

Summary

The link between aid and trade has been an important nexus in the global development framework since the World Trade Organization (WTO) launched its 'aid for trade' initiative at the 2005 Ministerial in Hong Kong.

Proponents of aid for trade declared at the time that its purpose was to recognise the disadvantage of developing countries participating in the global trading system, and to bolster the effectiveness of aid disbursements.

Yet aid for trade was also a creature of pragmatic politics. The trade community was motivated to give alms to the poor countries, which felt duped by the undelivered promises of the Doha Development Agenda. After the walkout in Cancun, aid for trade was a libation intended to induce developing countries back to the negotiating table. At the same time, the aid community was seeking a bulwark against growing criticism that development assistance was ineffective. By linking development aid with trade outcomes, donors and recipients could point to long-term poverty-reduction impacts of their projects.

Seven years later, aid for trade has become a fixture in the development landscape, accounting for no less than 25 per cent of total official development aid (ODA) (OECD and WTO 2011). Aid for trade is being positioned as a building block in the future development agenda beyond the 2015 expiry of the Millennium Development Goals.

This book analyses whether aid for trade has delivered on its promise. Has it delivered incremental resources to developing countries? Has it been a complement to pro-development liberalisation, unlocking genuine progress in multilateral trade reform? And has the focus on trade made aid more effective? As we show, considerable doubt remains on each of these questions. The aid for trade initiative may well be primarily a reallocation rather than an increase in assistance, and constitute a relabelling rather than a fundamental reform of the global trade and development framework.

This book also considers alternative means to improve trade outcomes for developing countries. We propose that a 'right to trade' and a 'right to development' be enshrined within the WTO's dispute settlement system. These rights would give developing countries increased opportunity within current and future trade agreements to expand their trade and safeguard their development.

In addition, we propose that aid for trade funds should be consolidated into a more coherent and predictable framework. Dedicated funds should be committed by rich countries to a Global Trade Facility and dispersed through a transparent and competitive process.

Together these proposals would go some way to creating a genuinely pro-development trade liberalisation agenda, giving developing countries greater scope to eliminate the international trade barriers and domestic capacity constraints that limit their ability to pursue export-led development pathways.