No. 3, 2006

BRIEFING PAPER

A Publication of South Asia Watch on Trade, Economics & Environment

Realising Aid for Trade in the Doha Round

The Sixth World Trade Organization (WTO) Ministerial Conference in December 2005 recognised the contribution that Aid for Trade could make to enable developing countries, especially the least developed countries (LDCs), to benefit from WTO Agreements and more broadly to expand their trade; following which a Task Force was constituted to provide recommendations by 31 July 2006. This briefing paper explores some pertinent issues required for a successful Aid for Trade package. Such aid flows should be stable, predictable and demand-driven. The aid must encompass technical assistance, institutional reform, supply-side capacity building and infrastructure while covering adjustment costs arising out of multilateral liberalisation. Preferably, new units at existing multilateral organisations should operate the aid assistance. In a broader context, Aid for Trade should form part of the 'single undertaking' of the current Doha Round trade negotiations and an essential component of the Doha Development Agenda (DDA). Developing countries are ultimately responsible for trade-related capacity building and successful global integration with Aid for Trade playing the role of a catalyst, albeit a significant one.

BACKGROUND

Life is full of absurdities, particularly so if we are talking about international trade. What orthodox trade theories predict do not match economic reality. With near consensus, trade theory states that reciprocal trade liberalisation, whether it is at the multilateral, regional or bilateral levels; extends global production frontiers outward, thereby opening the gates of opportunity to every country, poor and rich alike. It provides access to larger markets, new technology and skills and enables countries to exploit economies of scale and further specialise on the economic activities of their comparative advantages. It may be true for all, barring countries with low productive capacity. Available statistics show that the share of manufactures in the total imports of developed countries originating from LDCs has fallen from 23.2 percent in 1990 to 9.9 percent in 2004; an antithesis of the tall promises of the Uruguay Round (UNCTAD, 2006). The fault line has been that trade theories do not sufficiently cogitate whether countries have the ability to walk through those gates created by the liberalisation process. It assumes away, as other economic theory does, a stable macroeconomic, regulatory and financial environment, a workable social distribution mechanism and sufficient supply capabilities to respond the market opportunities.

Various research have shown enormous gains from trade liberalisation under the Doha Round. The latest is a World Bank study, which shows that the economic welfare or real income effects of full liberalisation of merchandise trade distortions, including agriculture subsidies, would increase the income of developing and least developed countries by US$ 141 billion (Anderson et. al., 2006). The moot questions are: are developing countries in a position to realise these potential gains? If not, what complementary measures are required within the Doha Framework to help them gain? The paper argues that developing countries are not in a position to exploit the opportunities due to lack of tradable surplus and requisite infrastructure for trade expansion. It further argues that adjust-

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ment costs of trade liberalisation are immense and if not addressed properly, these countries turn out to be the losers. Thus, Aid for Trade is indispensable and its operational modalities are key for the success of Aid for Trade initiatives.

AID FOR TRADE: MARKET ACCESS NOT THE WHOLE STORY

It is well established that export performance is the function of external market access conditions and domestic supply capabilities (Box 1). The reasons for limited success of LDCs to improve export performance were that the promised market access in the Uruguay Round was diluted by the use of selective tariff peaks, tariff escalation and increased use of non-tariff barriers (NTBs) as protection and regulatory instruments on their exportable products. On top of theses constraints, developing countries either lack tradable surpluses or have deficient knowledge of market access. Even when they have products to trade and are aware of export opportunities, they may still fail to penetrate world markets because they lack enabling policy and regulatory framework, the necessary exporting infrastructure or are unable to meet technical standards prevailing in high value markets (UNCTAD, 2006; Stiglitz and Charlton, 2006).

BOX 1: TRADE CHALLENGES OF LDCS

The ability of LDCs to take advantage of the emerging opportunities in world markets depends crucially on their ability to foster the development of internationally competitive industries, which can meet exacting standards of cost, quality, reliability and delivery schedules. Supply capacities in LDCs are, however, very weak for a variety of reasons and this is likely to be the major constraint on their ability to exploit the opportunities arising from globalisation. In particular, the private-enterprise sector, which is the key agent of development, is not well developed in most LDCs and its growth is constrained by shortages of capital and of entrepreneurial, managerial, technical and marketing skills. Technological capacities in many industries in LDCs are rudimentary, which, together with the low levels of educational attainment of the workforce, is a major impediment to raising productivity. Some of the services necessary to support production, such as the provision of adequate finance or marketing services are often lacking or are very expensive. There are serious deficiencies in the physical infrastructure with the land-locked countries, in particular, facing very high transport costs to access international markets. Supply-side constraints have always been an impediment to development in the LDCs, but their importance has been heightened by globalisation and liberalisation because of the increasing premium on the efficient production of traded goods.

Source: *UNCTAD, 1996*

Not only does the poor supply capability of the LDCs justify Aid for Trade; it has added dimension in the context of the Doha Round trade negotiations. The benefits of multilateral trade liberalisation do not come on its own. It involve costs – in terms of loss of policy space to pursue development goals, implementation of the agreements, unemployment, revenue loss, preference erosion, rising food prices for net food importers due to reform in agriculture subsidies, terms-of-trade loss and intra- and inter-sectoral reallocation of resources in response to changes in the level of protection – which are beyond the means and resources of developing countries (Hoekman, 2006). Multilateral non-discriminatory trade rules under the WTO has some of the characteristics of a global public good, from which everyone benefits but to which not everyone has sufficient incentive to contribute (Hertel, 2005). Aid for Trade is a payment to promote global welfare. It means assistance is essential to encourage the poorest countries to support and maintain a strong and effective multilateral trading system (Nielson, 2005). It would be the best way to redistribute the gains from those who capture larger pie to their less fortunate brethren.[1] In this sense, Aid for Trade is a discharge of moral obligation by the developed countries. Moreover, it could be a potent instrument to achieve the Millennium Development Goals (MDGs) – a road map for addressing extreme human poverty with time-bound and quantified targets – as committed by world leaders on the eve of new millennium (UN Millennium Project, 2005).

EXISTING TRADE-RELATED SUPPORT

Aid for Trade is not a novel concept. Trade-related assistance has been delivered as a part of development assistance for a long period through multilateral organisations in the areas of their competence such as The World Bank, United Nations Development Programme (UNDP), WTO, International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), World Intellectual Property Organization (WIPO); regional development banks; bilateral schemes, non-governmental organisations (NGOs), multi-donor mechanisms and trust funds such as the Integrated Framework, the

TABLE 1: DISTRIBUTION OF TRADE-RELATED TECHNICAL ASSISTANCE (%)

Region/country/group	2001	2004
Africa	25.76	29.73
Asia	32.68	20.48
Europe	21.76	14.15
North and Central America	3.13	10.14
South America	4.04	5.3
LDCs	11.26	18.99
Oceania	1.35	1.2

Source: *WTO, 2006b*

Integrated Aid for Trade Programme, the Standards and Trade Development Facility, the Global Partnership for Transport and Trade, the Doha Development Agenda Global Trust Fund and others. The scope of these aid programmes is wide and broad. It ranges from technical assistance such as design and implementation of trade policy, capacity development in negotiations, interpretation and implementation of trade agreements and diagnostic support to budgetary support in trade reforms, including adjustment to shocks, assistance in supply capacity development, improvement in competitiveness, and development of trade-related infrastructure lending. Assistance – in both grants and loans – is either conditional or unconditional (WTO, 2006a).

In most of the cases, trade-related assistance is part of larger development assistance, which in fact has also geopolitical purposes and thus, it is hard to isolate the magnitude of trade aid *per se*. Nonetheless, Organisation for Economic Co-operation and Development (OECD) database indicate that resources devoted to trade-related capacity building and technical assistance increased significantly in 2003, after being static in 2001 and 2002. Commitments for trade policy and regulations and for trade development activities increased from about US$ 660 million per year in 2001-2002 to almost US$ 1 billion in 2003 and from US$ 1.35 billion per year in 2001-2002 to US$ 1.8 billion in 2003 respectively. The World Bank's trade-related lending stands at about US$ 1.5 billion and accounts for 6 percent of all new Bank operations. It has substantially incorporated the components of trade-related infrastructure and transport as well as trade standards in its operation (WTO, 2006b). IMF also provides financial support through the Trade Integration Mechanism (TIM), adopted in 2004, floating tranches and Exogenous Shocks Facility (ESF), a new concessional facility created in December 2005. Support under the TIM has so far been made available to Bangladesh and the Dominican Republic for an aggregate amount of US$ 180 million (WTO, 2006c). The Integrated Framework of Trade Related Technical Assistance (IF), which brings together multilateral agencies (such as the IMF, ITC, UNCTAD, UNDP, WTO and The World Bank) and bilateral and multilateral donors to assist LDCs are now operating in 28 countries, with another 9 countries in the offing. The pledged amount so far is less than US$ 2 million per country, with a total amount of about US$ 60 million (UNDP, 2006).

As Table 1 depicts, the distribution of trade-related technical assistance has not been even across the regions or group of countries, indicating geopolitical considerations in aid disbursement. The highest share of the assistance goes to Africa followed by Asia. The LDCs, despite some aid mechanism specially designed for them, accounts for less than one fifth of the aid flows.

Although the concept of aid is as old as the history of international economic cooperation, why is selective aid in the name of expanding trade generating controversy? First, overall flows of the aid resources, which is insufficient to have significant impact, has been afflicted by unpredictability, conditionality, lack of coordination among the donors and lack of ownership of the recipient countries (UNDP, 2005; Goldin and Reinert, 2006). Second, despite policy statements of the donor communities/countries to give priority on trade-related capacity building, a minuscule part is allocated on trade related area.[2] Bilateral assistance is particularly biased towards donor priorities, which suffers from negative discrimination, i.e., donor refuse to fund activities inimical to their immediate interests; and positive discrimination, i.e., support is offered in areas prioritised by donors (UNDP, 2005). It is limited to advice regarding implementation of WTO agreements in order to emulate the system of developed countries to the activities that promote market of donor's export. Besides these shortcomings, available resources earmarked for trade-related capacity building does not match with highly ambitious objectives and has weak linkages to development strategies.

BOX 2: AID FOR TRADE

Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA. We invite the Director-General to create a task force that shall provide recommendations on how to operationalize Aid for Trade. The Task Force will provide recommendations to the General Council by July 2006 on how Aid for Trade might contribute most effectively to the development dimension of the DDA.

Source: Paragraph 57 of Hong Kong Ministerial Declaration (WTO, 2005)

AID FOR TRADE IN THE WTO AGENDA

The inherent weaknesses of the existing system of aid disbursement have prompted the international community to pronounce many aid initiatives. The Monterrey Consensus (2002) and the 'Report on Social Impact of Globalisation (2005)' asked for increased aid flows. Based on its 'Commission for Africa Report (2005)', the British Government made scaling-up Aid for Trade a priority item for discussion at G8 Gleneagles meeting in 2005 (a US$ 4 billion per year figure, up from US$ 2.7 billion). The 'Millennium Project Report (2005)' and the 'UN Secretary General's Report (2005)' identified Aid for Trade as a priority. Aid for Trade was also the focus of intensive Geneva-based and other discussion that fed into the process leading to the decision by the World Bank/IMF annual meeting on 12 September 2005 to expand its resources and scope for trade-related aid and making it more effective (UNDP, 2006).

The need for a comprehensive Aid for Trade package was prominently sensitised with the publication of 'Towards a New Trade Marshall Plan for Least Developed Countries' by UNCTAD on the eve of the Sixth WTO Ministerial Conference. At the WTO Hong Kong Ministerial held during 13-18 December 2005, the issue of Aid for Trade was at the centre stage. On the first day of the Ministerial itself, the European Union (EU) announced that it would raise Aid for Trade spending to approximately 2 billion euros a year by 2010, up from the 800 million euros currently spent by the European Commission on trade-related assistance. Similarly, Japan declared assistance on trade, production and distribution infrastructure of US$ 10 billion over three years. The United States (US) announced Aid for Trade grants of US$ 2.7 billion a year by 2010.

These were significant developments despite multiple references to the need for and inclusion of 'best endeavour' clauses of technical assistance and capacity building for poor countries in the Singapore Ministerial in 1996 and in various WTO agreements. The existing mechanism was not able to deliver trade-related capacity building mandate effectively. The Hong Kong Ministerial recognised, for the first time, the need for Aid for Trade to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements, and more broadly to expand their trade. It is emphasised that Aid for Trade is not a substitute for development benefits that would result from a successful conclusion of the Doha Round, particularly on market access (Box 2). As mandated by the Hong Kong Ministerial Declaration, Pascal Lamy, the WTO Director-General, announced an Aid for Trade Task Force comprising of 13 countries on 8 February 2006.[3]

In the first meeting of the Task Force, members agreed to commence work with a stock taking exercise on what has been done on trade-related development assistance so far, what needs to be done in the future, and how to structure such work in order to make recommendations. So far, multilateral and regional agencies have submitted their responses on the queries posed by the Task Force and some of the member countries have also submitted their perspectives on Aid for Trade. However, the specific subjects to be addressed by the Task Force are yet to be decided. The key challenges for the Task Force is to sort out the size and scope of the fund, institutional mechanism and the management of fund and its linkage with the Doha Round, on which the Ministerial Declaration is silent.

Size

An important precondition is that resources must match the real needs and growing demands of developing countries, particularly that of LDCs. The flow of the assistance, based on needs assessment, should be front-loaded, stable and predictable so that recipient countries can plan and execute eligible projects efficiently in a sustainable manner. Similarly, Aid for Trade should be additional and not at the cost of other development aid. It must not only be linked with broader development programmes but also be well coordinated among the donors. Easy accessibility, user friendliness and non-debt creating aspects are vital for the success of the fund (UNCTAD, 2005).

It is difficult to quantify the size of the fund and the required annual resource flows without a concrete needs assessment. In order to initiate the discussion, an annual fund of per capita US$ 3 per poor of LDCs, which comes to about US$ 1.15 billion per year at constant prices of 2005, could be proposed.[4] A similar type of separate window could be established for other developing countries.[5] The proposed framework is simple and has operationally objective criteria in the sense that the ends of all economic activities is to reduce poverty and the goal of Aid for Trade is to enable the poor countries to participate in the liberalisation process. It also has the element of automatic monitoring of the success of the aid and in-built growth factor, both positive and negative, on the size of the fund.

Scope

Trade has more of instrumental than intrinsic value. It is a means rather than an end in itself. Trade reform and openness does not carry any meaning unless it contributes to economic growth and poverty reduction. For this, an enabling policy environment and requisite infrastructure is a pre-requisite. Thus, the mandate enshrined in Paragraph 57 of the Hong Kong Ministerial Declaration should be broadly interpreted in lights of its intent and objectives, viz., 'to expand trade'[6] and encompass building productive capacities and infrastructure, including enterprise development and reducing transaction costs, trade policy development and participation in rule making (Prowse, 2002; World Bank and IMF, 2005; ILEAP, 2005; South Centre, 2006; Stiglitz and Charlton, 2006; WTO, 2006; b, c, and d). To be more specific, it should comprise of:

(a) *Technical assistance and capacity building*. Provision of technical assistance, advice and expertise to assist countries to formulate trade policies, participate in trade negotiations and implement WTO agreements. It should not be limited to merchandise trade, but also involve services, rules and dispute settlement. It should include support to integrate trade policy in overall development goals, create private-public sector partnership and coordinate inter-ministry activities of the government.

(b) *Institutional reform*. Helping to create a framework of sound and well-functioning institutions for trade by addressing costly and efficient transit and border crossings, customs delays, delivery uncertainty, lack of export and market analysis skills, weak institutional support, standards compliance, excessive business regulations, and lack of access to capital and finance and other areas of export promotion.

(c) *Supply- side capacity building and infrastructure*. Developing capacity to produce goods and services competitively and capacity to bring them competitively into the market by addressing the necessary regulatory reforms, human resources and physical infrastructure that business need to produce goods competitively, and to move and export them efficiently. Trade-related infrastructure; including roads, ports, telecommunication, energy and electricity, transport system, etc; and trade support such as customs, trade finance, marketing and distribution facilities, etc., are key for building supply capacities. It should also address the problems of private enterprises in entering into new markets and accessing technical know-how.

(d) *Assistance with adjustment costs*. Fiscal support and policy advice to help countries cope with transitional adjustment costs from trade liberalisation and implementation of WTO agreements, including Doha Round outcomes, preference erosion, end of textiles and clothing quotas, loss of tariff revenues, rising food prices following reform of agriculture subsidies, export earnings shortfall due to adverse terms of trade and social costs (Box 3).

Mechanism

In order to make Aid for Trade truly effective and operational, a proper mechanism should be established. The options could be many, for e.g., through enhanced IF (The World Bank/IMF, 2005; UNDP, 2006), through existing multilateral organisations (UNCTAD, 2005) or through creation of a specialised agency. The existing mechanism of IF has been relatively successful in managing the policy dimension of Aid for Trade and made progress in integrating Aid for Trade into national poverty reduction strategies, as well as increased coherence of programmes run by multilateral institutions (The World Bank/IMF, 2005; Stiglitz and Charlton, 2006). However, its mandate has been essentially one of policy advice. Even if the mandate of IF is broadened and resources increased, its ill-

BOX 3: TRADE-RELATED ADJUSTMENT COSTS FOR LDCS

There is consensus among economists that there are not only the gains from trade but also 'pains from trade', especially for LDCs and low-income countries. First, these countries are particularly vulnerable to policy shocks because their export industries are the least diversified and dependent on the export and world price of few commodities. Second, developing countries are likely to make the largest changes to comply with international regulations. Third, the structure of world trade is most distorted in the industries of importance to developing countries. Fourth, developing countries are particularly vulnerable to adjustment costs. Fifth, markets of developing countries are marked by market imperfections.

The studies and reports show six types – though not an exhaustive one – of adjustment costs, viz., cost of preference erosion, cost of higher food prices, costs of compliance to product standards, cost of implementation of WTO agreements, cost of tariff revenue losses and social costs such as loss of jobs/livelihood activities due to contraction of import-competing sectors and/or export sectors faced with loss of trade preferences, including end of textiles and clothing quotas. It has been estimated that the potential aggregate export revenue loss for LDCs arising from a 40 percent cut in most favoured nation tariffs of Quad members (Canada, the EU, Japan and the US) would be around US$ 530 million per year.

Similarly, the magnitude of the likely losses of net food importing developing countries is between US$ 300 million to US$ 1.2 billion per year. For implementing just three of the six Uruguay Round agreements (Trade Related Intellectual Property Rights, Agreement on Sanitary and Phytosanitary Measures and Agreement on Customs Valuation) that involve restructuring of domestic regulations, the average cost per country is US$ 150 million. Low-income countries would be able to offset no more 30 percent of tariff revenue loss with alternative source of revenue.

Source: South Centre, 2006; Stiglitz and Charlton, 2006; WTO, 2006c

equipped institutional structure and insufficient in-country presence would not allow it to manage effectively the delivery of large volumes of fund earmarked for trade development (Stiglitz and Charlton, 2006). Another risk associated with enhanced IF is that what LDCs achieved in the Doha Declaration (2001) and the July Package (2004) in terms of improved IF programme could be faded away and the content of additionality in Aid for Trade may also be diluted.

Regarding the second option, management of fund as 'add on' activities of existing multilateral institutions would surely mist over the primary objective of Aid for Trade expansion by its routine work. The experience on the effectiveness of aid shows that its success rate is high if it is mobilised through a specialised agency created for specific purpose (see Goldin and Reinert 2006 for such aid programmes) Thus, it would be better to create a new institutional set-up, which ensures decisive voices of the stakeholders, viz., the recipient countries, in its operation. However, new institutions would be slow to develop institutional experience and in-country presence necessary to mange and develop trade-related development programmes effectively. Given the complexity of trade-related assistance and the pros and cons of various alternatives, it is proposed to designate a multilateral agency to manage the dedicated Aid for Trade fund that has presence at the national level (either the World Bank or UNDP). A new unit in the relevant organisation could be created but the governance of the fund needs to be independent of the host organisation to ensure that the fund is utilised to meet the objective and mandate. A Committee on Aid for Trade, chaired by the Chairman of WTO General Council, with the representation of the various multilateral organisations, WTO member countries, private sector and NGOs could be formed. The Committee shall review and coordinate various aspects of Aid for Trade and, if needed, give political guidance in its biannual meeting. The Committee will also monitor and evaluate overall Aid for Trade disbursement and utilisation of resources and delivery as well as specific programmes. The Committee may use the progress indicators of the Paris Declaration on Aid Effectiveness (2005) to ensure its effectiveness.

The Hong Kong Ministerial Declaration envisaged to "secure additional financial resources for Aid for Trade". It is imperative that it must secure new and adequate, predictable and long-term financial resources for multi-year implementation of Aid for Trade programme. At the same time, it must not reshuffle or recycle already available development funds. The fund could be initiated with the contribution of advanced countries of 0.05 percent of their Gross Domestic Product. It might be supplemented by other mechanisms such as imposition of an asymmetric low temporary trade tariff on products scheduled for liberalisation; temporary levy on consumers on the gains they derive from tariff reductions; reallocation of subsidies and income support to Aid for Trade; generation of resources from capital markets; and the participation of private sector on infrastructure development projects (Stiglitz and Charlton, 2006; Prowse, 2006; UNCTAD, 2005).

The mechanism for providing Aid for Trade should be based on agreed administrative framework as well as on agreed principles for the management and allocation of funds. It must ensure quick resource disbursement mechanism. As noted earlier, the need should be demand-driven and determined on the basis of a country specific diagnostic study prepared in consultation with private sector, civil society and trade unions, and presented by the concerned government. It should be delivered in the form of grants and concessional loans and should not in no way be conditional upon developing countries positions in international trade negotiations or on domestic trade and development policies, including macroeconomic policies.

STATUS IN DDA: PART OF 'SINGLE UNDERTAKING'?

It is not clear in the Hong Kong Ministerial Declaration whether Aid for Trade is a separate issue or a part of 'single undertaking' of the Doha Round. As the Declaration puts the rationale for Aid for Trade to enable LDCs and developing countries to integrate in international trade and benefits from the WTO agreements – including the outcome of Doha Round – by assisting them in building supply side capability and infrastructure, the intent together with the Doha Declaration seem to be a part of 'single undertaking'.[7] Thus, it is necessary to have an agreement on what will be done, by whom, how and when under Aid for Trade before the conclusion of the Doha Round trade negotiations. However, Aid for Trade should not be exchanged with other components of development dimension such as enhanced market access and policy flexibilities for developing countries in the Doha Round.

CONCLUSION

The necessary conditions for Aid for Trade initiative is that it should be additional with multi year long term resource commitments, owned by the recipient countries and integrated with long term development goals, and non-debt creating resource flows without any conditionalities. It should not be used to undermine other components of the Doha Round. Its effectiveness lies in its ability to address building supply-side capacity, including enterprise development, infrastructure development and adjustment costs of the LDCs and developing countries.

Nonetheless, the ultimate responsibility of the overall development and poverty reduction lies on the country itself. Foreign assistance is only an interim measure. Effective aid requires a partnership of shared responsibilities and obligations of donor and recipient countries. The recipient countries need to adopt appropriate pro-poor and pro-trade policies, ensure good governance and translate multilateral commitments into actions. If the actions of recipient countries are complemented by pro-development market liberalisation and development-friendly trade rules along with firm commitments on Aid for Trade, the Doha Round can deliver its promises and trade could become powerful mechanism to achieve the MDGs.

RECOMMENDATIONS

- Aid for Trade should aim at providing readily available non-debt creating resources to developing countries, especially the LDCs.
- The fund should be demand-driven rather than imposed with conditionality, which makes it difficult to meet national priorities. However, donors can help individual countries in identified their trade-related constraints.
- Aid for Trade should cover the costs of trade policy reforms, adjustment costs, capacity building measures and strengthening trade-related infrastructure, including trade facilitation measures.
- An annual fund of per capita US$ 3 per poor of LDCs, which comes to about US$1.15 billion per year at constant prices of 2005, is proposed.
- The overall management of the Aid for Trade should be given to the Committee headed by the Chairperson, General Council, with a new unit in a multilateral organisastion with national presence working as the secretariat .
- A holistic Aid for Trade package as part of a 'single undertaking' encompassing the above recommendations would contribute to the 'development dimension' of the Doha Round. ■

ENDNOTES

[1] A World Bank study shows that two third of the gains from full merchandise liberalisation will be reaped by developed countries (Anderson et. al. 2006).

[2] Newfarmer and Nowak (2005) report that trade-related assistance of the World Bank in 2005 was less than 3 percent of total assistance.

[3] The 13 members of the Task Force are: Barbados, Brazil, Canada, China, Colombia, the European Union (EU), Japan, India, Thailand, the United States (US) and the coordinators of the African, Caribbean and Pacific (ACP), the African Group and the LDC group. Ambassador Mia Horn Af Rantzien, the Permanent Representative of Sweden is chairperson of the Task Force.

[4] The proposal would be reasonable compared to the total flow of per capita aid of US$ 11.4 in 2003 to low-income countries (Goldin and Reinert, 2006). ACP countries have proposed a lump sum of US$ 100 million per country. However, such a proposal is not linked with development parameters (WTO, 2006c). UNCTAD has proposed a Marshal Plan of US$ 50 billion for LDCs with US$ 1 billion as seed money (UNCTAD, 2005).

[5] Different windows for LDCs and developing countries minimise the risk of crowding out aid resources by advanced developing countries.

[6] OECD argues that the Hong Kong Ministerial Declaration limits the objective of the Aid for Trade agenda to help developing countries build supply-side capacity and trade-related infrastructure and excludes adjustment costs (OECD, 2006).

[7] ACP Group, in their submission WT/AFT/W/8 also interprets Aid for Trade as a part of 'single undertaking'.

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Launched in December 1994 at Nagarkot, Nepal by a consortium of South Asian non-governmental organisations, South Asia Watch on Trade, Economics & Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and 11 member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. Registered in Kathmandu in 1999, the overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalisation and globalisation.

This Briefing Paper has been published under the Progressive Regional Action and Cooperation on Trade (PROACT) Phase III Project with the support from Oxfam Novib, The Netherlands. The project seeks to strengthen cooperation among South Asian Association for Regional Cooperation (SAARC) Members during multilateral trade negotiations.

 Researched and written by Dr. Posh Raj Pandey, President, SAWTEE. The author thanks Navin Dahal, Ratnakar Adhikari and Shyamal Shrestha for their valuable comments. Printed at Modern Printing Press, Kathmandu.