INTRODUCTION

Traditionally, the trade agenda and the development agenda have been diverged. The General Agreement on Tariffs and Trade (GATT) and the World Trade organisation (WTO) promoted trade whereas aid was provided by development agencies, groups of states (such as the European Union) or individual donor countries. Because this strategy failed to achieve a satisfactory level of economic development and to generate satisfactory and positive economic results in the recipient countries, the WTO General Council in July, 2006 adopted a new development approach called Aid for Trade. Aid for trade has been defined as any
official development assistance (ODA) that developing and least developed countries get to build up their trade capacities and infrastructure in other to benefit from trade openings.1

Prior to the establishment of the WTO, the members of the GATT came together to negotiate and debate on agreements to foster free trade amongst themselves. International trade was proposed to be a reliable means of achieving economic growth and sustainable development for member countries and efforts was being channelled into its liberalisation through trade negotiations. With the establishment of the WTO in 1995, and the incorporation of the GATT 1994 into it, several developmental issues were introduced into the negotiations by its members most of which are developing countries. The Aid for Trade initiative became introduced in the WTO in 2005 at the Hong Kong Ministerial Conference and was adopted by the WTO General Council in July 2006.2 The initiative was introduced to ensure that developing and least developed member countries can fully benefit from all forms of trade openings by adequately utilising all the official assistance they can get.3 Although trade can be an important engine of economic growth, many poor countries face considerable infrastructure and other supply-side constraints to participating in global markets.4 Aid for Trade can thus be an important complement to trade reforms and global market openings for them. However, it has been argued that the initiators/donors of aid to developing countries usually follow their own agenda for aid as opposed to the agendas of the developing country in focus. Most of the donor countries or organizations are not aware of the need to take into account the recipient countries’ absorptive constraints, whether at the project implementation, institutional or macroeconomic level. The recipient countries had to adjust their developmental agendas and policies to align with and suit the nature of the aid they were receiving. The aid recipient countries might be inclined to alter any of their development priorities to accommodate the form of aid the donor countries are offering. Such instability may resultantly slow down the economic growth sought to be achieved. This makes the aids received yield little or no developmental result or have little or no impact on the economic situations of the recipient country.5

It must be highlighted though, that the WTO is a trade organization and aid was not part of its traditional functions which is primarily to foster trade and not development. Its functions are stated as administering trade agreements, providing a forum for trade negotiations, handling trade disputes, monitoring national trade policies and giving technical assistance and training to developing and least developed countries.6 The WTO, thus, launched the Aid for Trade initiative in a slight deviation from its traditional functions and in a bid to foster a more rapid and result based economic growth and development in the developing and least developed nations.

From the above exposition, a number of research questions can be raised, which are, what is the rationale for the aid for trade initiative by the WTO? Does the WTO have the capability to effectively manage aid and trade concurrently? How will merging aid and trade under the WTO benefit the developing and least developed countries? Will the role the WTO is playing in the aid/development agenda not conflict with its trade agenda?

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4 Ibid

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In answering these questions, the work will be divided into three parts. The first part is the introduction which gives a background to the issues in question as well as the structure of the work. The second part will be a critical analysis of the merits of the merge of aid and trade in the WTO looking at the peculiarities of the organisation and the problems that might arise from bringing aid and trade together under one administration. The work will be concluded and recommendations on the way forward will be highlighted in part three.

Rationale for Aid for Trade in WTO

It is broadly acknowledged that the liberalisation of international trade, gives rise to a huge range of developmental and economic gains and benefits for nations. However, freedom of trade does not by itself guarantee automatic economic growth and development, particularly for developing and least developed countries, which may lack all capacity to fully benefit from enhanced market access opportunities. This is due to several factors such as non-competitive production capacity, inadequate infrastructure and amenities, lack of information or knowledge of trade opportunities, inability to meet prevailing standards as well as several technical and technological barriers to trade especially in high value export markets and the inability to compete in some international market platforms due to domestic support and provision of subsidies by developed countries.

The assistance received through Aid for trade is to enable developing and least developed countries build up their trade capacities and infrastructure in other to benefit from trade openings. This is justified by several considerations. One is the need to enhance the trading capacity of the developing and least developed countries as a means of ensuring that they equally benefit from both new and already existing international market access opportunities. This is in recognition of the fact that in reality market access does not necessarily give rise to actual market penetration; it is only a necessary but not sufficient condition for successfully expanding exports. Market access in the WTO means the conditions, tariff and non-tariff measures, agreed by members for the entry of specific goods (or services) into their markets. Market penetration on the other hand refers to the volume or depth of sales of a particular product in a given market.

It is also of concern that some of the negative impacts of liberalisation of trade should be reduced through Aid for Trade. In other words, trade-related assistance will help developing and least developed countries to cope with the unavoidable nevertheless intermediary costs of adjusting to trade liberalisation on a global scale. This initiative is also to help developing and least developed countries generate more trade related development assistance from donors. Although aid is needed by developing and least developed countries in virtually all sectors of the economy, not all forms of aid contribute directly towards sustainable development, whereas trade related aid is geared towards achieving this feat.

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8 ILEAP, ‘Operational Modalities for the Aid for Trade Initiative,’ ILEAP Background brief no 11, April 2006.
9 Ibid
Advantages of Merging aid and Trade under the WTO

The Aid for Trade initiative by the WTO is one of the end products of several steps taken by aid donors across the world to achieve and to ensure aid effectiveness. Several aid effectiveness measures such as was adopted in the European Union Paris Declaration on Aid Effectiveness in 2005 which was adopted to ensure that aid donors and aid recipients work together as a partnership in other to ensure that the aid given achieves the desired result in the recipient country. Aid donors offer assistance in the form of aids to developing and least developed countries based on the donor country’s individual national programme or agenda for assisting developing countries to speed up their development process as they see fit. The policies and agenda of the recipient countries are of little or no consideration. However, in 2005, through the Paris Declaration on Aid Effectiveness, aid donors signed up to principles of harmonization, alignment, ownership, mutual accountability and management of results.14 These principles were subsequently cited in the Aid for Trade Task Force recommendations, Section F.2.15

The fundamentals of the aid effectiveness debate were summarized into three main headings which we will analyse one after the other.16 The first element is the concept of “Ownership,” which means to respect the rights and responsibilities of the recipient country as a sovereign state to establish its own development agenda by setting out its own strategies for poverty reduction and economic growth.17 The second element was described as “Alignment” which means that aid donors should align their development assistance with the development priorities and results-oriented strategies set out by the recipient country and to progressively depend on recipient countries’ own systems.18 The third is the concept of ‘Harmonization’ which assists donor counties to streamline and harmonize donor policies such that there will be no overlapping in the components of aid given by the donor countries so that the objective of aid which is economic growth and development can be achieved.19

The combination of aid and trade under the WTO will be of great benefit in maintaining ownership for the recipient countries. In giving aid to developing and least developed countries member states do not operate as charitable organisations but as members of the WTO assisting other members with the necessary resources to boost their trading capacity based on and following their own development plans like other states who have their right to economic development and decision making and to protect their territory from any unwanted external influences. With the umbrella of the WTO the concept of alignment can be better achieved and implemented. This is because the WTO can be the watchful eye that ensures there are no overlaps in the form of aid granted to any developing country. The concept of harmonisation will be made effective with the monitoring eyes of the WTO because the WTO can monitor the flow of aid globally through its committees and other relevant mechanisms such as global reviews and follow up support.

19 Ibid
The merger of aid and trade under the WTO can strengthen and maintain the commitment of members to aid without discrimination. The WTO core principle of non-discrimination requires that members do not discriminate between the goods and services imported from another country on the national market; this principle enjoins members not to discriminate against one another. From the trade and development standpoint, there is an undeniable case for requiring the assistance of developed countries and multinationals to help developing and least developed countries in overcoming the constraints that prevent or discourage them from taking advantage of new market openings. This is largely due to the inability to meet the minimum standard requirement of goods/services in the international market. The developing and least developed countries that are unable to integrate into global markets miss out on important sources of sustainable growth and poverty reduction. Additional assistance is essential to encourage the poorest countries to support and to maintain a strong and effective multilateral trading system as a key complement to, but not a substitute for, ambitious trade liberalization under the WTO. Aid donors cannot discriminate in their choice of aid recipient solely because of a potential trade relationship but must ensure that the principles of ownership, alignment and harmonization in duly followed. In spite of policy statements by donor countries to make trade related capacity building a priority, only a very small part is allocated for trade related areas and this can be biased. It is notable that donors in bilateral assistance or aid are often biased. Some refuse to fund activities contrary to their immediate interests and support is offered in areas prioritised by the donors. Trade liberalization under the WTO is global and non-discriminatory and has characteristics of a global public good from which all countries can benefit even though it is not all countries that have the sufficient incentive to contribute tangibly. All countries benefit from each other’s trade reforms, and benefits are increased when undertaken by several countries concurrently. However, the full benefits of reform are not necessarily consumed by the country itself and this can potentially lead to reduced investment in reforms. Aid for trade is one way to ensure the provision of this global public good and the WTO can ensure its proper utility.

The WTO plays a very significant role in resource mobilization for aid. At the Hong Kong Ministerial Declaration, the Director-General of the WTO was invited to consult with members as well as with the International Monetary Fund (IMF) and World Bank and other relevant international organizations and other regional development banks with a view to reporting to the General Council of the WTO on ample means of securing extra monetary assets to boost the trade and aid initiative.

Although, due to its peculiar nature and functions as a trade organisation, there are limits to the extent to which the WTO can administer and supervise the provision of Aid for Trade to developing and least developed countries, the WTO can still deal with all the types of trade related assistance and can focus on or place priority on discussions on longer term types of Aid for Trade. With a high level of responsibility for coordinating progress on such aid

21 Ibid.
22 Ibid
25 Ibid
provision both short term and long term, the WTO can ensure that long-term Aid for Trade is included in the next round of declarations and further future negotiations.\(^{28}\)

In addition, the merge of aid and trade under the umbrella of the WTO can also be advantageous in the area of monitoring and evaluation of progress to facilitate result oriented and result producing aid which can be evident in the rate of economic growth and development of the recipient developing or least developed countries.

**LIKELY CHALLENGES**

As was mentioned earlier, the WTO is not a development institution per se. Extensions of WTO rules beyond the management of trade policy further into institutions and regulations that are primarily about the structure of the domestic economy stand the risk of only leading to criticism.\(^{29}\) Trade facilitation through aid may be argued, of course, as being ‘trade-related.’ However, major components of trade facilitation, for example, public service efficiency, transportation, and communications, are more about institution building than about removing restrictions or barriers to freer trade. They constitute the basic structure of a country’s economy and their development dimension is broader than their trade dimension.\(^{30}\) The more than ‘trade-related’ nature of these policies and institutions challenge the capacity of the WTO to act as a development institution which traditionally it is not.

It is established that developing and least developed countries do need infrastructure, institutions, technical capacity, etc. in order to trade internationally.\(^{31}\) With the advocacy for trade liberalization under the GATT/WTO the argument then is the implication of the role the WTO has to play in this type of aid. One role which it has already is in shifting aid agencies’ attention back to trade after the emphasis on direct poverty reduction.\(^{32}\) However taking up the monitoring and evaluative role of the trade related aspect of the aid may be taking up more work than the organization is capable of as this may just be an aspect of a series of aid agendas which affect more than one aspect of the economy of the recipient country, international trade included.

It must be added that the WTO is an institution made up of members driven by their constituent interests. That is, their commercial, and ‘what-is-in-it-for-me’ interest.\(^{33}\) A successful aid for trade effort will have to recognize this and only such recognition can strengthen the aid for trade effort. Advocates of Aid For Trade in most donor countries argues that their countries can readily find commercial support for trade capacity building and that giving of aid will help donor country enterprises to do business more efficiently in the recipient countries. Such constituent interests could be the base for moving developed countries’ commitment past the best-efforts promises of the Uruguay Round Agreements. The interests of donor and recipient country enterprises should together be the basis for fixing priorities. The achievement of this balance might become a task that is beyond the ambit of the WTO.

It is vital to know that like commercial transactions, aid for trade can have “beneficiaries” on both sides. A WTO agreement on aid for trade would be an expression of the international

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\(^{30}\) Ibid.


\(^{32}\) Ibid

community’s commitment to support development and poverty reduction. This commitment however has many other expressions for instance, the Millennium Development Goals, the existence of the development banks, the various national assistance policies, the recent increase in trade-related assistance, and many others. Given the ineffectiveness of the WTO as a venue for addressing even the development problems created by the WTO’s Uruguay Round Agreements which was most recently demonstrated by the fact that this issue was not even addressed by the WTO Task Force charged to find ways to “operationalize” aid for trade, the development community should perhaps focus its efforts elsewhere other than the WTO to expand aid for trade, as the WTO may not adequately provide the needed ground for its operation.

The slowness of decision making in the WTO, in addition, might also constitute a barrier in the operation of the Aid for Trade initiative. Due to the nature of the organization, which is mostly member-led as decisions are jointly taken and agreed upon by the member countries, and the diversity in policies, needs and wishes of its members, reaching a consensus has always been a major challenge in the history of the WTO. Thus, this precedence leaves little to be imagined of its management of aid for trade especially with the need for the appointment of various committees to address several issues which presuppose a wide series of consultations and meetings, all of which leads to time-consuming decision making and implementation.

WTO related cost is another aspect of the Aid for Trade initiative which countries must be prepared for. The implementation of Aid for Trade may be of benefit to a country in the short or long term and may also be of benefit to its trading partners, some of which may also be developing countries. However, it may not necessarily be an immediate priority for a government that is not very buoyant as accepting the commitment is presumably a commitment to the WTO agreement. It can be argued that meeting WTO related costs is not an appropriate use of official aid money, as it is for the benefit of the WTO system or of more advanced traders, not for the benefit of the poor developing countries. Even where the WTO related costs are bore by the developed countries; it may not be a part of the aid related budget and as such comes as extra cost to the country.

CONCLUSION

The concept of aid is as old as the history of international economic cooperation; therefore, the initiative of the WTO is not a novel one. However, it has been able to exhibit some distinctiveness. Firstly, taken as a whole, the surge of aid resources, have not been sufficient enough to have considerable force on the economies of recipients and have been hindered by lack of predictability or coordination on the part of the aid donors as well as lack of ownership by the recipient countries.

It is obvious from the above arguments that the aid for trade initiative under the ambits of the WTO is quite an interesting venture. As an international trade organization taking up an aid initiative comes across as a herculean task, bordering almost on a futile venture. However, it can be seen by majority of the arguments above that this is a mere speculation. The WTO has served and is still serving as a channel through which aid can be effectively and rewardingly delivered to developing and least developed countries through its monitoring, harmonisation, resource generation, supervisory and overseeing role as well as through maintenance of

34 Ibid.
commitment of members and other international and multinational organizations to aid donation in other to facilitate international trade capacity building of all members and there by fostering economic growth and development.

However, it is also seen that this venture equally has its fair share of challenges, especially in the area of combining the aid agenda with the trade agenda without conflict, the speed of decision making in the WTO and the extra cost accrued by the organisation on trade related aid.

RECOMMENDATIONS

The ultimate responsibility for overall development and poverty reduction lies on the developing and least developed countries themselves and any sort of assistance should be an interim measure. Effective aid requires a partnership of shared responsibilities and obligations of both donor and recipient countries. The recipient countries need to adopt appropriate 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, trade can becomes a powerful means to achieve the Millennium Development Goals.36

The WTO can effectively manage its course on aid and trade by keeping on the fore the fact that its activities and actions is controlled by and deals mostly with members who whether or not they are developed, developing or least developed countries are first and foremost sovereign states.

BIBLIOGRAPHY


