. The Aid for Trade initiative emerged within the Doha Round out of the need to help all countries to benefit from trade.

This initiative therefore offers the opportunity for African countries to maximize the gains from trade. It will also help build productive capacities, reduce trade costs, and improve standards, which can go a long way to catalyzing both intra and inter African trade. For example, with Aid for Trade, there are indications that all things being equal, unit costs of African imports and exports would fall by an average of 20 per cent if transport costs are appropriately tackled. In this line exporters as well as importers would benefit from the competitive advantage that such measures would confer. Furthermore, consumers will also benefit as lower costs of imports increase competition for import competing products – and that is a good thing. There will also be economy wide benefits since lower trade costs will most likely attract domestic and foreign direct investment, with the attendant spillover benefits as well.

Let me now highlight how the delivery on Aid for Trade is going. In terms of commitments, despite contentious points about measurement and system of gathering of data, there is progress being made. On the supply side, as the second global review concluded, we seem to be on track. Also, the priorities remain clear on the demand side, as the focus remains on infrastructure and trade facilitation, and productive capacity building. In concrete terms, from 2002 to 2007, more than US$34 billion were committed to Africa. For the year 2007 alone, US$8.3 billion were committed to the continent. This represents a 62 per cent increase compared to the base period annual average of US$5.1 billion. For the period 2002 to 2007, commitments to ECOWAS countries amounted to about US$9 billion, which is equivalent to about a quarter of total commitments to Africa. Most of ECOWAS Aid for Trade has been directed to productive capacity building, followed closely by economic infrastructure.

Now on the outlook of AfT, the recent financial and economic crises may hinder the translation of the commitments highlighted into real disbursements. I say this because aid is pro cyclical. And since AfT is part of ODA, there is reason for worry on the outlook as the main economies that provide aid to Africa were adversely affected by the crisis. What is the basis of this concern? I will use the experience of ODA to make my point.

The net ODA to Africa increased steadily from US$15.6 billion in 2000 to US$43.5 billion in 2006. But there was a decline in 2007 to US$39.1 billion before recovering to US$44 billion in 2008. The worrying part is that the fall in 2007 came from cuts by the five largest providers of ODA to Africa (US, France, UK, Japan and Germany). This happened when times were good. Now that these major economies were hit by the crisis, the expectation is a possible reduction in overall aid commitments. An important point to note is that over the period 2004 to 2008, bilateral donors provided more than two thirds of aid to Africa, with the top five ODA providers that I have just mentioned accounting for 44 per cent of the total bilateral aid. As these economies are yet to fully recover from the economic crisis, Aid for Trade remains exposed.

On the way forward, we would like to urge all the stakeholders to commit themselves to advancing the six areas of focus articulated in the Aid for Trade Work Programme for 2009-2011. At the ECA, we have already identified our focus which will be on promoting greater ownership of AfT in Africa; strengthening regional dimension; emphasizing implementation of AfT projects; and generating knowledge, especially in the area of monitoring AfT impacts. We will also continue to promote dialogue between the providers of Aid for Trade and the African countries. We have also been calling for enhancement of domestic resources mobilization; this should help complement the Aid for Trade resources. Finally, we also believe that concomitant policy and institutional reforms must accompany Aid for Trade interventions.

(ECOWAS Commission, 27-28 January 2010*)*

Struggling Exporters Get ₹ 500-cr Lifeline

THE Government of India has announced additional incentives for export sectors which are still struggling under the impact of the global economic crisis. This comes in the wake of growing debate over rolling back the fiscal stimulus follwoing strong industrial growth.

Beginning 1 January, exports of 2,000 new products from sectors such as engineering, handicrafts , textiles, chemicals, electronics and some metals will be allowed duty-free import of inputs under the existing product and market specific incentive schemes, Commerce Minister Shri Anand Sharma announced.

The list of eligible countries under the market linked scheme has also been expanded to include China and Japan, large markets for Indian goods.

The package will not impose any additional burden on the Government finances as the Commerce Department is funding it from its budgetary resources. These additional benefits will cost ₹ 450-500 crore for the remaining three months of the fiscal year.

Shri Anand Sharma said that while the export sector had showed recovery in the last two months of 2009, which would substantially help in closing the gap between last fiscal's export figures and this fiscal's performance, it had to be viewed in the backdrop of a low base and 13 consecutive months of fall in exports."

The new incentives follow a sectoral review by the Commerce Ministry, which revealed that some sectors were still struggling from a demand crunch in the overseas market. The rising rupee had also eroded the competitiveness of India's exports.

Shri Anand Sharma said that the Commerce Department has asked the Finance Ministry to reduce the rate of interest for dollar credit (to Libor plus 1% instead of Libor plus 3%). "We understand that the strengthening rupee could affect the profitability of exporters, that is why we have asked the Finance Ministry to reduce interest rates on dollar credit," he said.

Exporters will get duty-free scrips or certificates valued at 2-5 per cent of value of exports. These can be either used to import goods duty free or sold in the market for use by other importers.

Federation of Indian Export Organizations (FIEO) Chief A. Sakthivel pointed out that inclusion of China and Japan in the Market Linked Focus Product Scheme will help in addressing adverse trade balance with these countries which is becoming a cause of concern.

He also said that the Government needs to extend benefits to the garment sector also for export to EU and US as these markets are still not showing improvement. The Commerce Department is also in talks with the Finance Ministry for continuation of interest subvention or discount provided to labour-intensive industries and including additional sectors like engineering and chemicals in the list.

Industry body FICCI, said the Finance Minister should positively consider the industry demand for providing interest subvention to additional sectors including engineering goods and chemicals, continuation of interest subvention of 2 per cent for the existing 7 sectors and provide dollar credit at lower rate of interest. "We have also asked the Finance Ministry to continue interest subvention (discount) of 2 per cent provided to labour-intensive sectors and extend it to additional sectors including engineering sectors and chemicals," Shri Anand Sharma said addressing a press conference.

(*The Economic Times*, 13 January 2010)

Aid for Trade is Building Stronger Economies

ALL countries need to trade, with their neighbours and globally, to sustain long-term economic growth. Some low-income countries lack the institutions, infrastructure and supply-side capacity to benefit from open markets and lift their people out of poverty.

The Aid for Trade Initiative, launched in 2005, encourages developing countries to make trade a priority and donors to supply new funds to help them build trade capacity.

OECD Secretary General Angel Gurría noted that, "More and better aid for trade is particularly important in the context of the crisis. It can help to build the capacity and infrastructure developing countries need to take full advantage of freer trade. Aid for trade should also support the broader development goals we all share, focusing not only on building trade capacities but contributing to a healthier environment and to fighting poverty."

Developing countries are using these funds to overcome infrastructure bottlenecks and to build their capacity in trade-related fields: aid targeted for economic infrastructure dominates (53%), followed by productive capacity (43%). Trade-related technical assistance accounts for the remaining four per cent of total aid-for-trade flows.

Aid for trade does not come at the expense of other assistance programmes - it is "additional" aid.

Furthermore, OECD calculations show that 9 out of 10 aid-for-trade commitments have resulted in actual aid-for-trade projects and programmes. Finally, funding for global and regional programmes – identified as an area for special attention by the first Global Review – has more than doubled in volume since 2005.

(*www.oecd.org*, 2 July 2009)

World Bank Loans to India may Increase Fourfold to $9.3 bn This Year

THE World Bank's loans to India may jump more than fourfold to a record this year after the government sought financial help amid the global recession, the institution's Country Director, Roberto Zagha, said.

The Washington-based lender will likely give $9.3 billion in the year ending 30 June from $2.2 billion in the previous year, Mr. Zagha said in a press conference in New Delhi.

India asked for additional support to "ensure that its planned development investments are not delayed by disruptions in capital markets," Mr. Zagha said.

The World Bank is funding health, education, power and roads – areas that are critical for India to accelerate economic growth to a 10 per cent annual pace and lift more than 400 million people out of poverty, the lender said in a statement. The boost in disbursements is part of a plan to step up loans in emerging countries and aid the global recovery, he said.

"While our annual lending this year represents a significant contribution for the Bank Group, it accounts for less than one per cent of India's gross domestic product, and is a modest sum given India's vast needs." Mr. Zagha said.

The World Bank has made global commitments worth a record $120 billion since July 2008, according to the statement.

Bank Capital

The Bank may provide an additional $1 billion to recapitalize Indian state-run banks in the year starting 1 July. India sought $2.2 billion to build roads, clean the river Ganga and rehabilitate villages affected by floods, according to the World Bank statement.

In the current financial year, it lent $750 million for an education programme that helped more than 19 million children enroll in elementary schools, the statement showed.

The Bank also gave a $400 million loan to Power Grid Corp., India's biggest electricity transmission company, and $1.2 billion to India Infrastructure Finance Co., according to the statement.

The World Bank currently has a portfolio of 65 projects in India for which it has pledged $19 billion, the lender said.

Infrastructure including energy and transport made up about a fifth of the Bank's total funding in India in the year ending 30 June while public services such as schools and sanitation accounted for another tenth, according to the statement.

The Government estimates India needs $1 trillion for infrastructure alone between 2012 and 2017 to boost capacity in roads, ports and power.

(*www.bloomberg.com*)

Aid for Trade could Help Producers in Poor Countries

AGRICULTURAL exporters in poor nations need funds and technical assistance to comply with food safety norms in order to boost their share of world trade, according to the WTO representatives.

WTO Director General Mr. Pascal Lamy said giving higher priority to the safety standards of exports could prepare the poorest nations to benefit more from the Doha Development Round.

He was among the delegates at the ''Mobilizing Aid for Trade – Focus on Africa'' high-level conference at Dar Es Salaam, Tanzania. It was hosted by the WTO, the World Bank, the United Nations Economic Commission for Africa (UNECA) and the African Development Bank.

The Doha Round of global trade talks started in 2001 under the auspices of the WTO and is meant to liberalize world trade in a way that will boost development in poor countries. The negotiations have been teetering on total breakdown due to the US and the EU's recalcitrance in scrapping the hefty subsidies being paid to their farmers. These subsidies result in overproduction and suppressed prices against which producers from the South cannot compete.

Mr. Lamy was hopeful at the conference that the negotiators were moving closer to an agreement. The main areas of debate – cutting US farm subsidies, reducing agricultural tariffs in European nations and opening up poor countries' markets – may be resolved by the end of 2007, he said.

If that milestone is reached, it would be possible for the final deal to be concluded before the end of 2008, he said.

Regarding Aid for Trade, Mr. Lamy said it is a complement and not a substitute for new, fairer trade rules. He added that trade-related aid should not divert resources or attention from poverty reduction programmes.

Mr. Michael Roberts, Secretary of the WTO's standards and trade development facility, pointed out that aid is required to train farmers on safe pesticide use and disease control to prevent the potential spread of foot and mouth disease or avian flu.

Funds are also needed to help poor nations meet the demand from retailers for documented proof that food, animal and plant imports pose no health risk to consumers, he said.

Supermarkets are under pressure from customers to stock their shelves with food that has been imported on the basis of fair trade practices and can be certified as organic and free of genetic modification. Customers want to see labels that show the country of origin.

Increasingly, outlets are carrying products that calculate the carbon footprint: the amount of greenhouse gases emissions created while transporting the goods from the ''field'' to the grocery cart.

The WTO is asking rich nations to pledge $25 million over the next five years to replenish the funds of the WTO's standards and trade development facility, which since 2002 has launched initiatives to help poor nations get familiar with food safety requirements.

The funding call is more than double the $10 million spent over the previous five-year period, but still just a fraction of global official development assistance totalling $25 to $30 billion annually.

''Twenty million dollars for a new road might make some people hesitate. But small projects, such as $200,000 in technical assistance, can really start transforming an economy.'' For instance, mango exports in Mali have risen 30 per cent a year since 2000 as the west African nation improved its agriculture safety procedures and began keeping the fruit in cold storage, according to Mr. Keith Rockwell, WTO spokesperson.

Similar success stories were also recorded in Madagascar, an island nation in southern Africa, which has streamlined litchi fruit production and Benin, in west Africa, where fishermen were taught to safely handle fish, Mr. Rockwell argued.

In Tanzania, the challenge is to bring the majority of small-scale producers using outmoded farming techniques into the supply chain, according to Mr. Mike Chambers, Secretary General of the Tanzania Horticulture Association. The association represents the flower industry which is worth $40 million a year.

The overwhelming majority of the East African nation's 38 million people depend on agriculture to feed themselves or earn a living. ''Small growers cannot on their own become compliant in terms of the European market,'' said Mr. Mike Chambers.

Africa is home to about 13 per cent of the world's population but just three per cent of trade. The continent has seen economic growth averaging about five per cent over the past three years, mainly driven by surging commodities prices and demand for oil.

The term Aid for Trade describes aid from rich states that is meant to improve the ability of poor nations to sell their goods abroad. For example, the aid could be spent on building infrastructure such as roads and ports or to cut red tape that causes delays at customs.

(*http://ipsnews.net/news*, 2 October 2007)

Aid for Trade

– Pascal Lamy, DG WTO

AID for Trade has become an important element of the World Trade Organization's work in the past year, a job that requires it to take on an advocacy and coordination role.

The heart of the Doha Development Agenda is a "trade and growth" agenda that is of central importance to helping developing countries, and especially the least developed countries (LDCs), to reach their Millennium Development Goals.

"Aid for Trade" is about investing in developing countries so they can use trade as an engine for growth, development and poverty reduction. It aims to help them build the supply-side capacity and trade-related infrastructure that they need to be able to implement and benefit from the WTO Agreements, and more broadly, to expand their trade.

In the past 12 months, Aid for Trade has become an important political and economic complement to the negotiations, one that can contribute greatly to unlocking the full growth potential of a successful Doha Round.

A factor that is complicating the conclusion of the trade negotiations themselves is the evolving public response to globalization in many parts of the world. Today it is not only global income growth that matters. It is also who shares in that growth and how. Politically, we cannot leave the question of "who gains what?" from trade liberalization to market forces only.

We have to address concerns about adjustment costs, capacity constraints and supply responses in developing countries and LDCs. Where those cannot be taken care of with national resources or by the private sector alone, we must try to build an effective international response.

Integral to the Doha Agenda

That is why Aid for Trade is essential to support the conclusion of the Doha negotiations, and why trade ministers took the initiative in Hong Kong to mandate me, together with a Task Force of member governments, to produce recommendations to raise additional financial resources that can make the Aid for Trade initiative operational.

Aid for Trade will continue to move forward despite the temporary suspension of negotiations. We consider a comprehensive Aid for Trade package as both necessary in itself and an essential part of a successful round.

WTO's role in Aid for Trade is predominantly one of advocacy for additional resources and of enhancing coordination at the multilateral level and, in the case of beneficiary countries, at the domestic level. No direct development assistance role is foreseen for the WTO.

This means advocacy, on the one hand, with trade and finance ministers and their officials to encourage them to raise the domestic profile of the trade and growth agenda, ensure that it is incorporated in national development programmes and use ODA (official development assistance) best practices when presenting trade-related needs for international support.

It also means advocacy with finance and development ministers and officials to encourage them to provide well-coordinated, generous responses to trade projects, commensurate with the needs of developing countries and LDCs.

Test for Success: Better Trade Capacity

In our view, the test for our collective success in aiding trade should not be limited to mainstreaming trade in national development plans, but to increased capacity of developing countries to translate the opportunities from market opening into increased trade flows of goods and services.

ITC has a tried and tested role here. Its work with the private sector is crucial in making the Doha Round a beneficial one for developing countries, by preparing business to compete internationally.

Strengthening Partnerships

I am convinced that there is a strong and broad commitment to increasing Aid for Trade in the context of a projected increase in ODA. We are working closely with established mechanisms — at the bilateral, regional and multilateral levels — to help us make the Aid for Trade initiative operational and successful. I know I can continue to count on the support of my colleagues in the World Bank, the International Monetary Fund and the regional development banks.

There is a broad agreement that we cannot continue to do Aid for Trade in the same way we have done in the past. This initiative is not about replacing or duplicating existing mechanisms, but about making them work more effectively, with measurable results, in a focused manner. We are working with the Organization for Economic Co-operation and Development on possible ways to improve the effectiveness of Aid for Trade, in particular through our joint database on trade-related technical and development assistance.

A wide range of priorities needs to be met to promote regional and global integration and to realize the developmental potential of trade opening. Meeting these needs can only be determined by countries themselves, working with national stakeholders, particularly the private sector, and with their development partners. Ownership should not just be a buzzword. It is a precondition for making Aid for Trade effective (see *Aid for Trade: We Can Do Better*).

The WTO Secretariat has already started reflecting on how to utilize its own internal mechanisms to monitor Aid for Trade.

We must move forward on Aid for Trade, building on the momentum that clearly exists despite the current setback in the negotiations. Increasing Aid for Trade is not contingent on the outcome of the Doha Round, but its value will be greatly increased if it is in conjunction with substantial new market access opportunities and new rules to facilitate trade.

(www.tradeforum.org)

Aid for Trade: A Wider Scope

– Ms. Mia Horn, Swedish Diplomat

GO beyond trade policy when addressing what you need to improve your country's trade performance, recommends the Aid for Trade Task Force.

Q: *Is Aid for Trade worth it for developing countries?*

A: From the development standpoint – which is my background – Aid for Trade is essential. For some countries, market access is not enough; they need parallel support. An important achievement of the Task Force is that the international community now accepts that some countries can't be real actors on the trade scene if they don't have roads to take goods to ports, the right laboratories and so forth.

There may be short-term costs to opening up trade under the WTO rules, too. Studies show that, without help to adjust to open markets and new rules, a few countries risk becoming short-term net losers.

Q: *Is there a shift in thinking about Aid for Trade?*

A: Task Force discussions have helped to raise awareness and connect decision-makers in different circles. There is a growing insight in development circles that trade could be a very important tool for development and that donor and international agencies must do more to link development aid to trade. Here, ITC has a lot of experience. Apart from funding education or health, development agencies must also invest in building productive capacity. Trade bodies are now more aware that some countries need help to exploit opportunities and implement commitments.

Aid for Trade is a way to link policy decisions in trade and development, increasing the potential development outcome – a true example of the benefit of increased coherence. We need a wider mindset about it. The focus used to be on trade policy support. It's now understood that supply-side capacity, infrastructure and adjustment issues are equally important.

Q: *How did the Task Force come about?*

A: In May 2005, Valentine Rugwabiza, then Ambassador of Rwanda to WTO, and myself were asked by representatives of the World Bank and International Monetary Fund (IMF) secretariats to start an informal process in Geneva to come forward with ideas on how the Bank and the IMF could do more on Aid for Trade. We created a group of donors and recipients, had informal discussions and submitted our views to the two secretariats in July 2005. The interest in the issues continued in the Geneva context.

In Hong Kong (at the WTO Ministerial Conference, December 2005), WTO's Director General, Mr. Pascal Lamy, was asked to set up a Task Force to see how Aid for Trade could be implemented. He was also asked to have consultations on the issue of mechanisms to finance Aid for Trade. The Task Force was established in February 2006 and after intense work, we produced our report in July 2006 – within the six-month time frame trade ministers had given us – and it generated broad consensus.

Q: *Who took part in the Task Force?*

A: The Task Force was made up of the Ambassadors of Barbados, Brazil, Canada, China, Colombia, the European Union, Japan, India, Thailand, the United States and the coordinators of the African, Caribbean and Pacific nations (Mauritius), the African Group (Zambia) and the Least Developed Countries (LDC) Group (Benin). The members of the Task Force were asked to complement their WTO ambassadors with an expert on development cooperation, which resulted in trade ambassadors connecting with development experts in their administrations. Ambassadors from developing countries obviously also brought a personal development perspective and expertise.

I was asked to chair the Task Force in a personal capacity. It was a learning experience for all. I was very impressed with the contributions and personal engagement of members. Ambassadors came personally, they came prepared, and we moved forward. There was also a lot of consultation with other WTO members, development agencies, think tanks and other stakeholders.

As an example of our interaction with important actors, I put together a questionnaire, which we sent to agencies. In some cases, like at ITC, it generated considerable awareness-raising and discussion on how best to respond, as an organization, to the challenges of helping trade work for development. We got input from everyone – the World Bank, IMF, the regional development banks, UNCTAD, the United Nations Development Programme, the United Nations Industrial Development Organization, task force members, non-governmental organizations, the Organization for Economic Co-operation and Development's Development Assistance Committee and many others.

Q: *How much money is available for Aid for Trade?*

A: In Hong Kong, Japan announced development assistance spending on trade, production and distribution infrastructure of $10 billion over three years, the United States announced Aid for Trade grants of $2.7 billion a year by 2010, and the European Union and its member states announced trade-related development assistance spending of •2 billion per year by 2010. As I understand it, they have reconfirmed these pledges in their consultations with Mr. Pascal Lamy.

I believe there is a true willingness to increase funding for Aid for Trade, but it must be based on demand. Spending more money, in isolation, won't work. Spending must be country owned, reflecting the insights of national stakeholders.

Q: *What is the scope of Aid for Trade?*

A: To put Aid for Trade into practice, the Task Force report has recommendations for everyone.

Recipients must show a political will to mainstream trade into development strategies. At the country level, it's important to build on what exists. LDCs should identify trade needs and suggest priorities to development partners through the Integrated Framework (IF). Poverty Reduction Strategy Papers can go further in incorporating trade needs. It's also important to consult broadly – with the private sector, civil society and relevant government agencies.

So far, in many cases, trade has not had a big enough place in national poverty reduction strategies. One reason is that officials in these countries lacked the capacity to do this kind of analysis. Another reason is that donor awareness is weak regarding the power of small trade development projects to generate jobs.

Donors, too, need to coordinate their approach. For example, in LDCs they should use the IF to identify areas for support and back efforts to prepare projects and programmes to become bankable.

We recommend that donors strengthen their trade expertise both in the field and at headquarters.

A regional perspective is important. Regional financing is not easy to obtain; often only countries can borrow, not regions. But some constraints are cross-border in nature, and regional solutions may be the best way to improve trade. For example, phytosanitary laboratories to carry out quality controls may be better organized at a regional level. Roads may have to go through several African countries to reach ports.

We say that these programmes should take full account of the gender perspective. I think this is a first in a major WTO document.

All this is important, because actions can then be followed up and monitored.

Q: *Where do businesses fit into this picture?*

A: Effective national coordination has to include the private sector. Businesses are often the best sources to identify the strengths and weaknesses of economies and particular challenges facing the trade sector. Not just business associations, but businesses, including multinationals, should connect to government.

Businesses can play a role in implementing projects. We underline: "Use local capacity."

In monitoring and evaluation, the private sector should have an opportunity to report on their Aid for Trade contributions.

Q: *How do we know if we are moving in the right direction?*

A: Developing countries have to gather data to assess the impact of globalization and set priorities for development cooperation. Many developing countries do not have the people or the capacity to carry out such studies from existing resources, and they will need help under Aid for Trade to do so. Countries also need to share best practices and experiences. Data collection requires an investment. Without it, economists may provide the wrong advice, projects may make the wrong interventions… and trade may not work for development.

Monitoring and evaluation are essential to build confidence. WTO can play an important monitoring role. We recommend a global, periodic review of Aid for Trade by a WTO monitoring body, based on reports from various sources. These could then be compared with the earlier analysis and priorities. With a yearly discussion at WTO, we would find gaps, discuss solutions and put pressure; it will show what works and what doesn't.

Q: *What has led to the shift in mindset?*

A: The current round of trade talks is the Doha Development Agenda. We gave it that name, and it has given energy to researchers and non-governmental organizations to look into the developmental aspects of trade. Research and many policy documents such as the Blair Commission for Africa report (2005) were influential, as were background papers to the Global Public Goods report (2006) and UN Millennium Summit 2005.

(http://www.tradeforum.org/news/printpage.php/aid/1091/)

Introduction to Aid for Trade: WTO

THE Aid for Trade (AfT) initiative started in the framework of the Doha Round of World Trade Organization (WTO) talks, in particular with the 2005 Hong Kong Ministerial Declaration. Aid for Trade (AfT) is about helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening. It is part of overall Official Development Assistance (ODA) – grants and concessional loans – targeted at trade-related programmes and projects.

It is recognized that Aid for Trade can be a valuable complement to the Doha Development Agenda (DDA), but it cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA.

Two documents are widely regarded as internationally agreed guiding principles used in discussions on AfT: the OECD Paris Declaration on Aid Effectiveness adopted in 2005 and reconfirmed in the Accra Agenda for Action endorsed in 2008, and the recommendations of the WTO Task Force on Aid for Trade presented in 2006.

Aid for Trade is broad and not easily defined. However, the WTO Aid for Trade Task Force have specified the following six categories:

(i) *Economic Infrastructure:* Building the roads, ports, and telecommunications that link domestic and global markets;

(ii) *Productive Capacity:* Investing in industries and sectors so countries can diversify exports and build on comparative advantages;

(iii) *Adjustment Costs:* Helping with the costs associated with tariff reductions, preference erosion, or declining terms of trade;

(iv) *Trade Policy and Regulations:* Helping countries to develop trade strategies, negotiate more effectively, and implement outcomes;

(v) *Trade Development:* Dealing with support services for business, promoting finance & investment, and conducting market analysis; and

(vi) Other trade-related needs.

Background

A new AfT work programme was agreed at the Hong Kong Ministerial Conference in December 2005 and operationalized by a Task Force which reported in July 2006. In 2007, the WTO cooperated with the regional development banks and the World Bank to hold three regional reviews in Lima, Peru, on 13-14 September 2007, for the Latin America and Caribbean region; in Manila, the Philippines, on 19-20 September 2007, for the Asia/Pacific region; and in Dar-es-Salaam, Tanzania, on 1-2 October 2007, for the African region.

In the West African region, the ECOWAS and UEMOA Commissions, in partnership with the International Lawyers and Economists Against Poverty (ILEAP), organized a regional workshop on Aid for Trade on 29 June 2007 in Dakar, Senegal. The workshop served as the first regional effort at addressing the subject of Aid for Trade and was aimed at helping representatives of Member states and the private sector of the West Africa sub-region reach a consensus on the modalities of a regional programme on Aid for Trade. The workshop identified a number of priories for West Africa, grouped into three categories: (i) human capacity building in the public sector; (ii) capacity building in the private sector; (iii) priorities related to supply-side constraints. The meeting concluded with a number of recommendations, highlighting short-term actions.

The First Global Review, hosted by the WTO, was held from 19-20 November 2007. Themes emerging from the review included the need to encourage greater developing country ownership of the initiative, strengthen monitoring and evaluation, and shift focus of the initiative from awareness-raising to implementation.

On 6-7 July 2009, the Second Global Review of Aid for Trade was held at the WTO Headquarters in Geneva, Switzerland. This review evaluated the progress made since the First Review in 2007 and scrutinized how Aft was being operationalized in the field. In the lead up to the Global Review, high level Aid for Trade meetings were held in Lusaka, Zambia on 6-7 April 2009 jointly hosted by COMESA, EAC and SADC; in Montego Bay, Jamaica, on 7-8 May 2009 for the Latin America and the Caribbean region; in Siem Reap, Cambodia on 28-29 May 2009 by the Association of South East Asian Nations (ASEAN).

(http://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm)

Largest Recipient of 'Aid for Trade'

INDIA was the largest recipient of 'Aid for Trade' in 2006-07, with the country getting $1.7 billion worth assistance from rich donor countries as well as international organizations for trade-related infrastructure, capacity building and trade policy.

The top five recipients of Aid for Trade in 2007 — India, Iraq, Vietnam, Afghanistan, and Indonesia — accounted for almost 28 per cent of the total, according to a report by World Trade Organization (WTO) Director General Mr. Pascal Lamy 'on the financial and economic crisis and trade-related developments'.

Total Aid for Trade recorded a jump of $4.4 billion in real terms, as measured against the baseline, to reach $25.4 billion in 2007. A major portion of the increase (around 60%) went to support infrastructure programmes in Sub-Saharan Africa, the report said. Assistance for trade-related infrastructure attracted the highest volume of commitments at 53.7 per cent of total Aid for Trade. Commitments to build productive capacity experienced a marginally higher growth of 21.4 per cent to reach 43 per cent of total flows. In contrast, assistance for trade policy regulation grew 3.8 per cent (falling back in 2007 after a 58% surge in 2006).

The US and Japan were the largest single providers of bilateral Aid for Trade, with $4.6 billion and $4.4 billion in 2007, respectively. Other important bilateral donors include France, Germany, the Netherlands, Spain, and the United Kingdom. In total, bilateral donors accounted for 62 per cent of total Aid for Trade in 2007—down 2.3 per cent on 2006.

(http://www.financialexpress.com/ 17 April 2009)

What is Aid for Trade?

ALTHOUGH trade can be an important engine of growth, many poor countries face considerable infrastructure and other supply-side constraints to participating in global markets.

Recognizing this, the Ministerial Declaration establishing the Doha Round of trade negotiations in 2001 made technical assistance and capacity building a key component of the development dimension of the talks.

To help poor countries take advantage of new trade opportunities, the international community is working on a package of aid for trade measures. The aid is designed to help developing countries address supply-side bottlenecks and boost their capacity to take advantage of expanded trade opportunities. Aid for Trade can be an important complement to trade reform and global market opening. However, the IMF has emphasized that it should not be a substitute for the Doha Round process.

- Aid for trade can complement trade reform and market opening
- Capacity building can help developing countries take advantage of trade opportunities
- Aid can also help tackle bottlenecks by improving roads, storage, ports, and distribution

Aid for Trade refers both to a subset of development assistance that is seen as promoting international trade and a number of international initiatives to promote trade-related development assistance. As generally defined, Aid for Trade comprises aid that finances trade-related technical assistance, trade-related infrastructure, and aid to develop productive capacity. These categories of aid accounted for 24 per cent of total official development assistance ($23 bn) in 2004. Aid for infrastructure, such as roads and ports, accounted for over half the total, with aid for productive capacity (such as support for industry, agriculture, and tourism) accounted for most of the rest. Trade-related technical assistance accounted for about 10 per cent, according to estimates from the OECD's Development Assistance Committee.

"More open trade policies can counteract the negative impact that surges in aid, which can raise real exchange rates, might have on the competitiveness of exports."

Efforts to provide Aid for Trade, like any other aid, need to take account of countries' absorptive constraints, whether at the project implementation, institutional or macroeconomic level. Nevertheless, both trade reforms and Aid for Trade can also complement the broader growth in aid: trade reforms and Aid for Trade can play a role in *managing* scaled-up aid inflows by encouraging aid absorption and containing or mitigating the consequences of upward pressures on real exchange rates.

For instance, more open trade policies can counteract the negative impact that surges in aid, which can raise real exchange rates, might have on the competitiveness of exports. Lower import tariffs reduce costs for the export sector, both directly by making imported inputs available more cheaply and indirectly by diverting fewer resources into import-competing sectors. And of course, openness spurs competition and learning. Aid for Trade, in turn, can tackle bottlenecks hampering supply and productivity in the non-tradable sector—such as roads, storage, ports, and distribution—enabling the sector to expand supply instead of increasing prices, and thus making the tradable sectors more competitive.

Finally, customs reform, and trade facilitation more generally, can reduce transaction costs for trade, thus countering the effects of real exchange rate appreciation.

An important coordinating mechanism for Aid for Trade is the Integrated Framework (IF), established in 1997 by the IMF and five other international organizations. The IF was transformed into the Enhanced Integrated Framework on 1 May 2007 with the goals of increasing Aid for Trade and strengthening the capacity to manage and implement Aid for Trade in recipient countries.

Recent meetings have focused on establishing clear monitoring mechanisms to ensure donor-recipient accountability and on creating adequate definitions of what is covered under Aid for Trade. Preparations are underway for three regional aid for trade reviews, according to the World Trade Organization.

The first review is scheduled for Lima, Peru on 5-7 September for the Latin America/Caribbean region, the second review will take place in Manila, Philippines on 19-20 September for the Asian region and the third review will take place on 27-28 September in Tanzania for the Africa region. In all these three regional reviews, the respective regional development banks are taking the lead in coordinating the preparations.

(http://www.imf.org)

How can Aid for Trade be Efficient?

In the seventies, things were clear. Aid and trade represented two different worlds, aimed at different constituencies, governed by different bodies, and of the same order of magnitude. In the new century, the picture is blurred. Trade now has the lion's share of exchange flows between the North and the South. In 2004, low and middle-income countries exported $1,985 billion to high-income countries; while they received only $84 billion in the form of aid (net official assistance and official aid). For these countries, the amount of aid was even smaller than foreign direct investment inflows or workers' remittances.

> *'Aid for Trade' is not the miracle solution for development and globalization. Economists and policy-makers must scrutinize the specific design of each measure, assess its potential impact on the terms-of-trade and consider the specific donor/recipient pair.*

Trade is now increasingly seen by many as a necessary, if not sufficient factor of growth. On the other hand, aid has been criticized, as too many loans and grants seemed to have been given endlessly and repeatedly to the same countries without noticeable achievements. Donors suffered from an "aid fatigue" and reconsidered their modes of intervention in developing countries. They asked for more efficiency in aid and for "policy coherence". They wanted to design trade policies that would make sense from a development perspective. The Doha Round that started in 2001 was based on that premise. For developing countries that could not benefit from a multilateral liberalization based on reciprocal market access, various preferential schemes were put in place, which gave them full market access (at zero tariff rates) to the North. The European Union launched the Everything But Arms initiative; the United States implemented the African Growth Opportunity Act. Of course, there were some limitations in product coverage, or through the application of rules of origin. But, all in all, these preferential market accesses were a blessing for some of the least-developed countries. Moreover, trade-related adjustment costs and their social implications were running high on the political agenda, not only in the South but also in the North. Domestic issues, such as competition policy, public subsidies or labour laws were increasingly mixing with international issues.

As a consequence, the Yalta agreement between trade and development communities broke up. The convergence between them resulted in the rising concept of "Aid for Trade". What developing countries needed was not only technical assistance to trade, but more generally, aid designed at alleviating the social cost of trade liberalization and reducing transaction costs of various kinds, many of them "behind the border". With such an extensive definition, Aid for Trade encompasses not only trade policy and regulations and trade promotion schemes, but also assistance to (domestic) economic infrastructure. In 2005, Aid for Trade, under this definition, represented $26 billion and 36.5 per cent of sector-allocable official development assistance (that is, excluding humanitarian aid and food aid). Also, Aid for Trade is fragmented between a myriad of bilateral and multilateral donors despite efforts at coordinating the whole process through initiatives such as the Integrated Framework. The latter is targeted at least-developing countries and coordinates six multilateral institutions with (in principle) strong involvement of local constituencies.

What does recent research say about the intricate relationship between aid and trade and the prospects of aid for trade? Is it better to give more aid or more market access to developing countries? The traditional argument would go this way: direct instruments are always better. In that respect, aid should be preferred to market access as a development tool.

However, this line of argument does not take into account side effects of aid on relative prices. For instance, aid that would finance non-tradable goods such as health or education expenditures could undermine the developing country competitiveness, by a change in the relative prices of tradables versus non-tradables, that is, the internal terms of trade of the developing country. Aid could also affect the external terms of trade, between the developing country and the donor country. For instance, the fact that aid could be "immiserizing" for the developing country, by reducing its terms of trade relative to the rich country, is well-known and described as the "transfer paradox" in the development literature. Interestingly however, the transfer paradox is demonstrated to arise only in specific trade policy settings and in particular, when price-related policies (like tariffs) are present before the transfer. If this is not the case, as for instance when the developing country is imposing quantitative restrictions on imports, the transfer paradox does not occur. Indeed, in such a case, the change in the terms of trade is shut down by the quota. On the contrary, if the developing country is taxing imports through tariffs, the probability that aid could be immiserizing is greater, because the transfer can exacerbate the already distorted terms of trade. In such a case, imports would suffer twice, from the tariff and from the deterioration of the external terms of trade. This kind of reasoning shows immediately how the trade-policy space and the aid-policy space (i.e. transfers) can interact with respect to growth and development matters. The link between trade and aid policies is empirically illustrated by a study by Rajan and Subramanian that shows that in countries that receive more aid, labour-intensive and export sectors grow more slowly than capital-intensive and non-exportable sectors. This evidence is suggestive of the aforementioned relative price effects and that foreign aid may indeed reduce the competitiveness of developing countries.

What should be done in front of such potential interactions? A way out from the risk of the Transfer Paradox can be to make aid conditional to tariff liberalization in the developing country. The developing country's trade policy and aid are then regarded as strategic complements. Another solution can also be to avoid the terms of trade deterioration by ensuring that the content of foreign aid includes enough tradable goods. In that respect, Aid for Trade seems to be a good candidate, because technical assistance is often import-intensive.

However, a direct evaluation of Aid for Trade is not yet available and many pitfalls must be overcome. *First*, as in the general literature on openness and growth, it is difficult to empirically distinguish between policies and outcomes (that is, trade flows). Most empirical studies are looking at flows, while the theoretical discussion concerns both flows and policies. *Second*, it is difficult to assess the "pure" effect of Aid for Trade, because of possible endogeneity effects between the two terms. The causality can go from trade to aid: the donor government might listen to private interests and prefer to allocate aid to commercial partners. Alternatively, a common geo-strategic factor can induce the tightening of both aid and trade linkages between two countries. The political economy linkage is obviously significant, but not in a uniform way.

Empirically, the direction of causality between aid and trade flows depends as well on the (donor, recipient) pair of countries. When the causality goes from aid to trade, a study by Lloyd, Morrissey and Osei (2001) finds that aid first reduces trade flows and increases them only after two years. When the causality goes the other way round, from trade to aid, donors are shown to give more aid to recipients that buy proportionately more from them, reflecting a strategic motive in aid allocation.

Despite these pitfalls, it seems that Aid for Trade has a positive impact on trade flows. However, the magnitude of the impact depends on the degree of market access in the North. Simulations show that a reduction in trade-transactions costs would benefit South Asia more than Latin America or the Middle East North African region, and far more than Sub-Saharan Africa.

Aid for Trade is not the miracle and one-size-fits-all solution that would reconcile development and globalization. Our discussion suggests that on the contrary, economists and policy-makers should scrutinize the specific design of each measure, assess its potential impact on the terms-of-trade and consider the specific (donor, recipient) country pair in the case of bilateral relations.

(This article draws on A. Suwa-Eisenmann and T. Verdier, "Aid and Trade", in *Oxford Review of Economic Policy*, published in a previous version as CEPR discussion paper 6465.)

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(http://www.voxeu.org 1 November 2007*)*

Second Regional Review on Aid for Trade Introduction

THE Second Regional Aid for Trade (AfT) Review for Latin America and the Caribbean focuses on progress made in implementing AfT. This review builds on the results of the First Review for Latin America and the Caribbean—held in Lima, Peru in September 2007—which successfully identified the region's binding constraints and AfT needs. The theme of the Second Review is on how these constraints are being addressed.

The Aid for Trade (AfT) Roadmap for 2009 places emphasis on monitoring implementation, with a focus on national, regional, and sectoral priorities. In preparation for the Second Regional Review on AfT for Latin America and the Caribbean, a series of national and subregional reviews have been held in specific countries across the region. These reviews have showcased how AfT strategies are progressing, and how focused, technical, and results-oriented they are. The events were co-hosted by national governments and involved broad participation from donors, regional organizations, and other key stakeholders. Conclusions arising from these events will be profiled in the Second Review.

Finally, the Second Regional Review will build on OECD/WTO self-assessments submitted by countries in the region to develop action plans, monitor progress, and encourage mutual accountability.

Objectives

In summary, the Second Regional Review on Aid for Trade will have the following objectives:

- To monitor progress in implementing the Aid for Trade Initiative and encourage "peer" reviews and incentives to advance the implementation of concrete national and regional strategies in Latin America and the Caribbean;
- To continue supporting and enhancing the mainstreaming of trade in national and regional development agendas;
- To foster regional approaches and strategies as part of the implementation process of the Aid for Trade Initiative;

(http://events.iadb.org, 7-8 May 2009*)*

OECD Work on Aid for Trade

What is Aid for Trade?

MANY developing countries, in particular the least developed, face supply-side constraints that severely limit their ability to benefit from trade. Aid for Trade refers to a subset of development assistance designed to help these developing countries address supply-side bottlenecks and boost their capacity to take advantage of expanded trade opportunities. It comprises aid that finances trade-related technical assistance, trade-related infrastructure, and productive capacity building. These categories of aid account for around a fifth of total sector allocable ODA.

The 2005 Hong Kong WTO Ministerial Declaration called for the expansion and improvement of aid for trade and set in motion a process to achieve this: the Aid-for-Trade Initiative. Following OECD recommendations on how to make aid for trade effective, a WTO Task Force on Aid for Trade, set up in 2006, recommended strengthening the 'demand-side' and the donor 'response', and bridging the gap between 'demand' and 'response' at the country, regional and global level. To improve the effectiveness and accountability of aid for trade, WTO members agreed that the WTO, in exercising its coherence mandate, should work closely with partner agencies to monitor aid for trade, formally launching the Aid-for-Trade Initiative.

The global monitoring process set up by the WTO aims to create incentives, through enhanced transparency, scrutiny and dialogue, for providing more and improved aid for trade. It is about sharing information, learning from successes and failures, and applying the policies and approaches that we know to be effective, as embodied in the Paris Declaration on Aid Effectiveness.

Why is the OECD Involved?

The Development Assistance Committee (DAC) and the Working Party of the Trade Committee are jointly helping to tackle the challenge of how to make poorer countries benefit further from trade. In particular, their work covers the following three issues:

- How much aid do donors already provide in support for trade?
- How effective are these programmes?
- How can aid for trade help developing countries, particularly Least Developed Countries (LDCs), to fully benefit from trade liberalization and WTO Agreements?

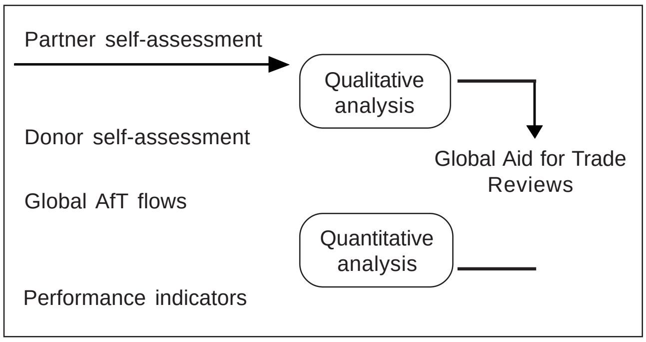
The aim of this work is to make aid for trade more effective by strengthening the integration of trade in development programmes, developing impartial and reliable tools to assess aid-for-trade programmes, and fostering dialogue and knowledge-sharing between stakeholders.

Monitoring Aid for Trade

The WTO Task Force on Aid for Trade recommended establishing two accountability mechanisms to track progress in implementing the initiative and to enhance its credibility: (i) at the ***local level***, to foster genuine local ownership and ensure that trade needs are integrated into national development strategies and adequately addressed; and (ii) at the ***global level***, to increase transparency about what is happening, what is not, and where improvements are required.

Following these recommendations, the OECD and the WTO established an aid-for-trade monitoring framework. The objective of the framework is to promote dialogue and encourage all key actors to honour commitments, meet local needs, improve effectiveness, and reinforce mutual accountability. The value of this joint OECD-WTO monitoring framework lies in creating incentives, through enhanced transparency, scrutiny, and dialogue (*i.e.* putting a "spotlight" on progress), to foster synergies between trade and other economic policy areas in developing countries, as well as to improve the coherence of aid for trade with overall donor strategies - all essential components of effective aid delivery as embodied in the Paris Declaration on Aid Effectiveness.

AID FOR TRADE MONITORING FRAMEWORK



The assessment of whether progress is being made towards the aid-for-trade objectives consists of four elements that were identified by the WTO Aid for Trade Task Force (*i.e.* the logical framework):

Mainstreaming and prioritising trade (*i.e.* 'demand');

Trade-related projects and programmes (*i.e.* 'response');

Enhanced capacity to trade (*i.e.* 'outcome'); and,

Improved trade performance and reduced poverty (*i.e.* 'impact').

Learn more about how this logical framework for aid-for-trade assessment works.

Publications/Reports

OECD/WTO, *Aid for Trade at a Glance, 2009: Maintaining Momentum*

This report presents the results of the second monitoring exercise of the Aid-for-Trade Initiative and documents its success so far. It examines trends and developments, and presents a comprehensive analysis of donor and partner country engagement. In addition, it addresses the regional dimension of aid for trade, showcasing three cross-border infrastructure projects, and provides country fact sheets that help assess the outcomes and impacts of aid for trade.

OECD/WTO, *Aid for Trade at a Glance, 2007*

This report takes stock of the trends and developments in aid-for-trade flows between 2002 and 2005. It also sets out the OECD/WTO monitoring framework and provides an overview of a survey sent to donor and partner countries to collect information on their aid-for-trade strategies, pledges and delivery.

Trade Related Assistance - What Do Recent Evaluations Tell Us? (2007)

This report draws on the key findings and recommendations from available donor evaluation reports, assesses factors that have contributed to the success (or failure) of programmes, and provides guidance for enhancing the effectiveness and impact of future trade-related assistance as a complement to the Doha Development Agenda.

Aid for Trade: Making it Effective (2006)

This report contains the OECD's contribution to WTO consultations with international organizations on appropriate mechanisms to ensure additional financial resources for aid for trade. It addresses 3 main questions: (i) How much aid do DAC donors already provide in support of trade? (ii) How effective are these assistance programmes? and (iii) How can aid for trade work as an effective tool for helping developing countries fully benefit from trade liberalization and the WTO Agreements?

(www.oecd.org/dac/aft)

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BOOKS/ARTICLES NOTES

BOOKS

Aid for Trade at a Glance 2009: Maintaining Momentum, OECD/WTO, 2009

THE Aid-for-Trade initiative has succeeded in raising awareness about the support of developing countries, and in particular about the least developed countries (LDCs). These countries need to overcome the barriers that constrain their ability to benefit from trade expansion and reduce poverty. The second monitoring report on aid-for-trade presents a comprehensive analysis of partner country and donor engagement, trends in aid-for trade flows and developments related to the current economic crisis. In addition, it highlights the regional dimension of aid for trade and showcases three regional cross border infrastructure projects. Finally, the report provides fact sheets to assess the outcomes and impacts of aid for trade in the developing countries that participated in the monitoring exercise.

The report mentions that aid for trade is indispensable for helping suppliers from low income countries which builds productive capacity to penetrate the global markets. Consequently, aid for trade must remain an essential component of development assistance. The report concludes that maintaining momentum towards the trade expansion and poverty reduction goals of the Initiative requires reinforcing local ownership and advancing the dialogue among stakeholders. Mentioning about the achievement of the Aid-for-Trade Initiative, the report points out that in 2007, as was the case in 2006, aid for trade grew by more than 10 per cent in real terms and total new commitments from bilateral and multilateral donors reached US$25.4 billion, with an additional US$27.3 billion in non-concessional trade-related financing. As per the OECD forecasts that world real Gross Domestic Product (GDP) growth will fall to 2.75 per cent this year; while the WTO projects that the volume of world trade will contract by as much as 9 per cent. The impacts of the crisis on the economic performance of these countries will depend critically on the speed and scale of the international response. This is why the quantity and the quality of aid, including aid for trade, are now more important than ever for economic growth and human welfare.

The report also states that donors are on track to meet, or have already met, their 2005 Hong Kong aid-for-trade pledges. The US$4.3 billion increase in aid for trade was additional and not at the cost of social sector programmes, such as health or education. Based on their indicative forward spending plans, donors project continued growth of aid for trade over the medium term. Furthermore, calculations suggest high disbursements of commitments. Bilateral donors provided US$15.8 billion in aid for trade during 2007, well over 60 per cent of total flows, and many disbursed their funds through multilateral agencies. Consequently, multilateral donors tended to allocate a significantly higher share of their sector allocable aid to aid for trade than bilateral donors. Aid-for-trade flows to low income countries are growing faster than to any other income group. Most is spent on addressing infrastructure needs, in particular transport and power, whereas flows to middle income developing countries reflect their priority to build productive capacities, including trade development. The report mentions that the largest share of aid for trade goes to Asia, although Africa and especially sub-Saharan Africa are catching up and received most of the additional funds in 2007. With the exception of Europe, other regions (i.e. Latin America and the Caribbean, and Oceania) also saw their volumes of aid for trade increase during 2006 and 2007. Overall, the distribution of aid over the different trade-related categories remained relatively stable. Increasingly, partner countries are becoming more actively involved in the Aid-for-Trade Initiative. In general, they assess as positive the impacts of aid-for-trade programmes and projects on trade performance.

The report also points out that without an operational trade-development strategy; it is hard to attract donor support to address specific supply-side constraints. Aid for trade is becoming increasingly important in donor programmes and this momentum is likely to be maintained, or even expanded, over the medium term. Partner countries identify common priorities for regional integration, including transport infrastructure, trade facilitation, competitiveness and export diversification, as well as capacity for regional trade negotiations. Donors have also recognized the importance of regional integration and report a rising demand for regional aid for trade. They note their willingness to provide additional support for corresponding activities. Most partner countries affirm that they benefit from regional aid for trade and that their binding regional constraints are being addressed.

The report also highlights that strengthening regional, human and institutional capacity and improving equitable participation of developing countries in regional initiatives should be a priority to maximize the benefits from these initiatives for regional economic growth and poverty reduction. The report says that Aid-for-Trade Initiative has succeeded in mobilizing more and better aid for trade and has initiated a dialogue between government ministries, with key national stakeholders and the international aid and trade community. The report says that in light of the economic crisis, maintaining momentum and addressing the priority areas is very important. *First*, it needs to be shown that aid for trade is worthwhile, therefore developing countries should be aware of the potential gains available to them deepened integration into the global economy. *Second*, stakeholders need to recognize that aid for trade forms part of a larger picture, which encompasses international co-operation, improved policy coherence and a whole of government approach to economic development and poverty reduction. *Third*, partner countries should identify case-by-case, country-by-country and region-by-region the nature and extent of the binding constraints that are presently preventing them from fully realizing the benefits of trade. Aid for trade needs to have identifiable targets. *Fourth*, there needs to be, again, case-by-case, country-by-country and region-by-region clear identification of how aid for trade will address the constraints of the evolving framework of multilateral and regional cooperation.

In conclusion, the Aid-for-Trade Initiative is successful but maintaining momentum requires reinforcing the country and regional component. The *Aid for Trade at a Glance* fact sheets provide a tool for strengthening on a country-by-country basis the links between demand, response, outcomes of priority programmes and their impact on trade performance. The value of the fact sheets lies in creating incentives, through a sustained dialogue among governments, civil society, private sector and donors, to improve the coherence of aid for trade with overall development strategies around which donors should align their support. In short, the focus on transparency and accountability at the local and regional level will provide incentives for more and better aid for trade.

The Complete Q&A: Export-Import Answer Book-2010 by Ajay Srivastava, Business Datainfo Publishing Co. Pvt. Ltd., 2010.

THERE has been continuous effort to foster synergies between trade and other economic policy areas to the development of multilateral trading system. The inclusion of Aid for Trade in the Hong Kong Declaration offers a real opportunity to re-examine the existing framework and to fully benefit from trade liberalization and the WTO Agreements. Trade-related Technical Assistance and Capacity Building are important areas for developing countries. Trade Policy and Regulation and Trade Development are the issues that have been continuously kept in view for aid for trade.

There are international trade issues affecting export performance like free trade agreements; less duty access to products in select countries; emerging issues affecting trade and instruments for handling import surge, export subsidies, etc. Billion of dollars/euros have been donated to the Doha Development Agenda Global Trust Fund for technical assistance by the WTO member states. The aim is to better adapt their practices and laws to the WTO rules and disciplines, improve the implementation of their obligations and enhance the exercise of their membership rights.

Q&A: Export-Import Answer Book 2010 provides straight answers to over 900 questions asked by exporters as how they launched, developed and grew their businesses. Candidly successful trader depends greatly on how the target new business areas are and how he adopts appropriate export development strategy and lastly how he makes profit out of it.

This book makes an attempt to answer all questions relating to international trade. Explaining about the World Trade Organization (WTO), the book traces its history and mentions that it is a rule based transparent and predictable mechanism for conducting international trade. These rules coupled with technology developments, led to expansion of world exports from US$64 billion in 1950 to US$16 trillion in 2009. The WTO wields maximum power in defining international business rules. The literature on the issue of the WTO and issues related to import and export run into more than 60,000 pages.

ARTICLES

A Stimulus Package for the World by Robert B. Zoellick, *The New York Times*, 22 January 2009.

TAKING the reference of the gathering of the Group of 20 industrialized and developing nations in London and the US president's presence in the meeting, the article states that Mr. Obama should send an audacious signal of hope to the countries suffering from the financial crisis. It states that the US along with other developed countries should initiate the process of assisting the developing countries that can't afford bailouts and deficits by contributing 0.7 per cent of their stimulus package to the vulnerability fund. This process will not only speed up the global recovery from financial crisis but will also help the world's poor and the resultant effect may bolster the US foreign policy influence. Pointing out the job loss, slump in exports, freezing foreign and domestic investment and increase in the poverty as the major effect of the financial crisis the article predicts that despite evading the currency collapses of 1997 and 1998 the year 2009 might be a dangerous year in this regard.

The article further points out that a positive signal from the US president might influence other developed countries as British Prime Minister, French President and German Chancellor have shown their interest to assist the poor countries through increase in aid and other supportive measures required. While various leaders have supported the idea of the vulnerability fund as well, Japan has pledged to help the World Bank recapitalize banks in poor countries. Despite the idea of the vulnerability fund, Australia and Russia have supported a food vulnerability fund and Canada has increased its aid for assistance. While Saudi Arabia has given an emergency $500 million grant to the World Food Program, the European Commission is in favour of contributing more assistance to the poor countries. The World Bank, with the United Nations and regional development banks, could manage the fund to facilitate fast and flexible aid delivery, backed by safeguards to ensure that the money is well spent. The article points out three priority areas for vulnerability fund investments. Mentioning about the investments in health, education and nutrition the article says that these are more than just temporary poverty relief as they are investments in human capital. The article states that second priority area of investment can be infrastructure, which can not only create job but also build a foundation for productivity and growth. Therefore the World Bank is now financing low-carbon technology projects as well as public-private partnerships that will create jobs and improve the delivery of basic services. Third priority area for vulnerability fund will be to support small and medium-sized enterprises and microfinance institutions. The article mentions that the World Bank has responded to the global crisis with plans to recapitalize small banks in developing countries by providing credit lines for microfinance institutions that serve the poorest people. It further says that the vulnerability fund would continue these initiatives.

The concluding section of the article points out that both Democrats and Republicans in the US have generously backed well-run programs to improve nutrition and fight hunger, AIDS, malaria and tuberculosis. The US Congress has supported microfinance and small business development worldwide and building projects abroad will be an additional incentive for America as they will increase the demand for American-made equipment. The article also points out that the total aid from developed countries is about $100 billion a year and the United Nations target for aid is 0.7 per cent of an economy. While the United States contribution to the aid is about 0.2 per cent, the American public is willing to contribute much more. Therefore the article suggests that the support for a vulnerability fund can not only help limit the depth and length of the international downturn but prevent the contagion of social unrest and help to save a generation from a new poverty trap.

Aid is Good, Business is Better
by Ellen Johnson-Sirleaf and Nicky Oppenheimer, *The New York Times*, 29 August 2008.

THE introductory section of the article questions the reasons behind the Africa's backwardness despite the high economic growth rate that averages 6.6 per cent across sub-Saharan Africa. While questioning the reasons for Africa's backwardness on most of development indicators compared to the world, the article states that the African governments devote enormous time and energy in discussing among themselves and organizations like the United Nations and the World Bank, to improve the impact of aid. Taking the reference of the International Finance Corporation data, the article states that the most costly business environments are in sub-Saharan Africa. The growing interest of investors from China, the Middle East and other parts of Asia toward Africa afford new opportunities to market Africa's unique natural resources in the global marketplace. Private capital flows to sub-Saharan Africa also suggests that African states should reduce costs and lower the hurdles to investment for their own development and therefore they should make investments a priority.

The article suggests that although no single rule can be applied to all African states but they should learn important development lessons from the experience of successful small and medium-sized economies. It explains three key points that can help African states to achieve development and make the foreign direct investment more attractive. The first point mentions that the governments should establish the framework for investment and facilitate the businesses to thrive. It suggests that by increasing their responsiveness to the private sector, governments can focus on their own competitive advantages in infrastructure, health and education. The article states that by transforming from an agricultural to a high-tech and services base economy Costa Rica has increased its per capita income by 250 per cent in over past two decades. Similarly the creation of a diamond sorting and beneficiation centre in Botswana, which is building on the public-private partnership, has seen the country among the fastest growing economies in the world. The second point suggests that the countries must make a change in mind-set from the idea that foreign programs and plans will lift countries out of poverty to a belief in their own vision for their future. African governments suffer from lack of capacity, struggle to raise taxes and to plan and coordinate activity with investors and donors. But if they act as partners, African governments, businesses and external partners can create prosperity and employment on the continent. The third point mentions about the reshaping of the international debate on development, which is still focused on the interaction of donors, NGOs, and recipient governments. It says the development is the relationship between governments, their citizens and their own private sector and this debate should involve complementing the UN's Millennium Development Goals with a set of "development goals for competitiveness". Incorporating economic innovation and administrative efficiency are few other measures that will encourage countries to build business and to trade their way out of poverty.

Finally, the article suggests that in order to make this happen the African governments and citizens must understand that Africa's competitive edge will not come from short-term price movements in resources and people. Productivity will result from well-governed businesses, educated citizens and leaders willing to take the tough steps to make this happen. It says that the effective use of aid can support African reforms, but it must not be the organizing principle for African development. The key to success will be the extent to which African governments can provide the private sector with the right incentives to add value to the economy.

Africa Looks East for Aid and Trade

by Gumisai Mutume, *United Nations Africa Renewal*, 10 November 2008.

THE introductory section of the article comments on the economic scenario prevailing in the African countries by terming them as cash-poor and resource-rich countries and states that these resource-rich countries are getting billions of dollars worth of investments, trade deals and development aid by Asia's booming economies. Taking the reference of the World Bank data, the article says that there has been a huge increase in trade between Africa and Asia. It further explains that while African export to Asia has almost doubled in last one decade, annual growth of Asia's exports to Africa has increased significantly. The article mentions about different development proposals and plans that China has initiated for Africa through aid, they include cancellation of debt of African countries, low cost loans and credits and establishment of billions of dollars of fund to encourage China's investment in Africa. Mentioning about the Indian initiative to strengthen the trade relations with the African countries, the article states that the trade between India and Africa has tripled in last five years. India has also announced to double the trade credits to Africa in 2008-09 and an increase in the number of scholarships for African students.

The next section of the article points out about the policies that are associated with the trade and aid game. By taking the reference of Dorothy McCormick of the Institute for Development Studies at the University of Nairobi in Kenya, the article says that like aid from the North, Chinese assistance is often tied to the use of Chinese goods and services. It mentions that although China's aid does not carry the "good governance" conditionalities like Western donors, but it "requires adherence to the 'One China' policy." China and some Western governments have often been accused of being lenient with authoritarian regimes and supporting autocratic governments in Africa. While new donors have been appealed to bring their aid and investment practices in line with those of the wider donor community, the UN Secretary-General Ban Ki-moon has urged new development partners to support international efforts to reform and coordinate donor policies. The article also highlights the concern of the G-8, which urges the new donors to improve transparency of their aid and to follow internationally shared principles and insists to promote the "universal values" of human rights, democracy and good governance in Africa.

The article also presents views of African critics and Western critics by mentioning that African critics view Northern donor practices and policy prescriptions as heavy-handed. While few interpret that Western criticisms of the "no strings" aid policies of China, India and other new donors as an expression of concern that Northern influence may be eroding. The aid announced by China to the Democratic Republic of the Congo (DRC) to build roads and other infrastructure was also doubted by Belgium, the International Monetary Fund and other Northern institutions. While mentioning about the accountability in aid and investment practices the article states that Western powers claim India and China more accountable but few experts in Africa view that the Northern donors tend to pursue one-way approach to accountability. The experts from the South Centre, an intergovernmental think tank for developing countries argue that there should be mutual accountability of recipient countries and donor countries. The article points out that in the aid architecture proposed by the OECD, the risks are taken by recipient countries alone and such flaws are driving African countries to seek donor partners elsewhere.

Finally, the article takes the view of the Chinese expert, who cites that the criticism of the Chinese policy from Africa's traditional partners is due to misunderstanding and self interest. The article further explains the view by mentioning that few partners fear for their domination, and they fear that the alternative constitutes competition.

How Can Aid for Trade be Efficient?

by Akiko Suwa-Eisenmann and Thierry Verdier, *http://www.voxeu.org*, November 2007.

AT its outset the article mentions that "Aid for Trade" is not the miracle solution for development and globalization therefore economists and policymakers must scrutinize the specific design of each measure and assess its potential impact on the terms of trade. While mentioning about the history of "aid for trade" the article states that trade has now become the lion's share of exchange that flows between the North and the South. The article takes the example of low and middle-income countries trade relation with developed world and mentions that the amount of aid they received in comparison to their exports to the developed world was smaller than foreign direct investment inflows or workers' remittances. It also mentions that the role of trade in development and growth of a country is important but too many loans and grants given repeatedly to the same countries without noticeable achievements, was a matter of serious concern. Therefore, donors wanted to design trade policies that would make sense from a development perspective.

Further elaborating upon the history of "aid for trade" the article cites multiple reasons for the breakup of the Yalta agreement between trade and development communities and mentions that convergence between them resulted in the rising concept of "aid for trade". The developing countries preferred not only technical assistance to trade from the concept of "aid for trade" but also aid designed at alleviating the social cost of trade liberalization and reducing transactions costs of various kinds. The article also points out that the definition of aid for trade includes trade policy and regulations, trade promotion schemes and assistance to economic infrastructure. Also, aid for trade is fragmented between a myriad of bilateral and multilateral donors despite efforts at coordinating the whole process through initiatives such as the Integrated Framework. While deciding on the best option among aid and market access for developing countries, the article states that aid is preferable option as a development tool. It also explains the side effects of aid in detail by taking different aspects of trade and says that aid can also affect the external terms of trade, between the developing country and the donor country. The article takes reference of a study and mentions that labour-intensive and export sectors grow more slowly than capital-intensive and non-exportable sectors in the countries that receive more aid. Taking different evidences the article suggests that foreign aid may indeed reduce the competitiveness of developing countries. It says that direct evaluation of aid for trade is not yet available and many drawbacks need to be overcome. The difficulty to empirically distinguish between policies and outcomes (trade flows) and difficulty to assess the "pure" effect of aid for trade are the main drawbacks.

The article also mentions that direction of causality between aid and trade flows depends as well on the (donor, recipient) pair of countries. A study by Lloyd, Morrissey and Osei finds that when causality goes from aid to trade, aid first reduces trade flows and increases them only after two years. But when the causality goes the other way round, donors are shown to give more aid to recipients that buy proportionately more from them, reflecting a strategic motive in aid allocation. Finally, the article mentions that despite these pitfalls, aid for trade has a positive impact on trade flows but the magnitude of the impact depends on the degree of market access in the North. It also states that the aid for trade is not the miracle and one-size-fits-all solution that would reconcile development and globalization. It suggests that economists and policymakers should scrutinize the specific design of each measure, assess its potential impact on the terms-of-trade and consider the specific (donor, recipient) country pair in the case of bilateral relations.

Bye to Development's Old Divides

by James D. Wolfensohn, *The Economic Times*, 15 January 2008.

POINTING out the notion of a divide between the rich North and the poor and developing South the article says that North accounted for almost 80 per cent of global GDP but only 22 per cent of its population, and the South accounted for the remainder of global population and 20 per cent global income. But it says that the North-South divide is now obsolete and the dynamic process of globalization has resulted in unprecedented levels of growth and interdependence. The present article describes about the different tiers of world economy and mentions that for equitable world aid, investment, trade needs to be scaled up comprehensively and coherently.

The article states that today's world has splintered into four inter-connected tiers, where the first tier comprises the affluent countries such as the US, EU nations, Australia, and Japan, with a combined population of around one billion. While these affluent countries have dominated the global economy, producing four-fifths of its economic output, a new set of economies has emerged that is contesting the affluent countries' economic dominance. The article points out that these emerging economies constitute a second tier of about 30 poor and middle-income countries (including China and India), with per capita GDP growth rates of 3.5 per cent or more, and roughly 50 per cent of the world's population. They have experienced unprecedented levels of sustained economic growth that may enable them to replace the "affluents" as engines of the world economy. Terming third tier economies as "rentiers" the article says that these middle-income countries have world's critical natural resources, possessing around 60 per cent of proven oil reserves. But they have not been able to translate the rents of their natural resource wealth into sustained economic growth. Explaining about the fourth tier countries, the article states that these are world's poorest and largely isolated from the global economies, are facing the crucial development challenges. The article also mentions about the key challenges that four-tier world is facing and suggests that in order to overcome these challenges change in policy as well as more generous and more effective aid is required. The article notes that although development aid rose to $107 billion in 2005, most of the increase was geared towards "special circumstances," such as debt forgiveness for Iraq and Afghanistan. It also mentions that development aid to Africa has decreased from 49 dollar per person in 1980 to 38 dollar per person in 2005. Terming, emerging Asian economies particularly China and India as "globalizer economies", the article says that they have lifted millions of people out of poverty and reduced global inequality. It is believed that this has not resulted in a more equal world, because star economies like India and China are experiencing a rise in domestic inequity. The article suggests that these countries must tackle the widening disparities; as high inequality may threaten their very ability of continuous growth.

Finally, the article suggests that for the equitable world, traditional levers of development such as trade, investment, aid, and migration need to be scaled up comprehensively and coherently, and global institutions must be reformed. It says that such initiatives will improve our ability to address global challenges and better our prospects for building a more equitable world.

Trading Out of Poverty: How Aid for Trade Can Help by Masato Hayashikawa, OECD *Journal on Development*, http://www.oecd.org/dataoecd/36/44/43242586.pdf

THE introductory section of the article presents the importance of the international trade and long-term foreign direct investment in economic growth and poverty reduction. It says that virtually every country that has achieved sustained economic growth has done so by seizing the opportunity offered by more open world markets. Trade reform and liberalization has not always delivered the expected benefits in terms of trade expansion, growth and poverty reduction. Aid for trade has been designed as a tool to interlock aid and trade policies in pursuit of raised living standards and reduced poverty. While impact of aid for trade on poverty reduction needs to be better explained, the donor agencies too need to better integrate trade expertise in their country programmes and operational teams. The paper presents a rationale for donors to provide "more and better" aid for trade, and explains why aid for trade can be an important instrument in a pro-poor development strategy.

The next section of the article points out the importance of trade in boosting productivity and economic growth. It mentions that increased competition, technology transfer, economies of scale, globalization of value chains and intellectual property rights (IPRs) are important components that help trade and trade liberalization, and stimulate innovation. While discussing the impact on wages and employment as one of the aspects of the direct effects of trade on poverty reduction, the article mentions that change in border prices and changes in government revenue and expenditure are two other important factors that are affected by trade. It says that these changes get translated into the prices that are actually faced by the poor. The article also mentions that recent country case studies confirm that the link between export growth and poverty reduction has been mostly positive. But there are some negative cases, which indicate that other factors may be hindering the impact of trade or are much more important in determining the process of poverty reduction.

The article highlights that while many countries have benefited from aid for trade, some countries are unable to reap the gains from trade. It mentions that while exports per capita in middle-income countries have increased strongly, they have slightly decreased in sub-Saharan African low-income countries. The article distinguishes between two broad sets of impediment - external and internal. Describing about the principal external impediment to low-income countries, the article says it has multiple factor that have disproportionate impact on developing countries. Domestic policy constraints on trade reform and elements like debt burden, preference erosion, revenue loss and adjustment burdens also inhibit reductions of developing countries import barriers. It presents an analysis of how aid for trade can help strengthen the impact of trade on growth and poverty reduction, and which policy tools can best reinforce the impact of trade on poverty reduction, such as by building productive capacities, connecting the poor to markets, and mitigating the costs of adjustments. The article says that the WTO Hong Kong Ministerial Declaration, trade liberalization and enhanced market access have not been sufficient in many low-income countries to expand trade and could not ensure that the benefit reaches to the poor. There are many ways in which aid for trade can help developing countries to improve their export performance that include identifying export opportunities, developing human capital, developing physical productive capacity and tackling infrastructure bottlenecks.

The article also suggests that removing supply-side bottlenecks will not necessarily bring benefits to the poorest sections of the community in developing countries. Particular attention will need to be devoted to connecting the poor to markets to sell their crops in order to get significant benefits. The article also takes the reference of the study by Hertel and Winters (2005) and confirms that efforts to boost productivity through better extension services, coupled with improved access to marketing and distribution networks, would help rural farmers derive bigger income gains. Similarly, the importance of better market integration and investment in rural infrastructure to help reduce transport and energy costs thereby better transmitting the opportunities created by market opening to those regions. Participation in regional or global agro-food value chains allows developing country producers to overcome the limits imposed by their small domestic markets.

The article also takes the reference of study by the Consumer Unity and Trust Society (CUTS) International (2008) on trade-development-poverty linkages and concludes that the most significant feature is that the same set of policies produces markedly different results in the different country case studies. It identifies that the differing outcomes are due to: varying physical and geographical characteristics of the countries; the nature of the implementation of these policy measures; the capacity and quality of institutions under which the reforms are implemented; and the political and social environment.

The final section concludes by summarizing the main policy conclusions and the potential gains from trade that are at stake. This section suggests that it is important to acknowledge that a broad range of other policy actions will be needed for aid for trade programme to be fully effective. It suggests that there is still a compelling need to demonstrate and broadcast the fact that there are large potential gains to be made from broad-based multilateral trade liberalization and the integration of developing countries into the global economy. Stakeholders need to recognize that aid for trade is part of a larger picture, encompassing international co-operation, improved policy coherence and a whole-of-government approach to economic development and poverty reduction. There needs to be case-by-case, country-by-country identification of the nature and extent of the impediments that are presently preventing the benefits of trade from being fully realized. Finally, it needs to be shown that aid for trade can hit the target.

Aid for Trade: An Essential Component of Multilateral Trading System by Faizal Ismail, CUTS International, 2007.

THE article is divided into six sections. The introductory section explains about the concept of aid for trade and says that this concept gained momentum since 2005, when WTO Director General established a task force in the Hong Kong Ministerial Conference. Prior to this, at the United Nations Millennium Summit in New York in September 2000, the world leaders pledged to increase development aid for the realization of the Millennium Development Goal (MDG) which had as its main target to halve the poverty by 2015. This section also elaborates about different summits, where world leaders agreed to increase development assistance and establish a framework for a global partnership in which developed and developing countries would take joint action to reduce poverty in line with the objectives set by the MDGs. It also states that while aid for trade is not a specific negotiating issue in the WTO Doha Agenda, the commitment by members to address the need for increased aid for trade-related capacity building is part of an overall Doha Development Agenda.

The second section provides the schematic account of the historical origins of development provisions in the GATT/WTO. As the GATT developed, the need for increased aid to assist developing countries to boost their production and export was recognized by the contracting parties. It also points out that the creation of the UNCTAD and International Trade Center in 1964 by United Nations was a significant step in support of the trade-related technical assistance and capacity building need of developing countries to enable their fuller participation in international trade. The article also mentions six main trends that can be identified in the process of unfolding development provisions of GATT, including the specific references in these provisions to the trade-related technical assistance/capacity building (TRTA/CB) needs of developing countries. This section concludes that while many provisions have been added to the GATT/WTO that seek to address the needs of developing countries, including trade-related capacity building, these have generally been "best endeavour" provisions and have not been effective.

The third section of the article reviews the progress made in the Doha Round on the issues related to technical assistance and trade-related capacity building. It also sets out various mandates provided in the Doha Declaration to address the issue related to TRTA/CB, including the more general mandate and the more specific mandates on the issues related to trade facilitation, cotton, S&DT and LDCs. The ongoing Doha negotiations have specifically called for increased aid and greater coherence of the WTO rules with donor agencies. The fourth section of the article sets out the background on the development of the concept of aid for trade since 2005. The section traces the debate on the concept, its scope and the modalities for delivery in the period before the Hong Kong Ministerial Conference. This section also presents the summary of the report of the Task Force on Aid for Trade that was presented to general council of the WTO in July 2006. The article points out that the report has taken a broad approach to the scope of aid for trade incorporating support for supply-side issues and infrastructure. The report does take on board the proposals of developing countries for aid for trade to be additional, predictable and effective.

The fifth section of the article describes the trends and trajectory of official development assistance (ODA) flows and the potential for additionality of ODA. The need for higher level of overall ODA and aid for trade are inextricably linked as the definition and scope of aid for trade has become broadened to include supply-side issues and infrastructure investment. The scope of aid for trade and the share of aid for trade in overall ODA flows are also discussed in this section. The section also mentions that the sub-Saharan Africa's share of the ODA has increased substantially. In the conclusion, the article revisits the cases for increased aid for development and aid for trade in the WTO, arguing that increased aid for trade is an essential component of a successful DDA.

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DOCUMENTS

GENERAL COUNCIL

Lamy: Doha and Aid for Trade are WTO Contributions to Millennium Development Goals

Director-General Pascal Lamy, in his report to the General Council on 29 July 2010, said that "the strengthening of the multilateral trading system through the conclusion of the Doha Round and the Aid for Trade are the contributions that the WTO has to make" to meet the UN Millennium Development Goals. He added "reporting on outcomes and impacts" would be at the core of the Third Global Review of Aid for Trade in July 2011.

Report by the Chairman of the Trade Negotiations Committee

Since my last report to the General Council in May, the TNC has met informally on two occasions to discuss and review developments in the DDA negotiations. The more frequent rhythm of meetings of this multilateral body is in line with my undertaking to delegations at the March stocktaking. In light of the beginning of a new dynamic which has recently characterized the DDA negotiations, I believe that we need to continue with these regular meetings in the interest of transparency and inclusiveness.

At the informal TNC earlier this week Members engaged in a useful collective assessment of the state-of-play in the DDA negotiations and mapped together the next steps in the autumn. I also provided delegations with a short overview of my recent activities and meetings — external as well as internal. I will not repeat the whole of my statement to the TNC, which has been circulated to Members, but with your permission I will highlight a few main points.

I reported on my message to, and impressions from, the G20 Heads of State and Government in Toronto. My message to Ministers and to Leaders in Toronto was simple:

(i) exiting the crisis means that growth is needed to create jobs without greater strains on national budgets and that trade offers this; and

(ii) concluding the Doha Round has to be an integral part of the G20 co-ordinated strategy to move forward. The impression that I took away from the G20 discussion on the DDA was one of realism — that gaps remain on the right level of ambition and on the right balance in the contributions by Members, but also one of determination - that there is a an overall desire to move the DDA negotiations to a conclusion as soon as possible, consistent with the mandate and based on progress already made.

Since the March Stocktaking the Geneva process has been working according to the "cocktail" approach that the membership endorsed at that time. This process, and its ingredients — smaller groups in variable geometry, bilateral contacts and my own consultations — have been working more intensively and with purpose. Of course, these ingredients have to be given space and time, but there is general agreement that their ultimate purpose is to energise the multilateral process, into which they must feed. All my recent contacts as well as the large majority of interventions at the informal TNC have made it crystal clear that the core of the DDA negotiations remains the multilateral process, i.e. the Negotiating Groups and the TNC.

At the informal TNC earlier this week I provided Members with a brief outline of the state of play in each of the negotiating areas as well as an insight into the process for work after the summer break. This process met with wide support from delegations.

Looking ahead to our work after the summer break and the challenges in the last quarter of 2010, I detected energy in the membership and a belief that the various processes in place in Geneva can lead to moving from process to tackle substantive issues. As I said on Tuesday and in keeping with the cocktail analogy, I believe we have the ingredients for our drink of choice. The mood music has become a bit more upbeat. It is time we start shaking the cocktail.

Before I conclude, Mr. Chairman, let me also say a few words on recent trade developments and on Aid for Trade, despite the fact that these fall outside the DDA.

As you are all aware, my latest report reviewing trade and trade-related developments in the period from 1 November 2009 to mid-May 2010 was circulated in document WT/TPR/OV/W/3. At the informal meeting of the TPRB on 8 July, I cautioned that although we had started witnessing encouraging news illustrating economic recovery in many parts of the world, particularly in emerging economies, the world economy was not completely out of the woods. Concerns about the fragility of recovery, persistence of high unemployment levels and growing public finance difficulties in some economies remained. These are some of the challenges not only for the global economy, but also for the multilateral trading system. I urged vigilance to ensure that our system continued to serve as an insurance policy against the resurgence of protectionism in difficult times.

You all know that, leaders around the world, including at the Toronto G20 summit have reaffirmed and extended previous commitments to resisting protectionism and their request for continued monitoring and quarterly reporting. This is encouraging and my next report on these issue is foreseen for early November.

On Aid for Trade, work on this front is advancing well and we need to ensure that we sustain these efforts. A series of meetings at the regional and national level have taken place during the first half of this year and it is encouraging that Ministers and Leaders around the world, including the APEC, the G-20, Caribbean Community, African Union have urged that the momentum on Aid for Trade should be maintained. The call to accelerate regional projects on Aid for Trade is also encouraging.

The Enhanced Integrated Framework which is the special Aid for Trade vehicle for LDCs is also now up and running and focusing on concrete deliverables on the ground.

There is much reason to be proud of the progress we have achieved. But we must not rest on our laurels. We now need to show the positive effects of our collective endeavour. This is why we must place reporting on outcomes and impacts at the core of the Third Global Review of Aid for Trade a year from now, in July 2011. For us to sustain progress, we need to be able to report on impacts and outcomes. If positive to maintain funding; if less positive, to correct trajectory.

Two months from now we will be gathering in New York for the United Nations Millennium Development Goals Summit, to look at progress achieved in combating poverty. The strengthening of the multilateral trading system through the conclusion of the DDA and Aid for Trade are the contributions that the WTO has to make to this goal. I hope we can collectively respond to this challenge.

(www.wto.org WTO: 2010 NEWS ITEMS, 29 July 2010)

Committee on Trade and Development
Aid for Trade

Aid-for-Trade Work Programme[1] 2010-2011

I. Overview

1. The Second Global Review of Aid for Trade, held on 6 and 7 July 2009, highlighted substantial, measurable progress in implementation of the Aid-for-Trade mandate agreed at the December 2005 Hong Kong Ministerial Conference. The Aid-for-Trade initiative has succeeded in raising awareness about the support developing countries, and in particular Least Developed Countries (LDCs), need to overcome the barriers that constrain their ability to benefit from trade expansion and reduce poverty. Partner countries have raised the profile of trade in their development strategies and donors have responded by providing increasing resources to build trade capacity – whether in terms of policies, institutions or infrastructure. The flow of Aid-for-Trade resources has increased year-on-year since 2005, and despite the more challenging global economic environment, donors have reaffirmed commitments to respect their Aid-for-Trade funding commitments, or even to increase them. A global Aid-for-Trade partnership has been forged.

2. The case for Aid for Trade is indisputable. Recovery from the global recession makes it imperative. Developing countries, particularly LDCs, continue to face supply-side capacity and trade-related infrastructure constraints which can inhibit their ability to implement and to benefit from WTO Agreements and more broadly to expand their trade. Furthermore, the global economic downturn has served to aggravate many of these constraints and has emphasized the urgency of addressing these needs. Operationalization of Aid for Trade needs to adapt to promote strategies to stimulate recovery.

3. The Second Global Review of Aid for Trade highlighted that the Aid-for-Trade initiative is maturing. Members are taking greater ownership of the initiative, in particular developing country Members. WTO's role remains that of advocacy, analysis and debate, using its convening power and monitoring function to mobilize Aid-for-Trade financing, to highlight the needs of its Members and Observers, and to showcase effective implementation, including through regular reviews.

4. Operationalization of Aid for Trade lies in the hands of developing countries, regional economic communities and their development partners. Mainstreaming of trade into national and regional development programmes helps create demand for Aid for Trade; demand against which Aid-for-Trade support can be aligned. Implementation of Aid-for-Trade programmes is multi-faceted, encompassing a diverse range of delivery mechanisms and development partner organizations [including, *inter alia*, bilateral donors, international financial institutions (including the World Bank Group and regional development banks) and multilateral agencies].

5. The Work Programme is complemented by an indicative calendar of Aid-for-Trade events (Annex 1). The calendar, culminating in a Third Global Review of Aid for Trade in 2012, will be regularly updated through addenda to this document. The aim of the Work Programme is to keep an on-going focus on Aid for Trade, a "spotlight effect", which will generate continued impetus to resource mobilization, mainstreaming, operationalization and implementation.

II. Objectives

- Encourage existing Aid-for-Trade *pledges* to be honoured and press for new pledges and additional resources. Additional, predictable, sustainable and effective financing is particularly important to promote recovery from the global economic downturn and to complement a successful conclusion to the Doha Development Agenda (DDA) negotiations;[2]
- Promoting *mainstreaming* of trade into national and regional economic planning frameworks and

dialogues, and encourage greater ownership of the Aid-for-Trade initiative by developing countries;

- Reinforce *the regional dimension* of Aid for Trade with the aim of enhancing support for clear and focused strategies for regional integration among national and regional partners, including the regional economic communities, bilateral donors and international financial institutions;
- Place greater emphasis on highlighting effective *implementation* of Aid-for-Trade strategies and programmes, particularly through regional Aid-for-Trade events. Implementation based on innovative, complementary approaches, such as South-South or triangular forms of cooperation should be showcased;
- Further refine *evaluation* and monitoring mechanisms and emphasize tracking the impact of Aid for Trade, notably through work on evaluation, the dissemination of management for development results systems, improved indicators and development of case studies. The knowledge generated could be shared through a network with the aim of making Aid for Trade a community of best practice; and
- Support greater dialogue with the *private sector* on Aid for Trade at national, regional and global level.

III. Resource Mobilization

6. The Hong Kong Ministerial Conference Declaration invited "the Director-General to consult with Members as well as with the IMF and World Bank, relevant international organizations and the regional development banks with a view to reporting to the General Council on appropriate mechanisms to secure additional financial resources for Aid for Trade, where appropriate through grants and concessional loans".

7. Efforts to mobilize resources for Aid for Trade have so far been successful. Since 2005, Aid for Trade resources have grown annually by approximately 10 per cent, according to figures supplied by donors to the OECD Creditor Reporting System (CRS). In 2007, Aid for Trade accounted for 32 per cent of total sector allocable Overseas Development Assistance (ODA).[3] Furthermore, this increase has not been at the expense of other categories of development assistance. At the Second Global Review of Aid for Trade, new pledges were made by four Members. These pledges supersede or complement those made at the Hong Kong Ministerial Conference in 2005.[4]

8. Against the background of the global economic downturn, there is a risk that commitment to meeting Aid-for-Trade targets may falter. Momentum needs to be maintained in securing additional, predictable, sustainable and effective resources. Donor "response" must remain strong in order to meet demand for Aid for Trade generated through mainstreaming by developing countries and regional economic communities, in particular to help promote recovery from the global economic slowdown.

- *A primary component of the Aid-for-Trade Work Programme for the period until 2011, must be to continue consultations with Members as well as with the IMF and World Bank, relevant international organizations and the regional development banks with a view to securing additional, predictable, sustainable and effective financial resources for Aid for Trade.* [5] *These consultations should articulate the Aid-for-Trade financing needs of all developing countries, consider related financial instruments, showcase innovative regional financing mechanisms developed, inter alia, by the international financial institutions and promote the role of the Enhanced Integrated Framework in Least-Developed Countries.*[6] *Note should be taken of emerging complementary forms of cooperation, such as South-South partnerships, triangular arrangements and private sector initiatives.*
- *Aid for Trade is complementary to the DDA, and is important in its own right. Consultations on Aid-for-Trade financing may take on added urgency as momentum in the DDA negotiations grows. A successful conclusion of the Round will increase the need for assistance to implement new agreements (e.g., trade facilitation), to ease adjustment costs, and to make use of new market access.* [7]
- *Members, international financial institutions and multilateral agencies are encouraged to develop, update and disseminate widely their Aid-for-Trade strategies. They are requested to share their work on Aid-for-Trade strategies with partner countries, both in the CTD and in other appropriate fora*[8]*, with a particular focus on*

how financing can be accessed. Improving the flow of information on available resources and how to access them is one way to help strengthen the bridge between Aid for Trade "demand" and "response".[9]

IV. Mainstreaming

9. As evidenced by the responses to the joint OECD/WTO partner country questionnaire circulated in 2008, partner countries are increasingly cognizant of the need to mainstream trade into national development plans – and the benefits which then accrue over time as a result of participation in the multilateral trading system. Mainstreaming is a tool which helps mitigate potential adjustment costs and assists developing countries seize opportunities offered by trade. Various Members have made substantial progress in this direction. Some Members are progressing more slowly and face serious obstacles. Others are embarking on the process of mainstreaming.[10]

10. Mobilization of financing and developing country ownership of the Aid-for-Trade initiative is intrinsically tied to the mainstreaming processes. Without effective national and regional dialogues, countries and regional economic communities face problems in setting clear priorities. Without clear priorities, development partners face difficulties in responding appropriately to demand-driven requests. If management for development results approaches to Aid for Trade are to be utilized, national development plans must be adapted to include trade objectives with clear priorities.[11] With the requisite planning frameworks in place, development partners would be better placed to assist, including as regards adjustment costs.

11. Another element in the mainstreaming picture is ensuring that the development community adequately supports the mainstreaming initiatives of Members, providing assistance to this process where necessary. It is essential that trade objectives be integrated into national development compacts such as Poverty Reduction Strategy Papers, Country Assistance Strategies, Diagnostic Trade Integration Studies, Regional Assistance Strategies and other policy documents. The Enhanced Integrated Framework plays a key role in promoting mainstreaming among LDCs. Preliminary research has been conducted in this area, but further in-depth analysis is required.

- *Mainstreaming is fundamental to Aid for Trade. Without prioritization of trade within national planning frameworks, neither adequate domestic resources nor donor funding will be allocated to address the supply-side constraints that developing countries face. Furthermore, national policy frameworks often determine the achievement of trade- and development-related policy objectives (e.g., improved trade performance, higher employment levels, lower poverty, etc.). Learning lessons from good practice would be useful for partner countries, donors and international organizations alike.*
- *Research on Aid-for-Trade needs is advancing and can be a helpful complement to the country-led needs assessment processes referred to above. Previous Aid-for-Trade events have highlighted the needs of different sectors, countries and regions. Such work could evolve further for specific issues or approaches (e.g., value chain analysis, how to improve the trade performance of small- and medium-sized enterprises and micro-enterprises). Compilations of case studies on good practice and tools for mainstreaming are encouraged. Conclusion of the DDA negotiations may further stimulate requests for needs assessments in specific areas.*
- *Trade Policy Reviews provide a useful mechanism to examine the mainstreaming process. Steps are being taken to systematically integrate an analysis of national Aid-for-Trade strategies and experience as part of the Trade Policy Review (TPR) process. On the basis of experience gained from analysis of Aid for Trade in a number of pilot TPRs (Belize, China, Honduras, Malawi, the United States and the joint review of Benin, Burkina Faso and Mali), consideration will be given to including an Aid for Trade analysis in future TPRs.*[12] *Partner organizations are encouraged to participate, notably by using TPR reports to support national and regional mainstreaming processes.*
- *Members are encouraged to share their experience on mainstreaming trade into national development strategies, both in the CTD and in other appropriate fora.*

V. Regional Dimension - Implementation

12. The relative emphasis placed on the different elements of the Aid-for-Trade Work Programme has evolved with time. Between the Hong Kong Ministerial Declaration (December 2005) and the First Global Review (November 2007), the focus of

the Work Programme was on raising awareness and generating commitment. After the First Global Review, the emphasis shifted to implementation and monitoring. It is essential that this focus on implementation, especially implementation at the regional level, continues after the Second Global Review.

13. Regional integration processes can be important drivers for Aid for Trade. It is important to build upon the progress that has been achieved in strengthening the regional dimension of Aid for Trade. Clear and focused regional Aid-for-Trade strategies, in support of regional integration objectives, can be advanced through further regional events. The North-South Corridor Conference held in Lusaka, Zambia in April 2009 is a case in point. A key to success is ensuring that the main stakeholders in the region, directly involved in regional integration processes, steer this process in collaboration with development partners, including bilateral donors and the international financial institutions.

14. The joint OECD-WTO Aid for Trade at a Glance 2009 report shows the important impact which the Aid-for-Trade initiative has had on funding for regional programmes. Such programmes more than doubled in value between 2005 and 2007. The Aid-for-Trade initiative has demonstrated comparative advantage in catalyzing economic integration processes at regional level. We have an opportunity to advance this agenda further by responding to demand from developing countries and regional economic communities to hold further regional events.

15. Central to the promotion of Aid for Trade at a regional level are the international financial institutions and regional economic communities. Establishment of the Inter-American Development Bank's Aid-for-Trade Strategic Fund and the creation of a Regional Technical Group (RTG) by the Asian Development Bank are positive examples.

- *Further Aid-for-Trade events should focus on regions not previously profiled (e.g., West and Central Africa, Central Asia) and place an emphasis on implementation activities which advance regional integration processes.*
- *Regional events should showcase novel, complementary approaches to cooperation (e.g., through South-South partnerships, triangular forms of cooperation, private sector initiatives, public-private partnerships and innovative regional financing mechanisms).*
- *Other regional events may also be undertaken in response to demand from Members, regional economic communities, international financial institutions, and other partner organizations.*
- *Regional events in 2011 could have a thematic focus (for example based around issues faced by landlocked developing countries or small vulnerable economies).*[13]

VI. Monitoring and Evaluation

16. The aim of the monitoring framework is to promote dialogue and encourage all key actors to honour commitments, meet local needs, improve effectiveness and reinforce mutual accountability. This in turn creates incentives, through enhanced transparency, scrutiny and dialogue (i.e. putting a "spotlight" on progress). It not only fosters synergies between trade and other economic policy areas in developing countries, but also improves the coherence of Aid for Trade with overall donor strategies – all essential components of effective aid delivery as embodied in the Paris Declaration on Aid Effectiveness.

17. The OECD and the WTO have established an overarching monitoring and evaluation framework for Aid for Trade. The system is being constantly refined. The centrepiece of the monitoring framework is the joint publication "*Aid for Trade at a Glance*". The 2009 edition of the publication was a considerable improvement on the 2007 edition in its analysis of aid flows, self assessment questionnaires and through the inclusion of Aid-for-Trade country fact sheets for the 88 partner-country respondents to the joint OECD/WTO questionnaire. More rigorous analysis is predicated on good basic data. As such, the high response rate from partner countries allowed a much greater depth of analysis than permitted by the 2007 edition.

18. The Aid-for-Trade monitoring framework should evolve further in the area of analysis of impact. While methodologically such work presents difficulties in attribution, the need to be able to show demonstrable results is clear. In the *Aid for Trade at a Glance* 2009 publication, a logical monitoring and evaluation framework for the Aid-for-Trade assessment was outlined which seeks to

follow the path from demand (i.e. mainstreaming and prioritization) to response (i.e. trade-related projects and programmes) through to outputs (e.g., enhanced capacity to trade) and finally impacts (e.g., improved trade performance, lower level of poverty). Following in this direction and seeking to demonstrate positive linkages between inputs and outcomes needs to be a key area for further work. In short, the focus on local accountability will provide incentives to strengthen local ownership and management for results. One challenge arises from the need to adapt this process to monitoring mechanism for regional level processes. A further challenge is the need to ensure a high degree of ownership on the part of partner countries in the methodology, process and results of such monitoring processes.

- *On tracking Aid-for-Trade flows, the monitoring mechanism can be further refined by encouraging reporting by non-OECD donors, improving reporting of certain assistance categories, bettering access to Aid-for-Trade statistics on the CRS database (particularly at a country and project level), improving the ability of partner countries to reconcile data with national information and refining analysis of Aid-for-Trade related flows (in particular Other Official Flows).* [14]
- *Reports could be prepared tracking Aid-for-Trade resource flows for the General Council annual debates. Such information would be particularly useful in tracking the impact of the financial crisis on Aid-for-Trade flows. Such reports should seek to disaggregate Aid-for-Trade flows, by distinguishing, inter alia, between grant and concessional lending in Aid-for-Trade operations.*
- *Work on evaluation must start from an inventory of existing knowledge following the logical framework approach outlined above.[15] On the basis of this inventory, a multi-faceted work programme should be developed which would, inter alia, apply the Paris Principles on Aid Effectiveness to Aid-for-Trade strategies and programmes.*
- *An important element of the work on evaluation would be to commission case studies of Aid for Trade at work from partner agencies, donor and beneficiary countries, academicians, think tanks, etc. It is important that such work is undertaken in a spirit of partnership. Lessons from the monitoring mechanism established by the Enhanced Integrated Framework and arising from the trade-related technical assistance provided by the WTO could also be captured as part of this process.[16]*
- *It is important that monitoring and evaluation is not a passive activity but is complemented and reinforced by an active review process that promotes change by submitting feedback to donor and partner countries, and provides an environment for dialogue, knowledge-sharing and the exchange of best practices.*
- *A knowledge network could be created which seeks to actively disseminate the knowledge generated on good practice to the benefit of the broader Aid-for-Trade community.*

VII. Private Sector

19. Successful mainstreaming at national and regional level presupposes private sector dialogue and business-friendly policies. Although mainstreaming is taking place, the involvement of the private sector could be further improved. A prerequisite for effective Aid for Trade is an enhanced dialogue with the private sector at national and regional level. Aid-for-Trade events have highlighted the importance of involving the private sector and its needs, but a more systematic approach to showcasing the private sector is required.

- *The development of national and regional trade integration and export strategies provides the opportunity for a structured dialogue between the public and private sector around an agreed set of objectives. Such dialogues also allow for the active engagement of the private sector in implementation and monitoring and evaluation of Aid for Trade. Work to develop such strategies should be promoted.*
- *One thematic area where a structured dialogue with the private sector is emerging is the logistics sector. The World Bank's Aid for Trade Facilitation Partnership brings together a cross-section of players in the logistics sector and invites them to comment on both bottlenecks to future growth and where Aid-for-Trade assistance could be focused to address constraints.*
- *Other business dialogues, such as those initiated by regional economic communities and international financial institutions, should be supported and the Aid-for-Trade activities of business foundations highlighted.[17]*

- *Promoting the role of small- and medium-sized enterprises and micro-enterprises within the Aid-for-Trade initiative is essential. Particular emphasis needs to be given to the financing needs of this sector. The International Trade Centre and private sector development programmes operated by bilateral donors, international financial institutions and multilateral agencies have a crucial role to play in this regard.*
- *Work with the private sector could build on other focus areas for WTO, such as standards, trade facilitation, trade finance and on-going work by members of the Director-General's Aid-for-Trade Advisory Group.*

VIII. Committee on Trade and Development

20. The Aid-for-Trade initiative has successfully forged a global partnership. Participation is becoming more active, notably on the part of developing countries, who are taking greater ownership of the initiative. Consultative mechanisms at national, regional and multilateral level should be strengthened.

21. The CTD will need to continue to play a critical role in the Aid-for-Trade initiative. This is essential for ensuring our continued success. At the same time, development partners should be provided with ample opportunities to express their views.

- *To provide guidance to Members, a provisional timetable of meetings of the CTD in 2010 and 2011 is included in the indicative calendar of Aid-for-Trade events attached as Annex 1. This lists the possible issues, including specific thematic issues, that could be considered at each meeting.*

NOTES

[1] This Work Programme is issued under the responsibility of the Chair of the Committee on Trade and Development (CTD).

[2] Aid for Trade is a complement to the DDA, but it is not conditional upon its conclusion.

[3] Sector allocable ODA is aid that is spent on specific economic or social sectors as opposed to aid allocated to debt relief, emergency aid, administrative costs and refugees.

[4] Japan pledged to provide US$12 billion in Aid for Trade between 2009-2011. This supersedes its Hong Kong pledge to provide US$10 billion over the period 2006-2008. Three EC member States made individual pledges. The Netherlands pledged to provide at least •550 million per year in Aid for Trade, France pledged to provide •850 million from 2010, and the UK has pledged to spend approximately £1 billion a year between 2009-2011 to enhance growth and trade in poorer countries. These pledges complement the collective pledge made in Hong Kong by the EC and member States to provide •2 billion annually by 2010 on trade related assistance. At the 2005 Hong Kong Ministerial Conference, the US pledged to reach a target of US$2.7 billion in annual Aid-for-Trade expenditure by 2010.

[5] The Director-General could report on his consultations to mobilize resources as part of the annual General Council debate on Aid for Trade.

[6] Similar donor coordination mechanisms should also be encouraged in non-LDCs.

[7] The Recommendations of the Task Force on Aid For Trade (WT/AFT/1) outline the complementary relationship between the DDA and Aid for Trade.

[8] Such fora could include annual meetings of the international financial institutions and multilateral agencies.

[9] Publications such as the "Trade Capacity Building Inter-Agency Resource Guide" requested by the United Nations System Chief Executives Board for Coordination, High Level Committee on Programmes, and coordinated by UNIDO, are a useful resource in this respect.

[10] The Director-General could report on progress in mainstreaming as part of the annual General Council debate on Aid for Trade.

[11] Management for Development Results (MfDR) implies using evidence-based decision making in the pursuit of development. It is a strategy that uses sound information for policy making; it involves practical tools for planning, risk management, monitoring and evaluation. In partner countries and donor agencies, MfDR delineates a shift from focusing on inputs and immediate outputs to performance and achievement of outcomes and long-term impacts. MfDR was agreed as one of the Paris Principles on Aid Effectiveness in March 2005.

[12] An indicative timetable of the different TPRs is included in the indicative calendar of Aid-for-Trade events attached as Annex 1.

[13] A preliminary list of the regional events is included in

the indicative calendar of Aid-for-Trade events in Annex 1.

[14] Aid for Trade statistics can be accessed through the OECD website at the following address: http://www.oecd.org/document/21/0,3343,en_2649_34665_43230357_1_1_1_1,00.html. Other Official Flows are transactions by the official sector which do not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development, or because they have a grant element of less than 25 per cent.

[15] A logical framework approach involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success or failure. For more information on how it is applied in Aid for Trade see: http://www.oecd.org/document/5/0,3343,en_2649_34665_39119685_1_1_1_1,00.html.

[16] WTO provides trade-related technical assistance through, *inter alia,* the Doha Development Agenda Global Trust Fund, the Standards and Trade Development Facility and the Program for National Self Assessments of Trade Facilitation Needs and Priorities. For more information see: http://www.wto.org/english/tratop_e/devel_e/teccop_e/tct_e.htm.

[17] Private sector dialogues in particular thematic areas, such as infrastructure development, should also be supported.

ANNEX 1

AID-FOR-TRADE EVENTS 2010-2011

DATE	*MEETING*	*COMMENTS*
2010		
12-13 January	Aid-for-Trade brainstorming meeting for UNESCWA members	The Islamic Development Bank and UNESCWA are planning an Aid-for-Trade brainstorming meeting in Beirut, Lebanon.
17-18 February	Workshop on Aid-for-Trade needs assessments in the SPECA countries Bishkek, Kyrgyzstan	The technical workshop will be focused on presentation of Aid-for-Trade needs assessments for the countries of the Special Programme for the Economies of Central Asia (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan). Agencies involved include Islamic Development Bank, UNDP, UNECE, UNESCAP and ITC.
TBC	ECOWAS Aid-for-Trade ReviewAbuja, Nigeria	Discussions are on-going with ECOWAS to identify a date for the Aid-for-Trade review.
17 March	CTD dedicated session on Aid for Trade	Overview of developments on Aid for Trade, feedback on national and regional events, feedback from partner organizations. A thematic discussion on Aid for Trade and agriculture is suggested to highlight the G8/G20 commitments on agriculture and to see how they relate to the broader Aid-for-Trade agenda.
April	OECD Joint Development Assistance Committee (DAC) and the Working Party of the Trade Committee on Aid for Trade	
May	China Trade Policy Review (TPR)	Development Division coordinating with the Trade Policy Review Division to provide inputs on Aid for Trade.
TBC	CTD dedicated session on Aid-for-Trade Workshop on Monitoring and Evaluation	This workshop would focus on management for development results approaches to Aid-for-Trade evaluation and our current state of knowledge. The aim would be to use the workshop to agree an Aid-for-Trade evaluation work programme based around a series of case studies which could then be presented at the Third Global Review of Aid for Trade.
June	UNECE/UNDP - Regional Ministerial Review of Aid for Trade for SPECA countries Baku, Azerbaijan	Ministerial meeting to present trade Aid-for-Trade needs assessments for SPECA countries. Agencies involved include Islamic Development Bank, UNDP, UNECE, UNESCAP and ITC. Date to be confirmed.
June	Malawi TPR	Development Division coordinating with the Trade Policy Review Division to provide inputs on Aid for Trade.
June	Honduras TPR	Development Division coordinating with the Trade Policy Review Division to provide inputs on Aid for Trade.

DATE	MEETING	COMMENTS
June	CTD dedicated session on Aid for Trade	Overview of developments on Aid for Trade, feedback on national and regional events, feedback from partner organizations. A thematic discussion on Aid for Trade in development finance and the impact of the financial crisis is planned. This would be useful input for the annual General Council debate on Aid for Trade in July.
June	AsDB Regional Technical Group meeting	Date to be confirmed.
June	UNECA/AfDB/WTO	Expert Group meeting to examine how Aid for Trade can support regional integration processes in Africa and how the effectiveness of Aid for Trade should be assessed.
July	General Council debate on Aid for Trade	The debate would be based around a presentation on 2008 Aid-for-Trade flows, progress in mainstreaming reports from the Secretariat on the status of implementation of the Aid-for-Trade Work Programme for 2010-2011, and reports on activities undertaken. Members would be encouraged to report on their Aid-for-Trade activities.
September	United States TPR	Development Division coordinating with the Trade Policy Review Division to provide inputs on Aid for Trade.
September	OECD Joint Development Assistance Committee (DAC) and the Working Party of the Trade Committee on Aid for Trade	
November	Belize TPR	Development Division coordinating with the Trade Policy Review Division to provide inputs on proposed chapter on Aid for Trade.
November	CTD dedicated session on Aid for Trade	Overview of developments on Aid for Trade, feedback on national and regional events, feedback from partner organizations and a thematic discussion on monitoring and evaluation of Aid for Trade, experiences of partner organizations and other similar work carried out. A thematic discussion on mainstreaming and Aid for Trade is planned.
December	Benin, Burkina Faso and Mali TPR	Development Division coordinating with the Trade Policy Review Division to provide inputs on Aid for Trade.
TBC	Aid-for-Trade Review of South-South Cooperation	One theme which needs to be developed further in 2010 is that of South-South cooperation. Dates, agenda and location would be agreed after consultation with Members and partner organizations involved in South-South cooperation.
TBC	Inter-American Development Bank (IaDB)	IaDB is planning to hold a regional event on South-South cooperation and triangular cooperation. IaDB is also keen to organize events showcasing innovative funding mechanisms, good practice research and to organize national events in support of TPR processes.
TBC	Aid-for-Trade Review for Central Africa	Preliminary discussions on-going with the African Development Bank on organization of an Aid for Trade Review for Central Africa.
2011		
TBC	Thematic events	Discussions will be held with Members on the modalities and objectives of thematic events in 2011, notably on Land-Locked Developing Countries and Small and Vulnerable Economies.
TBC	OECD Policy Dialogue	
2012		
TBC	Third Global Review of Aid for Trade	

(www.wto.org WT/COMTD/AFT/W/16 27 November 2009)

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NEW BOOK ON INDIA'S TRADING ARRANGEMENT

India's Regional Trade Agreements

Impact on Indian Economy

by Vijaya Katti, Sunitha Raju, and Rajan Sudesh Ratna
Published by: Indian Institute of Foreign Trade, New Delhi.
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The world trading system is now seeing another change in the form of Regional Trade Agreements (RTAs) which are now becoming the 'rules' rather than 'exceptions' as prescribed under Article XXIV of GATT and Article V of GATS. Today, hardly any country remains outside the involvement of RTAs. And as per the estimates more than half of the world trade is taking place through RTAs.

Currently, more than 200 RTAs are in place and if one takes into account the number of RTAs that are being negotiated and signed but not notified, then the number would touch the figure 400! These RTAs are no longer confined to conventional goods agreements but they go much beyond. There are several commitments which are being undertaken as 'WTO-plus' and they also cover 'Singapore issues' i.e. competition, investment and government procurement – issues which have been dropped from the Doha agenda.

India has always stood for open, equitable, predictable, non-discriminatory and rules-based multilateral trading system. However, recognizing that the RTAs are prominent in operation, India had also started its active engagement with RTAs. The main driving force for pursuing the RTA agenda have been the slow progress of Doha Round, fear of being left out and the fast changing geo-political situation. India is now actively pursuing for Comprehensive Economic Cooperation Agreements (CECA) under which much wider and deeper commitments are being negotiated with the trading partners.

India's RTAs have also got a mix response. Some sectors have been benefitted by RTAs while a few have been marginalized. The cases of circumventions have also been noticed which have hurt the domestic industry adversely. While India's FTA with Sri Lanka is more than a decade old, the one with ASEAN and Korea have just begun.

Against this background, this book examines in detail the significance India's trading arrangement holds in respect to its partner countries. It underscores the need and relevance of such an emerging pattern in global trade and suggests how this trend will witness more vigour and strength till the time Doha Development Agenda settles the gains to the developing and transitional countries promised by the WTO.

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