

Aid for Trade: Its role in WTO Negotiations and in Long-Term Development

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1. The Problem on Hand

- Poverty in the midst of Plenty on the threshold of the 21st Century
- The context: era of knowledge economy and technological revolution featuring
 - Green revolution in developing world
 - Industrial breakthrough in the developing world
 - The Information technology & communication breakthrough also in developing world
- Marginalization of some attributed to several factors that include the legacy of history; the political economy of international trade; and internal factors including kleptocratic regimes.

2. Trade and International Power Relations

- Globalization and the Multinational Corporation
- Global Value Chains and Power relationships
- Silent barriers to entry such as advertising and marketing costs
 - The rational man: he who wields the power internalizes the choicest parts of the value chain (easier functions & highest returns)
- Can a rules-based system mitigate things for better? Yes and No (depending on the way the rules are tilted) – they will always be tilted if only because economics is divorced from morality

3. Essence of the Development Round

- DDA should tilt the rules in a balanced direction
- In a world of many divides between the developed countries and those at the bottom of the development ladder, asymmetry is a major issue
- Ideally, DDA should
 - Take care of the trade policy issues: rules to mitigate the imbalances of power relations (TRIPS, Agriculture,
 - NAMA – Essence of technological edge vs edge based on tariffs
 - Make a break through in bridging the divide on technology, wealth and assets for competitiveness
 - Conditionalities are a fact of life – but they should not defeat the objectives of the instrument. Conditions for mitigating programme risks vs tools to enforce compliance on difficult issues
 - Target deeper measures for competitiveness – first address the missing factor in ODA (private sector competitiveness) prior to more liberalization.
 - AfT should address the chicken and egg dilemma – which should come first this time? – total liberalization or enhancing modest supply capacity

4. The logic of AfT in the DDA

- Aspects of development in the DDA
 - Special and differential treatment (through concessions such as longer deadlines for compliance) – but what is the use of a ten year concession unless the pace for growth and development is faster
 - Temporary exemptions from reduction commitments meaningful only if there is a process to change the status quo in trade relations
 - Special targeted programmes such as the Integrated Framework implemented over the past 10 years have not delivered. Why?
- AfT: What are the lessons from JITAP and the Integrated Framework – what strengths to build on and what pitfalls to avoid
- AfT: What are the lessons from regional and bilateral programmes that should be drawn upon:
 - Look at EBA and the EDF – why has it not worked (Out of USD15 billion of 9th EDF almost USD9 billion to be recycled to 10th EDF – Why?)
 - Look at AGOA and the more modest success that it is making.
- Bridge the many facets of the north-south divide in the global economy (mitigating existing imbalances – expedite access to fundamental assets for development (infrastructure, skills and whatever else))

5. AfT in the broader and Longer Term Perspective

- The experience from the IF, JITAP, EBA and AGOA shows that there are salient problems that we have not addressed in past programmes
- AfT as a special initiative of a Development Round should address these salient problems. Listen more to those outstanding economists like Stiglitz, Amartya Sen, & Sach
- It is sad that we can afford to start talking of AfT as the carrot for compliance with expectations of the DDA – what about the unfulfilled promises of the URA?
- AfT should be seen as the instrument for making a new market – the most powerful market for tomorrow's world – in Africa, in the Caribbean elsewhere.
- Today you have China and India – the time will come when we will also have Africa as the market to go for and the sooner we get there the better for everyone

Our Earth is a small world, it is a beautiful world, BUT above all it is the only one we are ever going to have. The illusion of life on the Moon, life on Mars, life in the Milky-way Galaxy remains in the domain of science fiction. It does not provide an alternative to the need for bringing more sanity into the small world that we have to share. Certainly not in this generation or the next one. Let's work on our legacy for the future generations

THANK YOU