“Aid for Trade”  
For Least Developed Countries (LDCs)  
From an International Relations Theory Perspective  

By  
Carolina Urregro Sandoval  
Student ID: 20110680  

Least Developed Countries Map  
Source: (UNCTAD, 2011)  

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<tr>
<td>AfT</td>
<td>Aid for Trade</td>
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<tr>
<td>ALDCs</td>
<td>Africa, Least Developed Countries and Special Programmes</td>
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<td>EIF</td>
<td>Enhanced Integrated Framework</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>IPoA</td>
<td>Istanbul Programme of Action</td>
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<td>ITC</td>
<td>International Trade Center</td>
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<td>LDC</td>
<td>Least Developed Country</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UN-DESA</td>
<td>United Nations Department of Economic and Social Affairs</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>WTO</td>
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“Aid for Trade”
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Summary
This paper is an attempt to briefly discuss the importance of integrating Least Developed Countries (LDCs) into the multilateral trading system; achieving the Istanbul Programme of Action goals (IPoA) and why addressing the effectiveness of aid, especially after the 2008-09 crisis has become a priority. Thus, it seeks to identify the rationale behind the Aid for Trade (AfT) Initiative lunch in 2005. To this end, it uses an International Relations Theory perspective to analyze “small” countries within the international system and focuses on the role of global governance, multilateralism, International Organizations (IOs) and regimes. I suggest that the Initiative might not be addressing the fundamental concerns within the trading and aid systems. Thus, I conclude that due to its growing importance, it is necessary to move beyond the descriptive stage into analyzing specific aspects of the design and implementation process. Therefore, more independent research and analysis at the political and project level should be encouraged.

Key words: LDCs, Aid for Trade, International Relations, Development, International Organizations.

INTRODUCTION

Along its four sections this paper tries to answer the question: what is the rationale behind the Aid for Trade (AfT) initiative for Least Develop Countries? Thus, it first, explores the main characteristics of the Least Developed Countries (LDCs) category; second, presents the links of the relationship between trade and poverty reduction; third, identifies the goals and purposes of the Initiative within the current development discourses and fourth, applies an International Relations Theory perspective to analyze “small” countries within the international system focusing on the role of global governance, multilateralism, International Organizations (IOs) and regimes.

At the core of this document lies the idea that the focus on the trade policy discussion has moved from a trade-driven approach to development to a development-driven approach to trade and that International Organizations are powerful actors in global politics. It
elaborates on the principles of the Doha Mandate that suggests a new development-oriented and inclusive globalization and provides the work programme for UNCTAD for the next four years, spelling out the key challenges facing developing countries and the policies required, at global as well as national levels, to address them. Thus, trade is seen as a powerful means for poverty reduction if it leads to greater productive capacities and employment opportunities that particularly benefit the poor. Consequently, in order to allow LDCs to harness the opportunities that trade creates for poverty reduction, it is essential that they are equipped with strong human, analytical and institutional capacities to assess and identify trade opportunities, challenges, and formulate and implement adequate trade policies and strategies, to build the required productive capacities and effectively compete in international markets. Thus, a comprehensive, inclusive and pro-poor trade strategy is an important ingredient to this process and can make a significant contribution to the achievement of the Internationally Agreed Development Goals.

SECTION I: Who are the Least Developed Countries?

According to the UN classification currently 48\(^1\) countries are defined as Least Developed. 33 are located in Africa, 14 in Asia and the Pacific, 1 in Latin America and the Caribbean. The list includes 16 landlocked countries and 11 small islands. The Least Developed Countries (LDCs) category comprises low-income countries which face severe structural impediments to growth. Indicators of such impediments are the high vulnerability of the countries’ economies and their low level of human capital (UN, 2008). By being part of this category LDCs are recognized as the most vulnerable members of the international community which faced severe structural handicaps to growth. LDCs’ members can graduate from this category only after their development prospects have significantly improved and they can sustain their development path (UN, 2008:5).

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\(^1\) The United Nations General Assembly, on 18 December 2012, adopted a resolution confirming the addition of South Sudan to the list of Least Developed Countries (LDCs). This admission, which took effect immediately, increased the number of countries benefiting from LDC status to 49. (UNCTAD, 2012).
In an effort to achieve this goal, the Istanbul Programme of Action (IPoA) for Least Developed Countries for the Decade 2011–2020 was launched. Its main goal is to overcome the structural challenges faced by the LDCs, to eradicate poverty, achieve internationally agreed development goals, and enable half of the 48 LDCs to graduate out of this category by 2020 (WFP, 2011). UNCTAD’s annual Least Developed Countries Report publication provides a comprehensive and authoritative source of socio-economic analysis and data on these countries and uses a combination of geographical and structural criteria to identify them, as follows:

**African LDCs and Haiti:** Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia.
Asian LDCs: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People’s Democratic Republic, Myanmar, Nepal, Yemen.

Island LDCs: Comoros, Kiribati, Samoa, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu.

SECTION II: Trade and Poverty

Nowadays, trade and financial liberalization are prominent features of globalization and international trade has increased dramatically in recent decades as flows of goods and services are crucial for achieving sustained growth in developing countries. Alongside trade, growing flows of capital across national borders could significantly contribute to economic growth and poverty reduction. Although, trade is only an aspect of the wider development process, in many developing countries it has been an engine of growth and a mean for poverty reduction (Santos-Paulino, 2012a). It is important because exports and imports facilitate a process of sustained economic growth, the development of productive capacities and expansion of employment opportunities and sustainable livelihoods. When looking at the relationship between output growth and poverty for developing countries, the evidence suggests that the faster countries growth, the faster poverty rates will fall. However, if economic growth is unequally distributed, its effects on poverty reduction would be less. Thus, as argued by UNCTAD in The Least Developed Countries Report 2002 and 2004 a key to poverty reduction is rapid, sustained and inclusive economic growth.

Notwithstanding the potential role of globalization in accelerating economic growth through greater integration into the world economy, the impact of globalization on poverty reduction has been uneven. It is suggested that trade liberalization could lead to faster growth in average incomes, and that growth increases the incomes of the poor "proportionally" thus leading to decreased absolute poverty. But despite significant

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2 It is understood as the reduction of trade barriers for imports and exports.
liberalization efforts, some developing countries, notably LDCs have failed due to several factors including the lack of structural transformation in terms of production and trade, weak productive capacity and failure to generate productive employment. In most of the LDCs growth has been concentrated in industries such as extractive or commodity dependent, which has not resulted in job creation and structural changes. Therefore, it can be identify that there is a clear link between dependence on primary commodity exports and the incidence of extreme poverty. According to the results obtained by Santos-Paulino & Thirlwall (2004: 1) in one of the most comprehensive studies on the issue: liberalization stimulated export growth but raised import growth by more, leading to a worsening of the balance of trade and payments, to the extent that it constrained the growth of output and living standards. These findings have had important implications for the sequencing and degree of liberalization countries should undertake and have strongly influence the current discourse of trade as a mean for poverty eradication. Consequently, it is nowadays suggested by several authors (UNCTAD, 2002, 2012; Stiglitz, 2012; Santos- Paulino, 2012a) that even though trade can play a powerful role in reducing poverty, it is not necessary linked to liberalization, since it is only one of many options and needs to be carefully analyzed for each country. It is rather suggested that the national and international policies which can facilitate trade should be rooted in a development-driven approach instead of an only a trade-driven once.

SECTION III: Aid for Trade (AfT) and Development

In the middle of a failing Doha Round and as a result of a crisis in the global trading system (Charlton & Stiglitz, 2012:9) during the 2005 World Trade Organization (WTO) Ministerial meeting in Hong Kong, the Aid for Trade (AfT) Initiative was born. Its reported aim is to encourage developing countries’ governments and donors to recognize the role that trade can play in development. In particular, the Initiative seeks to mobilize resources to address trade-related constraints. As part of the AfT agenda, the Enhanced Integrated Framework (EIF) was reviewed and re-lunched as a global partnership
involving LDCs, donors and partner agencies\. It is supposed to support LDCs to be more active players in the global trading system by helping them tackle obstacles to trade by mainstream trade policies into national development strategies; setting up structures needed to coordinate the delivery of technical assistance and to promote trade capacity building.

The initiative was welcomed by the development community since it brought a new approach towards building productive capacities. It is important to keep in mind that aid has not often been provided for philanthropic objectives but rather for political or strategic reasons. There is an ongoing debate over the challenges, legitimacy, accountability, effectiveness and purpose of aid. As part of the discussion, in a group one can find the supporters of a “big push” that claim for more aid especially for Africa (Sachs, 2005; Sachs et al., 2004). On the other, those who argue that aid is not effective and has worsened the problems (Easterly, 2006); that even though it may still be part of the solution, left alone it will fail in addressing the needs of the world’s poorest people (Collier, 2007; Sumner, 2011). Others argue that it is actually part of the problem or even the problem and thus it should be cut in half (Calderisi, 2007) or even entirely (Moyo, 2009). Another group claims for new practices since the established ones have failed during the last 50 year and have created dependency (Banerjee, et al, 2011; Princhet et al. 2010, 2012; Birdsall, 2007).

However, Aid for Trade does not substitute other Official Development Assistance (ODA) disbursements but rather calls for more resources. It is directed to 4 groups of activities: building productive capacity, economic infrastructure, trade-related adjustment and trade policy and regulations. As presented in Graph 3 most the disbursements have gradually increased and have been directed to Infrastructure and Trade Policy Regulations, followed by far for Building Productive Capacity projects. Unfortunately, there is almost no information available about Trade-related Adjustments, thus, its participation cannot be since in the graph.

\*3 See Annex III: EIF partner agencies.
Nowadays AfT accounts for 25 per cent of total ODA (OECD, 2011). Its disbursements have grown steadily since it was launched in 2005 and for the LDCs it has almost doubled (UNCTAD, 2012). Graph 4 presents the resources directed to LDCs per region and clearly shows that Africa has been the main recipient followed by Latin America and the Caribbean, Asia and Oceania.
In order to benefit from the Initiative, LDCs are supposed to: first, mainstream trade priorities into national development plans and Poverty Reduction Strategy Papers (PRSPs) to contribute to strengthened supply capacities to trade. Second, mobilize resources for trade-related projects, and to advocate for the country’s trade-related needs. Thus, it is supposed to contribute to the medium-term objectives of generating more productive employment and thus, more income for more people, building stronger economic resilience and structural transformations. As well as, the long term goals of a beneficial engagement in the international trading system, reducing poverty and graduating from this category.

However, research and recent policy evaluations suggest that greater awareness, understanding and the integration of trade into national development strategies, together with better aligned and harmonized donor processes are necessary but insufficient to improve the performance of trade and support faster growth and poverty reduction (Stiglitz, 2012; Santos-Paulino, 2012a). As far as LDCs are concerned, the review of the mechanism does not seem to indicate that Aid for Trade is, as yet, an effective tool for poverty reduction.

SECTION IV: An International Relations Theory Perspective

Along this section key analytical and theoretical tools from International Relations Theory elements are used to analyze: First, the role and importance of international organizations such as UNCTAD and the WTO within world politics; second, how they interact with different actors within the global governance field in the 21 century; third, the main characteristics “small” countries within the international system and thus, the rationale behind the Aid for Trade Initiative. I specially subscribe to Susan Strange, the well-known International Relations and International Political Economy theorist who suggests that given the recent transformations of the global economy it is both unnecessary and undesirable to keep International Economics, Development and International Relations separated.
Multilateralism
International Organizations such as the WTO that promoted the creation of the AfT initiative and others that support its activities i.e. UNCTAD, UNDP, the World Bank, ITC which follow the principles of multilateralism which is defined by Ruggie as an institutional form that coordinates relations among three or more states on the basis of generalized principles of conduct: that is, principles which specify appropriate conduct for a class of actions, without regard to the particularistic interest of the parties that may exist in any specific occurrence. (Ruggie 1993:11). Contrary to Mearsheimer ‘s (1994) arguments, the paper assumes that institutions influence states’ behavior and provide an important basis for global governance through a system of authoritative rules at the international level by defining, constraining, and shaping actors’ expectations in different domains. Therefore, they are powerful actors in global politics who can have independent effects on the world and they can influence not only discrete outcomes but also the constitutive basis of global politics (Finnemore & Sikkink, 1998). It is also acknowledges that as bureaucracies, sometimes, they can be inefficient and ineffective, situations that undermine their stated goals. More recently Adams & Luchsinger (2012) argued that many more actors have entered the debate in the past decades, demanding a more inclusive space to share relevant insights and to influence decision-making processes. Although many multilateral organizations have opened their doors to actors such as civil society, the private sector and academia, many voices remain under-represented, including those of sub-national governments and social movements.

Global Governance
The inclusion of new actors has become a key issue to Global Governance since as stated by Rosenau (1995:13) it is conceived to include systems of rule at all levels of human activity - from the family to the international organization -in which the pursuit of goals through the exercise of control has transnational repercussions” (1995:13). In this sense, The paper builds on Rosenau’s four constitutive elements of global governance: systems of rules, which exists where a number of mechanisms are in place, relate to each other and regulate or have an impact on the norms, expectations, and behavior of various actors; the
pursuit of goals, in which interactions should be considered a phenomena of global governance only if they are intentional, that is, if they relate to the individual or collective pursuit of goals; levels of human activity and transnational repercussions, these include local, subnational, national, international and transnational. I also agree with Biersteker’s approach (2009:3) who suggests that Global governance entails decisions that shape and define expectations (controlling, directing, or regulating influence) at the global level. But even though, it constitutes a system of authoritative rule or rules that function and operate at the global level, it does not required to be universally practiced or recognized as legitimate. It merely requires being widely share and practice on a global scale by relevant and important actors (Alker et al., 2009).

**Small States**

It is important to acknowledge that most of the IR literature has been mainly based on the behavior and interest of big powers and do not clearly explain the international behavior of small states and especially Least Developed Countries (LDCs). There is a wide consensus among IR scholars that are interested in small states that they have been ignored and under-research by prevailing IR theories (Holbraad, 1971; Christmas-Møller, 1983; Wæver, 1998; Ingebritsen, 2006). In very limited instances where international politics of small states are mentioned, the states that are described as “small” are so, only relative to their neighbors or larger powers with which they are compared. For example, in *Power and Interdependence*, Keohane & Nye (2011) discuss the asymmetrical relationship between the U.S. on the one hand and Canada and Australia on the other. Australia and Canada are small only when compared to the US. Thus, The key assumption has been that it is a combination of size, material resources, economic development, geographic location and military power what determines the extent to which smaller states enjoy the capacity to perform as a resistant rather than vulnerable, and active rather than passive role within the international system (Vital, 2006 [1967]).
Even today, it is notable that a lot of attention has been paid to European small states (Ingebritsen, 2006). Although, the idea that countries with small populations and GDP levels comparable to the richest and most powerful large countries should be considered “small” is somewhat problematic. Wealthy, economically diversified and relatively large Scandinavian countries, share few of the vulnerabilities that characterize the realities of for example, LDCs. Apart from the issue of differences in sizes of the states, there are several other dimensional differences that characterize global politic-economic system and there is an international hierarchy of growing complexities, discontinuities and inequalities that has not yet been clearly addressed.

Apart from the issue of differences in sizes of the states, there are several other dimensional differences that characterize global politic-economic system and there is an international hierarchy of growing complexities, discontinuities and inequalities that has not yet been addressed. Ingebritsen for example, offers five main reasons why IR should expand its analysis of small states and in my opinion also LDCs as an important group for study. First, he recognizes the fact that small states have greater freedom for maneuver than classic international relations theorizing suggests; Second, smaller players can play more innovative roles that larger countries; third, influential small states can provide examples to others because of their exclusion from the ‘formal corridors of power’; fourth, small states do not set the rules of the international game, so they can fly under the radar to influence system operation in ways that are, at present, poorly understood; and, fifth, small states have a crucial moral role to play in illuminating power abuses by bigger players (Ingebritsen, 2006 (1967).

**International Regimes**
As presented in the previous section, International Organizations play an important role within the world politics and economic spheres and are in many cases promoters of regimes. Regimes are understood as ideas and rules about how states should behave. A vast literature explains the conditions under which regimes are created, maintained and destroyed. Most approaches see regimes as being created through state-to-state
negotiations with states acting as self-interest, goal seeking actors pursuing the maximization of individual utility (Hasenclever et al, 1997). Some regimes have a strong legal framework which compels states to obey rules by the threat of economic sanctions. The World Trade Organization (WTO) represents a clear example, since its creation in 1995 it has become the main promoter of trade integration and liberalization and has established a clear set of trade rules. Many scholars have lately begun to focus empirically on the relative constraints and opportunities that small states derive from the complex web of asymmetrical power relations that shape their engagement with international regimes and institutions. Thus, it is suggested that in many cases states participate in regimes that are not ideal because the cost of conflict outside the regime is greater than the bad deal they get inside the regime (Keohane, 1984). This is the particular case of Developing Countries (DCs) and Least Developed Countries (LDCs) who prefer to be members than to operate outside of the WTO and the trade regime.

After the Uruguay Round, the most ambitious trade liberalization in history. Developing countries accepted substantial liberalization of their trade regimes. It covered tariff and non-tariff barriers in industrial and agricultural goods and extended multilateral rules to new areas, including services and intellectual property. But soon, it became evident that the process was unbalanced. The final terms reflected, in large part, the priorities of the advanced countries. Market access gains were concentrated in areas of interest to the developed countries including services, intellectual property and advanced manufacturing. Far less progress was made in areas of interest to the “poor” countries such as agriculture and textiles. The effect was to concentrate tariff reductions on products exported by the rich countries (Stiglitz, 2012). Laird (2002) estimated that after the implementation of the Uruguay Round Commitments, the average OECD tariff on imports from developing countries was four times higher than on imports originating in the OECD.

Developed countries had also maintained non-tariff barriers and other protectionism including agricultural subsidies and phyto-sanitary conditions which effectively limited the competitiveness of farmers and some other producers in poor countries. After the
pressure made by LDCs, new market access preferences were negotiated in order to extend the existing Special and Differential Treatment (S&D) Provisions. Unfortunately, these initiatives have had a limited impact on beneficiary countries’ exports due to trade-related constraints. Nowadays LDCs’ share of global trade does not even reach 1%.

**CONCLUSIONS**

International Relations theory offers a clear view of the rationale behind not only the AfT initiative but most of the Official Development Aid given to developing and Least Developed Countries. At the same time, it calls for attention over the role of LDCs as non-very active players within the international system and under the established parameters. But most importantly, it is suggested that due to the growing importance of this Initiative, it is necessary to move beyond the descriptive stage into analyzing specific aspects of the design and implementation process. There are not many publications that clearly define either the process of mainstreaming trade, the projects’ characteristics or the assessment tools in an operationally useful way. Thus, it easily leads to misinterpretations and a growing number of critics. Furthermore, its effectiveness and mechanisms are yet to bear tangible outcomes across all objectives, and in some cases, the reported results are inconclusive (Roethlisberger & Santos-Paulino, 2011; Cali & Te Velde, 2010). Some others claim that Aid for Trade has failed to live up to its promise of additional, predictable and effective finance to support developing countries integration into the global economy.

More importantly, Aid for Trade might not be addressing the fundamental concerns within the trading and aid system that gave rise to it and complementary mechanisms should be adopted (Charlton & Stiglitz, 2012:15). Most of the literature about AfT and mainstreaming has been provided by the same IOs that promote it (WTO, UNCTAD, and UNDP). For example, UNCTAD (2002:229) and UNDP (2011:17) identify mainstreaming as a process which is designed to ensure that trade policy, trade-related
technical assistance and capacity building needs are articulated in a broad development context. Related to AfT, for the most part, the measurement and evaluation of the Initiative have come from self-assessment (WTO, 2011; OECD/WTO, 2011). Cali & Te Velde (2010) provide some measurements of the results of AfT in trade performance. Consequently, it might not be addressing the fundamental concerns within the trading and aid system I consider that more independent research and further analysis at the political and project level should be encouraged.

Total number of words: 4998
Annex 1: List of EIF Partner Agencies and Donors

OTHER DEVELOPMENT PARTNERS

- TRADEMARK SOUTHERN AFRICA
- TRADE FACILITATION & FACILITY (TFF)
- COMMON MARKET FOR EAST & SOUTHERN AFRICA
- STANDARDS & TRADE DEVELOPMENT FACILITY (STDF)

23 Donors

- AUSTRALIA
- BELGIUM
- CANADA
- DENMARK
- ESTONIA
- FINLAND
- FRANCE
- GERMANY
- HUNGARY
- ICELAND
- IRELAND
- ITALY
- JAPAN
- LUXEMBOURG
- NORWAY
- REP. OF KOREA
- SAUDI ARABIA
- SPAIN
- SWEDEN
- SWITZERLAND
- TURKEY
- UNITED KINGDOM
- UNITED STATES
REFERENCES


