

Europe's aid for trade pledge

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At the WTO Hong Kong Ministerial in 2005, the European Union pledged to raise its spending on aid for trade to €2billion a year from 2010. Yesterday in Luxembourg the European Union adopted its Aid for Trade Strategy and began to deliver on that pledge. Already the largest provider of development assistance, the EU is now also the global leader in funding measures designed specifically to increase the capacity of developing countries to trade.

Aid for Trade supports poor and vulnerable countries in developing the basic economic infrastructure and tools they need to harness trade as an engine of economic growth and development. It will help to build the necessary capacity to trade effectively and efficiently, and accelerate poverty eradication.

From landlocked Zambia it costs more to ship a ton of maize to neighbouring Tanzania than it costs to send the same ton of maize from Tanzania to Europe or the United States. In most European and American ports, it takes a day to clear a container through port. In many African ports, it takes weeks. Many African agricultural producers lack the technical help to enable them to meet the European Union's health and safety standards. It is not free trade that has failed these countries, but a lack of capacity to trade that blocks the path of even the most determined modern developing country entrepreneurialism. These are the problems that Aid for trade sets out to address.

It is a reminder that the world's poorest countries need more than access to the rich world's markets to prosper. The poorest countries in the world already receive completely non-reciprocal tariff- and quota-free access to the European market. But they are often unable to use it. Market access without aid for trade is like putting a plate of food in front of a man while withholding the knife and fork.

That is why the 2005 WTO Ministerial Declaration in Hong Kong called for an extension of the resources offered by the international community to developing countries. The EU's response was €1billion a year from the European Commission, matched by €1billion from the European Union's Member States by 2010. EU Member States have recognised that to meet their target, their collective commitment should rise to at least € 600 million next year.

This is not a re-labelling of existing support. New additional money will go to the Aid for Trade agenda without reducing existing development programs. It will have a visible impact on poverty reduction and will aim to support entrepreneurialism at every level, including supporting small

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and medium enterprise associations and marginalised groups such as small-scale farmers and women's groups.

European aid for trade will be used to lay the foundations for strong business environments that will attract private investment and aid the integration of developing countries in to the global economy. The international community will also reap the rewards of stronger economic partners in tackling the major global challenges of the day, such as reducing green house gas emissions and avoiding conflicts over scarce natural resources.

About half of the increase in European aid for trade is specifically targeted for African, Caribbean and Pacific countries with whom the EU is currently negotiating Economic Partnership Agreements. These new agreements are designed to remove all remaining tariff and quota barriers to the EU market for their exports and help them diversify their economies away from dependence on a handful of basic commodities. Aid for trade will be vital in reinforcing and supporting that process.

Everyone agrees that trade cannot be a magic wand for development. It needs to be supported by measures that help countries develop the capacity to launch projects, get goods to market and ultimately compete in regional and global markets.

Of course open markets matter - not least for trade among developing countries themselves: three out of four tariffs paid in the global economy are levied by one developing country on another. But helping developing countries build the capacity to take advantage of open markets is every bit as crucial. The EU has always pledged to put trade at the service of development. As of today Europe is literally putting its money where its mouth is.