



Strengthening Trade Competitiveness in Times of Global Economic Crisis – Challenges Faced by LLDCs

Third Meeting of Trade Ministers of Landlocked Developing Countries
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Aid for Trade in light of the Financial and Economic Crisis,

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Presentation Plan



- I. Impacts of the crisis in general not just on AFT
- II. How ODA has fared in post-crisis economic environment
- III. Impact crisis on AFT and EIF
- IV. Special Situation of LLDCs
- v. AFT and Trade Facilitation
- VI. Issues for Reflection in the light of MC7



Ramifications of the crisis for LLDCs in the trade and development sectors



Trends in LLDC Exports



Future Trade Impacts



Commodity Prices



Future Trade Impacts



Tourism



Remittances.



Foreign Direct Investment Flows.



Trade Finance



Trade Preferences



A Short-Term Doha Conclusion



IMF's Warning Bells




- o "Uncertainty about aid flows, potential declines in donor support, and tighter financing conditions are likely to impose further pressures on LICs' budgets."


Aid Dependence

- o "In about half of the countries, the ratio of aid to current spending exceeds 20 percent, and in 14 countries this proportion surpasses 50 percent. [...] The additional financing needs of LICs resulting from the crisis could amount to about US\$25 billion in 2009, and could rise much further".



The Implications of the Global Financial Crisis in Low-Income Developing Countries, IMF, March 2009, pp. 23 & 34.




 **Experience suggests that financial crises bring cuts in aid**

 During the Nordic banking crisis of 1992-93, Norway's aid fell 10 per cent, Sweden's 27 per cent and Finland reduced its official assistance by 62 per cent

- o The decade-long economic slump in Japan, through the 1990s, was accompanied by an ODA decline of 44 per cent, and has yet to return to pre-crisis level


 **Impact of Crisis on European ODA Budgets**

Some EU governments have already acted:



- o the Irish budget for 2009 contains a 10 per cent cut in ODA
- o Italy has announced a reduction of 56 per cent
- o Latvia has terminated all overseas aid
- o The United Kingdom has not actually announced real ODA cuts; but the crisis on British economic output and the slipping of the pound could change the picture

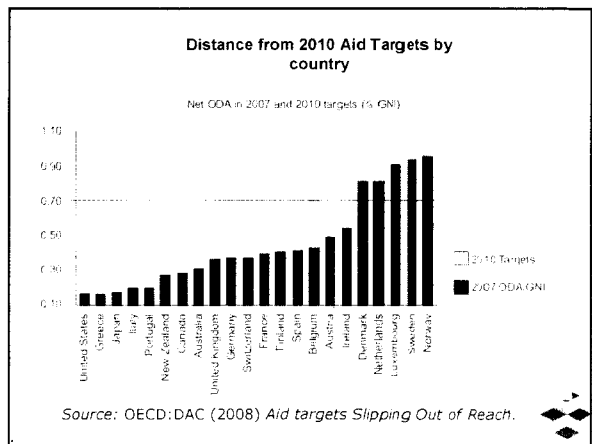
ODA: The Dance of the Billions

- o 2007 Global ODA from all donors: **USD 104 billion**
- o EU and its Member States accounting for about half the total.
- o **US commitment** - normally the second largest - to ODA amounting to about **USD 22 billion** in 2007
- o In 2005 in Gleneagles G8 members promised to **increase aid by USD50 billion** by 2010.

 The undertaking looked shaky, even before global recession struck

Now even maintaining past levels of ODA looks difficult.



In times of Crisis AFT is more important, not less

"Especially at a time of slack demand combined with increased competition, aid for trade is critical to improve the supply side response. Thus, donors need to honour their aid for trade pledges, particularly to the poorest developing countries, who might well be confronted by cuts in other sources of development finance."

Angel Gurría
Secretary-General of the OECD



Enhanced Integrated Framework and AFT



- Where does this leave Aid for Trade and the various programmes that come under the AFT umbrella, like the EIF?
- Much will depend not just on the trend in overall ODA commitments and disbursements, but the extent to which assistance that might otherwise be directed towards AFT is rerouted towards humanitarian causes, or vice versa.



Resources Committed to Aid for Trade

Aid for Trade Funds must be:

- Additional
- Predictable
- Sustainable
- Effective



Commitments made at the MC6 in Hanoi

- European Union: €2 billion per year by 2010
- United States: \$2.7 billion per year by 2010
- Japan: \$10 billion over the next three years



- Director-General Pascal Lamy should secure additional resources for Aid for Trade from IFI's



LLDCs are "disproportionately affected"

- Poor physical infrastructure
- Weak institutional and productive capacities
- Small domestic markets
- Remoteness from world markets
- High vulnerability to external shocks.



Coverage of Aid for Trade Benefits

- **Trade Policy and Regulations**
 - Participation in multilateral negotiations
 - Implementation of WTO agreements
 - Technical standards assistance
 - Trade facilitation
 - RTA support
- **Trade Development**
 - Access to finance
 - Enterprise development to improve business
- **Building Productive Capacity**
 - Creating a favourable environment for trade



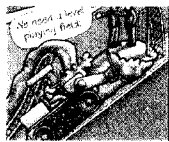
Coverage of Aid for Trade



- **Trade-related Infrastructure**
 - Identification of bottlenecks in the physical infrastructure for trade-related activities
 - Technology to meet product standards in certain export markets
 - Infrastructure rebuilding due to natural disasters
- **Trade-related Adjustment Needs**
 - Moving resources to adjust to the effect of trade liberalisation
 - Creation or increase in use of social safety nets
 - Cost of retraining programmes for displaced workers
 - Loss of tariff revenue
 - Assistance to net food importing countries
 - Compensate for preference erosion



Trade Facilitation Mandate

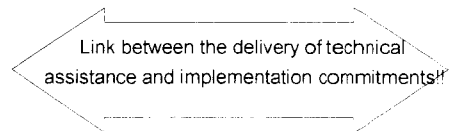


- **Scope**
 - Clarify and improve relevant aspects of Articles V, VIII and X
- **Objectives**
 - Enhance technical assistance and support for capacity building
 - Further expedite the movement, release and clearance of goods, including goods in transit
 - Effective co-operation between customs or any other appropriate authorities on TF and customs compliance issues



Technical Assistance and Capacity Building

- To ensure that developing countries fully participate in the negotiations
- To implement commitments
- Support for infrastructure in certain cases



*LLDC meetings at the margins of the
WTO Ministerial Conferences*

MC7 Geneva:

Issues:

- ❖ AFT – Trade Facilitation
- ❖ Accession of LLDCs to WTO
- ❖ Comprehensive review of the issues relating to the trade of the LLDC
- ❖ Trade Facilitation – Single Undertaking
- ❖ Cotton Issue



**FIT: Guiding Principles of the 7th
Ministerial Conference**



- Full participation
- Inclusiveness
- Transparency



- The Ministerial will be centred around plenary sessions where all ministers may participate equally;
- Side meetings will be important



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Thank You

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Actions*

