

SESSION 8

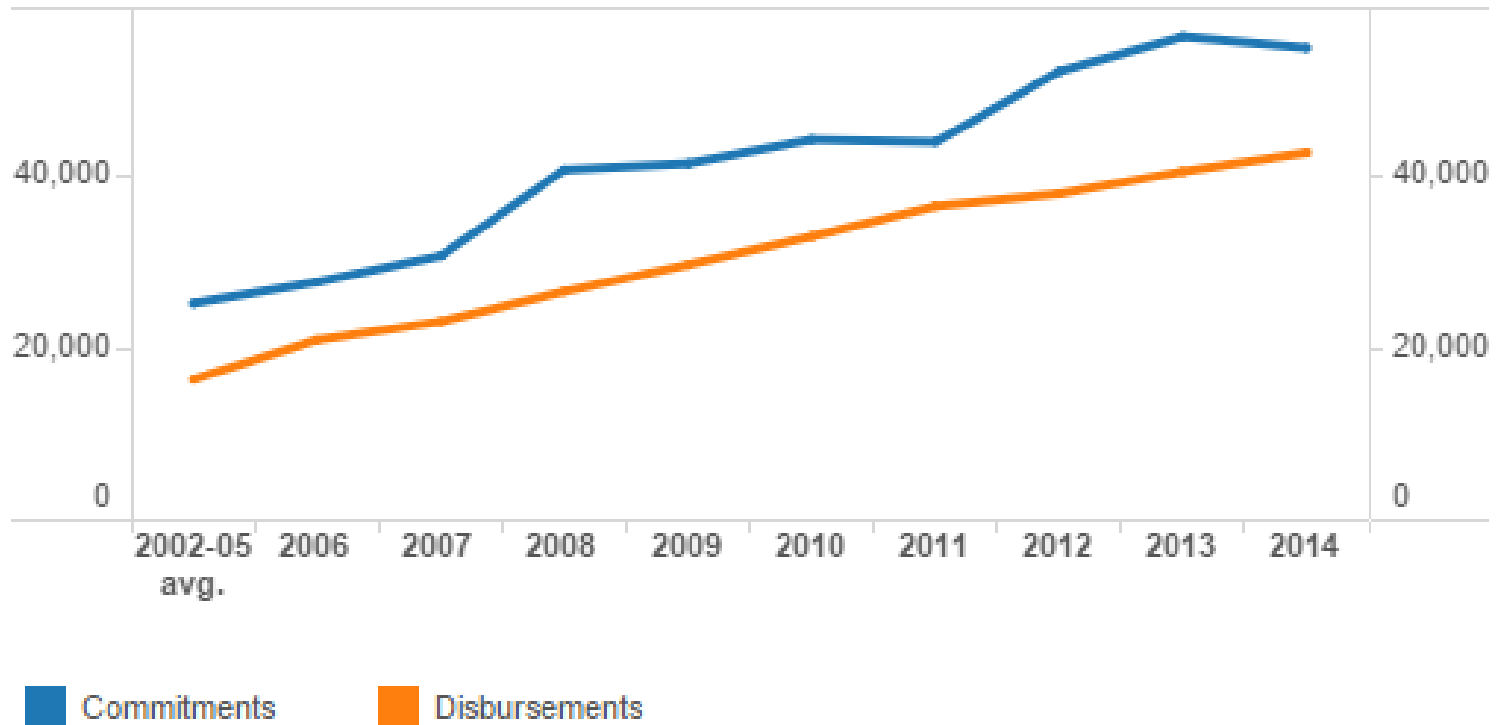
AID FOR TRADE IN SERVICES

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AID FOR TRADE IN SERVICES FLOWS

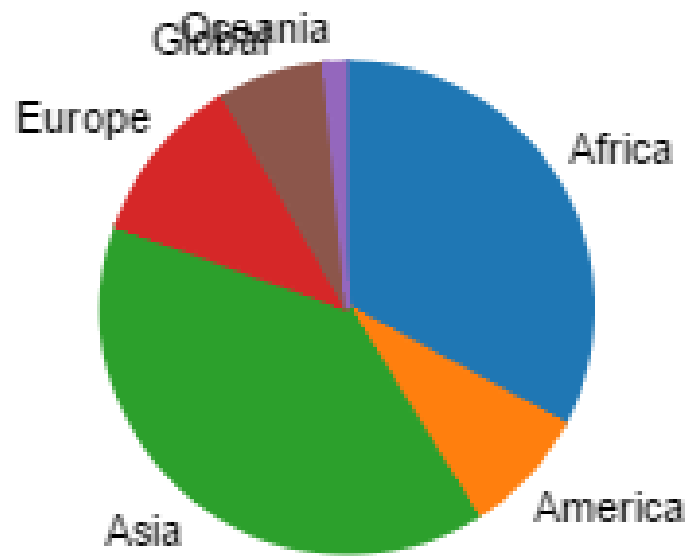
AFT FLOW STATISTICS

Trend in aid for trade



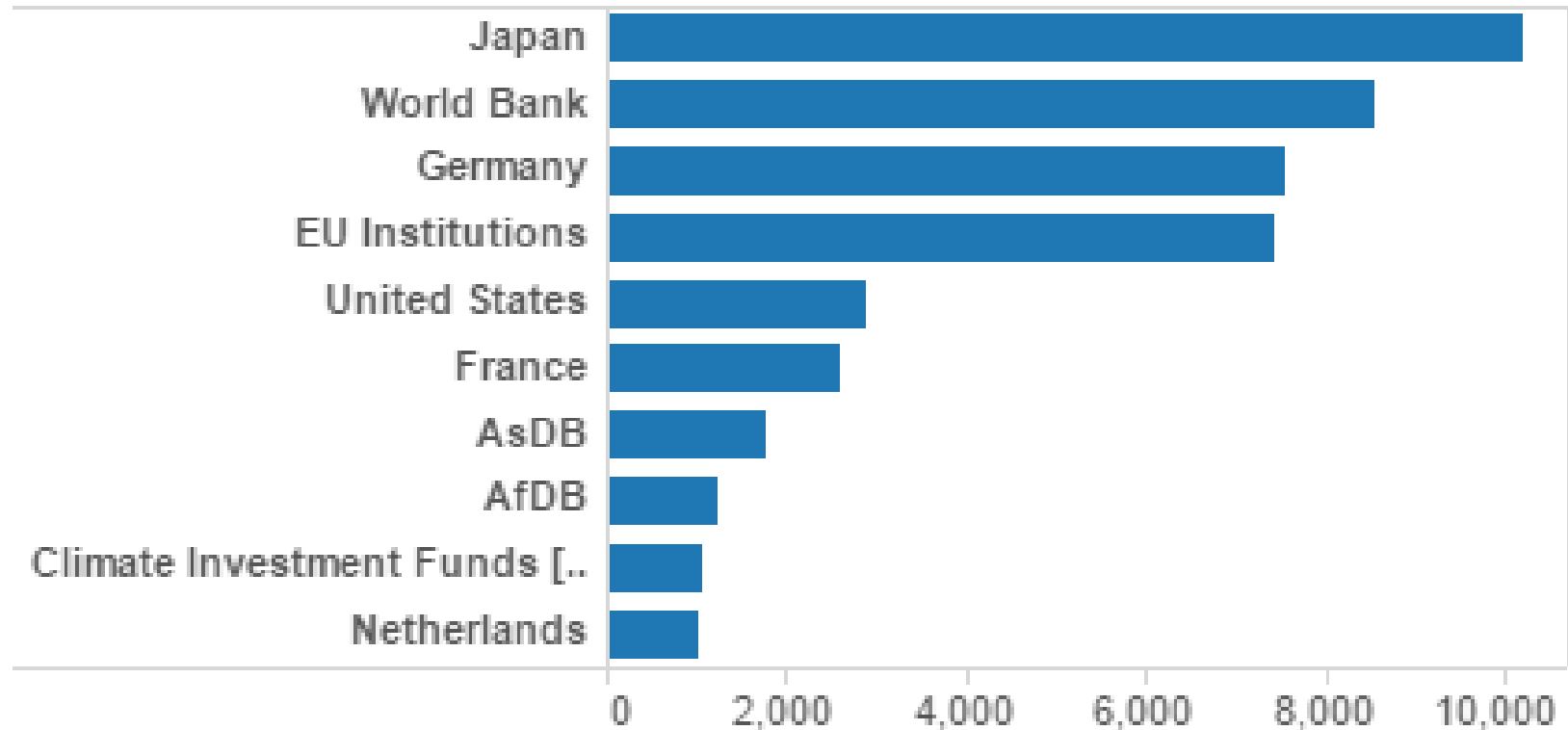
AFT FLOW STATISTICS

Regional distribution of aid for trade, 2014



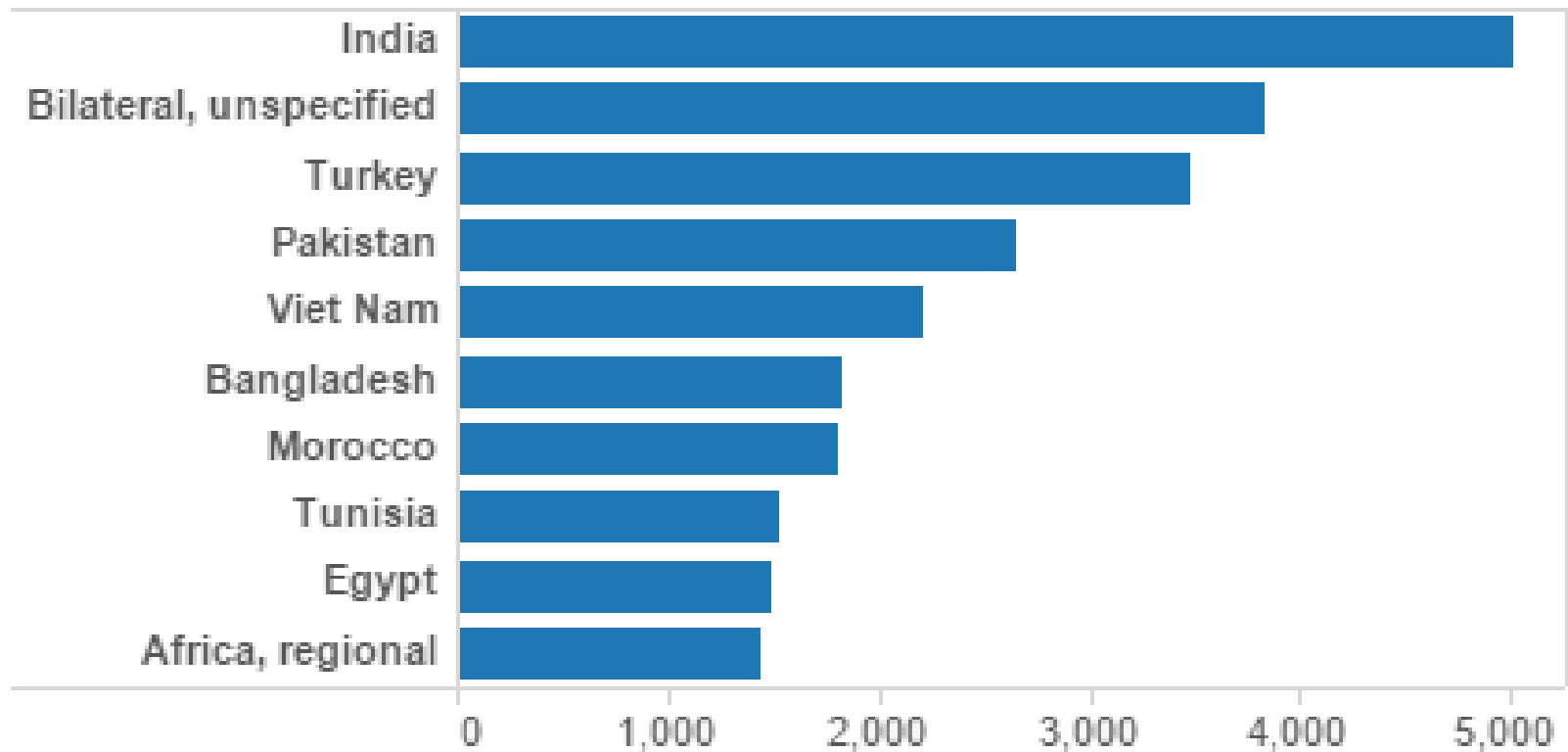
AFT FLOW STATISTICS

Top ten donors of aid for trade, 2014



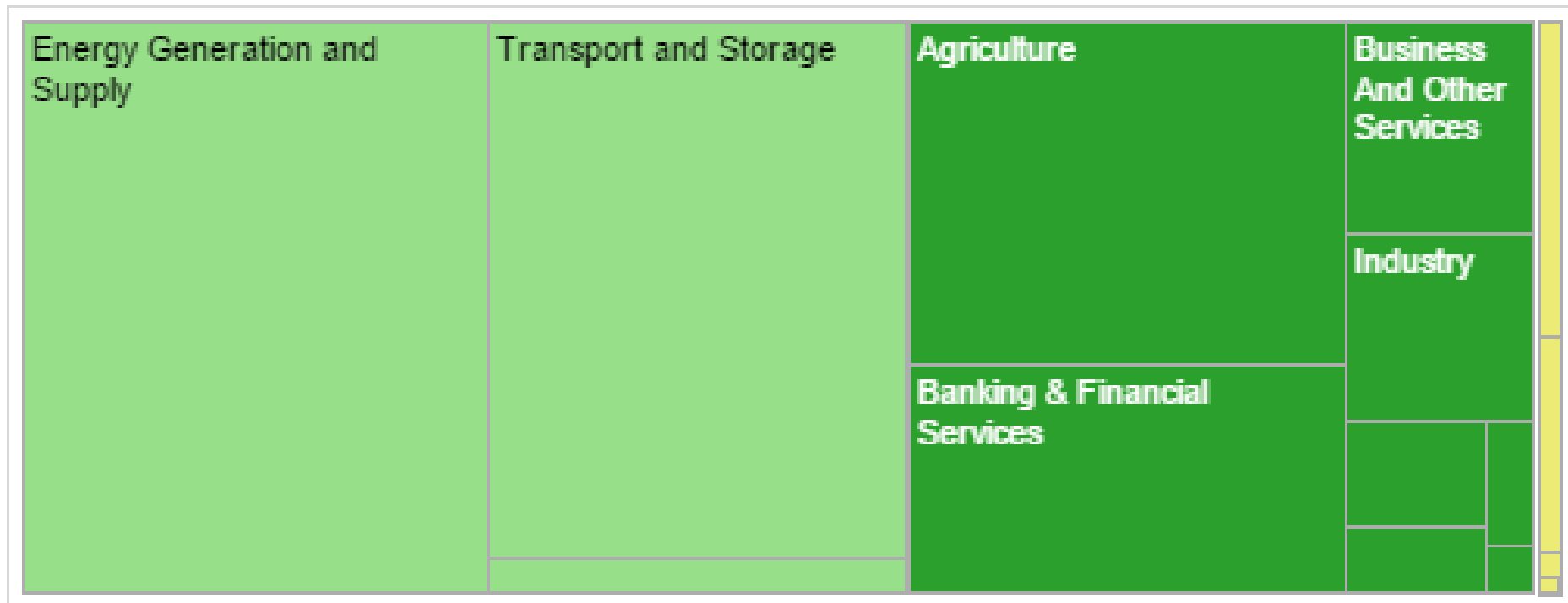
AFT FLOW STATISTICS

Top ten recipients of aid for trade, 2014



SERVICES AS A USE OF AID FOR TRADE FUNDS

Category and sector breakdown of aid for trade, 2014



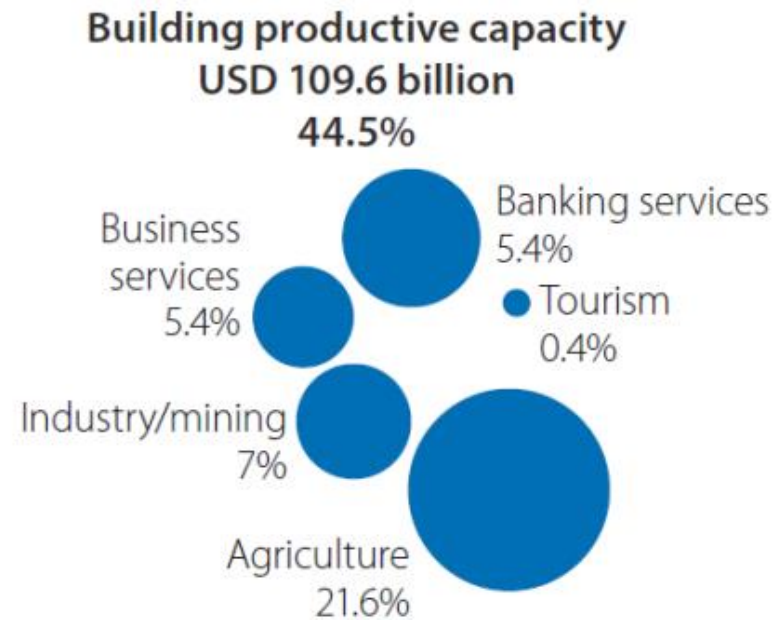
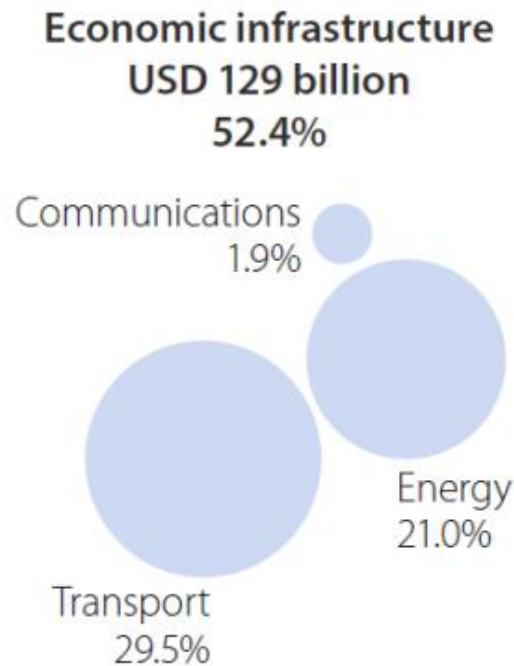
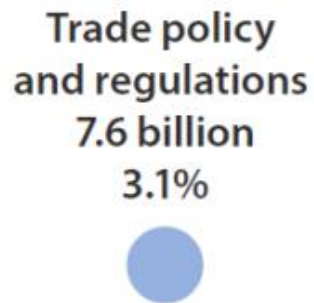
■ Building Productive Capacity

■ Economic Infrastructure

■ Trade Policy & Regulations

■ Trade-related Adjustment

SERVICES AS A USE OF AID FOR TRADE FUNDS



AID FOR TRADE IN SERVICES

WHAT IS THE AID FOR

AFT VISION POST 2015

- Expanding the initiative to include [sustainable investment](#) would acknowledge changing production patterns and the concomitant increased trade and investment links. **The initial emphasis could be on trade in services**, with a focus on those sectors that are central to promoting sustainable development. This could tackle a range of issues such as transparency and attract donor support for capacity building.
- AFT could play a catalytic role in promoting [green growth](#) by supporting sustainable agriculture, building climate-resilient infrastructure, and strengthening the supply chains of low-carbon technologies and **environmental goods and services**

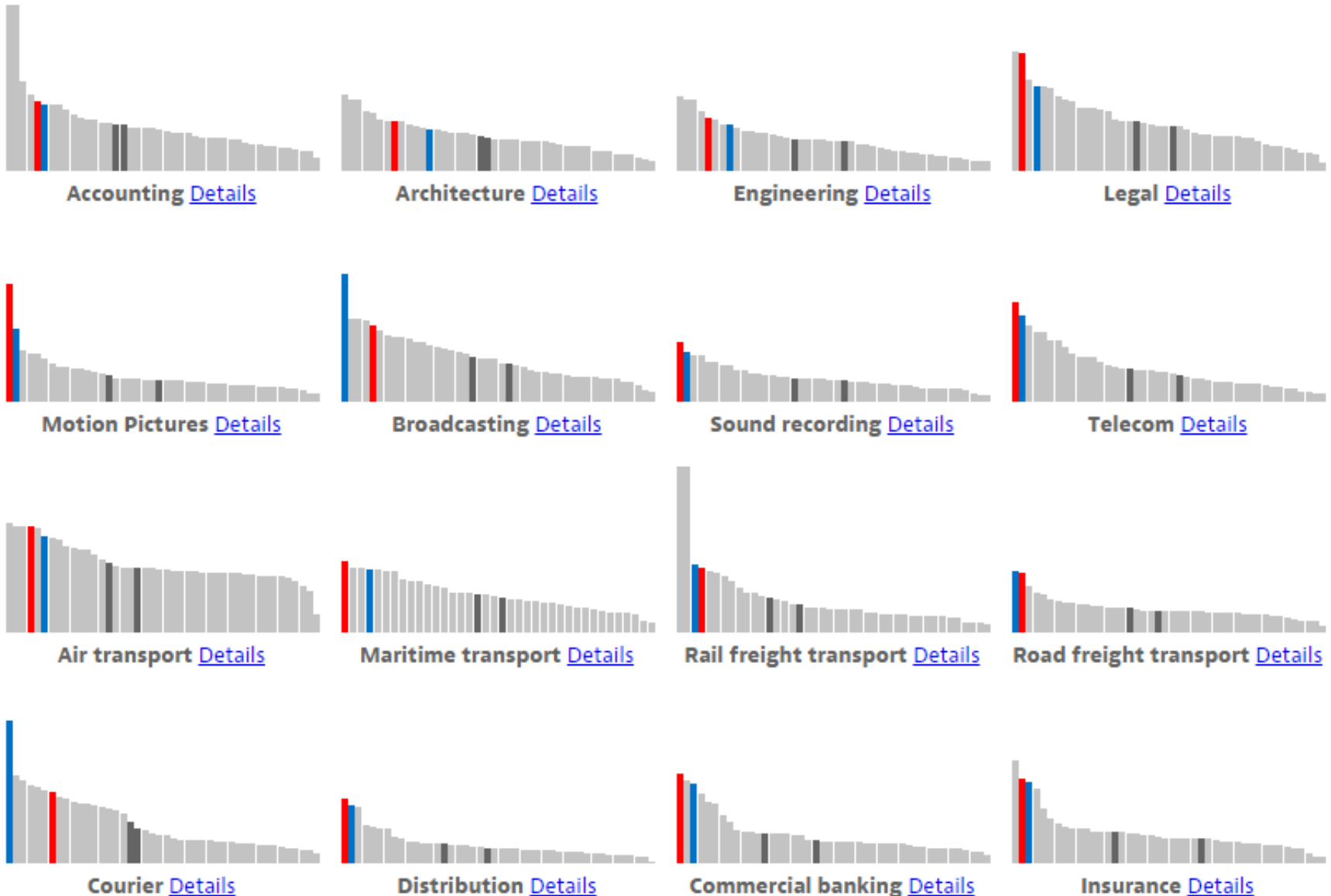
PRIORITY SECTORS

OECD sees 18 priority sectors including:

- audio visual services (motion pictures, television and broadcasting, sound recording)
- computer services
- Construction
- courier services
- distribution services
- financial services (commercial banking and insurance)
- professional services (accounting, architecture, engineering, legal)
- telecommunications and transport services (air transport, maritime freight transport, road freight transport, rail freight transport)

MEASURING RESTRICTIVENESS

Compare > with



WHAT ARE THE RELEVANT POLICY MEASURES

- Restrictions on foreign entry
- Restrictions on the movement of people
- Other discriminatory measures
- Barriers to competition
- Regulatory transparency

WHAT CAN AFT DO

- Under the right circumstances, Aid for Trade can be flexibly applied by the recipient government
 - Trade SWAp Cambodia
 - AfT can be targeted at the government, private sector, infrastructure, general public and bilateral relations!

AID FOR TRADE IN SERVICES SUPPORTING NEGOTIATIONS

AID FOR TRADE TO IMPROVE NEGOTIATING CAPACITY

- The institutions that conduct and provide input into services trade negotiations **can and should be the direct recipients** of Aid for Trade commitments
- Potential institutions include:
 - Ministry of Trade, Commerce, Environment etc.
 - Chambers of Commerce
 - Civil Society organizations

AID FOR TRADE TO IMPROVE NEGOTIATING CAPACITY (2)

- In addition securing operational Aid for Trade commitments that can improve the **negotiation processes** is almost as important as commitments directed towards improving institutional capacity
 - Cost benefit analysis
 - Baseline research
 - Regulatory audit
 - **Diagnostic Trade Integration Studies**

EXAMPLE: HUB AND SPOKE PROGRAMME

- The European Commission (EC), the Commonwealth Secretariat (ComSec) and OIF seek to promote the **effective participation of ACP countries in international trade negotiations** and to strengthen their capacity to formulate and implement trade policies.
- The project has three main components:
 - The establishment of **trade negotiation networks** at the and regional levels to be actively used to define trade policy and negotiation positions;
 - The establishment of **national and regional participatory mechanisms** for improved stakeholder consultation and involvement in trade policy formulation;
 - The establishment of appropriate mechanisms **for notification of trade policy measures** to WTO.

In addition, the programme places Regional Trade Policy Advisers (RTAs) in the following regional bodies:

**AID FOR TRADE IN SERVICES
MANAGING MARKET OPENING**

AID FOR TRADE TO IMPROVE THE MANAGEMENT OF MARKET OPENING

- Market opening and reciprocal concessions is a delicate game
 - “services liberalization in the context of multilateral or preferential trade negotiations can form a political economy framework in which developing countries are essentially **“given something”** in exchange for undertaking far-reaching economic reforms, which are more often than not in their own interests”
 - Furthermore, services often come with massive scale effects and incumbency, meaning that sequencing is essential!
- Not a reason for refusing liberalization or opening up however
- Rather, opening domestic services markets in a way that is conducive to and supportive of pro-competitive reforms, and thus development-friendly outcomes, is challenge worth overcoming

AID FOR TRADE TO IMPROVE THE MANAGEMENT OF MARKET OPENING (2)

- The Aid for Trade dimension in sequencing the opening of services markets by developing country negotiating partners generally does not manifest itself in the form of explicit and actionable commitments from the developed country negotiating partner, but rather in the latter's [willingness to exercise restraint](#) in pushing for too rapid or pervasive liberalization

AID FOR TRADE TO IMPROVE THE MANAGEMENT OF MARKET OPENING (3)

- Aid for Trade commitments can also manifest themselves in a developed country's willingness to provide commercially meaningful market opening opportunities to service suppliers of the developing country partner, particularly in modes of supply of priority interest to the latter (Mode 4, temporary movement)

AID FOR TRADE, MARKET OPENING AND ADJUSTMENT ASSISTANCE

- Yet another area where meaningful Aid for Trade commitments can be requested and offered relates to adjustment assistance. Trade liberalization being inherently redistributive in nature, it is likely to create both winners and losers. The issue of [adjustment assistance](#) addresses government initiatives to soften the potentially adverse impact of trade and investment liberalization for workers and firms in import competing sectors.

AID FOR TRADE IN SERVICES SUPPORTING EXPORTS

AID FOR TRADE FOR SUPPORTING EXPORTS

- Exporters of services from developing countries face many impediments
 - (a) lack of access to financing for export or business development;
 - (b) difficulty in establishing credibility with international suppliers;
 - (c) lack of access to reliable and inexpensive infrastructure;
 - (d) lack of access to a range of formal and informal networks, and institutional facilities necessary for trade; and
 - (e) the financing constraints that flow from the lack of collateral that, typically, smaller service firms can put up given the intangible nature of their output

AID FOR TRADE, MARKET OPENING AND ADJUSTMENT ASSISTANCE

- Setting up productive capacity
- Special Economic Zones (SEZs)
- Software Technology Parks (STPs)
- Human resources development programmes
- Joint facilities (research, standardization etc.)
- Market research and export promotion services
- Visa waivers and employee sending programmes
- And so on

CONCLUSION

CONCLUSIONS

- Aid for Trade, like the decades of official development aid that has preceded it, is by no means a panacea.
- It can be unpredictable and subjected to political earmarks
- It is also certainly no substitute for sound and informed policy-making
- When used correctly, it is a catalyst, a facilitator, a supportive framework and additional leverage for programmes, initiatives and projects which are well designed but insufficiently funded

THANK YOU