

Aid for Trade-‘Mixing lime juice in milk’

Shafqat Munir

With no breakthrough in multilateral trade talks in Hong Kong during the 6th WTO Ministerial Meeting (13-18 December 2005), delegates continue busy in last ditch face saving efforts around two buzz words, ‘improvements in the WTO agreements on services, Non Agriculture market access and agriculture’ instead of ‘negotiations on modalities’ and ‘aid for trade’ instead of ‘fair trade’.

An old tactics of ‘divide and rule’ seems working as negotiators from the United States, European Union and Japan have offered to double their technical assistance to the developing and the least developed countries (LDCs) as an offer ‘Aid for Trade’ since the Doha Ministerial Meeting in November 2001. But no concrete commitment has been made so far. Following announcement of the Aid for Trade package by the developed nations, some of the developing and the least developed countries negotiators started bargaining their chips to get assurance regarding the future aid for trade assistance for their respective countries. Some of them are reluctant to enter into what they call the ‘monkey business’, while others are jumping into the ‘jackpot’.

A World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD) in a joint report say aid for trade capacity has grown to some 4.4% of total aid commitments of the world’s major contributors as donors are increasingly active in this area. The technical assistance ‘aid for trade’ will be provided within three categories. Technical assistance for Trade policy and regulation will help countries reform and prepare for closer integration in the multilateral trading system. It will also be available for trade development to help enterprises to trade and create a favourable business climate and to help countries build the physical infrastructure to produce and move goods and export them.

The Deputy Director General of the WTO, Ms. Valentine Rugwabiza spoke at a panel organized by IMF and the World Bank in Hong Kong saying that Aid for Trade must be a complement to, not a substitute for, ambitious results from the Doha Development Agenda, and that Aid for Trade “must not have to compete for existing Official Development Assistance flows with other development and poverty reduction priorities”

According to Ms Rugwabiza, a comprehensive Aid for Trade initiative needs to respond to two sets of concerns; one is the assistance that some WTO members will need to help them implant the results of the trade negotiations, and to cope with any economic adjustment costs that may be incurred. The second broader set of concerns is about the insufficiency of trade related capacity in many WTO members to benefit from the opportunities the multilateral rules based trading system creates to increase investment and expand the production of tradable goods and services. On the Aid for Trade offers, there is a mix reaction from states and civil society groups.

Pakistan Commerce Minister Humayn Akhtar who supported the initiative Aid for Trade at the IMF and the World Bank panel later responding to a question by this writer said Pakistan supports channelizing Aid for Trade assistance package through the UNDP and International Finance Institution (IFI), the existing channel for such assistance, should not used in this regard being restrictive in nature. He said: “Considering the conditionalities attached to IMF/World Bank programmes, most countries are either reluctant to accept

such assistance or for some political reasons they do not qualify. These organizations may not be ideal to do Aid for Trade job.

Totally rejecting “Aid for Trade” as a farce, John Samual, regional director Actionaid International Asia region told TNS that this is neither aid nor any support to trade. “Aid for Trade is like mixing lime juice in milk”, said John adding such offers are made to divert attention of the world form the unfair trade at the cost of the poor across the world. “The aid under this offer is a peanut and is not worth ten days of agricultural subsidies the big countries are giving to their farmers. Imperialistic free trade agenda is creating economic inequalities,” said John while explaining that Actionaid International was undertaking a world wide campaign ‘Right to Protect’ for the people.

Some of civil society groups are, however, carefully and cautiously watching the initiative being a non-biding offer just to attract more partners from the developing and the developed countries. Mr Naveen Dhal, the Executive Director of Kathmandu based South Asia Watch on Trade, Economic and Environment (SAWTEE) said Aid for Trade being a new initiative can only work if the receiving countries are put on the driving seat. The assistance must include hardware, software and infrastructure development. He said: “the recipient countries must be asked for their priorities instead of imposing donors’ solution on them. They should be given leadership role. Foreign experts from the donors must not consume bulk of aid under this package.”

If we look at the political economy of aid, we can easily draw a conclusion that the existing aid or soft loans packages with IMF/World Bank and other donors’ recipe did not work. Aid for development and poverty eradication could not produce the desired results. Similarly, the slogan ‘trade and not aid’ could not even work. The multilateral trading system under WTO is not working due to unfair practices by the US, EU and other major players. Bilateral trade agreements between the rich and the poor may be fatal to economies of the poor countries. Regional trade agreements and South-South Cooperation also seem tricky due to the interests of the big trade players. In such a situation, developing and the least developed countries could hardly get any benefit from Aid for Trade as much of aid would be utilized by the foreign experts and on their capacity building efforts.

There is time now that the developing and the least developed countries should strengthen their voice in the WTO being multilateral trade negotiating forum forcing big players to opt for just and fair trade instead of farce like Aid for Trade which means nothing but creating another club of a few partners at the cost of unity of the developing and the least developed nations. This is but ‘divide and rule’ as usual.

(The writer is a journalist and is now in Hong Kong to cover the 6th WTO Ministerial Conference. He can be reached at: Email: shafmunir@gmail.com)

ENDS...