

## **Progress Towards Aid For Trade**

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Many developing countries especially least developed countries (LDCs) believe that they currently have little to gain (but potentially a lot to lose) from engaging in market access negotiations through the World Trade Organisation (WTO). This is because the supply side and infrastructure problems faced by them prevent them from taking advantage of these trading opportunities. Also further liberalisation at the multilateral level will erode the value of trade preferences they currently enjoy in markets such as the European Union (EU) and United States (US).

In the current Round of WTO negotiations, developing countries have, therefore, called for developed countries to make commitments as a part of the Round to increase support for the building of trading capacity and to help them adjust to the impact of preference erosion commonly called Aid for Trade (Aft). The hope is that the inclusion of Aft as the WTO's newest policy area will ensure that the WTO promotes the trade development of those countries that are struggling to integrate into the world economy and not just those of existing or emerging trading powers.

In response to these demands, the Hong Kong Ministerial Declaration mandated the General Council of the WTO to establish an Aft task force to explore the Aft needs of developing countries and draw up recommendations to be presented to WTO members in July 2006. This task force was established in February 2006 and was set the enormous task of putting flesh onto the bony concept of Aft. This will involve discussions on who will provide Aft, how much Aft should be provided and how exactly it will be tied into the Doha Round and the WTO process in the long-run.

Given the Hong Kong Ministerial Declaration's lack of clarity in defining Aft and its link with the negotiations, many developing countries fear that it will fail to respond to their needs and be used to pressure them to sign onto Doha. The engagement of the task force with key stakeholders to date has revealed that the picture is still far from clear and suggest that the outcome of this process should not be the deciding factor for developing countries in signing up to Doha.

These sentiments were given clear expression at a workshop on Aft on June 9, organised by the Overseas Development Institute (ODI), the UK partner for the TDP project. Speakers included the chair of the task force, Sweden's Ambassador to the WTO Mia Horn, Sheila Page

from ODI and representatives from the Organisation for Economic Cooperation and Development (OECD) and Oxfam, The Netherlands.

Ambassador Horn explained that the first job of the task force was to bring all the members of the task force (WTO ambassadors) up to date on AfT issues. This had consumed much of its work since Hong Kong, but the task force was now consulting WTO members in order to draw up its recommendations. In response to questions about how AfT would be incorporated into the Doha Round, she stated that AfT would be an outcome of the Round but was not officially part of the negotiations and, would therefore, require trust to be built between WTO members to deliver the required outcomes.

In responding to the issue of how AfT will link with the Doha Round, Sheila Page suggested that developing countries could best get a secure outcome from this process by utilising the current high profile of this agenda to meet with donors to commit resources to their AfT programmes.

Martina Garcia and Frans Lammersen from OECD emphasised that the key issue facing the AfT agenda was how to improve the effectiveness of the role out of AfT programmes, as they have produced very disappointing results till date. One of the key problems they highlighted was the failure to define suitable long-term outcomes from which to design and monitor AfT interventions.

Whilst expressing the fact that AfT could potentially provide important support to developing countries, Liz Stuart from Oxfam was keen to inject an element of caution into the discussions. She highlighted the fact that six months on from Hong Kong very little progress had been made in terms of defining AfT, designing the framework in which it will be delivered and in clarifying the volume of funds that will be made available to developing countries. She also said that the task force has so far presented more questions than answers and that much still needs to make a difference for developing countries.

Much of the discussions during the workshop centred on the core issues of the AfT agenda, the what, the how and the who of its operationalisation. Ambassador Horn outlined some of the recommendations that are emerging, including the need for a country-by-country approach, for regional needs to be taken care of and for delivery to be effective and quick. However, the general level of the discussions suggested that even at this late stage of the process, with the task force due to make its recommendations by the beginning of July, there is still much to do to define AfT and what developing countries can expect from it through the Doha Round. These suggest that developing countries should perhaps recalibrate their expectations from AfT and leave it out of the equation when deciding how to engage with the negotiations.

