

Event Report

CUTS-SAWTEE SIDE EVENT: FOURTH GLOBAL REVIEW OF AID FOR TRADE

Aid for Trade, Regional and Global Value Chains and the Role of Trilateral Cooperation

Tuesday, July 9, 2013 | WTO, Room S2 | 11 am – 1pm

The Session was chaired by Pradeep Mehta Secretary General CUTS International, while the panellists were Hong Zhu Minister, Deputy Permanent Representative, Permanent Mission of China to WTO; Mohammad Razzaque Advisor and Head, International Trade and Regional Cooperation Common Wealth Secretariat; and Ratnakar Adhikari Chief Executive Director SAWTEE.

In his opening remarks Pradeep noted that the Aid for Trade (AfT) Global review process was an opportunity for stocktaking of the initiatives under the programme. Further that value chains were now an important part of the trade architecture. Research has revealed that although a large number of countries are part of the supply chain in the trade of goods and services, gains and value addition is not proportionate along the chain. This calls for a trilateral approach in addressing the challenges faced by developing and least developing countries to benefit from the global value chains. He invited the panellists to review the state of regional value chains, analyse challenges faced by some of the players, and how the trilateral approach and cooperation could foster regional value chains.

In his presentation Hong Zhu mentioned that while trade is widely recognised as an engine for development, many developing and least developing countries are in need of support for infrastructure development and capacity building necessary to overcome supply side constraints, in order to leverage trade for development. He mentioned that although China had undergone accelerated growth in the last decades, it is still a developing country. It has never the less contributed substantially to AfT. China also promotes outward investment of its firms in order to develop knowhow in recipient countries as well as contributing to employment opportunities. Other development assistance offered by China includes infrastructure development (railways; ports; and highways), and the Cotton cooperation initiative targeted specifically to Benin, Burkina Faso, Chad and Mali (Cotton 4).

On his part Mohammad Razzaque observed that the trends of actual benefits from the global value chains raises concerns; for instance 66% of benefits are attributable to OECD countries, while Sub-Saharan Africa, Latin America, and LDCs share a paltry 10%. The thrust should therefore be towards developing the capacity of these developing and least developing countries to reap more benefits from the value chains. This includes redressing trade facilitation constraints, where for instance a study revealed that doubling the current trade facilitation AfT would translate into 5% reduced cost of business. Regional supply chains are also critical and studies have shown significant potential for regional cooperation to promote competitiveness and eventual capacity for breaking into the global value chains.

Ratnakar Adhikari discussed the South Asian region, where he observed that integration is very low with less than 5% intra-regional trade. The least-developed countries in the region are all heavily integrated with India; hence logically it would be through India that they could participate in the regional value chains. AfT in the region has generally increased, but regional project financing is still limited due to low integration. He proposed some solutions on the way forward, which included: pool

funding for an LDC Integration Fund; funding based on comparative advantage; and clear division of labour in the case of trilateral cooperation.

In the ensuing discussion the issue of redressing thick borders was highlighted, and that this calls for National and Regional trade facilitation policies, which could be developed through trilateral cooperation.

In his closing remarks Pradeep Mehta called for a clear road map on the way forward, including the need to challenge fundamentals and eliminate the category of “least developing” as a status for some countries.