

Aid for Trade in Asia and the Pacific: Focusing on LDCs*

presentation by:

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** Based on the ESCAP Staff Working Paper "Achieving the Trade Targets of Millennium Development Goal 8: Status in the Least Developed Countries of Asia and the Pacific," by Mia Mikic and Melanie Ramjoué, December 2009 and "Aid for trade in Asia and the Pacific: Evaluation and Impact" TID (forthcoming)*

Introduction

Millennium Development Goal 8 “A Global Partnership for Development” calls for:

Target 8a: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system

Targets 8b and c: Addressing the special needs of the least developed, landlocked developing and small island developing states

⇒ Includes tariff and quota free access for the least developed countries' exports; enhanced debt relief and more generous official development assistance, including Aid for Trade

What does recent data tell us on how much progress has been achieved?

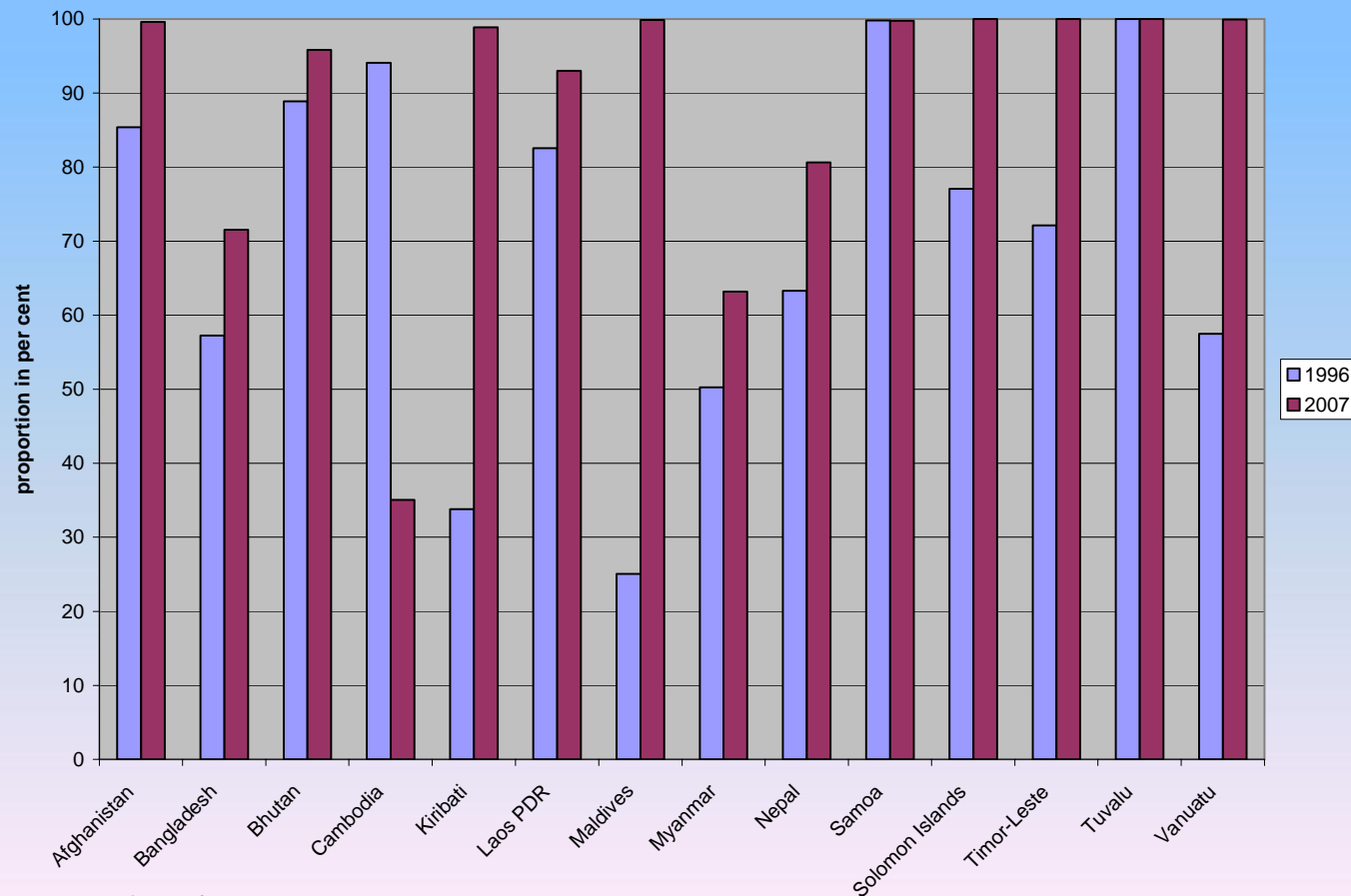
- On the demand side, i.e. market access
- On the supply-side, i.e. export capacity enhancement

What does recent data tell us on how Aid for Trade is committed / disbursed in the region?

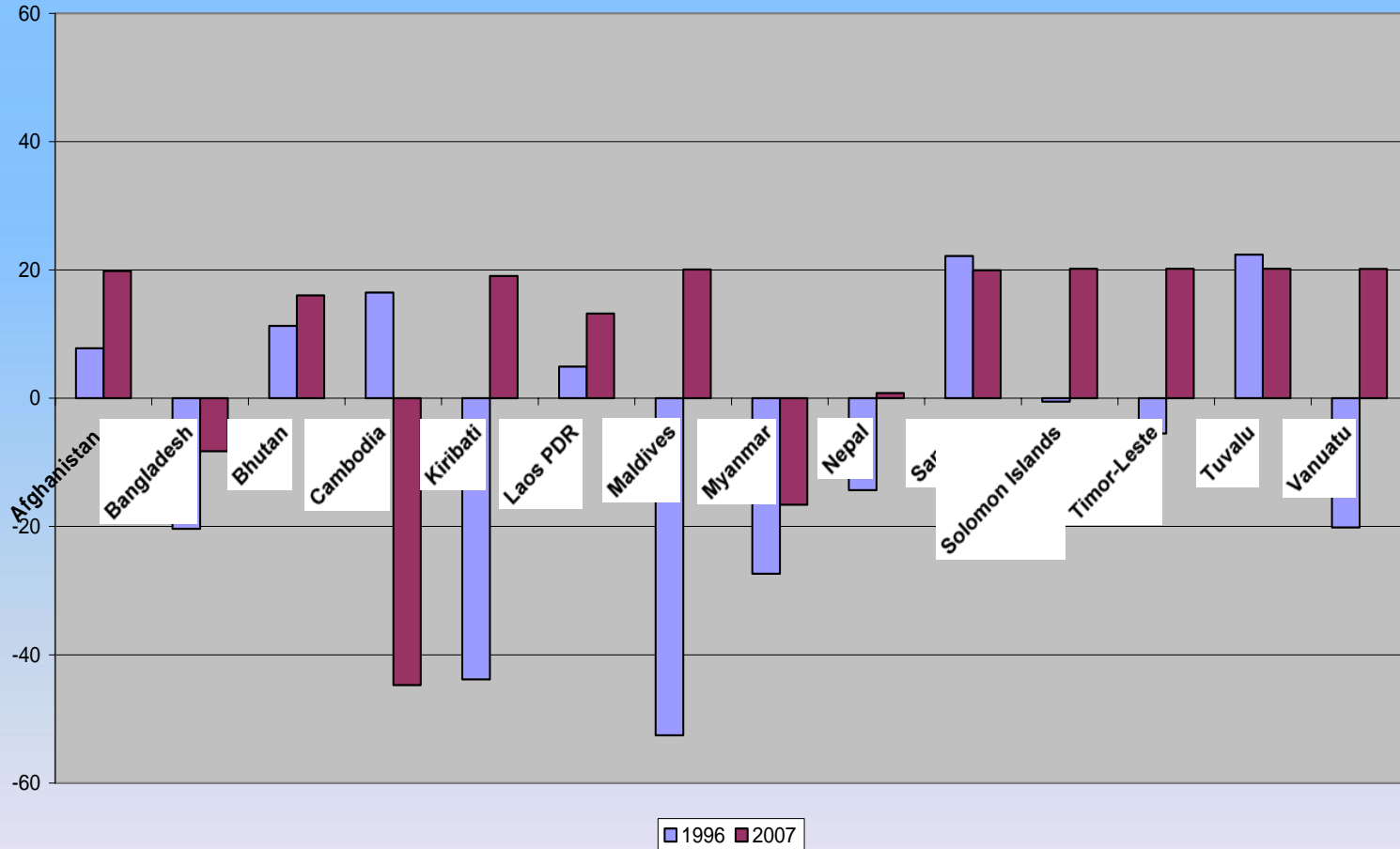
What do we need to know to improve the impact of Aid for Trade?

Demand-side: market access has improved for most Asia-Pacific LDCs

- The percentage of duty-free exports of Asia-Pacific LDCs (all products except arms) has increased significantly between 1996 and 2007 – *but sharp difference between SIDs and other LDCs*

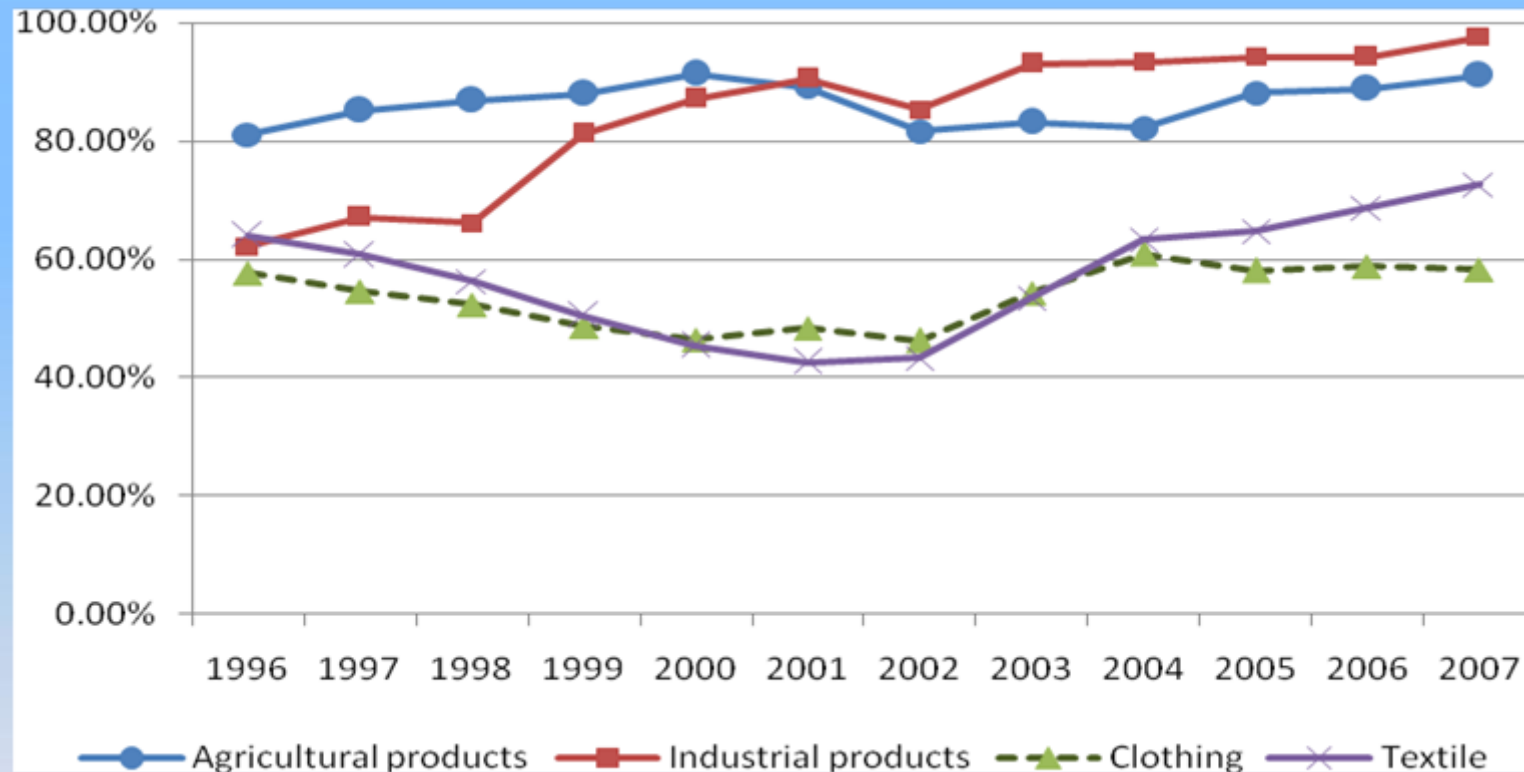


In fact, over the past 10 years, Asia-Pacific LDCs have gained more preferential access than the world-wide LDC average



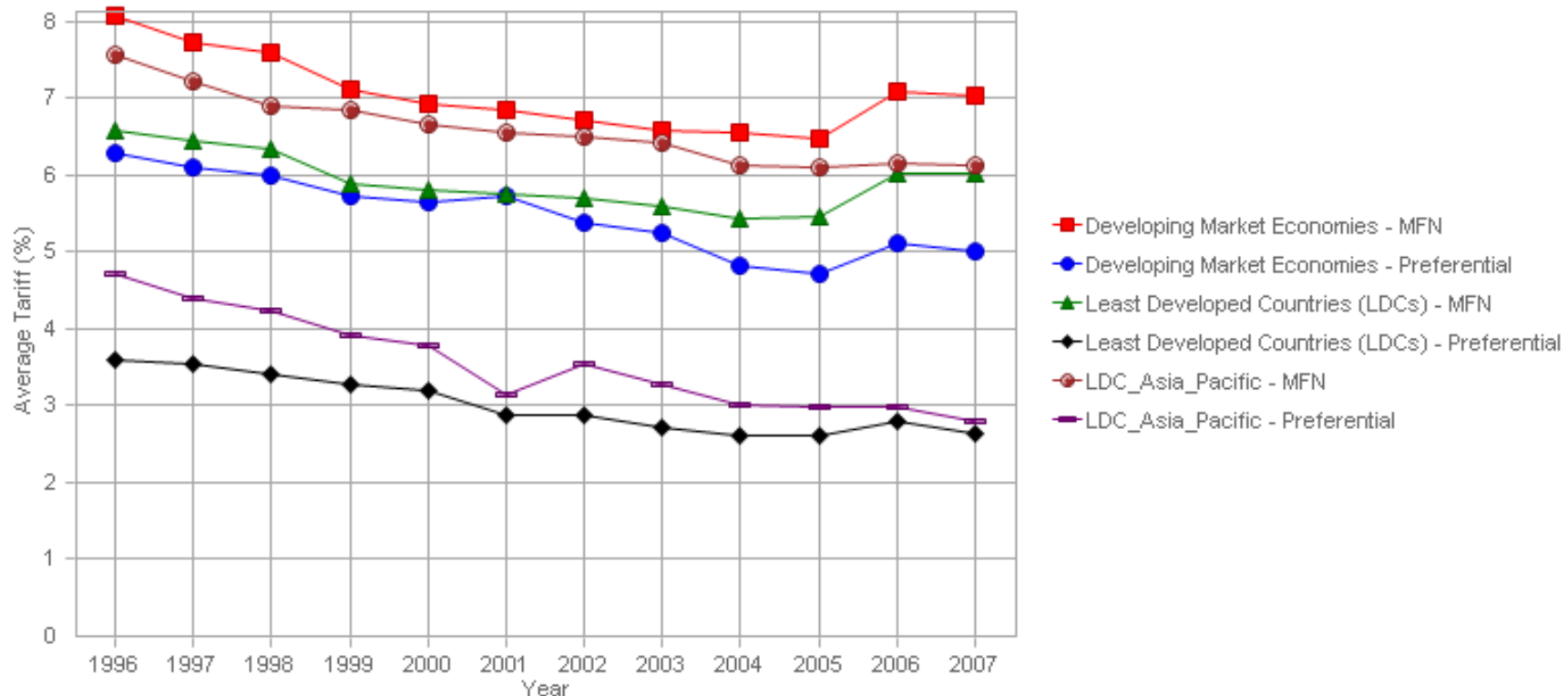
Source: compiled using data provided by UNCTAD, ITC and WTO, available at www.mdg-trade.org

Variations across product groups are evident



Source: compiled using data provided by UNCTAD, ITC and WTO, available at www.mdg-trade.org

Average tariffs have not continued downward trend



| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|
| Developing Market Economies - MFN | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 7 | 7 |
| Developing Market Economies - Preferential | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| Least Developed Countries (LDCs) - MFN | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 6 | 6 |
| Least Developed Countries (LDCs) - Preferential | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| LDC_Asia_Pacific - MFN | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 |
| LDC_Asia_Pacific - Preferential | 5 | 4 | 4 | 4 | 4 | 3 | 4 | 3 | 3 | 3 | 3 | 3 |

Result: LDCs remain marginalized

| | 2001 | 2006 | 2008 |
|-----------|-----------------|------|------|
| | Merchandise (%) | | |
| LDCs | 0.58 | 0.86 | 1.07 |
| LDCs Asia | 0.24 | 0.25 | 0.24 |
| DCs | 25.5 | 32 | 33.5 |
| | Services (%) | | |
| LDCs | 0.5 | 0.5 | 0.5 |
| LDCs Asia | 0.16 | 0.14 | 0.15 |
| DCs | 18.9 | 21.8 | 22 |

Source: UNCTAD Globalstat Database

⇒ **export capacity remains low, suggesting that *bigger and more effective* Aid for Trade is necessary in LDCs in the Asia-Pacific**

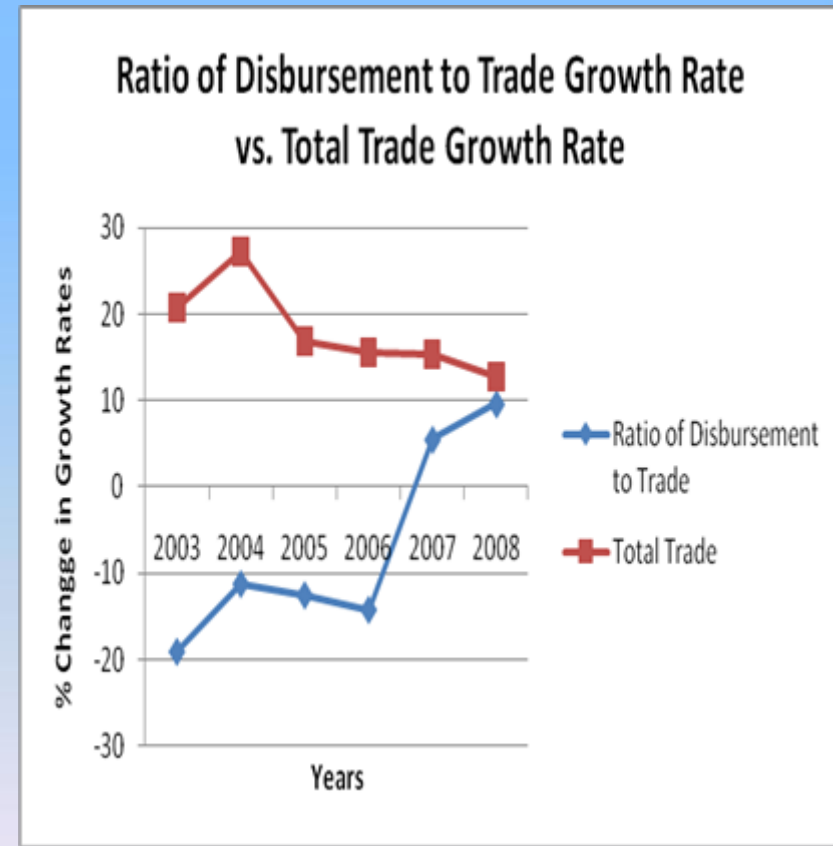
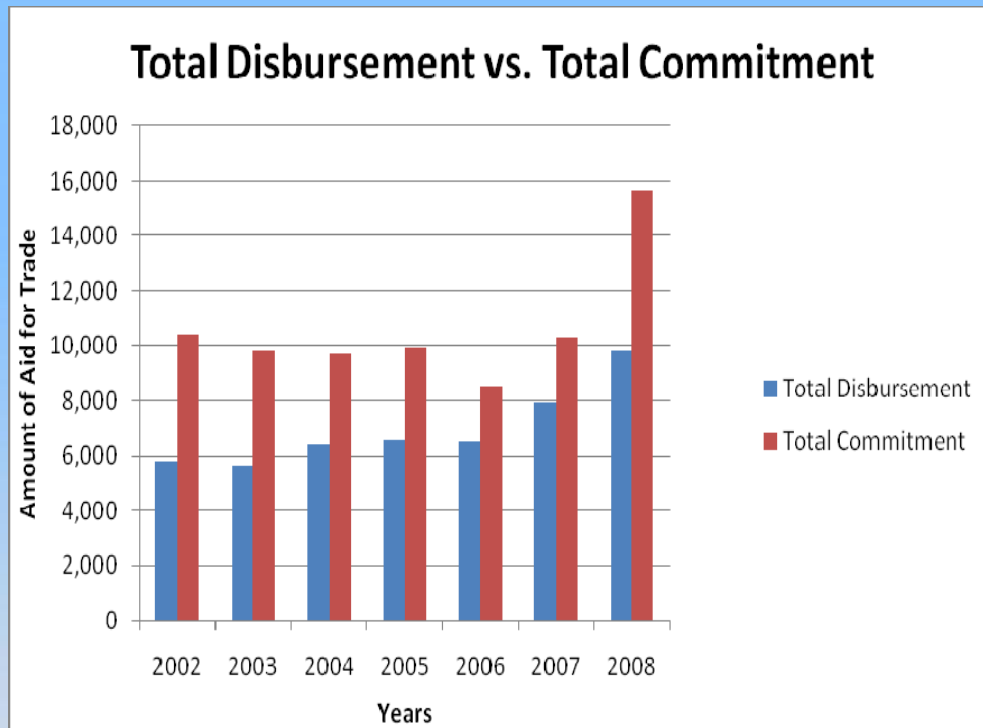
Aid for Trade in the region- At a Glance

- Between 2002 and 2008, Asia received more Aid for Trade than any other region
 - Only 27% of Aid for Trade to the region goes to LDCs
- ⇒ Heterogeneity and additionality of Aid for Trade

| Top AfT recipients in 2007 | Share in Total (%) | Rank in world |
|----------------------------|--------------------|---------------|
| India | 7.7 | 1 |
| Viet Nam | 6.6 | 2 |
| Afghanistan | 5.3 | 3 |
| (Iraq) | 4.4 | 4 |
| Indonesia | 3 | 6 |
| Bangladesh | 2.6 | 9 |
| | 29.6 | |

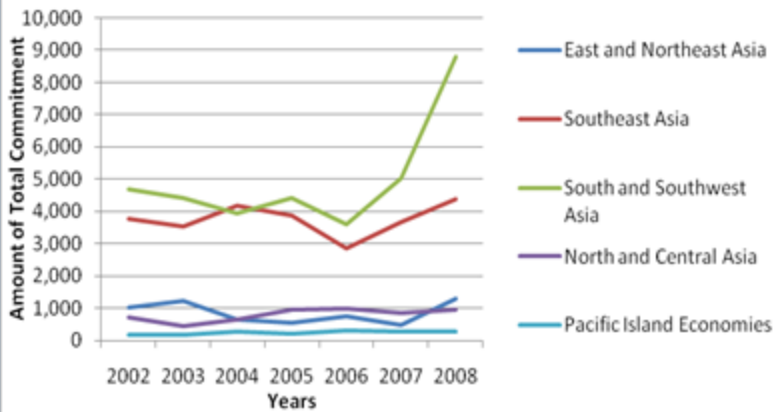
Source: OECD/WTO 2009

Commitments of Aid for Trade to the region remain significantly higher than the actual disbursements

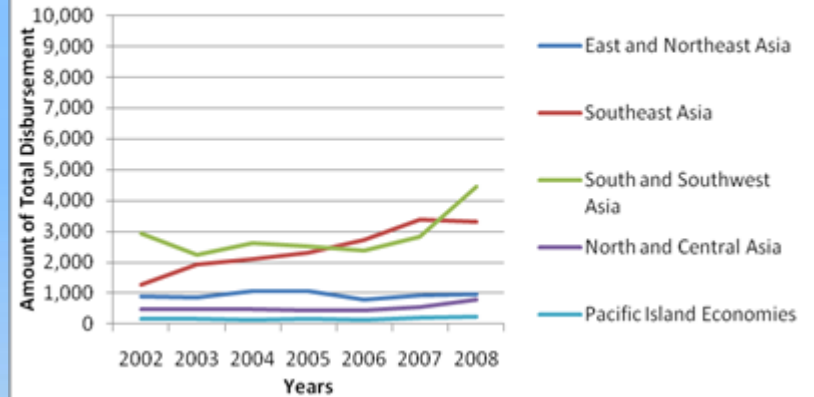


'Equity' issues

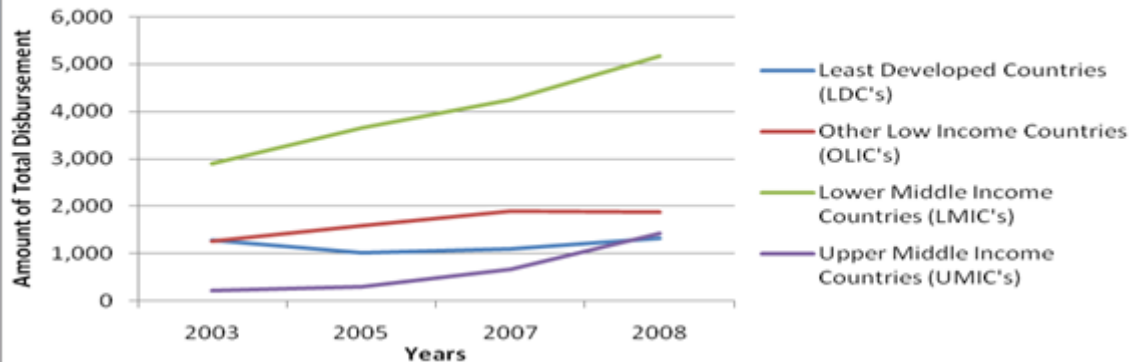
Aid for Trade Commitment per Subregion



Aid for Trade Disbursement per Subregion

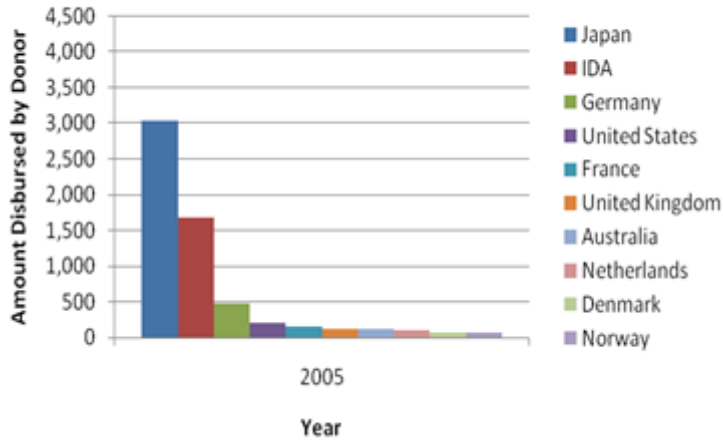


Aid for Trade Received by the Different Income Groups in Asia Pacific

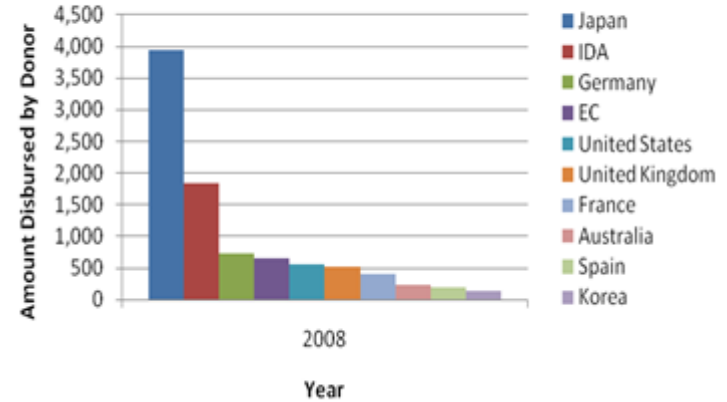


Concentration of AfT

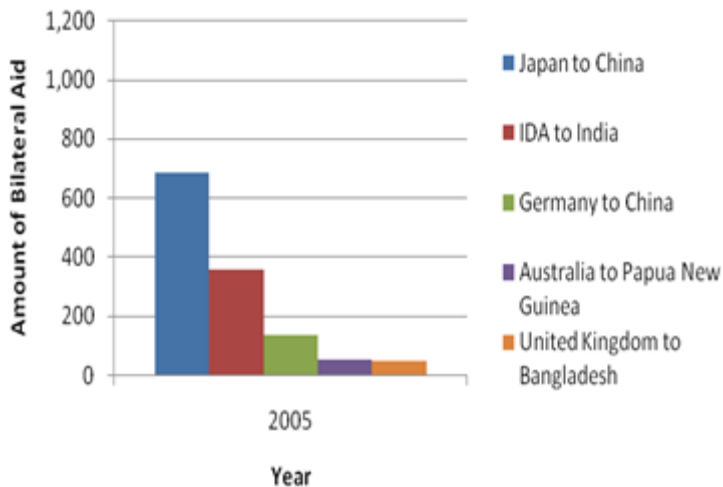
The Major Donors of Aid for Trade in the Region in 2005



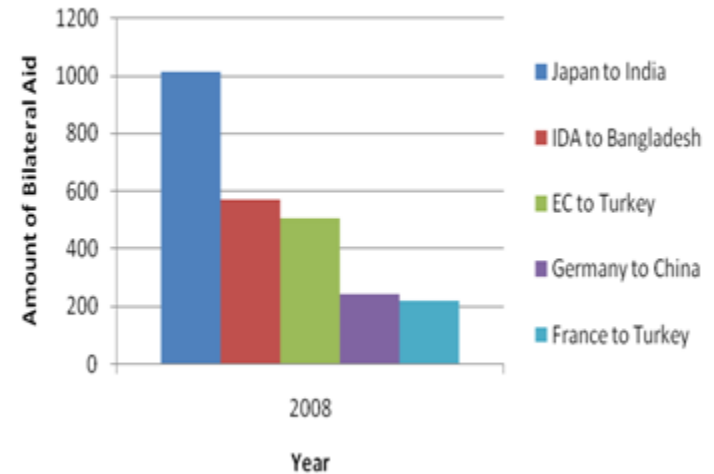
The Major Donors of Aid for Trade in the Region in 2008



Major Bilateral Flows of Disbursement in 2005

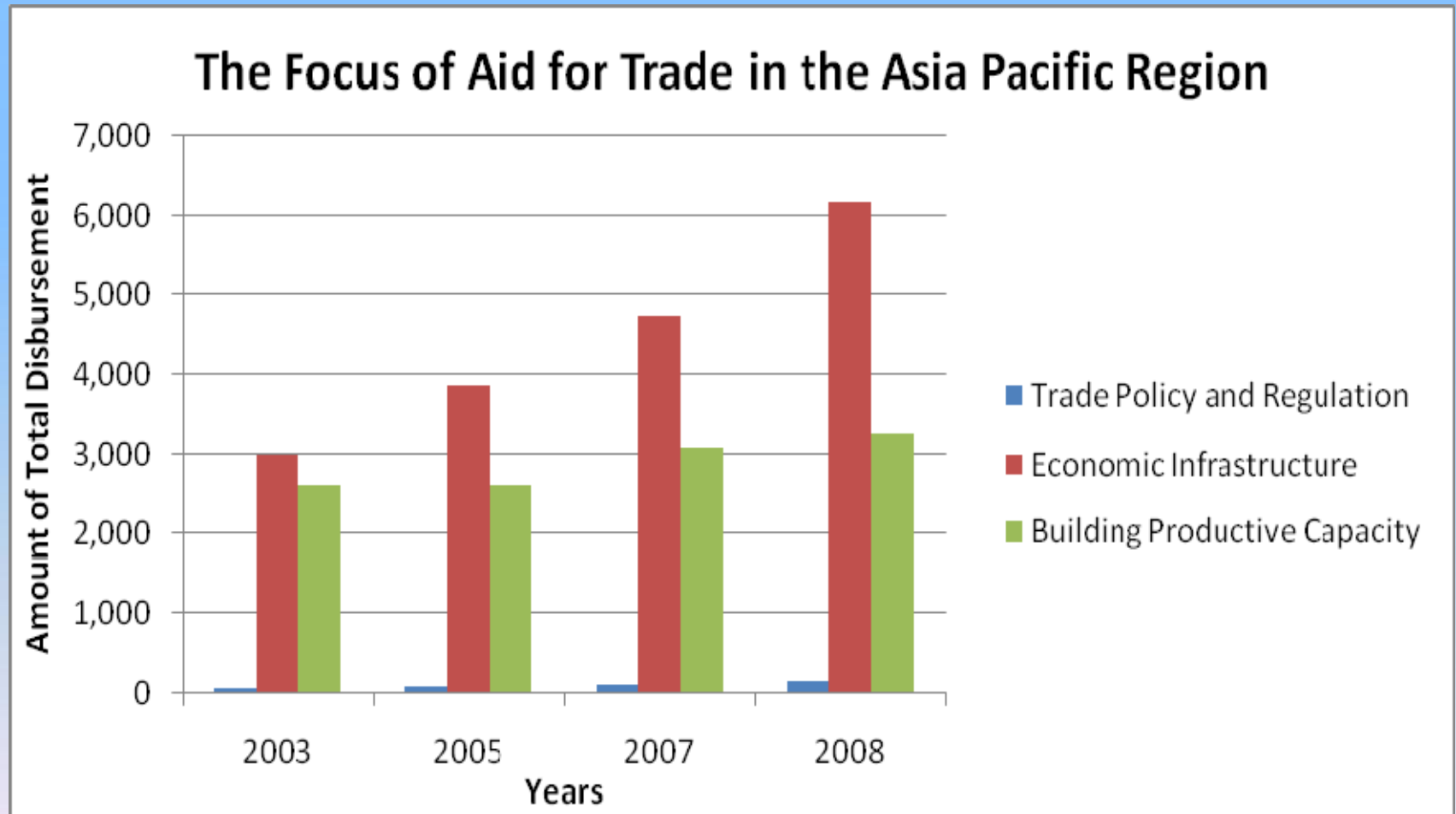


Major Bilateral Flows of Disbursement in 2008



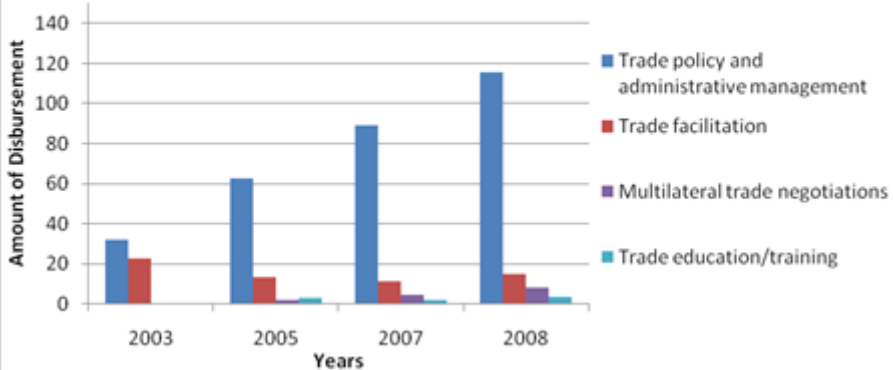
BUT RISE OF NEW DONORS ⇒ SOUTH-SOUTH

Sectoral distribution of Aid for Trade Commitments in the Asia-Pacific region (in million USD)

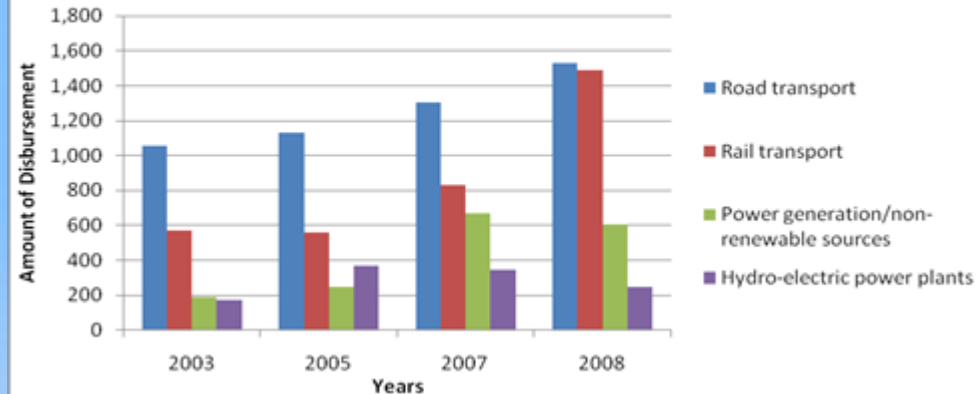


Winners...

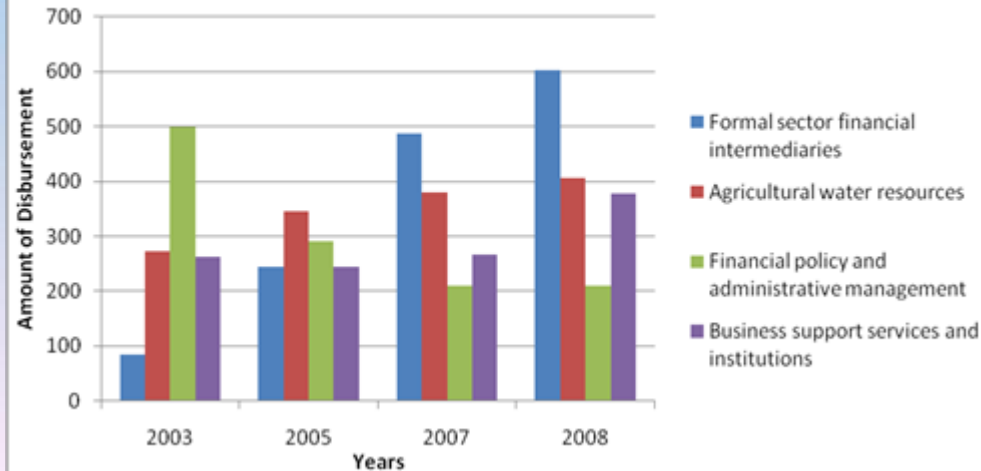
Commonly Aided Sectors in Trade Policy & Regulation



Commonly Aided Sectors in Economic Infrastructure



Commonly Aided Sectors in Trade Development



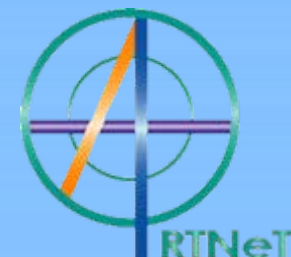
Contribution of research in understanding impact of AfT

- Better data and conceptualization of linkages
- ESCAP modeling suggests that Aid for Trade has a positive impact on exports, but results differ significantly across various categories of AfT, implying that it is important *where* (and *how*) and not only *how much* of AfT is spent
- Role of ODA as vanguard of FDI

In conclusion

Aid for Trade has a potential to become an important instrument in delivering MDGs:

- it helps increase resources for development of supply-side capacity, thereby contributing to job creation and poverty reduction
- it is amicable to PPP approach which helps to increase effectiveness / absorption of AfT
- it contributes towards anchoring the national development strategies



THANK YOU!

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