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Global Context

TRADE AND DEVELOPMENT

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List of Acronyms

APEC	Asia-Pacific Economic Co-operation
DAC	Development Assistance Committee of the OECD
DDA	Doha Development Agenda
EU	European Union
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IF	Integrated Framework
IMF	International Monetary Fund
IT	Information Technology
ITC	International Trade Centre
JAG	Joint Advisory Group
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Countries
MDGs	Millennium Development Goals
MTS	Multilateral Trading System
OECD	Organisation for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Paper
SME	Small or Medium-sized Enterprise
SPS	Sanitary and Phytosanitary
TPO	Trade Promotion Organisation
TRTA/CB	Trade Related Technical Assistance and Capacity Building
TSI	Trade Support Institutions
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USD	United States Dollar
WTO	World Trade Organization

1 Global Context for Trade and Development

1.1 Introduction

This report reviews the key features of the changing global context for trade and development, assesses the International Trade Centre (ITC) response to these developments, and identifies future implications for the ITC. In this report, and in the other reports in this volume, the focus is on how the external context for ITC has changed, is changing, or is likely to change in future. Among the factors analysed are the following:

- The changes in the Multilateral Trading System focusing on the evolution since the early 1990s and the implications for developing countries;
- Changes in the international commercial business environment linked to the expansion of Foreign Direct Investment (FDI) and the diffusion of new Information and Communication Technologies; and
- Changes in the approach to trade and development and the role of technical assistance including Trade Related Technical Assistance (TRTA) in the context of broader debates about globalization; the implications of the Monterey Consensus, the implementation of the Millennium Development Goals and current initiatives for improved Aid Effectiveness.

The objective of this review of the developments in the external environment of the ITC is to assess the ITC response to these changes and to analyse the implications of the changing external environment for the future strategy and role of ITC. The ultimate objective is to respond to the questions raised in the Terms of Reference for the Evaluation with respect to the Comparative Advantage of ITC. What is the comparative advantage of ITC? How has it evolved? What factors will shape its evolution in the future? However, the findings in this report are one of several inputs required to assess the evolution in the comparative advantage of ITC. These reports are synthesised in the synthesis report in Volume 1.

Outline of the Report

This report is in three parts. The first and next part comprises two sections. The first section provides a brief review of evaluation methods utilised in this report, which is followed by a brief overview of the ITC.

The second part of the report comprises three sections and surveys changing factors in the external environment for the ITC. The review of the changing external context of the ITC starts with a review of the evolution in the trading system and then examines other recent developments in the environment for international business. The current debate about the linkages between trade and development are then considered.

The third part of the report analyses the implications for the ITC of the changing external environment.

1.2 Evaluation Methods

This report draws primarily on desk research on the broader developments in the global context for international trade and development and ITC documents. The assessment of the evolution of the ITC and the ITC response to external developments draws on extensive desk study review of ITC documents, on interviews of ITC staff and the field and technical studies conducted for the evaluation. In addition, interviews have been conducted of ITC development partners including:

- beneficiary country delegates in Geneva;
- donor representatives both in capitals and in Geneva;
- donor representatives at the country level;
- staff of international organisations at the headquarters level;
- staff of multilateral development banks, and
- ITC development partners in beneficiary countries.

Extensive desk study review has been conducted on the documents and reports of these other organisations including various analytical and evaluation reports.

This report also draws on the other field and technical studies conducted for the Evaluation including the country and product studies.

1.3 Evolving Role of ITC

The following brief overview of the development of the ITC reviews its development in the first three decades and then considers the last decade.

Origins and Early Development

The International Trade Centre was created in 1964 as a centre in the Secretariat for the General Agreement on Tariffs and Trade (GATT). The impetus for creation of the ITC came from developing countries who felt that they did not have adequate access to information about trading opportunities. In 1968 ITC became part of the Secretariat of the United Nations funded jointly by GATT (replaced by the World Trade Organization (WTO) in January 1995) and the United Nations. The GATT and the United Nations Conference on Trade and Development (UNCTAD) became the parent bodies. The initial focus of ITC was to provide trade information to developing countries about export opportunities and to support their trade development efforts. According to the United Nations (UN) mandate in 1972, ITC became responsible in the UN system for implementing technical assistance projects in developing countries (and later economies in transition) related to trade promotion with a view to expanding their exports and improving their import operations.

The ITC grew rapidly during the 1970s and 1980s and its activities were focused on trade development. The total budget peaked in 1990 at USD 56 million. Of this budget USD 16 million came from the regular budget and the balance USD 40 million was extra-budgetary. More than half of extra-budgetary resources came from United Nations Development Programme (UNDP). In the early 1990s ITC encountered difficulties due both to changes in the external environment for funding and due to an impasse over the selection of new management. Funding for extra-budgetary activities fell from USD 40 million in 1990 to USD 18 million in 1994, with the funding from UNDP declining most rapidly.

The Last Decade

Following this period in the early 1990s, during which the ITC suffered from a lack of direction, and which led to, or coincided with a significant drop in funding for extra-budgetary trust funds, a major priority–setting exercise was undertaken in 1994. The outcome of this strategic review was the publication of the initial strategic orientation document entitled *ITC at the Crossroads, an Agenda for the Future,* which was presented to the Joint Advisory Group (JAG) in November 1994. Subsequently, the new priorities were approved by the JAG in May 1995 in the *Priority Setting Review.*

1994-95 Strategic Review

The 1994-95 review acknowledged the fact that developing countries generally were being left behind in terms of their share of, and participation in, world trade. The economic reform programmes implemented at the time were not in and of themselves sufficient – they needed to be based on effective trade development strategies and reinforced with trade support initiatives. At the same time, the approach to technical assistance had changed substantially since the formation of ITC 30 years previously, and many new providers of Technical Assistance had emerged.

ITC's technical cooperation programme was identified as comprising six core services or areas of intervention, specifically:

- Trade development strategy and design;
- Trade Information;
- Export product and market development;
- Development of trade support services;
- Import management; and
- Human resource development.

Within each of these six core areas of intervention, various priority activities were then identified.

The main elements for revitalising ITC were summarised as follows:

- Becoming more demand driven and enhancing ITC's orientation towards recipients;
- Strengthening ITC's core services;
- Fully mobilising ITC's human resources (e.g. through interdivisional collaboration);
- Restructuring and streamlining ITC's operations, by modifying the organisational structure and related measures; and
- Enhanced mobilisation of financial resources through measures such as the proposal for a Global Trust Fund, a review of donor priorities, and other initiatives to reduce the dependence on UNDP.

As part of the restructuring, and in order to increase the resources available for technical cooperation with developing countries and countries in transition, the Global Trust Fund was established in 1995. This is the primary channel through which donor country funding is channelled, and it forms the primary source/pool of financing for ITC field operations.

Clearly the immediate impetus to the 1994 Strategic review was the internal management challenges and the sharp decline in funding reflecting both issues specific to ITC and broader issues in the UN system. However, the external context for the ITC was changing in the 1990s. It is worth noting that the *Priority Setting Review* took note of the external context and explicitly raised the issue of the comparative advantage of the ITC.

The *Priority Setting Review* adopted by the JAG stated:

> "ITC will devote resources only to areas in which it has comparative advantage. Among those identified in the *Agenda (for the Future)* paper are: its substantive expertise in trade promotion and export development for developing countries; its impartiality and multilateral approach; its access to policy- and decision-makers in developed and developing countries; its thorough understanding, born of long and extensive experience, of the interlinkages be-

> tween the global, macro- and microeconomic aspects of international trade; its proven ability to formulate and implement trade promotion and export development programmes; and its wide-ranging contacts. Further prioritization of ITC's future areas of specialization was made on the basis of the following criteria: relevance to the most pressing needs of recipient countries; the likelihood of making a visible contribution to trade development efforts; the probability of attaining a critical mass of related technical expertise in ITC; the possibility of achieving an acceptable expenditure/impact ratio (cost-effectiveness); and the potential for generating extra budgetary resources for activities at the country level."
>
> *Priority Setting Review, pp. 1-2, paragraph 4*

If we are to consider what the comparative advantage of ITC is today and will be in the future, we need to consider how the external context for the ITC has evolved and is likely to evolve in the future.

The External Context in the 1990s

In the mid-1990s the role of the ITC evolved due to external factors including developments in the global trading system and broader economic and political developments. Key developments included the following:

- the fall of the Berlin Wall and the collapse of the Soviet Union created a new set of challenges to support the integration of transition economies into the global system;
- new regional trading initiatives, including the North American Free Trade Agreement and the enlargement of the European Union, created new competitive pressures for trade and investment;
- new concerns about environmental, technical and sanitary and phytosanitary (SPS) requirements in the markets of developed countries;
- the development and widespread application of new information and communications technologies; and
- the completion of the Uruguay Round of multilateral negotiations and the creation of the World Trade Organization (WTO) on January 1, 1995, with a more comprehensive set of multilateral trading rules with significance for developing countries.

Other important developments during the 1990s, but which may have received less attention at the time, included:

- the large queue of about 50 countries -- many of them former centrally planned economies including China, wishing to accede to the WTO; the implications, for governance and for the business communities in developing and transition economies,
- of the developments of the Multilateral Trading System (MTS);
- the links between trade enabling policy environment and trade development; and
- the broader social and development impacts of trade development.

Recent Developments and the Present Context

The context within which the ITC operates today is different from that of 10 years ago in some important respects. Some trends have intensified while other developments have declined in significance. The most directly relevant development to the technical assistance activities of ITC is the debate about the links between trade and development and the expansion of Trade Related Technical Assistance. There is now within the mainstream international development community a much greater acceptance of the importance of trade enhancement and of business sector support as development tools. At the same time, there has been a substantial expansion in (TRTA), which now runs to several billions of dollars annually (and of which the ITC expenditure constitutes a modest share).

The quantitative aspects of the Trade Related Technical Assistance are considered in another report in this volume, entitled *A Survey of Trade Related Technical Assistance.* In order to provide some context for the recent expansion of TRTA and the shifting technical focus of TRTA both by ITC and by other providers of ITC, the next section reviews briefly broader developments in the Multilateral Trading System.

1.4 Evolution of the Trading System

The substantial move toward greater integration of developing and transition countries into the international trade system has been a major feature of the last decade.[1] The process however has been uneven, both in the implementation of more outward oriented policies and in terms of participation in the expansion of trade and investment. This has important implications for trade and economic policies and for economic development performance. The uneven progress among nations and among socioeconomic groups within nations, in participating in the benefits of global economic development has created social and political concerns.

Increasingly, it has been recognised that there are broader linkages between trade reform and development. These broader linkages and the debate about globalisation are discussed in the next section, but it is important to note here that the debate about the linkages between trade and development has had important implications for both the Doha Development Agenda and the provision of TRTA. The various documents prepared by the multilateral organisations such as the Organisation for Economic Cooperation and Development - Development Assistance Committee (OECD-DAC), the World Bank, bilateral donors such as the United Kingdom Department for International Development, and the European Commission and academic research organisations such as the Centre for Economic Policy Research, all stress the significance of these broader linkages. For example, the Communication from the European Commission, entitled *Trade and Development: Assisting Developing Countries to Benefit from Trade,*

> "stresses the fact that trade can foster growth and poverty reduction and be an important catalyst for sustainable development …In recognition of this…the European Union identified trade as one of the six priority areas for development policy. However trade openness alone is not sufficient to combat poverty….Trade reform must be part of a wider, country-owned poverty reduction strategy"[2].

At the same time it is becoming clearer that the process of trade liberalisation and economic integration involves far more than negotiating further market opening and improving trade rules. It also raises questions about the way WTO commitments apply to developing countries and when and how their obligations are met. Furthermore, the participation of countries in the global economy raises broader issues of the institutional capacity to implement international agreements, and to implement a private sector enabling environment to support economic development in order to benefit from trade. These broader issues of the application of WTO rules to developing countries and the trade-related technical assistance/capacity building to enable them to participate in the global economy – figure prominently in the Doha Development Agenda.

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[1] As in the Terms of Reference, we will use the term developing countries as inclusive of economies in transition.

[2] Commission of the European Communities, *Communication from the Commission to the Council and the European Parliament – Trade and Development: Assisting Developing Countries to Benefit from Trade,* Brussels, 18.9.2002 COM(2002) 513 final, pp5-6.

Historical Context

Before examining this broader debate, it is useful to put these issues into an historical context. How developing countries relate to the international trade system has evolved substantially over the years. The original General Agreement on Tariffs and Trade in 1947 had relatively little explicit consideration of the status of developing countries, despite the fact that several developing countries participated in the London and Geneva negotiations and were original Contracting Parties to the GATT as well as in the subsequent negotiations of the Havana Charter.

The concept of "special and differential treatment of developing countries" began with a number of changes in the GATT instituted in the 1950s. Among these were amendments to Article XVIII, which allowed developing countries to impose quantitative restrictions or quotas for balance of payments or for development purposes.

The differences in trading rules for developed and developing countries were accented in the 1960s with the emphasis on import-substitution approaches to development associated with the creation of UNCTAD, the negotiation of Part IV of the GATT and the development of the General System of Preferences of non-reciprocal liberalization by developed countries.

The Tokyo Round of Multilateral Negotiations reinforced and consolidated this two-tiered trading system in the results of the negotiations. The results included negotiated codes on anti-dumping, subsidies and countervailing measures, technical barriers to trade and customs valuation, which were plurilateral instruments and which most developing countries did not join. The Enabling Agreement, a political statement obtained by a bloc of developing countries at the end of the Tokyo Round, consolidated the concept that developed countries were to open their markets to developing countries on a unilateral non-reciprocal basis with the development of the General System of Preferences and permitted preferential trading arrangements among developing countries which did not qualify under existing GATT rules for regional integration arrangements.

The WTO and the Single Undertaking

A sea change in the attitude of developing countries toward the international trade system began in the late 1980s with the launch of the Uruguay Round of trade negotiations. Also in the 1980s, China pursued the "open-door" policy, with significant implications for its economic development and for global trade. This was followed by the collapse of the Soviet Union in 1990-1991, which had dramatic effects globally and created the challenge of integrating transition economies into the trading system.

During the Uruguay Round a large and active group of developing countries -- motivated by a shift toward more open development strategies as well as by fears of protectionism and unilateralism in developed countries-- took a very different approach to the negotiation of the trading rules. Also among developed countries there was dissatisfaction with the fragmented plurilateral agreements in parallel with the GATT which had emerged at the end of the Tokyo Round. The outcome was the "single undertaking" structure of the

World Trade Organization (WTO), which meant that all WTO members were subject to all of the agreements and all the agreements were subject to an integrated strengthened dispute settlement process. Unlike the Tokyo Round, developing countries could not choose which agreements would apply to them.

Instead an implicit bargain was struck whereby issues such as agriculture and textiles trade, which were of particular interest for groups of developing countries, were brought under stricter application of trading rules while new issues of greater interest to developed countries such as trade in services and protection of intellectual property rights were brought under the WTO.

At the same time, the ambitious approach of developing countries to the WTO was facilitated by transition provisions whereby the challenge of implementing many of the new obligations under the WTO were delayed for extensive periods. These transition provisions also distinguished between developing countries and the least developed countries (LDCs). To a considerable degree the concept of "special and differential treatment" under the WTO was focused on LDCs instead of developing countries more broadly.

Box 1: Selected Transition Provisions in the Uruguay Round

- **Customs valuation** –five years to reform customs legislation and administration
- **Sanitary and Phyto-sanitary Measures** – five year transition provision; LDC's 7 years with case by case extension possibility
- **Subsidies and Countervailing Measures** – 8 years to phase out export subsidies. LDC's have no obligation, an additional 20 countries avoid this obligation if their per capita income is less than USD 1,000
- **TRIPs** – 5 year transition; additional 5 years for pharmaceutical patents; 10 years for LDC's

In conjunction with the "Single Undertaking" of the WTO the dispute settlement process was strengthened compared to the GATT. The dispute settlement process became "automatic" since member governments could not block adoption of panel reports and a new Appellate Body was created to review panel decisions. The procedural changes, the strengthening of the dispute settlement process and the comprehensive scope of obligations under the WTO has made the dispute settlement process more judicial in character. The challenges of participation in the WTO dispute settlement system are very substantial for even large middle-income developing countries and they are greater yet for smaller and poorer countries.

WTO Implementation

The implementation of WTO commitments is not simply an obscure technical administrative matter, although many technical and administrative issues are involved. It is a fundamental issue of when, or in some cases whether, many developing countries will under-

take the reforms in their domestic regimes which will enable them to take advantage of the opportunities that global trade liberalization has to offer.
The formal requirement that all WTO members are subject to the "Single Undertaking" structure means that all members must participate in all the agreements on goods including:

- The Agreements on Trade in Goods - GATT 1994
- Agriculture
- Sanitary and Phytosanitary Measures
- Textiles
- Technical Barriers
- Trade Related Investment Measures
- Antidumping
- Customs Valuation
- Import Licensing
- Subsidies
- Safeguards

The same applies to the General Agreement on Services (GATS) and the Trade Related Intellectual Property agreement in that all WTO members must apply these agreements. In particular, participation in the GATS requires an agreed schedule of covered services that specifies commitments for, and limitations to, market access for different modes of supply for services and commitments for, and limitations to, the application of national treatment to covered services. The TRIPS agreement imposes minimum standards for protection of intellectual property rights and requires that enforcement mechanisms be available to private interests.

The transition provisions associated with the Single Undertaking meant that many of the Uruguay Round commitments did not begin to apply to developing countries until January 1, 2000, and in the case of the least developed countries until 2002 or 2003.

Furthermore in addition to implementation of WTO obligations and negotiated commitments, there are substantial notification and transparency requirements imposed by the WTO. The notifications and transparency requirements including enquiry points require the development and implementation of reliable and thorough administrative procedures. Finally in response to the trade reforms that have been associated with WTO implementation by developing countries, including reduction or elimination of quantitative restrictions, Trade-Related Investment Measures (TRIMS), and non-tariff barriers such as minimum import prices as well as the binding of tariffs, the reform of customs valuation methods and import licensing procedures, has lead many developing countries to implement trade defence instruments in the form of antidumping and/or countervailing duty laws and safeguards laws. Implementation of trade defence instruments under WTO rules requires careful adherence to the very detailed administrative procedural and substantive obligations of the WTO agreements.

Even developed nations with developed trade defence administrations and long experience with administration of trade defence instruments have had their investigations and determinations overturned in the WTO dispute settlement procedures. Thus, the implementation of trade defence instruments poses significant challenges for developing countries.

As a result of the concerns about implementation of WTO obligations and commitments, the Doha Ministerial Declaration launching the Doha Development Agenda contains a lengthy declaration on these implementation issues. The key points are summarised in the following Box.

Box 2. Special Measures for Developing Countries in the Doha Ministerial Declaration

- Further delays in implementation:
- Export Subsidy programs: procedures established for countries wishing extensions to existing transition provisions for those with per capita incomes below USD 1,000
- More latitude in developing country import commitments or subsidies:
- Import Barriers: right to impose quantitative restrictions on trade under Article XVIII of GATT is confirmed
- Agriculture: greater use of subsidies for rural development and food security
- Substantial commitments to technical assistance:

The Challenges for the Least Developed

While some advanced developing and transition economies have effectively used market liberalization to dramatically increase their share of world trade, others have been less successful.

In particular, the 49 mainly sub – Saharan African countries who make up the group of least developed countries have seen their share of world trade steadily decline - from about 3 per cent of world exports in the 1950s to about .8 per cent of world exports in 1980, and about .4 percent by the end of the 1990s.

Various factors account for this: high export commodity concentration coupled with volatile commodity markets; international commodity pricing; declining shares of raw materials in world trade; the small and sluggish manufacturing sector in most LDCs; and the structure of trade barriers facing LDCs' exports in their major markets.

Another possible explanation is that the relatively restrictive trade regimes of some LDCs has contributed substantially to their poor trade performance and reinforced the pattern of low economic growth and persistent underdevelopment.

According to the UNCTAD report analysing the linkages between trade and poverty reduction in LDCs, there is a persistent pattern of imports exceeding exports in LDCs. The report states:

> "An important feature of LDC economies is that they almost all have persistent and high trade deficits. In the period 1999–2001, the trade deficit was over 10 per cent of Gross Domestic Product (GDP) in 25 out of 44 LDCs for which data are available, and over 20 per cent of GDP in 8 of them. Excluding oil exporters, which tend to have trade surpluses, export earnings financed only 65 per cent of the LDCs' imports in those years. For the LDCs whose major exports are agricultural commodities, export earnings covered a mere 54 per cent of total imports. These trade deficits are mainly financed by aid inflows, but workers' remittances are becoming increasingly important."[3]

The large gap between import and export shares of GDP may also suggest a "transfer problem" of absorption of technical assistance funds and non-commercial lending from International Financial Institutions and other forms of debt finance. Thus, yet another factor is the "transfer problem", sometimes referred to as Dutch disease, where aid inflows and remittances serve to increase incomes and to crowd out exports in the LDCS..

While economic growth has been limited in the world's poorest countries during a time when developed and both middle income and other low income developing countries have prospered, this does not imply that a more open global trade regime would not benefit these countries. Nor does it suggest they do not benefit from, or would not benefit from, greater liberalization of trade among developed and more advanced developing countries.

At the same time it is evident that LDCs have serious institutional capacity constraints and need capacity building if they are to fulfil their present WTO obligations and to implement new commitments. More fundamentally LDCs need to strengthen their capacity to create a trade and investment policy environment that will support private sector development and economic growth.

The Doha Development Agenda

The launch of the Doha Development Agenda (DDA) reflected conflicting objectives, on the one hand some countries sought to continue trade liberalisation and to expand the scope of the trading rules, while others sought to delay implementation of commitments from the Uruguay Round. In response to pressure to delay or to avoid implementation of these obligations, the DDA provided more flexibility to modify or delay the implementation of their Uruguay Round commitments on a case by case basis[4].

In part this was a function of the negotiating process; some developing countries were unable or unwilling to implement their WTO commitments according to the schedule required in the transition provisions. It was also however a reflection of the ambivalence of

3 United Nations Conference on Trade and Development, *The Least Developed Countries Report 2004, Linking International Trade with Poverty Reduction*, United Nations, Geneva, 2004, p. 20.

4 Doha WTO Ministerial 2001 : Ministerial Declarations and Decisions, "Implementation-related issues and concerns – Decision of 14 November 2001" WT/MIN(01)/DEC/17 (www.wto.org).

many developing countries to the liberalisation of their economies and the role of integration in promoting their economic development.

It is important to note that both the DDA and the Declaration of the Monterey Conference on Financing Development contain pledges to increased TRTA in order to support trade reforms and trade development in developing countries.

While WTO commitments and TRTA can provide a catalyst for much needed reforms, their implementation also often involves significant policy choices, and in some cases politically sensitive decisions. This inevitably requires time for adjustment in domestic policies. There also may be fundamental problems of domestic political economy which blocks trade reforms that would contribute to economic growth and poverty alleviation.

At the same time the challenges of implementation of Uruguay Round commitments have made many developing countries reluctant to take on new obligations, especially the "Singapore issues" – trade facilitation, trade and competition, trade and investment, and transparency in government procurement. 5 These concerns of many developing countries contributed to the inconclusive result of the Cancun WTO Ministerial.

Regional Initiatives and New Market Access Challenges

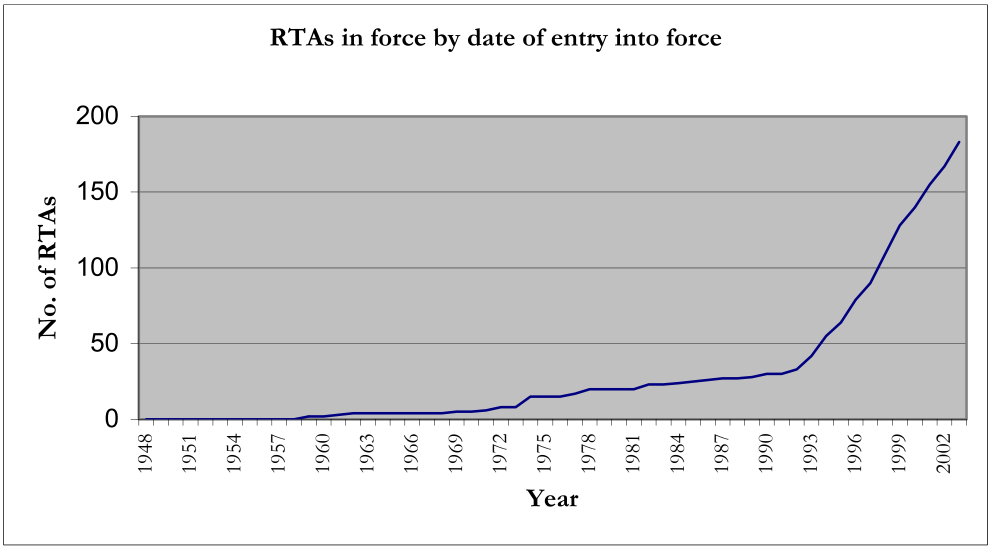
The decade since the establishment of the WTO has seen a number of developments including increased regional integration, the proliferation of trade-defence or trade-remedy laws and the increased use of standards as a means to regulate trade. There are also potential conflicts between trade arrangement and environmental regulation.

Regional Trading Arrangements

The process of regional integration has accelerated in the last decade. The following chart depicts the notifications of regional trading arrangements to the GATT and the WTO.

[5] The term Singapore issues refers to the four issues – trade facilitation, trade and investment, trade and competition, and transparency in government procurement -- added to the work program of the WTO at the Singapore Ministerial in 1996.

Figure 1: Regional Trade Arrangements



Source: WTO, www.wto.org

Delays in the multilateral negotiations under Doha, do not block, and may also act to stimulate, regional trading initiatives with important implications for developing countries.

Examples of such initiatives include:

- The process of enlargement of the European Union to Central and Eastern Europe;
- Implementation of existing regional arrangements such as North American Free Trade Area and Association of South East Asian Nations' Free Trade Area;
- The prospective negotiation of regional trading arrangements between China and South East Asian Nations' Free Trade Area;
- Negotiation of bilateral Free Trade Areas (FTAs) by the European Union (EU) with trading partners such as Mexico as well as negotiations with partners of the European Union Mediterranean Partnership;
- The negotiation of bilateral FTAs by the United States with various countries or groups of countries including Central American countries, Singapore and Thailand respectively;
- The negotiation of the Economic Partnership Agreements under the Cotonou Agreement between the EU and the Africa Caribbean and Pacific countries;
- Prospective regional arrangements in the Asia Pacific Economic Co-operation (APEC) and the Americas;
- Various regional initiatives in Africa; and
- Negotiations within the South Asian Association of Regional Co-operation in South Asia.

The negotiation of regional integration arrangements creates new trading opportunities but some trading partners may lose from trade diversion or through loss of trading preferences. Furthermore rules of origin criteria and administration can have significant implications for trade and investment.

Antidumping and Trade Laws

Before the 1990s, antidumping and countervailing duties as well as safeguards measures were utilised primarily by the larger OECD economies, notably the United States, the European Communities, Canada and Australia, with Japan being a notable exception. Such trade laws were utilised by only few developing countries in part because they had limited tariff bindings. With the more widespread binding of tariffs in the WTO, many developing countries have introduced antidumping and safeguards laws. Countries such as Mexico and India now are heavy users of antidumping laws.

Standards

The decade, since the establishment of the WTO, has seen the use of standards and technical requirements increase significantly as a form of trade regulation. In particular food safety and animal health concerns have given rise to a number of Sanitary and Phytosanitary measures restricting trade or affecting trading opportunities. Issues such as the control of mad cow disease or avian have heightened concerns about food safety on a global basis, while perspectives differ on the potential risks and returns from the introduction of genetically modified organisms.

For developing countries, issues of conformity assessment and certification to meet either technical standards or sanitary and phytosanitary standards, have become much more important factors influencing their access to markets.

Trade and Environment

Over the last decade there has been concerns that trading rules might conflict with environmental regulation. These concerns were sparked by the "tuna-dolphin" dispute in the GATT between Mexico and the United States and a similar issue arose over shrimp-turtle dispute between the United State and a number of Asian countries. There have also been concerns about potential conflicts between trading rules and multilateral environmental agreements.

Implications of the Changes in the Multilateral Trading System

The cumulative effect of the changes in the Multilateral Trading System over the last decade is having significant consequences for the trading environment for developing countries. In the 1960s and 1970s when the ITC was created, the GATT reflected a greater role of developed countries and UNCTAD reflected developing country perspectives on the trading system. There are still differences of perspective among groups of countries on the evolution of the multilateral trading system and these differences have made the Doha Development Agenda negotiations difficult as was evident at the Cancun Ministerial Meeting where different groups of countries took sharply different positions on key issues in the negotiations.

The presence of these negotiating differences is evidence that developing countries are now full participants in the WTO system and are much more active in the Doha negotiations than in any other round of negotiations in the GATT. The changes in the Multilateral Trading System and the Doha negotiations do have implications for the role of ITC which are considered below.

In the next section, the interaction of the changes in the MTS with other changes in the international business environment is considered.

1.5 Changes in Technology, the Global Business Environment and the Role of Foreign Direct Investment

The changes in the international business environment are changing the nature of international economic interdependence and integration. The review of changes in the Multilateral Trading System above in the form of rapid growth of Foreign Direct Investment and outsourcing of services across borders. These new forms of international business are being driven by the convergence of several factors including:

- The global trend to reduction of barriers to trade;
- The continuing decline in transport costs reflecting the effects of technological change;
- The very rapid decline in cost of transmitting information as a result of the digital revolution;
- The growing role of Foreign Direct Investment in linking economies and transferring technology; and
- Competition among countries to attract FDI.

The role of Foreign Direct Investment in Globalisation

The growth of FDI was remarkable on a global basis during the 1980s and 1990s. The inflows of FDI grew at rate of about 25 percent per annum from the mid-1980s until 2000[6]. From 2000 until 2003 there was a sharp cyclical contraction in FDI, but over the last two decades FDI has grown much more rapidly relative to GDP than has been the case with international trade. In turn international trade has grown more rapidly than GDP. Thus while international trade has been a source of growth in the world economy over the last two decades, the surge in FDI has been even more dramatic as a vehicle for global integration.

The significance of this surge in FDI is indicated in the following table, which depicts FDI inflows and the cumulative stock of FDI on a global basis.

Table 1: Foreign Direct Investment Flows and Stocks Relative to World GDP

Ratio	1982	1990	2003
FDI inflows/ world GDP	0.50%	1.07%	1.55%
FDI inward stock/ world GDP	6.78%	8.63%	22.80%

Source: Calculated from Data in Table 1 in UNCTAD, *World Investment Report: The Shift Towards Services,* 2004, p.2.

From Table 1 we can see that even with the cyclical contraction in FDI inflows from 2000 until 2003 that FDI inflows relative to GDP remain well above the levels of the previous decades. Furthermore we can see that the rapid expansion of FDI in the 1990s had

[6] UNCTAD, *World Investment Report 2004: The Shift Towards Services,* Geneva, 2004, www.unctad.org.

a significant cumulative effect in increasing the stock of inward FDI relative to World GDP.

The role of FDI is the most remarkable in the case of China which has become the largest destination for global FDI surpassing the United States. In China the surge in FDI inflows over the last decade has been contemporaneous with a remarkable and unparalleled period of economic growth. During the period 1980 until 2001 real per capita GDP grew at a rate of more than 8 percent per annum.[7] The large FDI inflows have played a key role in supporting the export capacity of China since foreign invested enterprises accounted for about three-quarters of growth in exports during the 1990s.

In considering the changes in the global economic context in the last decade, the development of the information society and the spread of the Internet must be considered important factors. The development of new information technologies has important implications for developing countries and direct relevance to the core competencies of ITC.

Among relevant factors are:

- The disparities in telecommunications infrastructure and Internet connectivity between developed and developing countries, the associated technology deficit and digital divide between the developed and developing world, and the impact that has on ITC's mission.
- The impact of e-commerce in reshaping global trade patterns and creating new possibilities (e.g. in reversing long standing situational or locational disadvantages, c.f. outsourcing of Information Technology (IT) services or business processes).
- The changes in the relative costs of, and access to, business and trade information.

The development of the information society combined with the growing trade integration have resulted in broader changes in business strategies and practices in response to changes in the trade and business environment and in response to the competitive opportunities and challenges associated with the new technologies.

For example, the role of national Trade Promotion Organisations (TPOs) is constantly evolving in the new, e-commerce and internet-based, trading environment. National TPOs traditionally have been the main organisational counterpart to the ITC in beneficiary countries. ITC's relationship with these organisations must be examined, and it must be determined whether they remain the optimal vehicle for the achievement of ITC goals. For example, changes in information and communications technology greatly facilitate self-generated business trade ventures and research, independently of the support network of TPOs.

Furthermore, given the increasing interconnectedness of investment and trade, should national investment agencies be brought more to the fore? In many countries trade promotion and investment promotion functions have been merged, yet ITC does not address

[7] World Bank, *China: An Evaluation of World Bank Assistance,* Washington, DC, 2004, p 2.

investment promotion. In many countries also, the client firm base of TPOs may not be fully representative of the wider prospective export community.

The ITC has responded to concerns about the efficacy of TPOs by working with a broader range of Trade Support Institutions (TSIs). Yet TSIs have their own challenges. These are the issues that we examine in the third chapter in this volume, *Role of Trade-Support Networks.*

The widespread diffusion of information and communications technologies has important implications for developing countries and direct relevance to the core competencies of ITC. Among relevant factors are:

- The disparities in telecommunications infrastructure and Internet connectivity between developed and developing countries and the associated technology deficit and digital divide between the developed and developing world, and the impact that has on ITC's mission.
- The impact of e-commerce in reshaping global trade patterns and possibilities (e.g. in reversing long standing situational disadvantages, c.f. outsourcing of IT services).
- The changes in the relative costs of, and access to, business and trade information.
- Broader changes in business strategies and practices in response to changes in the trade and business environment and in response to the competitive opportunities and challenges associated with the new technologies.

Some of the most prominent factors are:

- The growing interconnectedness of investment and trade flows. Foreign Direct Investment can be a powerful tool for trade development and FDI has been very important in supporting the expansion of exports in regions as diverse as China, Mexico and the Central European economies acceding to the European Union. Over the last decade Foreign Direct investment has grown much more rapidly than international trade, which in turn has grown more rapidly than national economies.
- The development of global supply chains, which have important implications for both marketing and business organisation and quality standards.
- The appropriateness of ITC's focus - in particular on Small or Medium Sized Enterprises (SMEs) and TPOs in light of the changing technologies and business practices.

All of these factors are relevant to the consideration of the present and future role of the ITC. Before addressing these issues for ITC, it is useful to consider the broader linkages between trade and development and current approaches to trade and development.

1.6 Linkages between Trade and Development

In this section, the debate about the links between trade and development is reviewed and the implications of current approaches to development co-operation are considered.

The Debate

Debates have occurred in recent years about the links between trade expansion and/or liberalisation and development. It is not possible to do justice to this debate, but some key issues can be summarised.

The positive view of the role of trade stresses that trade expansion is the most sustainable means to raise living standards and to achieve economic development. Expansion of exports or changes in trade policies that lead to increased imports have economic effects that have more immediate implications for economic activity and income distribution and longer term implications for investment and economic development. The transmission mechanism of increased trade openness to poverty alleviation is mainly through the beneficial effects on productivity and the use of new technology and investment to stimulate economic growth. In addition the reduction of a country's own trade barriers brings benefits to consumers through improved resource allocation, wider consumer choice and declining prices and enhances the competitiveness of exporters in international markets. Often relatively unencumbered access to imports is critical to the competitiveness of exporters.

Empirical research to support the positive perspective on the role of trade is presented by Dollar and Kray and by Frankel and Romer.[8] A more sceptical view of some of this empirical evidence and research is presented by Rodriguez and Rodrik.[9]

This literature has been surveyed by Bhagwati and Srinivasan and they conclude that the issue must be analysed both in the short term and the longer term.[10] In the short term trade liberalization may have negative effects on certain groups in society (these effects can also be positive depending on the circumstances), but in the longer term, the impact of expanded trade on productivity, innovation, and capital accumulation is likely to dominate through economic development.

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[8] Dollar, David and Kraay, Aart, "Spreading the Wealth", Foreign Affairs, 2002, Vol.81 (1), pp.1-13 and Frankel, Jeffrey and Romer, David, "Does Trade Cause Growth?" *American Economic Review*, 1999, 89(3), 379-399.

[9] Rodriguez, Francisco and Rodrik, Dani "Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence," National Bureau of Economic Research (NBER) Working Paper No. W7081, April 1999.

[10] Bhagwati, Jagdish and T.N. Srinivasan, "Trade and Poverty in the Poor Countries" *American Economic Review Papers & Proceedings*, May 2002.

Although the debate can be contentious, there may be more scope for consensus than might be expected. For example, Oxfam in its report, *Rigged Rules and Double Standards: trade, globalisation and the fight against poverty,* states:

> "Experience from East-Asia illustrates what is possible when export growth is broad based. Since the mid-1970s, rapid growth in exports has contributed to a wider process of economic growth which has lifted 400 million people out of poverty. In countries such as Vietnam and Uganda, production for export markets has helped to generate unprecedented declines in the levels of rural poverty. Where export growth is based on labour-intensive manufactured goods, as in Bangladesh, it can generate large income gains for women."[11]

However, the Oxfam report expresses concerns about rapid liberalisation approaches and observes that their research:

> "..demonstrates the fact that the economies that have integrated most successfully into the global economy, such as those in East Asia, have proceeded cautiously with import liberalisation, and placed more emphasis on export promotion."[12]

Empirical evidence has shown that on average over the medium to longer term trade liberalisation does contribute towards poverty alleviation. However, and because the benefits of trade reform are often realised in the longer term, appropriate and properly sequenced complementary policies may well be required to mitigate against any short term negative effects or adverse distributional consequences and to help to maximise the longer term positive development effects. This is why it is so important that trade liberalisation process is incorporated into the national development strategies of the countries concerned, is locally owned and is the result of a consultative national trade policy process involving all stakeholders. This has been the goal of the Poverty Reduction Strategy process (PRSP) at the country level fostered by the World Bank and the International Monetary Fund (IMF) and the Common Country Assessments by the United Nations.

These principles of ensuring that trade integration is supported by complementary policies and by international development assistance that will support the required investments in institutional and human capacity building, these are the central conclusions of the OECD/DAC guidelines on trade capacity building:

> "Trade is not an end in itself. Nor is it sufficient on its own to generate dynamic and sustainable development. But trade can enhance a country's access to a wider range of goods, services, technologies and knowledge. It stimulates the entrepreneurial activities of the private sector. It creates jobs. It fosters vital "learning" processes. It attracts private capital. It increases foreign exchange earnings. Above all, it generates the resources for sustainable development and the alleviation of poverty. The multilateral trading system and international markets have become highly complex.
>
> And far more than "stroke of a pen" efforts to cut tariffs, the new elements of the MTS require major investments in institutional and human capacity—and a multidimensional strategy for integrating into the global economy. Developing countries need to frame a broad set of trade initiatives within an appropriate Macroeconomic environment and a comprehensive approach to development. They also need to be active in exercising their rights and obliga-

11 OXFAM, *Rigged Rules and Double Standards: trade, globalization and the fight against poverty,* OXFAM International, Oxford, 2002.
12 Ibid. p.123.

> tions in the multilateral trading system. But they cannot achieve these objectives without substantial support from the international community."[13]

In the so-called "first wave" of trade related technical assistance after the creation of the WTO, the focus was primarily concerned with the administration and management of trade policy. At a more basic level it was focused on explaining to government officials the agreements and how to implement them. Faced with the challenge of implementing the Uruguay Round and the Agreements under the WTO, the focus was on supporting implementation. This is sometimes referred to as the 'first wave' response to trade related technical assistance and included activities to:

- Help countries to become members of the WTO;
- Assist countries to implement the Uruguay Round Agreements under the WTO;
- Support countries to participate in the WTO process; and
- Assist countries to promote exports within the new trading context.

The focus was very much on explaining the Agreements to government officials and this was and continues to be the major focus of the training and technical assistance activities of the WTO and UNCTAD. The ITC became involved in organising seminars for, and providing guides for the business community in developing countries.

By mid-2000 it became clear, both from experience and from broader policy debates in various fora, that unless trade was 'mainstreamed' into the overall development and poverty reduction efforts, with trade issues being considered alongside supply side issues (see box below), then the real benefits of trade liberalisation would not in fact be realised.

Consequently with the 'second- wave' response post-2000 there has been a renewed focus on structural supply side issues including a focus on human, institutional, and productive capacity and trade related infrastructure (such as SPS laboratories, product standards and product certification and customs facilities).

Taken in its broadest sense a consensus has emerged among major donors and shared with beneficiary countries that TRTA should be fully integrated into the overall development effort of the partner country and represented in national development strategies such as the Poverty Reduction Strategy Process. Only by doing this will it be possible to give trade the appropriate priority within the country and to ensure that there is national commitment and ownership of trade reforms.

The Challenges

Countries wishing to improve their trade performance, to participate effectively in the multilateral trading system and to ensure that trade development will lead to economic growth and poverty alleviation face three main challenges:

- The ability to effectively negotiate and to implement multilateral and regional trade agreements.

13 DAC, *The DAC Guidelines : Strengthening Trade Capacity for Development,* OECD, Paris, 2001, p. 15.

- The ability to formulate and implement appropriate trade policies together with the necessary supporting complementary measures and institutions. This involves establishing a trade policy process able to assess and weigh up the implications of trade reform (for example tariff reductions).
- The ability to address supply-side constraints and ensure a positive response from the private sector to improved market access and domestic policy reform.

These are the points addressed in the *DAC Guidelines for Strengthening Trade Capacity for Development,* which have been summarised as follows:

> "Trade capacity building, …enhances the ability of policymakers, enterprises and civil society in developing countries to:
>
> • Collaborate in formulating and implementing a trade development strategy embedded in a broader national development strategy. This means establishing a trade policy process with broad stakeholder participation that can set agendas and identify clear objectives.
>
> • Increase the volume and value-added of exports, diversify export products and markets and increase foreign investment to generate jobs and exports. This involves strengthening trade policy institutions as well as raising the potential of enterprises to seize trading opportunities as they emerge.
>
> • Participate in – and benefit from – the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce. This requires active participation in the WTO and other trade negotiation forums to promote the country's own trade interests."[14]

The issue of supply side constraints does raise the broader issues of the linkages between international trade and development, since supply side constraints are linked to basic developmental challenges in the domestic as well as in the international economic sphere.

The ITC's interventions are directed often at supply-side issues, but clearly a broad range of development assistance initiatives are directed at various aspects of supply-side constraints and ITC interventions are only a subset of this larger range of development assistance activities[15].

[14] OECD Policy Brief, "Trade Capacity Building: Critical for Development", *OECD Observer,* 2003.

[15] For example support to Education serves to address supply side constraints in increasing exports and enhancing the use of technology in developing countries.

Box 3: Supply-side issues – What are they?

The term 'supply side issues' covers the capacity/ability of developing countries to supply goods and services - ie the productive capability of the country. In trade terms questions that may be considered is - can the country take advantage of improved market access conditions? Does it have the productive capability and what is holding it back? Supply side issues therefore cover the whole range of development issues including: an appropriate legal and regulatory framework which is conducive to private sector development; development of well functioning financial, land and labour markets to ensure entrepreneurs have access to factors of production; the development of appropriate infrastructure to ensure timely input supply and to facilitate exports, as well as longer term issues concerning the development of human capital and improving productivity.

Mainstreaming Gender

Promoting Gender balance has long been recognised as a priority in sustainable development. The DAC adopted *Guiding Principles to Aid Agencies for Supporting the Role of Women in Development* in 1983 and revised them in 1989. The original DAC *Guiding Principles* had been focused primarily on incorporating special expertise, projects and activities with respect to women in development into development co-operation policies and programmes. During the 1990s, reflecting the Beijing Conference on Women in Development and subsequent dialogue, there was a shift in approach. The new approach emphasised a much stronger emphasis on gender equality as a development objective, and on the mainstreaming of gender issues as integral to locally-owned development strategies.

The *DAC Guidelines for Gender Equality* state:

> "Major new emphases include:
> - a shift in emphasis from women as a target group to *gender equality as a development objective;*
> - an emphasis on *mainstreaming* gender equality issues into policy formulation, planning and evaluation, and decision-making procedures;
> - establishment of effective partnerships with local authorities, civil societies and external partners to secure *locally owned* strategies in this field; and
> - an emphasis on the *supportive role* of *DAC Members* in advocating the implementation of international agreements." [16]

There are particular challenges in mainstreaming gender for the ITC. There are two dimensions in which gender could be a significant dimension of ITC programming. First as the debate about trade and poverty alleviation indicates, trade expansion by industries intensively employing women will have positive effects on their economic status. Second there are particular challenges faced by woman entrepreneurs in many societies in terms of lack of security of property rights and lack of access to capital markets, that may make it more difficult for these women entrepreneurs to benefit from the technical assistance and capacity building activities supported by ITC that target enterprises that are potential exporters.

The Role of International Organisations

16 Development Assistance Committee of the OECD, *DAC Guidelines for Gender Equality and Women's Empowerment in Development Co-operation*, Paris, 1999.

The perception by donors of the various international organisations involved in TRTA, or in activities related to TRTA, is an important factor in influencing the allocation of funding to support trade and development. The following box reflects the perceptions of the European Commission and thus reflects the perceptions of a major donor of TRTA of the capacities of international organisations.

Table 2: Overview of Main International Organisations Working in Trade Related Assistance

Name	Activities and expertise
World Bank	Trade issues are considered in a broader economic and social context of development and investment-related policies. Creation and dissemination of a core knowledge base that combines policy-relevant research, advocacy, capacity building, training and operational support for trade at the country-level, including networking to link think tanks and trade policy makers, in-country.
IMF	Trade policy advice provided either in the context of country surveillance and/or programme support and considered in a broader economic and social framework. Normally will include an assessment of the key complementary policy requirements to support in-country trade reform – notably in fiscal policy and the adequacy of social safety nets. Trade-related technical assistance focused primarily on trade facilitation issues (customs administration) but also on external trade data collation.
ITC	Emphasis on enterprise-oriented aspects of trade policy and trade promotion such as business implications of multilateral and regional agreements, private sector involvement in trade policy and management of regulation-related issues by businesses. Hands-on training, assistance in data collation, analysis and institutional matters to favour private sector capability in trade policy-making, managing of regulatory issues in trade and compliance.
UNCTAD	Policy analysis on trade and investment – advocacy of developing country interests. Analysis of trade policy options in the context of economic development. Trade related technical assistance includes training and support in trade negotiations and implementation of commitments, accessions advice and customs administration.
UNDP	Trade policy options considered in the broader context of economic and social development. Complementary policy analysis to support trade reform. Sector specific trade assistance, in areas such as agriculture, fisheries, tourism and textiles. Private sector engagement in trade policy-making.
WTO	Emphasis on the WTO agreements. Factual information on WTO rights and obligations of developing countries and progress in trade negotiations. Training and consultation to assist developing country members in applying the Agreements and using the WTO mechanisms.
UNIDO	United Nations Industrial Development Organization. Emphasis on assisting developing countries in the trade policy environment with a focus on industrial development . Key areas of expertise include trade facilitation and standards.
UNECE	United Nations Economic Commission for Europe. Main focus is trade facilitation although is involved in industry and enterprise and the development of standards and harmonisation policies.
UNEP	United Nations Environment Programme. Main focus on integrated assessment of trade liberalisation and trade related policies as well as some training activities through joint UNEP and UNCTAD programme – Capacity Building Task Force.
WIPO	World Intellectual Property Organization. Focus on intellectual property and the development of intellectual property systems.
WCO	World Customs Organization. Key area of trade facilitation with a focus on enhancing the efficiency and effectiveness of customs administrations. Promotes international harmonised customs procedures.
EPO	European Patent Office. Key area Intellectual property. European body with strong links with WIPO.
CEN	European Centre for Standardisation. European standards body with key focus on harmonising world standards.
EOTC	European Organisation for Conformity Assessment. Independent and non-profit making European body established by the Commission, the European Free Trade Association and the European Standards Bodies. Key focus on promoting and developing mutual recognition of standards.
FAO	Food and Agriculture Organization. Policy expertise in agricultural reform and impli-

cations for rural development and food security. Provide policy advice and training manuals and programmes.

Source: European Commission, Guidelines for Trade Related Assistance, May 2003.

To this list we can add additional international organisations identified by the OECD survey of Trade Related Technical Assistance and Capacity Building (TRTA/CB). These additional organisations include:

- Asian Development Bank -- support for policy and institutional reforms, trade financing, trade facilitation, research capacity building, implementation of WTO, and participation in international negotiations;
- APEC - support for improving the capacity of member economies to implement trade agreements and other measures that facilitate trade, and participate actively in trade negotiations;
- European Bank for Reconstruction and Development – support for trade facilitation in Central and Eastern European Countries and Commonwealth of Independent States countries and support for trade finance including capacity building;
- Organization for Economic Cooperation and Development; development of the TRTA/CB data base and policy dialogue with non-member countries;
- United Nations Development Programme; support for linkages between trade, human development and the Millenium Development Goals (MDGs), analytical work to improve the trade negotiating position, linking trade and PRSPs, facilitating donor co-ordination and South-South co-operation, management of the Integrated Framework (IF) trust fund, and sharing of knowledge on trade capacity development experiences;
- United Nations Economic Commission for Latin America and the Caribbean; support for capacity building of Latin American and Caribbean governments to define national and regional interests and to put them forward in negotiating fora and establish more coherence between trade policy and environmental policy to enhance sustainable development; and
- United Nations Economic and Social Commission for Asia and the Pacific; support for increased understanding of WTO agreements and regional trading arrangements, facilitate accession of economies in transition and developing countries to the WTO, and promoting the exchange of experience in enterprise development, investment promotion, and trade facilitation.

Indeed this list of international organisations is not exhaustive in terms of those that have significance for trade and development. For example specialised agencies such as the International Telecommunications Union have a role on issues related to the digital divide in development. Furthermore there are regional organisations such as the Commonwealth Secretariat, La Francophonie or the Organisation for American States, which also have a significant role in TRTA.

The Millennium Development Goals

The overall linkage between trade support and trade capacity building initiatives and broader efforts aimed to support global development is mediated by broader objectives.

Certainly the Millennium Development Goals, which are endorsed by the international development community, are relevant and important in this context of identifying overall goals. Furthermore, we can note that ITC has or is developing activities related to issues of common concern in the UN system.

The Millennium Declaration, signed by all 189 members of the United Nations in September 2000, has led to the adoption of a set of eight Millennium Development Goals, reflecting the objectives and targets of various international conferences and much international development experience. They represent a consensus of the world community on achieving specific outcomes within a specific time frame. Together with a set of related Targets and Indicators, they focus on the core objectives of:

- Poverty reduction;
- Human development; and
- Environmental sustainability.

They address poverty in all of its dimensions, and provide a focus for targeted results and the monitoring and evaluation of those results. They also add a further dimension – the need for:

- A stronger and results-oriented global partnership for development.

The Millennium Development Goals are summarised in the following table.

Box 4: Summary of Millennium Development Goals

GOAL 1: Eradicate extreme poverty and hunger

- Target 1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
- Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger

GOAL 2: Achieve universal primary education

- Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

GOAL 3: Promote gender equality and empower women

- Target 4. Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015

GOAL 4: Reduce child mortality

- Target 5. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

GOAL 5: Improve maternal health

- Target 6. Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

GOAL 6: Combat Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome, malaria and other diseases

- Target 7. Have halted by 2015, and begun to reverse, the spread of HIV/AIDS
- Target 8. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases

GOAL 7: Ensure environmental sustainability

- Target 9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
- Target 10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water
- Target 11. By 2020, have achieved a significant improvement in the lives of at least 100 million slum-dwellers

GOAL 8: Develop a global partnership for development

- Target 12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system includes a commitment to good governance, development, and poverty reduction – both nationally and internationally
- Target 13. Address the Special Needs of the Least Developed Countries Includes: tariff and quota free access for LDC exports; enhanced programme of debt relief for Highly Indebted Poor Countries (HIPC) and cancellation of official bilateral debt; and more generous Overseas Development Assistance (ODA) for countries committed to poverty reduction
- Target 14. Address the Special Needs of landlocked countries and small island developing states (through Barbados Programme and 22nd General Assembly provisions)
- Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- Target 16. In co-operation with developing countries, develop and implement strategies for decent and productive work for youth
- Target 17. In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
- Target 18. In co-operation with the private sector, make available the benefits of new technologies, especially information and communications

The Millennium Declaration was followed by other major international meetings in Doha and Monterrey in 2001 and 2002, which contributed to a shared understanding of the broad strategies and policies needed to achieve the MDGs.

As was noted previously, both the DDA and Monterrey Declaration included pledges for increases in TRTA to support trade reform and trade development in developing countries. Since these conferences and their declarations are important for TRTA in general and for ITC in particular, each is reviewed below.

Doha Development Agenda

In the review of the Trading System above, some of the key technical and policy issues related both to the implementation of WTO rules and commitments and the ongoing negotiations under the Doha Development Agenda were discussed. There were also specific commitments made in the DDA declaration for TRTA. In paragraphs 38 and 39, the DDA Declaration stated:

"38. We confirm that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system, and we welcome and endorse the New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration. We instruct the Secretariat, in coordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to Members and Observers without representation in Geneva. We reaffirm our support for the valuable work of the International Trade Centre, which should be enhanced.

39. We underscore the urgent necessity for the effective coordinated delivery of technical assistance with bilateral donors, in the OECD Development Assistance Committee and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable. In the coordinated delivery of technical assistance, we instruct the Director-General to consult with the relevant agencies, bilateral donors and beneficiaries, to identify ways of enhancing and rationalizing the IF for Trade-Related Technical Assistance to Least-Developed Countries and the Joint Integrated Technical Assistance Programme (JITAP)."[17]

The Doha Ministerial Declaration had significant implications for the provision of Trade Related Technical Assistance. The quantitative aspects are reviewed in the report *Survey of Trade Related Technical Assistance.* In addition to the specific, if somewhat vague, mention of the ITC in the Doha Declaration, there was after Doha an increase in the provision of TRTA. Indeed, a special data base was developed for the measurement of TRTA. This database is the tool that is utilised in the *Survey of Trade Related Technical Assistance.*

[17] World Trade Organization, *Ministerial Declaration,* Ministerial Conference, Fourth Session, Doha, 9-14 November, 2001, (WT/MIN(01)/DEC/1).

Managing for Development Results

The International Conference on Financing for Development held in Monterrey in March 2002 provided new impetus for a strengthened partnership between both developing and developed countries and the international development agencies. The Monterrey Consensus underscored a shared responsibility for achieving development results such as those embodied in the Millennium Development Goals. A key part of the partnership is the emphasis on strengthening development effectiveness, in its many aspects.

A joint statement of the presidents of the principal multilateral development banks at Monterrey called for better measuring, monitoring and managing for results, moving beyond a narrow focus on processes and outputs in traditional development projects. They called for a focus on results throughout the development process, from strategic planning through implementation to learning and accountability on project and programme completion. This Managing for Development Results agenda has since been the subject of two major international roundtables involving many development agencies, most recently in February 2004 at Marrakech.

Action is being taken within the global community in three areas:

- Strengthening country capacity to manage for results, recognizing that developing countries must manage their development processes to achieve desired outcomes. This means defining the development results they want to attain and working in partnership with development agencies, civil society and other stakeholders to design policies and programmes to attain those results.
- Improving the relevance and effectiveness of aid, recognizing that, for most development agencies, a results-based approach requires a shift in organisational culture to go beyond input delivery and output quality to focus on the achievement of intended outcomes. Agencies are increasingly shifting their internal incentives to address sustainable country results in their daily work, and developing reporting systems on results and on agencies' contribution and performance in delivering results on the ground.
- Fostering a global partnership, recognizing that more effective partnerships are needed to support countries in assessing progress on the MDGs and other national goals and in reducing the burden of multiple agency-driven project requirements and monitoring and evaluation systems.

The third of these action-oriented areas has given rise to the Harmonization and Alignment agenda, with major commitments entered into by 43 donor countries, multilateral and bilateral development agencies, regional organizations and partner countries in the Rome Declaration in February 2003 and the Paris Declaration on Aid Effectiveness in 2005;[18] made commitments to improve the management and effectiveness of aid in two significant ways:

[18] The High Level Forum in Rome in February 2003, issued the *Rome Declaration on Harmonization,* and the High-Level Forum on Aid Effectiveness in Paris, February 28-March 2, 2005, issued the *Paris Declaration on Aid Effectiveness*. See www.aidharmonization.org. There was broad participation by donor and beneficiary countries, by the United Nations and various UN organizations, and the Multilateral Development Banks (MDBs).

- By harmonizing donor policies, procedures and practices around strengthened partner country systems.
- By aligning assistance around partner strategies and priorities, such as those set out in national poverty reduction strategies.

This reflects a shift from traditional aid coordination in its various forms to harmonization in-country and joint approaches to the design and delivery of development programmes and projects, centred on systems of the recipient. This Aid Alignment and Effectiveness agenda is now a new and more focused agenda for international aid coordination and dialogue that builds on earlier initiatives including the DAC to promote aid effectiveness and the United Nations Development Assistance Framework.

The current emphasis on aid harmonization and alignment to achieve results is both an opportunity and a challenge for the ITC and for other multilateral agencies. The opportunity derives from the potential for more aid to be channelled through multilateral agencies. The challenge is that the emphasis on achieving results will require significant changes in the management and accountability frameworks for the ITC and other UN agencies.

1.7 Analysis and Findings

Assessment of the ITC Response and Role

It is noteworthy that the statement to the JAG identified the comparative advantage of ITC a decade ago; technical assistance related to the multilateral trading system was not mentioned. However, programming related to supporting business understanding of the MTS and public-private partnerships and dialogue about the MTS have become important elements of the ITC programming.

The ITC has responded proactively to the developments in the Multilateral Trading System and its role in technical assistance has evolved significantly. In particular ITC has developed a whole new role for technical assistance related to the business understanding of the multilateral trading system. The ITC programmes include World Tr@de Net and the Business for Development Series of seminars. These programmes developed out of a series of seminars for business people and government officials organised by the ITC in the 1990s to contribute to greater awareness among the private sector in developing countries about the implications of changes in the multilateral trading system with the creation of the WTO. With greater participation of developing countries in the multilateral trading system, the enterprises and business associations have a greater interest in public-private dialogue and business advocacy about the trading system. The ITC has responded to these emerging needs quite effectively.

In addition to the MTS related activities and networking, the Executive Forum programme addresses the mainstreaming of trade development into export and development strategies. These are all programmes that are new within ITC and which seem to be very relevant to the current trade and development context within which ITC is operating.

Within this overall context, the developments in the MTS were of greatest direct relevance to the evolution of the role of the ITC. After the creation of the WTO in 1995, the role of the ITC was adapted to the new configuration of international organisations. In particular, there were discussions among the WTO, UNCTAD and the ITC about their respective roles, and new approaches were developed for co-operation among these agencies.

The Joint Integrated Technical Assistance Program, which was a specific response to a proposal at the meeting of African Trade Ministers in Tunis in October 1994, reflected a different approach to supporting African LDCs to meet the challenges of participation in the trading system with the creation of the WTO. The JITAP, which involved collaborative identification activities among the organisations, was launched as a joint activity of the WTO, UNCTAD and the ITC in 1998. The WTO and UNCTAD are partners with ITC in JITAP, which in phase I operated in eight African countries, and an additional eight countries were added in phase II launched in 2003. A broadly positive evaluation of JITAP was carried out in 2002, although a number of issues were raised in the evaluation.

The launch of the IF represented a similar shift of approach, in recognition of the shortcomings of a piecemeal approach to trade related development. The political impetus for the IF came from the 1996 Singapore WTO Ministerial Declaration, which called for a high level meeting on LDCs involving the WTO, UNCTAD and the ITC. The IF was formally launched at the high-level meeting on LDCs at the WTO in late 1997. The IF recognises the interdependencies involved and the need for an integrated approach, with the ITC's emphasis on trade promotion combined with the respective strengths of the World Bank, the IMF, WTO, UNCTAD and UNDP. In turn the IF is also intended to be a catalyst for bilateral TRTA projects in the participating countries.

The result of the launch of JITAP and the Integrated Framework is that ITC has a new delivery channel which it did not have a decade ago, and the division of labour for ITC is relatively well defined among the three Geneva-based organisations in the case of JITAP and the six agencies involved in the Integrated Framework.

The ITC does face a challenge in mainstreaming poverty alleviation and gender equality goals. The ITC has innovated with a particular programme entitled Export Led Poverty Reduction Program to address poverty challenges in particular groups in society. Yet it is difficult to measure the results of other ITC programmes on achieving either poverty alleviation or gender equality goals.

Conclusions and Recommendations

Overall, the ITC has adapted well to the challenges arising from the changes in the multilateral trading system and relatively well to developments in the international business environment. In particular, ITC has been innovative with the World Tr@de Net, Business for Development and Executive Forum in using its networking capacities to address new challenges facing the private sector and the private-public interface in developing countries in the evolving trading system.

After a decade of retrenchment in the 1990s, the ITC has developed new products and networks and has received increased funding as the overall level of funding for Trade Related Technical Assistance has increased in recent years. It is evident, however, that there are challenges for the ITC in the Future.

Implications for the Future of ITC

Implications for the Organisation

Paradoxically the ITC, as with other UN organisations and agencies, faces a challenge with the emphasis on Managing for Results that flows from the MDGs and the Monterey Consensus. The United Nations Secretariat has provided the institutional support to these initiatives, but the management and accountability frameworks of the UN are fundamentally geared to measure inputs and monitoring input processes. Recent events such as the controversial oil for food program for Iraq, will likely lead to tighter oversight on this traditional basis. The United Nations has announced the plan to move towards Results Based Management, and the ITC has embraced this approach as well. Yet implementing Results-Based Management in the UN agencies in general and in ITC in particular, will require a fundamental reorientation in the management and accountability frameworks.

Managing for Results

There is a particular challenge for ITC to manage for results since ITC is working extensively with, and through, intermediary organisations in beneficiary countries. In order to measure better results from ITC activities and interventions, more information and data need to be collected on a regular ongoing basis from the intermediaries about the results achieved in the organisations themselves and in the results achieved by end-user enterprises that benefit from the services provided by the intermediary organisations. This is an issue that is examined in the Evaluation Report assessing the *Role of Trade Support Networks* in this volume.

Cross-Cutting Issues

There are challenges for ITC to address cross-cutting issues including poverty alleviation and promotion of gender equality. The challenges of measuring results from ITC activities and interventions are greater in the case of the cross-cutting issues and objectives. Apart from the Export-Led Poverty Reduction initiative, it is difficult to pinpoint the effects of ITC activities on specific socio-economic groups suffering from poverty. The challenges are also great with respect to gender since it is necessary to determine the extent to which end-user enterprises are employing women and to determine if ITC programmes and activities are benefiting women entrepreneurs. Since ITC programming is targeting SMEs that are currently exporting or likely to have export potential, adjustments in the programming focus will be needed to reach women entrepreneurs. Since women entrepreneurs often lack clear property rights and access to capital markets, their activities tend to blend into the informal sector and as a result, may have less opportunity to benefit from ITC programming.