AGRICULTURE, AID-FOR-TRADE AND FREE TRADE AGREEMENTS: PROPOSALS FOR REFORM

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Introduction

Unfortunately and despite the rhetoric, 'Aid-for-Trade' as currently conceptualized falls well short of what a *meaningful* pro-growth, pro-poor agenda might deliver, ie one which includes agricultural reform that reduces and eliminates barriers to trade, not least between developing countries and OECD members. This absence of ambition is not particularly surprising, not least in the context of a 'Doha Development Round' that threatens to be 'Doha-lite' (if at all) - an outcome pitched at the lowest common denominator of limited if any substantive reform of agricultural and other trade barriers. This situation is potentially made more interesting and more complex, however, by the proliferation of FTAs which are emerging as new and potentially significant drivers of trade liberalization.

This paper sketches the broad outlines of the concept of Aid-for-Trade. It considers that even against a background of low ambitions, there are modest but worthwhile opportunities to build the foundation for substantive outcomes in the future. Taken together, these may enhance the effectiveness of Aid-for-Trade in a way that can have an impact on agricultural trade and investment flows and thus on growth in developing countries over time. In particular, five specific proposal are made which are practical and, importantly, achievable. These include:

- *improving policy coherence* in developing and OECD countries, including through the formalisation of dialogue and information-sharing between trade, development and other agencies and civil society in both OECD and developing countries; and by enhancing synergies between development assistance and investment, including

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through assistance with the development in developing countries of investment and services-related regulations that may assist in enhancing investment and services flows;

- *aid-for-trade* *and* *investment:* improving the synergies between FDI and ODA. In this formulation, ODA – via Aid-for-Trade can be an enabler of financing for development and growth through FDI. Utilising the 'policy coherence' dialogue above may be a mechanism which might help drive enhanced synergies between FDI and ODA flows;

- *facilitating trade access* by working directly with developing country traders to assist them in complying with OECD trade-related standard setting and regulatory bodies, including through the establishment of specialized units/staff in standard setting organizations with direct links to development funds.

- *leveraging FTAs for effective implementation and thus poverty alleviation:* FTAs may be considered as a mechanism to help drive the creation/expansion of frameworks for engagement on trade access issues (etc);

- *enhancing the Trade Policy Review Mechanism (TPRM) and including similar review mechanisms in FTAs*: to incorporate assessments of how OECD countries are assisting developing countries to enhance their trading relationships and implementation of trade agreements; and, with respect to the TPRM in particular, how developing countries are incorporating Aid-for-Trade assistance into national development strategies.

Aid for Trade: An Evolving Agenda

The Aid-for–Trade agenda may perhaps best be characterised as comprising two inter-related components[1]:

1. trade related technical assistance to build capacities to (i) formulate a locally owned trade policy; (ii) participate in trade negotiations, and (iii) implement trade agreements; and

2. assistance to build supply side capacities, including trade related infrastructure, to benefit from WTO agreements.

The first component is the 'traditional' Aid-for-Trade agenda as conceived both before and during the WTO negotiations since 2001. The second, with its focus on "supply-side constraints" has generated the most heated exchanges. The core questions perhaps have been around whether this conceptualisation should also include support to increase the capacity of specific productive activities or remain confined to reducing trading costs. Supply-side constraints defy definition, but may perhaps be best understood as referring to impediments to the capacity to produce goods and services competitively and the ability to get them to markets at a reasonable cost. The Monterrey Consensus, for instance, appears to endorse this approach with its calls on donors to remove supply-side constraints by funding improvements in trade-related infrastructure, assisting in the diversification of export capacity and enhancing the technological and presumably added-value content of exports, as well as strengthening institutions and enhancing overall productivity and competitiveness.[2] Others have argued that Aid-for-Trade should include compensation/assistance with adjustment costs, [3] though this was not factored into the outcomes from the 2005 WTO Ministerial in Hong Kong. There are also alternative or supplementary approaches. One of these is to tag assistance as helping facilitate economic responsiveness to trade opportunities.[4] In any case, all of these conceptualisations address a wide range of development needs across public and private sectors in a way that is designed to create a competitive and enabling environment to supporting local enterprises' abilities to identify and produce goods at competitive prices.

There is also continuing disagreement about the precise value of Aid-for-Trade. The value of the broader conceptualisation of the agenda is worth nearly US$26 billion, of which US$2.7 billion was for trade-related technical assistance and capacity building and some US$12.9 billion for infrastructure, with the remainder developing productive capacities. Taken together this amounted to nearly a quarter of all ODA disbursed to developing countries – a figure that the OECD notes has remained more-or-less constant since the end of the Uruguay Round.[5] At the time that the OECD report was written the projections for an increase in Aid-for-Trade range from low to modest increases.

There is little doubt that, Aid-for-Trade continues to evolve regardless of progress in the Doha Round. At the WTO Ministerial in Hong Kong in December 2005, several OECD countries already announced multi-million dollar injections into the Aid-for-Trade envelope[6] and almost regardless of the type of outcome from this Round (ie low or high ambition), the Aid-for-Trade component will proceed in some shape or form - but whether it will expand is another question altogether. Supplementing this will be existing bilateral aid flows, development assistance delivered through the Integrated Framework and the international financial insititutions and ongoing work on implementation and operationalisation at the OECD Development Assistance Committee. All of which simply demonstrates that there is a great deal that can be done outside of trade negotiations to supplement the development potential of a multilateral process.

I Policy Coherence: Trade and Aid linkages

Policy coherence has become something of a buzzword, particularly for OECD country policy makers[7], but little has been done to apply the concept in any meaningful way. This is an area of some vulnerability for many OECD countries where the coordination of trade policies and development assistance flows leaves a great deal to be desired. The European Union, for instance, presents its own particular difficulties. The Commission has the responsibility for trade policy, but Member states run their own development assistance programmes (and the Commission itself has its own lavishly funded development agency as well). The EU's broader approach to agricultural reform therefore sits in somewhat uneasy alignment with EU development agencies' commitment to poverty alleviation. It is also unclear the extent to which aid agencies in Europe (and elsewhere) are factoring the Round or indeed FTA outcomes into their forward planning.

One practical way to engage across the coherence agenda might be to encourage a formalised dialogue and information exchange process on priorities for development assistance in OECD capitals that involved trade and development officials, but also those businesses investing and exporting to a particular region or developing country. In addition civil society with its particular blend of on-the-ground experience and practical emphasis (for the most part) could be directly involved as well to shed light on priority setting for Aid-for-Trade. One area of interest to ODA agencies, for instance, may be information (shorn of its commercial sensitivity) from companies and NGOs which can give them a better sense of the real state of the economy (e.g. the relationship between the formal and informal economy). It would be particularly useful perhaps to have dialogue processes and information exchanges occur at regular intervals on several levels, i.e. sub-national, national, sub regional, regional etc. Such discussions should involve all layers of staff involved-not simply at the political level, but also at the on-the-ground working level.

It is not only OECD members who have difficulties with policy coherence. Developing countries too have serious difficulties in the development of whole-of-government approaches around trade policy and how this feeds into wider national development strategies. A recent review by the WTO[8] of forty-five developing country Members and how each addressed the particular challenges of participating in the WTO (including implementation of agreements, negotiations, assessments of risks and benefits etc) concluded that there is a basic "threshold" level of basic institutional capacity and resources required for participation in the WTO. Going beyond that basic threshold, however, the study emphasises that those Members that have been the most successful have been those where interaction, including information exchange and dialogue between institutions (eg Ministries of Trade and economic development agencies) as well as with the private sector and civil society more generally are those that have successfully managed their participation in the global trading system. In those cases (the majority) where such collaboration and information exchange was non-existent or more limited, or broke down have derived little benefit from their global integration. This is underlined by the work of the Integrated Framework which revealed that the poor reflection of trade-related policies and issues in national economic development strategies is in part explained by the fact that trade policy is generally managed by Ministries of Trade who are "rather weak in many developing countries" and have limited capacity and a lower profile and political 'clout' than the traditional 'power Ministries.'[9]

There are many areas where a closer collaboration between trade negotiators, development assistance planners and civil society might assist development. Improved understanding of the likely changes the negotiations are going to generate at the country (and even local level) – something trade negotiators should have have a more detailed understanding of in the context of the kinds of commercial priorities they pursue (or defend) – would helpfully supplement the forward planning processes of development agencies. In particular, it would be helpful if aid agencies began asking not only their trade counterparts in their own capitals about priorities and impacts, but also to encourage direct engagement between trade negotiators in relevant Ministries in developing countries and other domestic agencies. In particular, it may be time to actively seek information and ask directly the relevant trade ministries about assistance packages that go beyond negotiating skills courses and legal assistance.

Funding the development of whole-of-government processes that bring together domestic agencies and Ministries of Trade (which traditionally have only limited domestic 'clout' in policy development) may be a good way to spend Aid-for-Trade. In this way, development assistance officials would be able to have a better sense of priorities (both defensive and offensive) of the developing country concerned and facilitate the 'main-streaming' of trade policy into national development strategies. This can also be factored into considerations around aid delivery. In the context of such dialogues and information exchanges, development assistance could be targeted to where these exchanges have identified specific gaps, eg targeted income support where negotiators expect tariff removal to affect local businesses. Negotiators may also be able to identify where potential market access benefits are likely to emerge and which sector that may affect domestically in terms of new opportunities. This may lead to development assistance targeted to help improve supply responses that are linked to market access improvements or to help improve legislative processes and so on.

Proposal 1:

- *Funding the development of Information Sharing and formalized dialogue* between trade and development agencies and civil society (ie business and NGOs) about doing business and specific priorities in developing countries.

II Aid-for-Trade, including Investment

More particularly in terms of the policy coherence agenda, perhaps it is time to ensure that when negotiators and officials discuss Aid-for-Trade, the definition being employed (of 'trade') is sufficiently broad to include investment. There is, for instance, an enormous literature on ways to improve the effectiveness of FDI flows to developing countries. This is important because FDI potentially offers developing countries access to finance, technology, design and marketing outlets.[10] For most developing countries, however, private investment flows are insufficient on their own in terms of meeting basic development-related objectives. The question then is whether there is a way to raise FDI flows to developing countries by improving the synergies between FDI and ODA.[11] In this formulation, ODA – via Aid-for-Trade can be an enabler of the massively greater potential financing for development and growth through FDI. It could also help poorer developing countries attract a greater share of FDI that flows to the developing world, but predominantly to larger middle-income countries.

There is evidence that carefully targeted development assistance may assist in leveraging FDI flows, thereby creating a virtuous circle of increased savings and investment.[12] Most significantly perhaps, such a situation can be created when ODA is used to buttress or develop institutions and policies in developing countries. This helps create a favourable environment for (domestic) savings, (domestic and foreign) investment and growth. Most significantly, such a situation can be created when ODA is used to buttress or develop institutions and policies in developing countries. This helps create a favourable environment for (domestic) savings, (domestic and foreign) investment and growth. More specifically, ODA funds can be used to support those areas considered important to investors in determining investment decisions with attendant spill-overs to the wider economy. Box 1 provides a practical example of the development of synergies between FDI and ODA. Some donor and recipient countries have been working for some time along these lines, though for many DAC members, practical implementation has been relatively recent.

Box 1.[13]
The case of the N4 toll road between South Africa and Mozambique is a good illustration of what can be achieved when investors and ODA agencies work together. The N4 toll road was a significant component of a major economic development initiative called the "Maputo Corridor programme." At the heart of the corridor was the need for a 440km strong road link connecting Maputo with Johannesburg. Both Governments sought private capital to fund these projects. At first, private financing was difficult to secure. The tendering process was unclear, legal mechanisms were opaque, land ownership questions surrounding the road link were of concern and most importantly, private investors doubted the effectiveness of the co-ordination efforts of the two countries involved. To facilitate private sector interest, the Danish Development Agency and the World Bank provided modest funding for the requisite technical advice in designing the framework structures required, including in particular the establishment of a bi-national Implementation Authority which developed the most attractive investment alternative. This has been identified as the "central reason" behind the scheme's success. Following the establishment of the bi-national commission and transparent and reliable tendering procedures,

private investors provided *all* of the requisite funding for the road link and, indeed for the wider rehabilitation of the rail link between the two cities.

When considering whether/how ODA-related policies might help generate outward investment flows, one of the issues to consider is: what are the main impediments to such flows that the private sector perceives in host countries and which could be affected by targeting ODA? Judging from a recent World Bank survey of business attitudes on outwards investment decisions[14] and the World Business Council on Sustainable Development paper (WBCSD)[15] on a similar theme, the main issues appear to include:

- Corporate governance (corruption, regulatory transparency);
- Transparent and reliable administrative processes;
- Fair taxation and competition policies; and
- Socio-economic issues (including human rights and security).

Many developing country governments are already trying to address the kinds of issues identified above through their domestic reform programmes. More specifically, many seek to adhere to a range of codes and standards[16] which are internationally recognised as indicators of good practice for responsible and transparent behaviour in the financial and corporate sectors. The implementation of these codes can certainly assist in persuading investors that the environment is supportive for FDI flows, though companies continue to have concerns about the relevance of some of these codes to implementation and practice on the ground.[17] At the same time, from the perspective of developing countries, such activities require considerable resources and technical knowledge to implement, frequently beyond the capacity of an administration, especially in small states, to track the rising benchmarks, let alone assimilate and deliver on them to the satisfaction of ratings agencies and investors. Given that this may be a way to attract FDI (with the attendant implications for poverty alleviation and development), this may be an area where ODA through Aid-for-Trade funds could be used to facilitate the leveraging of OECD Member outward investment flows in a way that is not only supportive of development objectives, but has important positive spill-overs.

All of this said, the key remains the evolution of whole-of-government policies that can avoid both duplication or missed opportunities. One example of the importance of this might be the difficulty of attracting investment into a new port facility if the customs services is known to be inefficient and corrupt and the road connecting the port to the main productive regions is unable to bear the requisite traffic to make the investment in the port facility worthwhile.

Building on the synergies between ODA and investment, it may also be possible to reflect on a specific request made by Least Developed Countries in the services negotiations. LDCs have sought a mechanism to implement Article IV (3) of GATS which states that "special priority shall be given to the least-developed country Members…" in market access commitments in sectors are modes of supply of export interest to them. This was reinforced at the WTO Ministerial in Hong Kong where Annex C (paragraph 9) reaffirms the commitment to address priority interests of LDCs. The difficulty is that, notwithstanding these commitments, it is simply not possible for OECD countries to implement the kind of mechanism LDCs are requesting, ie one that gives preferential non-reciprocal access, as well as facilitating and promoting LDC services exports on a non-reciprocal basis.[18] Services barriers relate to regulatory and competition policy issues and therefore do not readily lend themselves to the kind of tariff elimination process driven off the Duty-free-Quota-free arrangement provided to LDCs at the WTO Ministerial in Hong Kong in December 2005.

What may be possible outside of a GATS context, however, is for the targeting of ODA funds to assist LDC services exporters to comply with relevant regulatory and other services-related barriers in OECD countries. Further to this, assistance could be provided directly to LDCs (and others) to help develop relevant regulatory and other mechanisms domestically in their markets in a manner that reflects the priorities and needs of LDCs for specific sectors. Such design processes would reflect the national economic development objectives of the recipient country. Assistance with regulatory processes of this type might also have the added benefit of enhancing the predictability and transparency of services and investment-related regulations such that this further enhances investment flows. Again such work might usefully involve the private sector both in the developing country and in OECD members as a way of focusing on and identifying specific difficulties and where, if the regulatory issues are addressed, new or enhanced services or investment flows might be generated.

In sum and in terms of improving policy coherence with Aid-for-Trade with a view to facilitating the mainstreaming of trade into development strategies, there is therefore a modest, but potentially workable idea. This would be to establish dialogues and information exchanges in OECD economies and use Aid-for-Trade to fund similar processes in developing countries. This may simultaneously help improve the synergies between ODA and investment flows, particularly where this assistance is designed to identify and address specific regulatory issues and barriers:

Proposal 2

- *ODA and FDI: Synergies:* The mirror image of this process should be a similar formalized process funded through ODA (AND Aid-for-Trade) that takes place in developing countries and involves trade agencies and other Ministries and civil society with a view to 'mainstreaming' trade policy meaningfully into national development strategies. Down stream elements of this work should include a focus on addressing regulation-related issues in services and investment, with a view to assisting both inward investment to and outward services delivery flows from developing countries.

III Facilitating Trade Access

At present, the proportion of OECD imports coming from developing countries has increased only modestly in the past decade, and the share of least developed countries in OECD imports over the same period has barely changed at all. Overall, developing countries supplied roughly a quarter of OECD imports in 2000, but low-income developing countries supplied less than 5 percent of the total, and least-developed economies supplied only a meager 1 percent.[19] Moreover, taking a more global perspective, LDCs account for less than two percent of global trade.

Meanwhile, regulations and standards have proliferated worldwide as recognition has grown of the impact they can have on trade, and as tariffs and traditional non-tariff barriers to trade have been reduced. In principle, such measures are regulated through the WTO Technical Barriers to Trade (TBT) Agreement and the Sanitary and Phyto-sanitary (SPS) Agreements. It is interesting to note in this regard that developed-country notifications to the WTO under these two agreements have greatly outnumbered notifications by developing countries. In developed countries in particular, the scope of technical standards has expanded beyond the traditional role of providing information to facilitate market transactions. Among other things, standards are used to benchmark technological capability and compatibility and to ensure product safety or environmental protection.

Moreover, it is not simply SPS and TBT-type barriers that are the problem. There is also the growing incidence of environmental standard setting which is having a rapidly increasing effect on trade. In many cases, the functions of standards are justifiable. In other cases, however, they may create significant distortions in international trade, with negative effects on developing countries. In particular, there are concerns that incompatibilities between developed and developing countries in standards and methods of conformity assessment can disrupt trade and provide implicit protection for domestic industries.

Attempts have been made to quantify the impact[20] of standards and regulations on developing countries generally[21] and through case studies.[22] One analysis indicated that the implementation of a new aflatoxin standard in the European Union would cause a decline of 64 percent (or $670 million) in African exports of cereals, dried fruits, and nuts to the Community.[23] Extending this study, the authors concluded that, by adopting a single international standard for aflatoxin, world exports could rise by $38.8 billion, with particular gains for exporting developing countries.[24] Similarly, an examination of the effect of pesticide regulations concluded that a 10 percent increase in stringency levels would depress banana exports from developing countries by nearly 15 percent.[25]

Aside from questioning the efficiency and purpose of many standards and regulations, there may be interesting ways of seeking to assist developing countries to find their way through OECD country procedures with a view to enhancing their trade flows. New Zealand, for instance, established a position in the Ministry of Agriculture and Forestry which deals directly with Pacific Island country traders on questions related to New Zealand's sanitary and phytosanitary standards. The officer is specifically tasked with assisting compliance in this regard. A similar programme in other OECD Members targeted at specific regions (Africa (EU), Central America (US and Canada) and ASEAN Members (Japan, Korea, Australia)) might be a practical way of providing direct assistance to developing country businesses. What may be particularly useful is if the officer (or Unit) responsible for assisting developing country business to secure compliance might also have a direct line to the relevant aid agency. In this way, when a developing country business or company is having difficulties with compliance, technical assistance through ODA disbursements might be a useful way forward and the link between the standard-setting body and the aid agency would be helpful in assisting in leveraging direct assistance. It goes without saying too that as new standards are established, OECD Members should implement current and ongoing commitments to ***actively*** consult developing countries on likely impacts in advance of the implementation of any new standard. This would be distinct from the current procedure in many (if not quite all) OECD countries of establishing passive mechanisms to deal with enquiries (eg the Enquiry Points mandated in the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures). In this context, a specific policy proposal that brings together the elements noted above would be as follows:

<u>Proposal 3</u>:

- *Facilitating trade access* by establishing specific Units/officers in OECD standard-setting bodies with direct links to development agencies with a brief to actively engage with and assist regions and/or specific developing countries and their companies to comply with trade-related standards.

It is worth acknowledging that the proposal above does little more than operationalise, albeit in a focused and precise way, the commitments contained in the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures.[26] It does, however, have the advantage of implementing these in a targeted manner (ie on specific regions or categories of countries) and in a way that is designed to provide practical assistance to traders. Again, set in the context of a Doha-lite outcome, such assistance at the margins may nevertheless be worth considering.

IV Leveraging FTAs for Enhanced Implementation and Poverty Alleviation

A key challenge in negotiating any FTA is ensuring that it is business-relevant not simply on day one of the implementation of the agreement, but into the future. There is increasing evidence of real creativeness in the way in which Asia-Pacific economies have approached this question. The following are 'snapshots' of the approach adopted by ASEAN countries and their partners from New Zealand and Australia in the recently implemented AANZFTA and the Malaysia-New Zealand FTA:

A major difficulty with many FTAs has been their incomplete or partial implementation which in turn reduces their effectiveness both in terms of delivering benefits to the wider population as well as directly to business – with their attendant poverty alleviation effects. To mitigate this as far as possible, two recent FTAs, the ASEAN-Australia and New Zealand FTA and the Malaysia-New Zealand FTA outcomes include a specific chapter on economic cooperation. This establishes a framework for trade and investment-related cooperation that is designed to enable maximum commercial benefit to be derived from it. This is *not* development assistance. In the case of AANZFTA, for instance, this is a targeted work programme funded primarily by Australia and New Zealand. It was deliberately designed to develop and enhance technical capacity among the AANZFTA partners in a range of areas including the effective implementation of the agreement's Rules of Origin, standards and technical regulations and conformity assessment procedures, customs procedures and so on. The benefits to business are obvious in terms of enhanced technical capacity on the part of importing countries to, for instance, facilitate customs clearance or effectively implement the agreements' technical and standards-related commitments and so on. The following provide practical examples of the kind of issues confronted by business (both exporters and importers of inputs to final production):

- *Customs Clearance:* Many companies operating in the region complain about differential customs procedures and practices and of the impact this has on their ability to service 'just-in-time' demands from local importers and exports. Many importers of agricultural inputs (eg for processed foods) have argued that this has had a negative effect on domestic competition and indeed reduced consumer choice and access to lower priced products – with obvious development-related effects. The AANZFTA and Malaysia-New Zealand FTA outcomes were sensitive to this issue with both providing for explicit and legally binding treaty-level commitments designed to facilitate customs clearance in practical ways – a benefit to both exporters and importers. The MNZFTA in particular provides for a commitment to 48 hour customs clearance – a practical and immediate benefit in terms of transparency and certainty of processing procedures to both Malaysian and New Zealand companies – importers of inputs as well as exports (NZ MFAT 2009, p, 35).

- *Focused information exchanges in the agriculture sector:* over the period of tariff liberalisation in AANZFTA, there is targeted information exchange and roundtables with the domestic dairy and beef industries in individual partner countries. Framed through the 'economic cooperation' chapters of the FTA, these are designed to encourage engagement on issues like marketing, distribution issues and so on. The findings from these processes are then made available for use as an input into discussions with bilateral and plurilateral aid donors for further focused assistance

<u>Proposal 4</u>:

- *Leveraging FTAs for effective implementation and thus poverty alleviation:* FTAs may be used creatively to help importers and exporters to access inputs to production (eg improved customs clearance procedures) and to provide a format for information exchanges with partner countries' industries on areas of mutual interest (eg the beef, dairy and grains sectors etc).

V Enhancing the Trade Policy Review Mechanism and Focused Reviews in FTAs

The objective of the Trade Policy Review Mechanism (TPRM) is to "contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members" In particular, the primary function of the TPRM is to examine the impact of a Members' trade policies and practices on the multilateral trading system.[27]

This outline of function and objectives suggests that the TPRM may be utilised more deliberately and directly to assess the impact of OECD Member trade policies on developing country economic prospects. This is something that the Aid-for-Trade Task Force identified as a potential monitoring mechanism, though it was (perhaps deliberately) vague on the specific operation of the mechanism in this context.[28]

One way of utilising the TPRM to advance the development objectives launched in 2001 might be to add specific elements to the standard report prepared by the WTO Secretariat. This could include a section that assesses an OECD Member's trade policies in terms of LDC and developing country access over time to their domestic markets. This would incorporate an assessment of the implementation of the Hong-Kong commitment to provide duty-free-quota-free access for developing countries (within clear parameters). Such a review might consider rules of origin and whether these facilitate or act as barriers to exports from developing countries, as well as market shares over time of LDC and developing country traders. It may also be worth suggesting that a number of the larger developing countries similarly enable such an assessment, not least given the growth in south-south trade flows noted earlier. Indicators for such an assessment might include:

- LDC, low income countries and all developing countries' share in total non-energy imports in percentage terms and average nominal growth in percentage terms;

- Simple average of bound tariff rates and the simple average of applied tariff rates (including comparisons of standard deviations) and the percentage of tariff greater than 15 percent

- Specific commentary and focus on agricultural tariffs and domestic support measures.

This framework has already been used by OECD Members through the OECD Secretariat's Economic Surveys which up until 2004 assessed the sustainable development impact of member countries' trade policies.[29] The point of such assessments would simply be to offer further opportunities outside the negotiating context for both OECD and developing countries to assess and reflect on the implementation of the range of commitments (both best endeavours and legal) that OECD countries have entered into.

One further enhancement of the TPRM might be with regard to developing countries themselves. One option, for instance, might be to use the TPRM process as an opportunity to review the way in which Aid-for-Trade and other trade-related assistance is being utilised in developing countries, including the effectiveness of mainstreaming trade policy through whole-of-government processes into national economic development priority setting and strategies.

A similar approach could be adopted in FTAs, whereby the standard review mechanism for an FTA includes an additional paragraph (annex?) outlining issues that might be considered during a review, including the effective implementation of the agreement and where potential barriers might have emerged that have a negative impact on economic development.

<u>Proposal 5</u>

- *Incorporate into the TPRM assessments of* OECD country trade policies with an eye to their development impacts; <u>***and***</u> incorporate analyses of developing country utilisation of Aid-for-Trade assistance set against the objective of mainstreaming trade policies into economic development strategies.

- *Incorporate into FTA review mechanisms* a process by which there is a review of potential and emerging barriers to effective implementation of the agreement.

Conclusion

Trade agreements have been described as a mechanism for countries to do what is economically necessary but politically difficult. Reform of agricultural trade and, in particular its liberalization is difficult, but it is essential economically and developmentally. Until this is addressed and notwithstanding any development-related proposals such as those posited in this paper, one simply cannot conclude that meaningful economic growth and poverty alleviation can occur.

Samuel Johnson once said, 'when a man knows he is about to be hanged, it concentrates his mind wonderfully.' One cannot help but hope therefore that the risks of a Doha-lite outcome, or as appears increasingly likely no outcome at all – however one defines that – should be similarly concentrating minds.

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[4] United States Agency for International Development (2003), *Building Trade Capacity in the Developing World*, USAID Strategy, USAID, Washington, DC.

[5] OECD (2006a)

[6] Japan, for instance, pledged US$10 billion over three years for trade, production and distribution infrastructure. EU trade-related development assistance will rise to US%2.5 billion by 2010, with US assistance rising to US$2.7 billion through to the same end-date (Bridges (2006) September-October, No 6, p. 10

[7] The OECD's annual Ministerial Communiqué in 2001, for instance, states that a priority is to achieve "improved economic, environmental and social policy coherence and integration". (The 2001 Ministerial Communiqué is available at http://www.oecd.org/oecd/pages/document/displaywithoutnav/0,3376,EN-document-notheme-1-no-no-5294-0, 00.html. In 2002, OECD Ministers went a step further, re-emphasizing the need for policy coherence and noting that "successful poverty reduction requires mutually supportive policies across a wide range of economic, social, and environmental issues". (The 2002 Ministerial Communiqué is available at: http://www.oecd.org/oecd/pages/document/displaywithoutnav/0,3376,EN-document-notheme-1-no-no-29673-0,00.html

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[13] Sader, F., (2000) *Attracting Foreign Direct Investment into Infrastructure: Why is it so Difficult?* Occasional Paper 12, World Bank, Washington, pp. 90-100.
[14] See for instance, various World Bank reports, including World Bank (1997, 2001, 2003) *World Development Report*, World Bank, Washington
15 WBCSD (2002) Improving Synergy Flows Between ODA and FDI to Developing Countries: A Business Perspective (http://www.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-document-21-nodirectorate-no-21-8909-21,FF.html).

[16] These include, for instance, the Code of Good Practices on Transparency in Monetary and Financial Policies (IMF); Principles of Corporate Governance (OECD); The Forty Recommendations of the Financial Action Task Force on Money Laundering (FATF); and Core Principles for Effective Banking Supervision (BCBS).
[17] World Bank (1997, ibid).
[18] Communication from the Republic of Zambia on Behalf of the LDC Group (2006) *A Mechanism to Operationalise Article IV: 3 of the GATS*, 28 March, TN/S/W/59
[19] UNCTAD (2001), *Statistical Profiles of the Least Developed Countries*, UNCTAD, New York.
[20] Arguably the most comprehensive attempt to assess the impact of standards on trade flows is the Cecchini study on the European Single Market. P. Cecchini (1988), *The European Challenge: the Benefits of a Single Market*, Gower. This study drew together the results of a survey of business and a number of case studies and offered powerful evidence on the impact technical standards were having on trade. Unfortunately, the study focuses on developed countries and offers few insights into the costs imposed on developing country exporters.
[21] See for instance, S. Henson, R. Loader, and A. Swinbank (2000), *The Impact of Sanitary and Phytosanitary Measures on Developing country Exports of Agricultural and Food Products*, Paper Prepared for Agriculture and the New Trade Agenda from a Development Perspective: Interests and Options in the WTO 2000 Negotiations, World Bank, Geneva, November; S M Stephenson (1997), *Standards and Conformity Assessment as Non-tariff Barriers to Trade*, Policy Research Working Paper Number 1826, World Bank, 1997; and, in particular, K. E. Maskus, J. S. Wilson, and T. Otsuki (2000), *Quantifying the Impact of Technical Barriers to Trade, A Framework for Analysis*, World Bank, Washington DC.
[22] See for instance, T. Otsuki, J. S. Wilson, and M. Sewadeh (2001), *A Race to the Top? A Case Study of Food Safety Standards and African Exports*, World Bank, Washington DC, March; and the impressive range of case studies contained in OECD (2002) Development Dimensions of Trade and Environment: Case Studies, OECD, Paris, COM/TD/ENV (2002) 8. Most recently, F. Brouwer, ed. (2002), *Public Concerns, Environmental Standards and Agricultural Trade*, Agricultural Economics Research Institute, The Hague, Netherlands, considers issues such as pollution from agriculture, the quality of landscapes, animal welfare, food safety, and the kinds of standards, codes of good practice, and other policy measures many countries have developed to deal with such issues and, more significantly, relates them to agricultural trade and competition.
[23] T. Otsuki, J. S. Wilson, and M. Sewadeh (2001), *Saving Two in a Billion: Quantifying the Trade Effect of European Food Safety Standards on African Exports*, World Bank, Washington DC.
[24] J. S. Wilson and T. Otsuki (2002), *Food Safety and Trade: Winners and Losers in a Non-Harmonized World*, World Bank, Washington DC.
[25] J. S. Wilson and T. Otsuki (2002), *To Spray or Not to Spray: Pesticides, Banana Exports and Food Safety*, World Bank, Washington DC.

[26] See, for instance, Articles 11 and 12 of the TBT Agreement and Articles 9 and 10 of the SPS Agreement (World Trade Organisation (1999) *The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations*, Cambridge University Press.
[27] Idem, p.380
[28] Aid for Trade Task Force (2006) *Recommendations of the Task Force on Aid For Trade*, WT/AFT/1, 27 July.
[29] See, for instance, OECD (2004) OECD Economic Survey - New Zealand, OECD, Paris