

Chapter 1

Introduction

The World Trade Organization's 'aid for trade' initiative was launched at the 2005 Ministerial in Hong Kong to recognise the disadvantage of developing countries participating in the global trading system, and bolster the development dividend of the flailing Doha Round. Seven years since the birth of the aid for trade initiative, huge resources have been mobilised. Fully 25 per cent of total ODA is now channelled, or at least labelled, as aid for trade (OECD and WTO 2011). Yet questions remain as to whether the coming together of aid and trade has delivered on the promise of additional resources for developing countries. If aid for trade has not been truly incremental to existing aid commitments, there is the further question: has the changed focus made aid more or less effective, resulting in stronger growth or reduced poverty?

Perhaps the greater concern is that aid for trade was initially offered as a complement to additional market access to be provided through the Doha Development Agenda – it was supposed to enhance, rather than replace, pro-development liberalisation on the part of the advanced countries. Unfortunately, as advanced countries' commitment to Doha has faded, aid for trade is beginning to seem more like a pecuniary payoff for undelivered promises.

This book outlines an alternative path for aid for trade as part of a pro-development, multilateral liberalisation agenda. First, the World Trade Organization would enshrine a 'right to trade' and a 'right to development' operational within the dispute settlement system. This right would give developing countries legal recourse against advanced countries whose policies materially impact the development of poor countries by restricting their ability to trade. Second, dedicated funds committed by rich countries to a Global Trade Facility would be administered by the UN Conference on Trade and Development (UNCTAD) and dispersed through a transparent and competitive process based on need and impact.