

WTO-led Aid For Trade Initiative

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UNIVERSITY OF INTERNATIONAL BUSINESS AND
ECONOMICS

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CONTENT

I. The Concept of Aid For Trade

II. WTO's Role in Aid for Trade

III. Aid for Trade at a Glance

IV. How to Provide More and Better Aid for Trade

V. Aid for Trade in Lao

The background features a light blue gradient with several realistic water droplets of various sizes scattered across the surface. The droplets have highlights and shadows, giving them a three-dimensional appearance.

I. The Concept of Aid for Trade

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- Aid for Trade is an important part of Official Development Assistance (ODA). With the purpose of improving the trade capacity of developing countries, developed countries provide free aid (grants) or concessional loans to developing countries for targeted use in trade-related programs and projects.
- It is recognized that Aid for Trade can be a valuable complement to the Doha Development Agenda (DDA), but it cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA.

I. The Concept of Aid for Trade

- Because trade is a broad and complex activity, Aid for Trade is broad and not easily defined. It includes **technical assistance** — helping countries to develop trade strategies, negotiate more effectively, and implement outcomes. **Infrastructure** — building the roads, ports, and telecommunications that link domestic and global markets. **Productive capacity** — investing in industries and sectors so countries can diversify exports and build on comparative advantages. And **adjustment assistance** — helping with the costs associated with tariff reductions, preference erosion, or declining terms of trade.

The Channels of Aid for Trade

Two Main Ways:

Donors provide aid directly to recipients through bilateral channels.

Aid flows are coordinated through multilateral or regional agencies, which account for about 50 percent of the total program.

The Background of Aid for Trade

- **Misunderstanding: WTO-led Aid For Trade Initiative**

WTO or OECD is only the intermediate institutions for the implementation of Aid for Trade. The main body of Aid for Trade is the donor countries.

- As early as the 1980s, the IMF and the World Bank began to provide loan programs to developing countries to help them enhance trade liberalization and promote trade facilitation. In addition to IMF and WB, UNCTAD, International Trade Center, OECD, UNIDO, etc., also provide trade assistance.
- The project is scattered, lacks unified management and complete system, and the aid effect is limited.

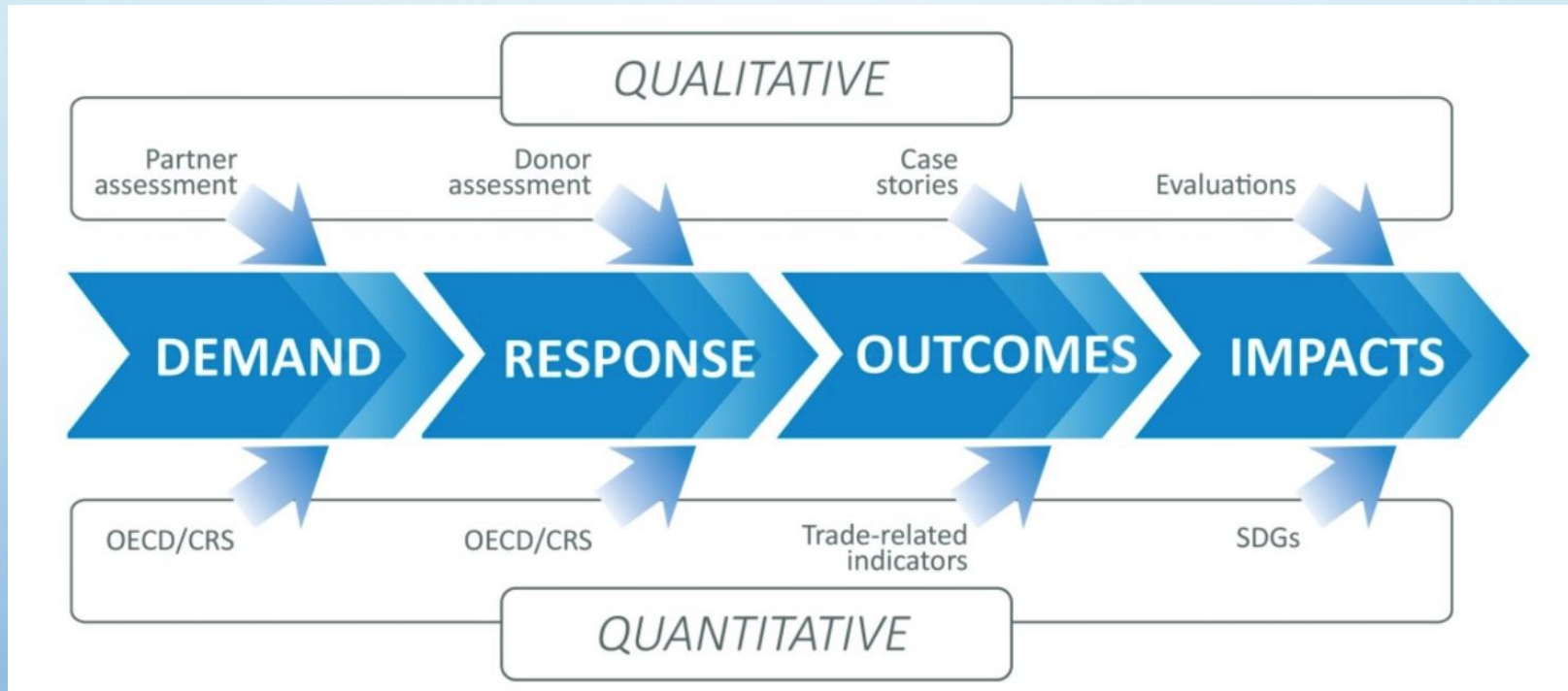
The Background of Aid for Trade

- Before WTO MC6, the conflicts between developed and developing countries became more and more obvious. Developed countries set various market access thresholds for agricultural exports from developing countries, and provided domestic subsidies and export subsidies for their own agricultural products. Developing countries wanted to be able to change the inequities in the international trading system, but developed countries rarely made substantive concessions, and WTO negotiations were becoming increasingly difficult.
- Developed and developing countries were still looking for a better way to avoid a breakdown in the talks, which was one reason for the birth of Aid for Trade Initiative.

The Proposal of Aid for Trade

- On December 18, 2005, the WTO MC6 held in Hong Kong promulgated the Hong Kong Declaration, explicitly proposing the implementation of the Aid for Trade Initiative.
- The word "assistance" appears 34 times in the declaration.
- In February 2006, the WTO set up a task force on Aid for Trade, which is composed by many countries.
- In July 2006, the task force submitted the task force recommendation on Aid for Trade.

The Logic of Aid for Trade



Source: Lammersen F, Hynes W. Aid for trade and the sustainable development agenda: Strengthening synergies[J]. 2016.

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II. WTO's Role in Aid for Trade

Why is the WTO Involved?

- The simple answer is that the WTO is a global trade body, and it has a clear role and responsibility for ensuring that countries can effectively participate in — and benefit from — world trade. But the WTO can not deliver development assistance. It is not a development agency, and has no intention of becoming one. Its core mandate is — and must remain — setting trade rules.
- The challenge is to get the many existing development assistance mechanisms to work together more effectively. Here the WTO has a catalytic role to play — ensuring that the agencies responsible for development understand the trade needs of WTO members, and encouraging them to deliver solutions.

WTO's Role in Aid for Trade

1. encourage additional flows of Aid for Trade from bilateral, regional and multilateral donors to support requests for trade-related capacity building from beneficiary countries

2. encourage mainstreaming of trade into national development strategies by partner countries

3. support improved ways of monitoring and evaluating the initiative

Creditor Reporting System (CRS) 📘

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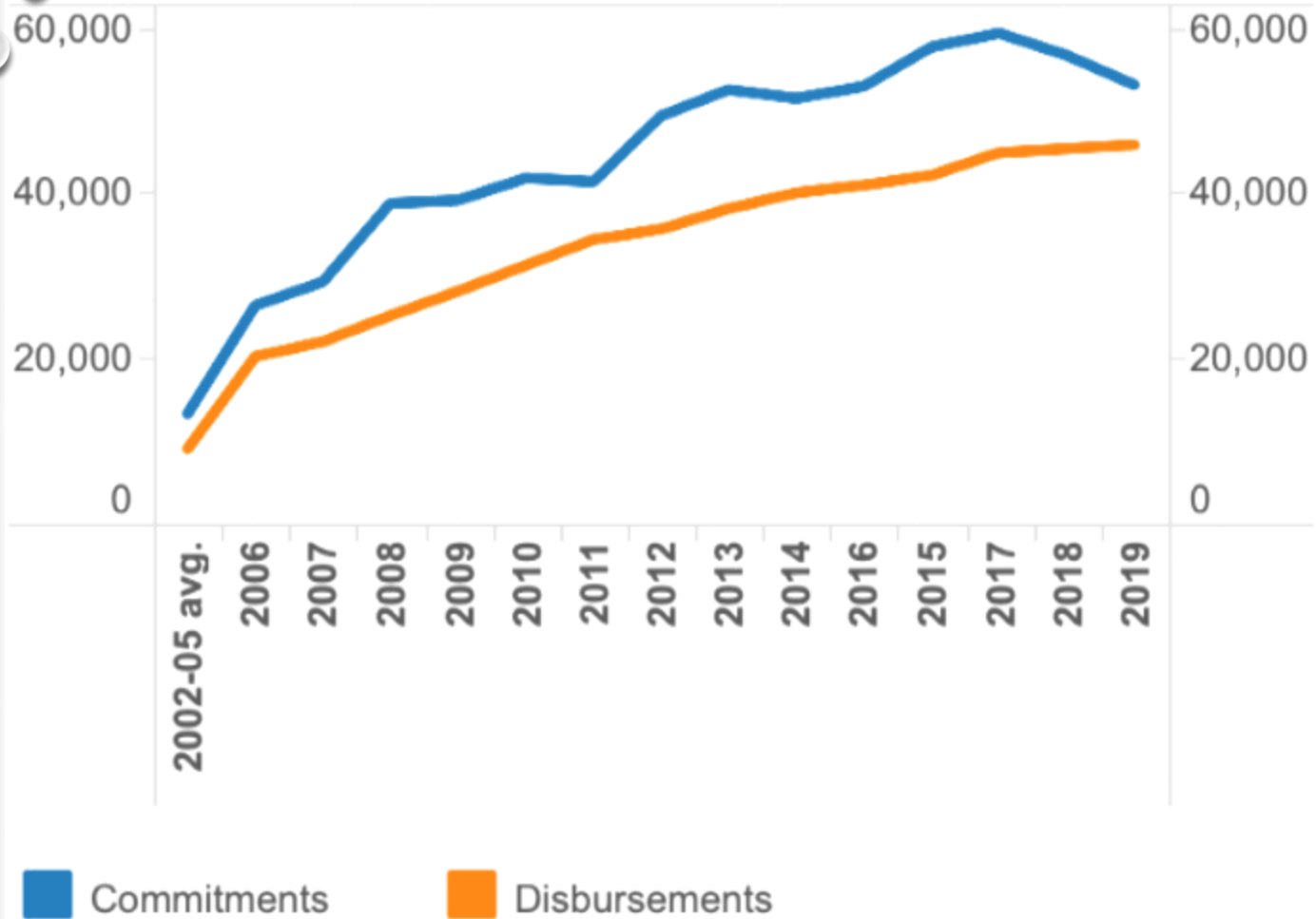
→ Donor	DAC Countries, Total									
→ Sector	1000: Total All Sectors									
→ Flow	Official Development Assistance 📘									
→ Channel	All Channels									
→ Amount type	Constant Prices									
→ Flow type	Gross Disbursements 📘									
→ Type of aid	All Types, Total 📘									
Unit	US Dollar, Millions, 2020									
→ Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										
→ Recipient										
▣ Developing Countries, Total	103 027.196	97 424.958	106 543.959	104 808.386	112 985.016	123 396.096	125 821.260	120 868.986	120 783.206	128 917.992
▣ Europe, Total	2 864.894	2 471.523	2 436.457	3 583.332	3 798.975	4 014.702	4 643.031	3 871.759	3 551.554	3 786.259
Albania	208.371	170.412	136.824	178.058	209.050	176.683	163.859	189.858	183.709	204.384
Belarus	61.771	49.580	65.783	70.499	71.278	67.688	74.920	73.559	80.985	140.489
Bosnia and Herzegovina	242.830	214.645	195.706	228.908	212.222	199.073	271.633	230.072	230.923	244.834
Kosovo	177.176	301.510	272.734	260.166	202.651	198.008	191.248	159.495	159.729	160.801
Moldova	104.495	127.789	165.560	246.730	220.405	105.262	105.319	101.522	110.337	101.039
Montenegro	33.778	40.220	47.026	43.158	35.500	44.370	24.106	30.079	31.177	36.102
North Macedonia	80.100	85.999	113.491	99.428	63.886	75.281	74.794	85.498	91.959	82.008
Serbia	284.831	229.307	198.193	224.072	215.599	249.744	363.433	333.932	342.378	345.366
States Ex-Yugoslavia unspecified	13.578	3.146	3.278	7.098	6.205	6.270	4.489	2.977	10.095	4.293
Turkey	700.100	157.744	506.842	1 000.000	761.464	1 127.245	2 072.000	1 000.000	1 085.546	1 100.700

Data extracted on 09 Jun 2022 09:46 UTC (GMT) from OECD.Stat

The background features a light blue gradient that transitions from a pale, almost white hue at the top to a deeper, medium blue at the bottom. Scattered across this gradient are numerous water droplets of various sizes and shapes. Some droplets are large and prominent, showing clear highlights and shadows that give them a three-dimensional appearance. Others are smaller and more numerous, creating a sense of mist or a fresh shower. The droplets are distributed across the frame, with a higher concentration in the upper and lower corners, leaving the center relatively clear for the text.

III. *Aid for Trade at a Glance*

Trend in aid for trade



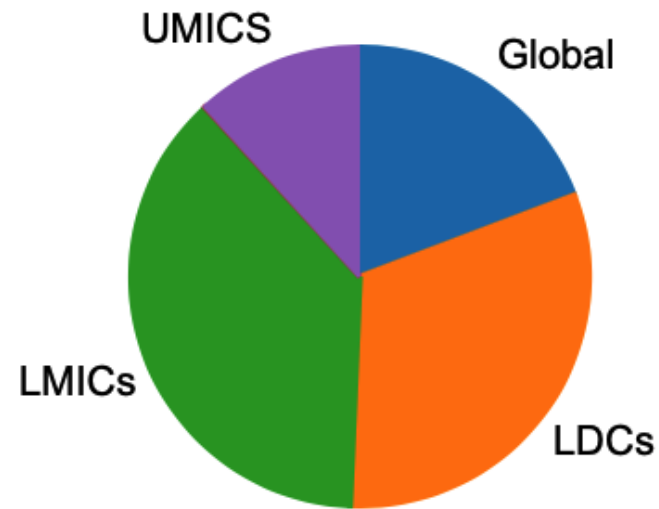
Trend in Aid for Trade

- Million Dollars
- Source: OECD aid for trade database

https://public.tableau.com/views/Aid_for_Trade/Aid_for_Trade?:embed=y&:showtabs=y&:display_count=no&:showvizhome=no#1

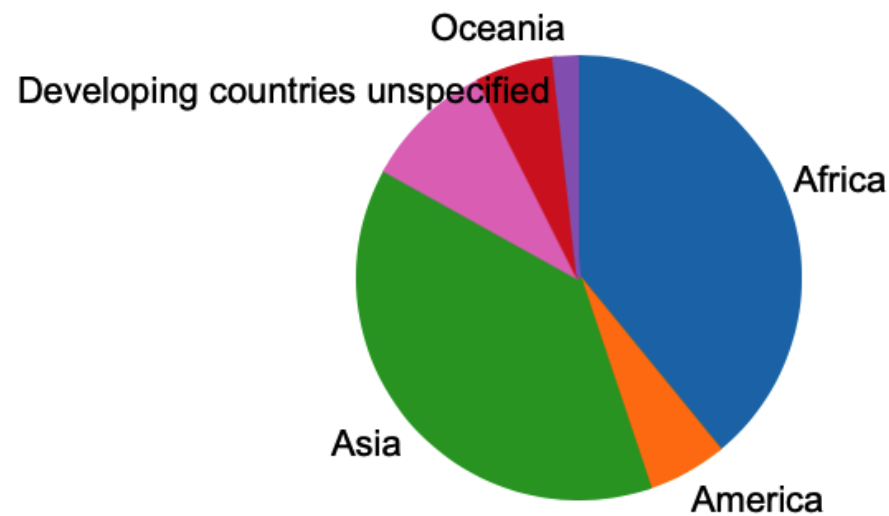
Distribution of Aid for Trade by Income Group

Distribution of aid for trade by income group, 2019



Regional Distribution of Aid for Trade

Regional distribution of aid for trade, 2019

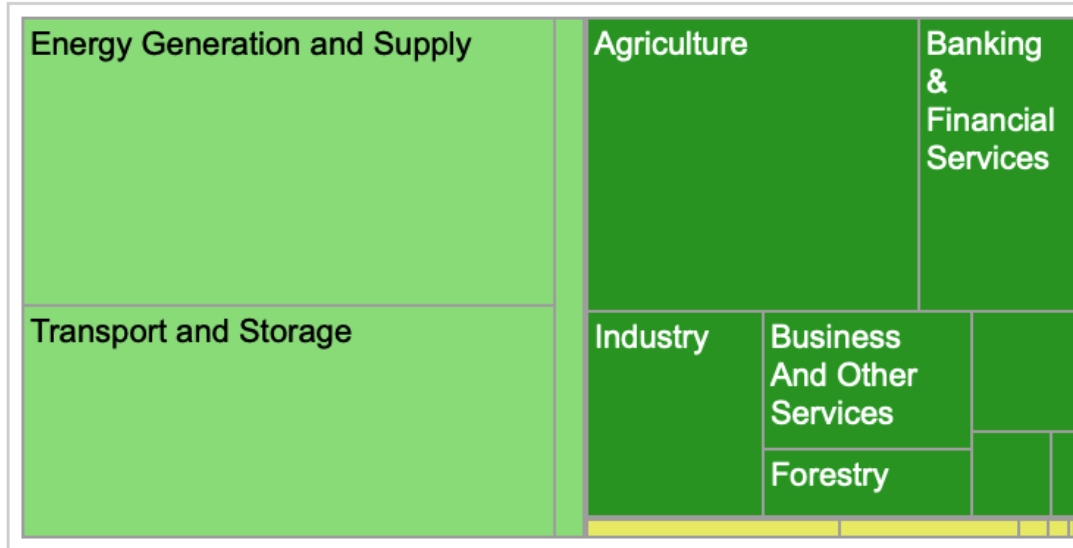


Category	Program
Trade Policy & Regulations	Trade Policy and Admin. Management
	Trade Facilitation
	Regional Trade Agreements (RTAs)
	Multilateral Trade Negotiations
	Trade Education/Training
	Trade-related Adjustment
Economic Infrastructure	Transport and Storage
	Communications
	Energy Generation and Supply
Building Productive Capacity	Business And Other Services
	Banking & Financial Services
	Agriculture
	Forestry
	Fishing
	Industry
	Mineral Resources and Mining
	Tourism

Types of Aid for Trade

- According to OECD, there are three categories
- There are detailed aid codes in OECD-CRS database

Category and sector breakdown of aid for trade, 2019



- Building Productive Capacity
- Economic Infrastructure
- Trade Policy & Regulations
- Trade-related Adjustment

Three Stages

2005-2007: The infancy of Aid for Trade. The improvement of the terms of trade of the recipient countries has played a timely role. However, there are still many problems and the mechanism is not yet perfect.

2008-2014: Adjustment phase of Aid for Trade. Focusing on the least developed countries, the amount of aid has been increasing and the intensity of aid has been increasing. A review and supervision mechanism has also been established.

2015-now: Transition phase of Aid for Trade. Sustainable development, green trade, green development, circular economy and other concepts have been added to the list, with more attention paid to the least developed countries. To pave the way for the realization of the United Nations 2030 Sustainable Development Goals.

2020-2022 Work Program



WORLD TRADE
ORGANIZATION

WT/COMTD/AFT/W/81/Rev.1

9 July 2020

(20-4731)

Page: 1/6

**Committee on Trade and Development
Aid for Trade**

**AID-FOR-TRADE WORK PROGRAMME¹
2020-2022**

EMPOWERING CONNECTED, SUSTAINABLE TRADE

2020-2022 Work Program

Digital connectivity and sustainable development

Economic and Export Diversification

Improving recipient countries' supply-side capacity and addressing trade constraints, particularly among the least developed countries

“Green Growth”

Special emphasis is placed on sustainable development of women, youth and MSMEs

Inclusive Growth

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IV. How to Provide More and Better Aid for Trade

Monitoring takes place at three levels:

- (1) global monitoring, carried out by the OECD

Global monitoring of overall aid for trade flows, based on work carried out by the OECD

- (2) donor monitoring, in the form of self-evaluations

Monitoring the commitment of individual donors to provide additional aid for trade

- (3) in-country monitoring, also in the form of self-assessments

Monitoring how the needs of developing countries for additional aid for trade are being presented to, and met by, the international donor community, including the development banks.

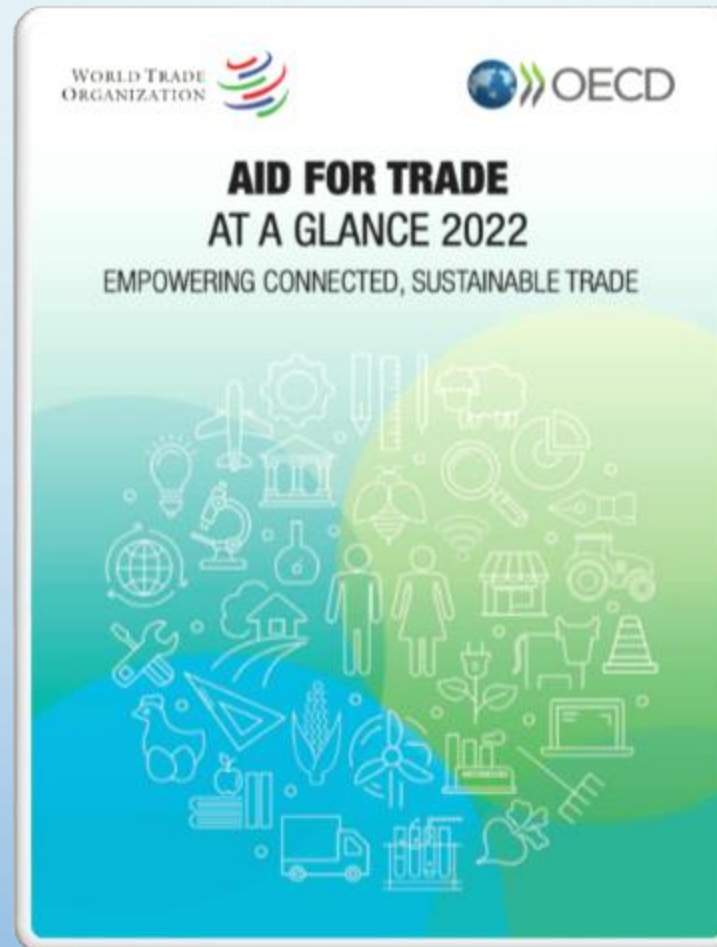
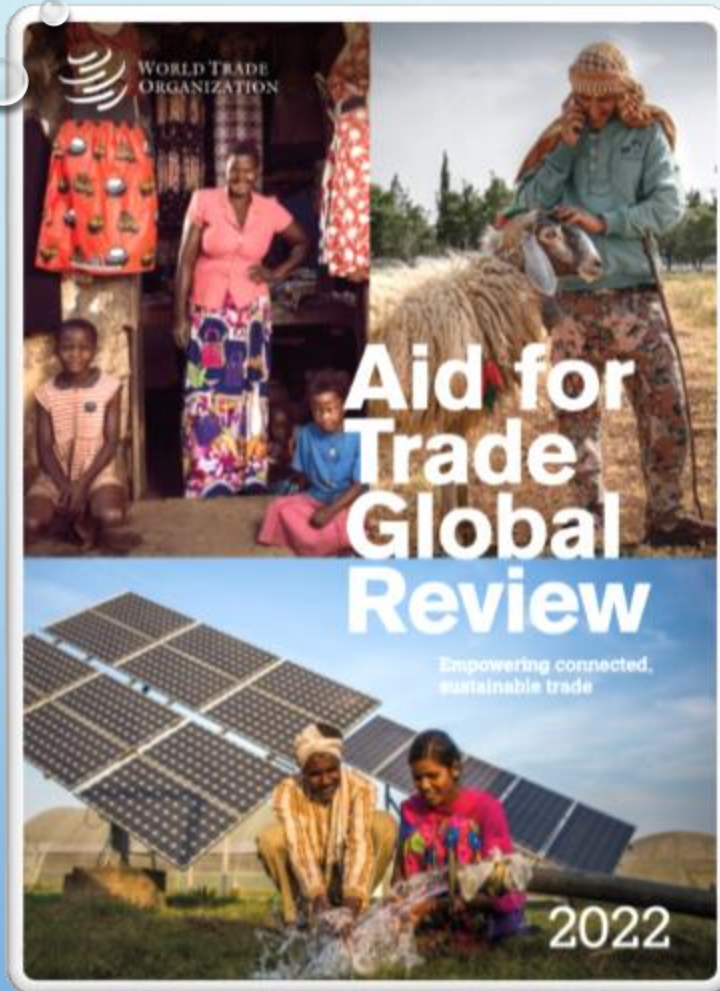
Global Review of Aid for Trade

- The purpose of the global review is to strengthen the monitoring and evaluation of Aid for Trade to provide a strong incentive to both donors and recipients for advancing the Aid for Trade agenda.

- ▣ [Eighth Global Review 2022, 27-29 July](#)
- ▣ [Stocktaking Event 2021](#)
- ▣ [Seventh Global Review 2019](#)
- ▣ [Sixth Global Review 2017](#)
- ▣ [Fifth Global Review 2015](#)
- ▣ [Fourth Global Review 2013](#)
- ▣ [Third Global Review 2011](#)
- ▣ [Second Global Review 2009](#)
- ▣ [First Global Review 2007](#)

Eighth Global Review 2022 July

- Two reports released



Eighth Global Review 2022 July

- This year's Global Review took place against the backdrop of overlapping crises. The COVID-19 pandemic continues to exert a toll on human health and cause turmoil in global trade. Economies everywhere face inflationary pressures with high food and energy prices hitting poor people hardest – and placing additional pressures on hard-pressed public budgets. These pressures are further exacerbated by the war in Ukraine and food security concerns that it has caused. Trade continues to play an important role as a driver not just of **economic recovery**, but also **poverty alleviation** and **women's economic empowerment**. Trade is also an integral part of **the transition to low-carbon models of growth and a just climate transition**.

Eighth Global Review 2022 July

- Against this background the Global Review discussed the role of Aid for Trade in supporting **women's economic empowerment, digital connectivity and how environmentally sustainable development can contribute to the desired development outcomes.**
- Global Reviews have been instrumental in helping to galvanize support to address **supply-side and trade-related infrastructure obstacles** so that developing countries can derive maximum benefit from international trade.

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V. Aid for Trade in Lao

LAO PEOPLE'S DEMOCRATIC REPUBLIC

AIDFORTRADE AT A GLANCE 2019

Aid, Trade and Development Indicators for Lao People's Democratic Republic

A. DEVELOPMENT FINANCE

EXTERNAL FINANCING INFLOWS (million current USD)	2006/08	2014/16	2017	Δ:06/08-17
FDI inflows	246.2	945.7	813.0	230%
Remittances	9.4	188.9	252.8	2587%
Other official flows (OOF)	23.3	56.0	52.9	127%
of which trade-related OOF	12.5	35.3	52.7	323%
Official Development Assistance (ODA)	304.9	502.3	563.6	85%
of which Aid for Trade	113.4	168.9	208.3	84%

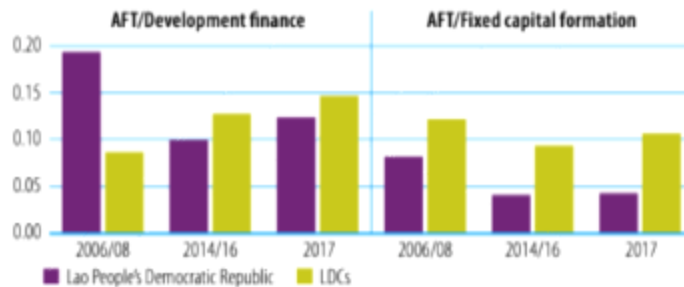
Sources: UNCTAD, UNCTADstat; WB, World Development Indicators; OECD, DAC-CRS Aid Activities Database

TOP 3 AFT PRIORITIES

1 Export diversification	2 International competitiveness	3 Regional integration
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Source: OECD/WTO Partner Questionnaire

SHARE OF AFT IN DEVELOPMENT FINANCE AND FIXED CAPITAL FORMATION (%)



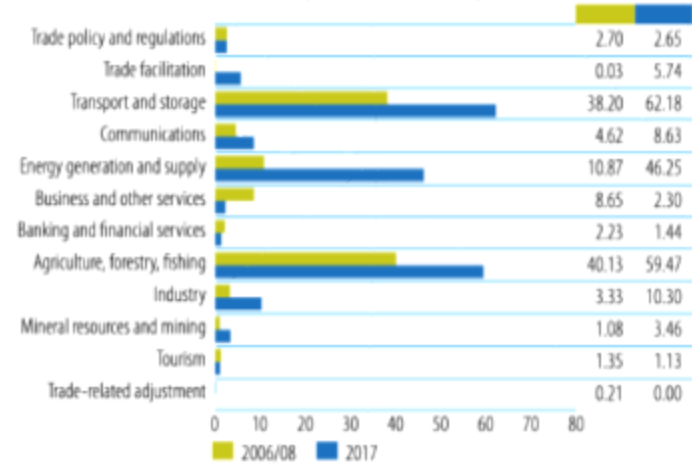
Source: OECD, DAC-CRS Aid Activities Database

AFT DISBURSEMENTS: TOP DONORS (million current USD)

2006/08	value	%	2017	value	%
Japan	32.2	28	Japan	48.2	23
International Development Assoc.	21.6	19	International Development Assoc.	40.4	19
France	12.4	11	Asian Development Bank	29.8	14
Sweden	10.5	9	Korea	23.8	11
Germany	10.4	9	Thailand	18.7	9

Source: OECD, DAC-CRS Aid Activities Database

AFT DISBURSEMENTS BY SECTOR (million current USD)



Source: OECD, DAC-CRS Aid Activities Database

Aid for Trade in Lao

- Development Finance
- Trade Costs
- Trade Performance
- Development Indicators

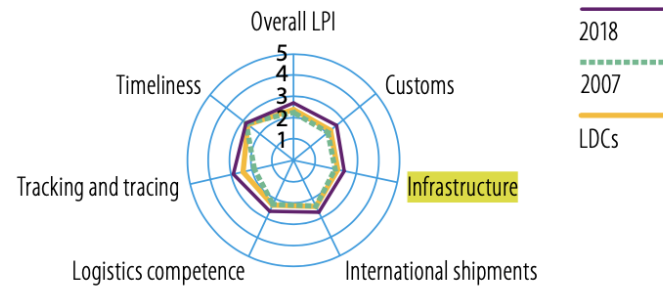
(Lao's country profile is not included in *Aid for Trade at a Glance 2022*.)

B. TRADE COSTS

INDICATORS	2006	2017
Tariffs (%)		
Imports: simple avg. MFN applied (05-17)	9.7	8.5
Imports: weighted avg. MFN applied (06-15)	...	7.7
Exports: weighted avg. faced (05-16)	2.2	1.9
Exports: duty free (value in %) (05-16)	60.7	93.9
ICT connectivity (% of population)		
Mobile broadband subscriptions (10-17)	0.1	40.0
Fixed broadband subscriptions	0.0	0.4
Internet users	1.2	25.5

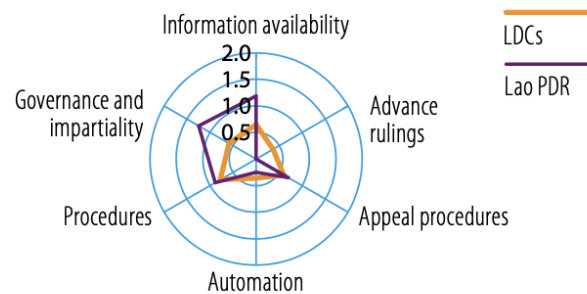
Sources: WTO, World Tariff Profiles; ITU, World Telecommunication/ICT Indicators

LOGISTICS PERFORMANCE INDICES (LPI) (1-5)

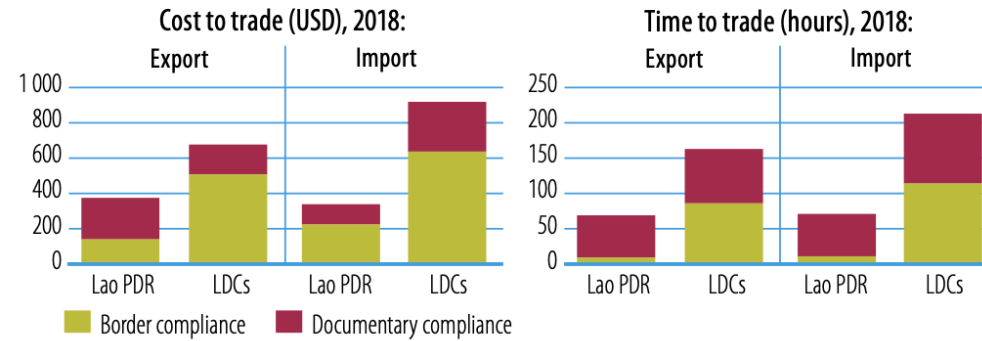


Source: WB Logistics Performance Index (LPI)

TRADE FACILITATION INDICATORS, 2017 (0-2)

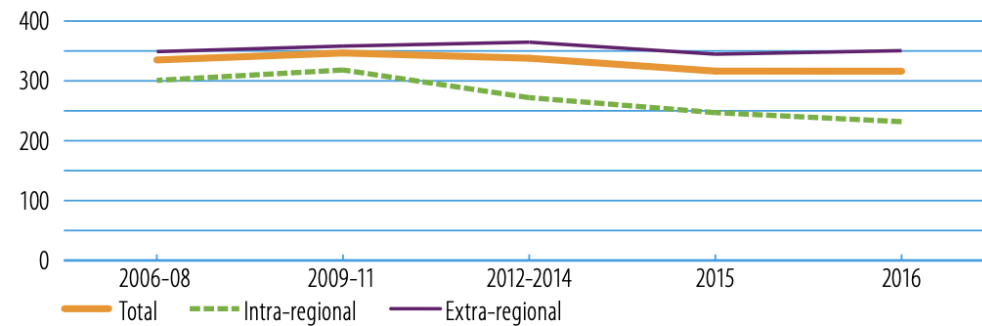


Source: OECD Trade Facilitation Indicators



Source: WB, Doing Business

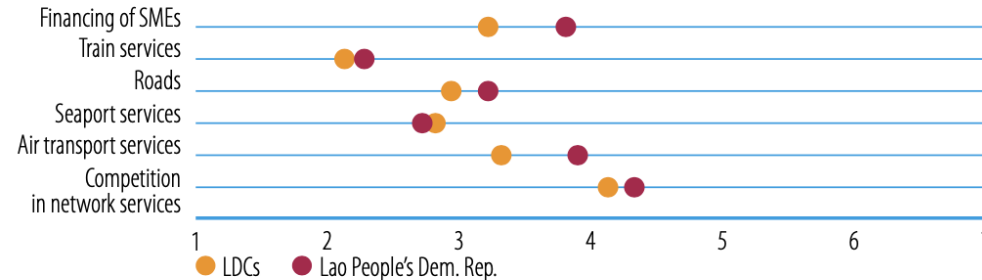
TRADE COSTS (ad-valorem, %)



Source: ESCAP-WB Trade Cost Database

Note: Number of partners used in the calculation of average trade costs: total (38), intra-regional (11), extra-regional (27)

COMPETITIVENESS INDICATORS (1-7)



Source: WEF Global Competitiveness Index

C. TRADE PERFORMANCE

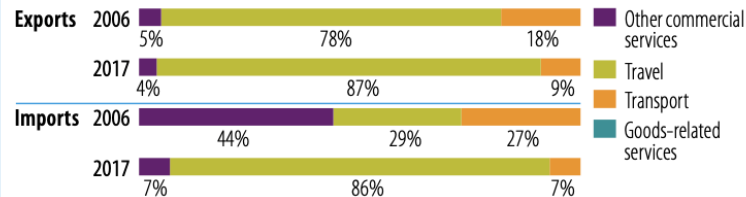
INDICATOR	2006	2017
Trade to GDP ratio (%)	63	74
Commercial services as % of total exports (%)	19	15
Commercial services as % of total imports (%)	3	17
Non-fuel intermediates (% of merch. exp.s, 2006-2016)	...	60
Non-fuel intermediates (% of merch. imp.s, 2006-2016)	...	47

Sources: WTO Secretariat; UN Comtrade

TRADE FLOWS (billion current USD)		2006	2017	Increase	Decrease
Exports	Goods	0.882	4.823	+447%	▲
	Commercial services	0.203	0.878	+333%	▲
Imports	Goods	1.060	5.636	+432%	▲
	Commercial services	0.031	1.140	+3598%	▲

Sources: WTO Secretariat

STRUCTURE OF SERVICES TRADE



Source: WTO Secretariat
Note: For goods-related services, no value label is provided in the case of missing data or zero trade.

TOP 5 MARKETS FOR MERCHANDISE EXPORTS (%)

2006	%	2016	%
		China	36
		Thailand	31
...		Viet Nam	17
		India	3
		Japan	2

TOP 5 MERCHANDISE EXPORTS (%)

2006	%	2016	%
		Copper ores, concentrates	23
		Copper	12
...		Fruit, nuts excl. oil nuts	7
		Sound recorder, phonograph	5
		Non-alcohol beverages, n.e.s.	5

Source: UN Comtrade

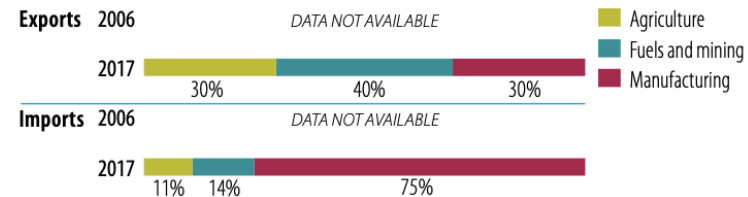
INDICATOR	2006	2017
Product diversification (based on HS02, 4-dig.; 2006-2016)		
Number of exported products (max. 1,245)	...	330
Number of imported products (max. 1,245)	...	879
HH export product concentration (0 to 1)	...	0.084
HH import product concentration (0 to 1)	...	0.035

Market diversification

Number of export markets (max. 237)	...	67
Number of import markets (max. 237)	...	59
HH export market concentration (0 to 1)	...	0.250
HH import market concentration (0 to 1)	...	0.420

Sources: WTO Secretariat; UN Comtrade

STRUCTURE OF MERCHANDISE TRADE



Source: WTO Secretariat
Note: Only classified products are included in the calculation.

TOP 5 MARKETS FOR MERCHANDISE IMPORTS (%)

2006	%	2016	%
		Thailand	62
		China	18
...		Viet Nam	10
		Japan	2
		Korea, Republic of	2

TOP 5 MERCHANDISE IMPORTS (%)

2006	%	2016	%
		Petroleum products	13
		Passenger motor vehicles, excl. buses	9
...		Telecomm. equipment parts, n.e.s.	6
		Non-alcohol beverages, n.e.s.	4
		Goods, special-purpose transport vehicles	4

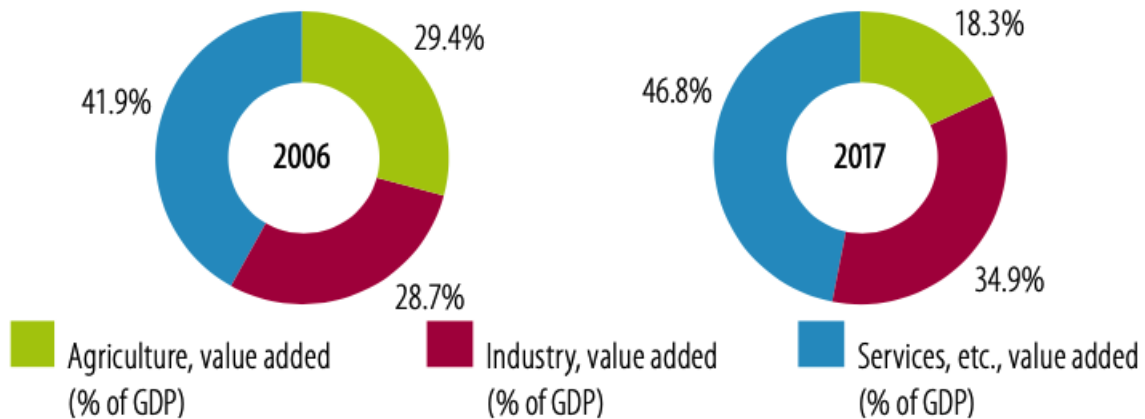
Source: UN Comtrade

D. DEVELOPMENT INDICATORS

INDICATOR	2006	2017
Unemployment (% of total labour force)	1.1	0.6
Female labour force participation rate (%)	77.6	76.7
ODA (% of gross national income)	9.4	3.0
Import duties collected (% of tax revenue, 2008-2017)	11.7	8.9
Total debt service (% of total exports)	16.7	13.4
Human Development Index (0-1)	0.51	0.6

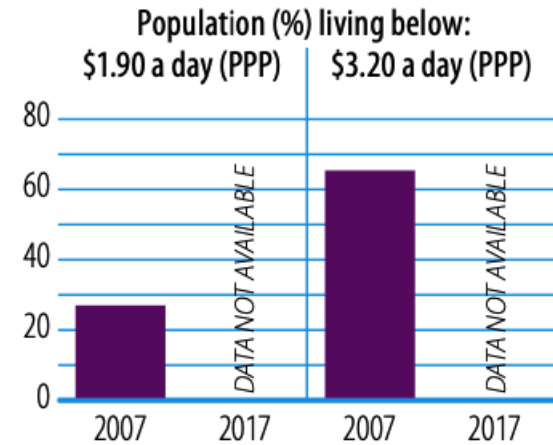
Sources: ILO, ILOSTAT; OECD, DAC-CRS Aid Activities Database; WB, World Development Indicators; UNDP, International Human Development Indicators

ECONOMIC STRUCTURE



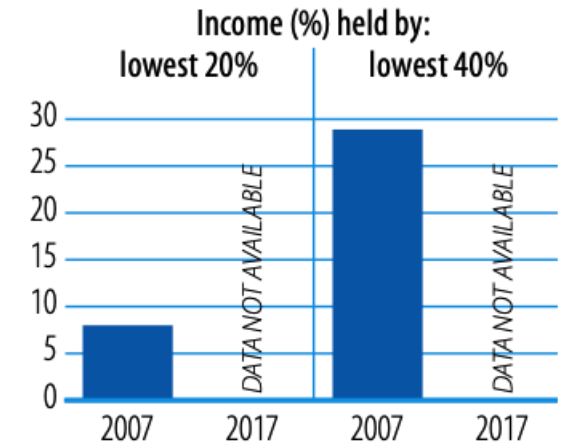
Source: WB, World Development Indicators

POVERTY INDICATORS

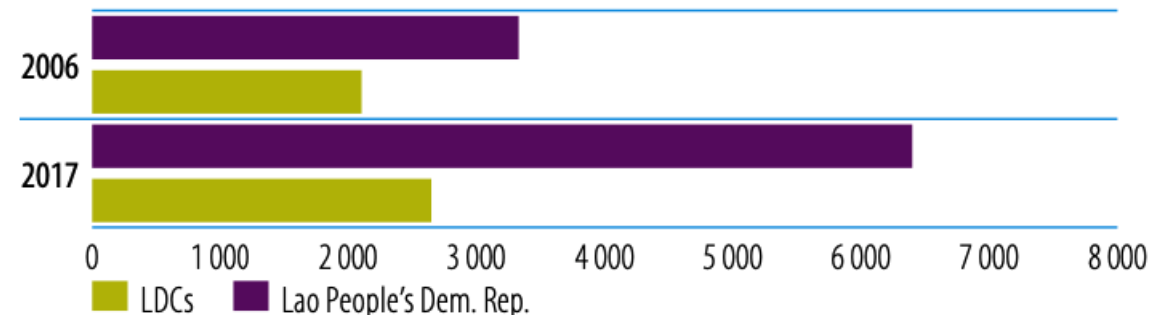


Source: WB, World Development Indicators

INEQUALITY INDICATORS



GDP PER CAPITA (constant 2011 international \$)



Source: WB, World Development Indicators