What is Aid for Trade?

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Facts and Figures

- Modelling suggests that an increase in the volume of trade of 10 per cent will raise per capita income by over 5 per cent. (Feyrer, James. 2009. ‘Time and Income – Exploiting Time Series in Geography’, NBER Working Paper Series 14910)
- Countries that liberalised their trade regime had 1.5 per cent faster annual growth than before they liberalised. (Wacziarg, R; and Welch KH. 2008. ‘Trade Liberalisation and Growth: New Evidence’. The World Bank Economic Review, 22(2), 187-231)
- Reforms in line with the WTO Agreement on Trade Facilitation could increase global GDP by US$1 trillion per annum and create 21 million jobs, of which 18 million would be in developing countries. (Peterson Institute of International Economics. 2013. Washington DC. Payoff from the World Trade Agenda 2013.)
- The Asia-Pacific region could increase its output by up to US$47 billion each year by eliminating the barriers to women in the workforce. (Asian Development Bank and International Labour Organization. 2011. Bangkok. Women and Labour Markets in Asia: Rebalancing for Gender Equality)
Simplified representation of economic development

1. TEXT DESCRIPTION
   - Economic development is about increasing the standard of living of a country’s people, through sustained growth and increases in per capita income.
   - Involves improvements in poverty rates, literacy rates and life expectancy.
   - Might also include consideration of environmental quality and social justice.

2. UNDERPINNINGS TO GROWTH AND POVERTY REDUCTION
   - Reduction in poverty/inequality
     + Progressive distribution policies (incomes policy, taxation, social safety nets)
   - Sustained economic growth
     - Rule of law/governance
     - Open international trade
     - Developed financial markets
     - Macroeconomic stability
     - Pro-growth regulatory environment
     - Accumulation of resources
       - Education
       - Health
       - Infrastructure
       - Export revenues
       - Aid

3. FEEDBACK CYCLE
   - Economic growth
     - Private incomes
     - Human development including education and health (so-called capability expansion)
   - Economic growth
     - Public/government revenue
     - Social services including healthcare, education, and safe drinking water
   - = Contributes to...
The Global Aid for Trade Initiative was launched at the 2005 Hong Kong WTO Ministerial Conference. It set in motion a two-track process:
1. WTO Member countries agreed to increase aid for trade, but without setting a target.
2. The OECD began a Global Aid for Trade Review, which is conducted every two years.

In 2010, the G20 pledged to ‘at least maintain beyond 2011, aid for trade levels that reflect the average of the years 2006 to 2008 (or US$24 billion)’. 

The new post-2015 development agenda (the Sustainable Development Goals) builds on the Millennium Development Goals (MDGs). The new Goals, agreed in September 2015, are to finish the job of the MDGs.
What aid for trade is

“Aid for Trade 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 programs and projects.”

World Trade Organization

Aid for trade is about helping developing countries address their constraints to trade.

Many developing countries are unable to take advantage of trade opportunities, because they face considerable internal constraints, such as:

- weak public sector institutions, including in formulating economic policy and regulations and negotiating trade agreements;
- poor infrastructure, including roads, ports and information and communications technology; and
- lack of private sector capability, including poor access to finance and distribution channels, and a lack of a skilled workforce.