



The Logic of Aid For Trade

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Five uses of Aid for Trade

1. To cover adjustment costs generated by preference erosion.
2. To cover adjustment costs felt by net food importing nations.
3. To cushion macroeconomic adjustments created by trade reforms, including lost tariff revenues.
4. To finance supply side and administrative investments that countries "must" make to benefit from the opportunities created by multilateral trade reform.
5. To finance some of the new resource-intensive commitments that developing countries may take on in the Doha Round.

2

Apparent rationales for Aid for Trade: Analytical considerations

1. National under-investment in supply side capacity.
 2. Compensating losers—Pareto improvements.
 3. Redistributing gains from multilateral trade reform.
- Normative considerations.
 - Ends should influence means.

3

Practical considerations concerning Aid for Trade

1. Incentives of donor aid ministries.
 - Focus on poverty reduction.
 - Value added from multilateral approaches?
 - Relabelling of many aid projects as aid for trade.
2. Capacity of developing countries
 - To make bids for Aid for Trade.
 - To effectively absorb Aid for Trade.
3. Funds available inevitably fall short of potential needs.
 - Link to Doha Round conclusion: Fact and Fiction.
 - On what basis should priorities be made: What, How, By Whom, For Whom?

4