

Chapter 5

Conclusion

Aid for trade was a pragmatic response to challenges facing the global trade and aid system. By 2005 the trade community faced pressure to increase the development focus of its agenda and provide tangible benefits to developing countries. At the same time, the aid community was looking for avenues to efficiently and effectively disburse growing aid budgets and demonstrate greater long-term impacts from funded projects. Aid for trade suited the political economy in which both groups found themselves.

Nonetheless, behind the aid for trade movement has been recognition that trade liberalisation by itself is not a sufficient condition for an increase in trade, economic development or societal welfare; and in the short run at least, trade liberalisation can have serious adverse effects on developing countries, and particular groups within those countries. There has been a significant and welcome step forward by the international community towards a greater understanding of the complex relationship between trade liberalisation and economic development in poorer countries.

However, while there is considerable promise in aid for trade, so far it has not delivered on that promise. It has not proved to be additional, predictable and effective. Indeed without additionality, aid for trade is just another form of conditionality, and may actually impair the overall effectiveness of assistance programmes. Worse still, aid for trade has become a substitute for meaningful reform of the global trading system.

The multilateral trading system is at risk. As progress on the Doha Round has slowed, with many giving up hope that it will be completed any time soon, bilateral trade agreements (including international 'partnership' agreements) have proliferated. Bilateral bargaining is even more asymmetric than multilateral bargaining, and the agreements that are emerging often reflect these asymmetries. 'Divide and conquer' has sometimes proved to be an effective strategy for the more developed countries. These bilateral agreements are replacing the multilateral system with a distortionary 'spaghetti bowl' set of trade provisions, undermining the functioning of the global market economy.⁴³

The proposals we have made for a 'right to trade', a 'right to development' and a 'Global Trade Facility' would help ensure that international trade works for poor countries and the poor within those countries, and will help preserve the multilateral trading system.