

## AID FOR MORE THAN JUST TRADE: THE CASE FOR A ROLE FOR THE WTO IN DEVELOPMENT AID

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### I INTRODUCTION

The Doha Round of trade negotiations has seen the role of developing countries, and the issue of development, rise to a level of prominence far greater than ever before. In the initial efforts to start a new negotiating round in the mid-to-late 1990s, the themes and topics discussed mirrored closely those of prior rounds, such as lowering trade barriers and subsidies, and the possible expansion of the trade regime to new areas. For example, an important issue was whether and how to extend World Trade Organization ('WTO')<sup>1</sup> disciplines to areas such as investment and competition policy. However, progress was notoriously difficult. At the Ministerial Conference in Seattle in 1999, there were massive street protests by WTO critics and WTO Members failed to reach agreement on a framework for negotiations. The problems in Seattle were of both an external and internal nature. The external problems were the objections to the WTO voiced by NGOs and other outsiders. The internal problems were based on disagreements among Members about the direction the WTO talks should go.

At the next Ministerial Conference, in Doha, Qatar in 2001, the round was recast as the 'Doha Development Agenda'. Making 'development' the nominal focus was surely an attempt to ease the North–South divide that had been a

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1 Established pursuant to the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) ('WTO Agreement').

partial cause of the internal Seattle discord.<sup>2</sup> But a simple name change was not enough to smooth over the differences. At the next Ministerial Conference in Cancún, Mexico in 2003, a group of developing countries famously opposed agreement on going forward.<sup>3</sup>

During this time, the treatment of developing countries in the multilateral trading system continued to play a prominent role in the ongoing talks, as two key issues now focused on developing country concerns: (1) the ability of people in poor countries to access generic medicines to fight diseases like AIDS; and (2) the impact of rich country agricultural subsidies on farmers in poor countries. Some progress has been made on the former; the latter remains an important reason for the current impasse in negotiations.

The difficulty in finding a resolution to the agricultural subsidies issues is clearly one of the main impediments to completing the round. However, the sense among the developing world that the system is unfair to them more generally is a factor as well. Because of this concern, there is a low level of support for the system among many developing countries, especially the least developed countries ('LDCs'). At best, it could be said that much of the developing world is being pulled along in the Doha negotiations; with a few exceptions, they are certainly not pushing for an agreement.

One recent effort to address some of the concerns of developing countries is the package of technical assistance programs that has come to be known as the Aid for Trade initiative. Broadly speaking, Aid for Trade represents an attempt by the WTO, along with other organisations, to promote economic growth in poor countries by enhancing their ability to experience benefits from trade. In essence, it carves out a narrow role for the WTO in development aid, focusing on aid that relates to trade. As explained in more detail below, Aid for Trade can have important benefits for developing countries in terms of making trade a more effective tool for growth.

In this essay, I argue that while Aid for Trade is important, limiting the WTO's role in aid to 'trade related' aid is an artificial and outdated approach. Presumably, the underlying goals of Aid for Trade are twofold: to help developing countries improve their economic wellbeing by making sure they benefit more from trade, and to encourage them to participate in and support the global economic system. In my view, the WTO could be more effective in both

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2 Former US Trade Representative Charlene Barshefsky has referred to development as a 'false pretense' for the Round: 'The round was launched on essentially false pretenses [when it] was called a development round. ... [T]here may have been the broad "intention" on the part of the wealthy nations to make this a development round, but their ability to execute has always, in important respects, been absent – something clear from the outset, rhetoric aside. At the end of this process, what will undoubtedly be portrayed as an important victory will, I believe, be far less than what it should have been had the wealthy nations genuinely pursued a development round': See Daniel Altman, *Charlene Barshefsky on Doha* (2007) Managing Globalization Weblog – The International Herald Tribune <<http://blogs.iht.com/tribtalk/business/globalization/?p=342>> at 19 August 2007.

3 There was a memorable Economist cover depicting this graphically. See The Economist, *The Charming Outcome of the Cancún Trade Talks* (20 September 2003) <[http://www.economist.com/printedition/cover\\_index.cfm?edition=&year=2003&quarter=3](http://www.economist.com/printedition/cover_index.cfm?edition=&year=2003&quarter=3)> at 19 August 2007.

of these areas by playing a larger role in development aid, outside the context of just 'trade'. The result will be a greater impact on development, as well as a greater likelihood of getting developing country support for the system in general and, more specifically, for completing the Doha Round.

In setting out this argument, I begin with some brief background on the historical treatment of development issues in the *General Agreement on Tariffs and Trade* ('GATT')<sup>4</sup> and WTO, followed by an overview of the Aid for Trade initiative. I then set out my proposal for broadening the scope of the initiative beyond just aid that is for 'trade'. I argue that while Aid for Trade is a good idea, the WTO should extend its efforts and promote the use of development aid more generally. Specifically, the WTO should use the 'bully pulpit' to persuade the relevant domestic government agencies and international organisations, and even private citizens, to give more money for development aid. In addition, it can also participate in the administration and allocation of this aid money. By taking on these tasks, I argue that the WTO will be promoting good policy (encouraging more development aid) in a way that has the additional benefit of being good politics (enhancing developing countries' faith in the system and giving them a reason to push forward with the Doha negotiations). Lastly, I address some likely criticism, skepticism and questions relating to this proposal.

## II A BRIEF HISTORY OF ECONOMIC DEVELOPMENT ISSUES IN THE GATT/WTO

Multilateral trade rules have long recognised the importance of economic development in the context of the world trading system. As explained in this section, economic development issues have always played a role, and this role has increased over time.

In the original *GATT 1947*, many of the Contracting Parties were rich countries, but there were a quite a few poorer countries as well: Brazil, Burma, Ceylon, Chile, China (which soon left the *GATT*), Cuba, India, Lebanon, Pakistan, Southern Rhodesia, Syria and South Africa.<sup>5</sup> The participation of some of these countries can be attributed to their connections to colonial powers, but others were parties in their own right.

While the *GATT* did not address development in great detail,<sup>6</sup> it did make reference to the issue. Article XVIII was titled 'Adjustments in Connection with Economic Development', and stated that the *GATT* Contracting Parties recognised that government assistance may be required to promote industrial or agricultural development, and deviation from *GATT* rules was permitted in this

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4 For the most recent, and current, version of the *GATT*, see *WTO Agreement*, above n 1, annex 1A (*General Agreement on Tariffs and Trade*) 1867 UNTS 190. For the original version of the *GATT*, see *General Agreement on Tariffs and Trade*, opened for signature 30 October 1947, 55 UNTS 187 (entered into force 29 July 1948) ('*GATT 1947*'). Note, however, that *GATT 1947* has been subsumed into the latest 1994 version of *GATT*.

5 See *ibid* for full the list of signatories.

6 More detailed rules had been included in Chapter III of the Havana Charter, which never came into force. See Chapter III, *Final Act of the United Nations Conference on Trade and Employment: Havana Charter for an International Trade Organization*, UN Doc E/CONF.2/78 (1948).

regard. This Article was redrafted in the 1950s, with more detailed provisions added and a change in title to ‘Governmental Assistance to Economic Development’.<sup>7</sup>

As developing nations continued to press their concerns, both within *GATT* and in other fora like the United Nations Conference on Trade and Development (‘UNCTAD’),<sup>8</sup> the industrialised countries agreed to additional rule changes in favour of promoting development. In the 1960s, Part IV of the *GATT*, titled ‘Trade and Development’, was added.<sup>9</sup> Article XXXVI:3 of this section states: ‘There is need for positive efforts designed to ensure that less developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development’. These provisions also set out general principles and specific commitments designed to promote development.

By the time of the *WTO Agreement* in 1994, the number of developing country Members had increased significantly, encompassing a large majority of the 128 countries who had signed on to the *GATT*. At this time, the principle set out in Article XXXVI:3 was elevated, in essentially identical form, to the Preamble of the *WTO Agreement*.

As described in the introduction, in the late 1990s the *WTO* negotiations went through a difficult period. Various internal and external issues arose which stalled progress in the talks. Partly as a way to get the talks moving, the agenda of the negotiations was refocused on development in order to gain the support of the developing countries. In 2001, the Doha Development Agenda (‘*DDA*’) was launched.

The *DDA* is, of course, mainly a typical trade negotiating round, covering a range of issues. However, economic development is emphasised to a greater degree than in previous rounds. For example, the Doha Ministerial Declaration states:

International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. The majority of *WTO* Members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play.<sup>10</sup>

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7 John Jackson, *World Trade and the Law of GATT* (1969) 638–40.

8 UNCTAD was established in 1964 as a permanent intergovernmental body. It is the main organ of the UN General Assembly dealing with trade, investment and development issues: UNCTAD <<http://www.unctad.org>> at 7 September 2007.

9 Jackson, above n 7, 640–8.

10 *Ministerial Conference: Fourth Session (Doha 9–14 November 2001) – Ministerial Declaration, Adopted on 14 November 2001*, *WTO Doc WT/MIN(01)/DEC/1* (2001) [2].

In addition to these general statements on the importance of economic development, recently a particular issue related to development has risen to a prominent place in the WTO: the Aid for Trade initiative. The next section provides some background on this initiative.

### III THE AID FOR TRADE INITIATIVE

The conceptual thinking behind Aid for Trade emerged largely in response to the completion of the Uruguay Round. This round had a greater impact on developing countries than previous rounds had, for several reasons: there were more developing countries involved; both the scope and impact of the rules were much greater than before; and due to the single undertaking form of the final agreement, developing countries took on greater commitments than in the past. As a result, concerns were expressed about the ability of developing countries to implement and, also, benefit from the new rules. To address this, a number of technical assistance programs were developed, both inside and outside the WTO, to support developing countries with their needs in relation to the WTO Agreement. The various initiatives and assistance programs eventually became known as 'Aid for Trade'.<sup>11</sup>

At the outset, this assistance was dispersed throughout a number of organisations. However, recently the WTO has formalised its efforts relating to Aid for Trade and taken a leading role. The legal framework was set out in the December 2005 Hong Kong Ministerial Declaration. In this regard, Paragraph 57 of the Declaration states:

We welcome the discussions of Finance and Development Ministers in various fora, including the Development Committee of the World Bank and IMF, that have taken place this year on expanding Aid for Trade. Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA. We invite the Director-General to create a task force that shall provide recommendations on how to operationalize Aid for Trade. The Task Force will provide recommendations to the General Council by July 2006 on how Aid for Trade might contribute most effectively to the development dimension of the DDA. We also invite the Director-General to consult with Members as well as with the IMF and World Bank, relevant international organisations and the regional development banks with a view to reporting to the General Council on appropriate mechanisms to secure additional financial resources for Aid for Trade, where appropriate through grants and concessional loans.<sup>12</sup>

Thus, without defining Aid for Trade in detail, the Declaration explains that its aim is 'to help developing countries, particularly LDCs, to build the supply-side

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11 See Organisation for Economic Co-operation and Development ('OECD'), *The Development Dimension: Aid for Trade – Making it Effective* (2006) 23–5 <<http://www.oecd.org/dataoecd/27/14/37198197.pdf>> at 22 July 2007.

12 *Doha Work Programme*, WTO Doc WT/MIN(05)/DEC (2005) [57] (Ministerial Declaration – Hong Kong Ministerial Conference).

capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements and more broadly to expand their trade'. It also calls for the WTO's Director-General to set up a task force to recommend ways to 'operationalize' the program.

This task force was established, and it issued its report in July 2006.<sup>13</sup> The task force report explained that:

Aid for Trade is about assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access. Effective Aid for Trade will enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries.<sup>14</sup>

The report then explained the scope of Aid for Trade, as follows:

The scope of Aid for Trade should be defined in a way that is both broad enough to reflect the diverse trade needs identified by countries, and clear enough to establish a border between Aid for Trade and other development assistance of which it is a part. Projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies.<sup>15</sup>

The report notes that the following categories of Aid for Trade, building upon the definitions used in a Joint WTO/OECD Database, have been identified:<sup>16</sup>

- Trade policy and regulations such as training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.
- Trade development such as investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development.
- Trade-related infrastructure including physical infrastructure.
- Building productive capacity.
- Trade-related adjustment.
- Other trade-related needs.

Many of these categories are somewhat vague, setting out only a very general notion of what will be involved. The key elements are: 'training of trade officials'; 'support for national stakeholders to articulate commercial interest and identify trade-offs'; 'institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and

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13 *Recommendations of the Task Force on Aid for Trade*, WTO Doc WT/AFT/1 (2006) ('Aid for Trade Report').

14 *Ibid* 1.

15 *Ibid* 2.

16 *Ibid*.

standards'; 'investment promotion'; 'analysis and institutional support for trade in services'; 'business support services and institutions'; 'public-private sector networking'; and 'market analysis and development'. Most of these seem to involve training and similar forms of assistance. More concrete projects may be included in such categories as 'physical infrastructure' and 'building productive capacity', although these, too, are rather vague.<sup>17</sup>

The report also sets out a number of recommendations, including: (1) a global periodic review of Aid for Trade should be convened by a monitoring body in the WTO; (2) an annual debate on Aid for Trade should be convened in the WTO General Council; (3) the establishment of reporting by recipient and donor countries, as well as multilateral and regional actors and the private sector; and (4) inclusion of Aid for Trade in Trade Policy Reviews.<sup>18</sup>

Finally, the report sets out the following 'next steps' to be taken, which include: (1) urging Members to expeditiously implement the recommendations of the Task Force; (2) urging the Director-General to use these recommendations in pursuing his mandate to consult on 'appropriate mechanisms to secure additional financial resources for Aid for Trade' so that the joint mandate in Paragraph 57 of the Hong Kong Declaration can be implemented in a holistic manner; (3) communicating the recommendations to relevant agencies and organisations; (4) establishing an ad hoc consultative group to take forward the practical follow-up of the recommendations; (5) examining how to implement the recommendations regarding WTO monitoring of Aid for Trade; (6) convening an initial review of Aid for Trade; and (7) having the WTO Secretariat conduct an assessment of associated Aid for Trade needs and of how Aid for Trade can contribute to the development dimension of the DDA.<sup>19</sup>

At around the same time the report was issued, the DDA negotiations hit a very rough patch and were suspended. With the status of the DDA as a whole unclear, WTO Director-General Pascal Lamy 'underscored the importance of moving forward on Aid for Trade despite the setback in the negotiations'.<sup>20</sup> Thus, it appears that Aid for Trade will be moving ahead regardless of what happens with other aspects of the negotiations.

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17 For a general definition of Aid for Trade, see Julia Nielson, 'Aid for Trade' in Richard Newfarmer (ed), *Trade, Doha, and Development: Window into the Issues* (2006) 323, available at <<http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1126812419270/27.AidForTrade.pdf>> at 19 August 2007.

18 Aid for Trade Report, above n 13, 8.

19 Ibid 9.

20 WTO, *Lamy: Round Failure Would Hurt Developing Countries More than Others* (2006) <[http://www.wto.org/english/news\\_e/news06\\_e/gc\\_10oct06\\_e.htm](http://www.wto.org/english/news_e/news06_e/gc_10oct06_e.htm)> at 19 August 2007; The International Centre for Trade and Sustainable Development ('ICTSD'), 'GC: Members Endorse Recommendations on Aid for Trade, SVEs' (2006) 10 (33) *Bridges Weekly Trade Digest* <<http://www.ictsd.org/weekly/06-10-11/story2.htm>> at 29 August 2007.

#### IV TAKING DEVELOPMENT SERIOUSLY: A PROPOSAL TO EXPAND THE WTO'S ROLE IN DEVELOPMENT AID

Since Aid for Trade will be going forward, it is worth giving some thought to the appropriate scope of the WTO's role in development aid. The Aid for Trade initiative is an admirable one as finding productive ways to use development aid is critically important. It thus makes sense for those with trade expertise to use their knowledge and resources to help poor countries improve their ability to benefit from trade. With the complexity of today's trade agreements, the growth of national trade bureaucracies, and the utilisation of new trading technologies, trade is much more complicated than it was in the past. Assistance on these matters is therefore extremely useful.

At the same time, though, I believe that taking such a narrow approach is a missed opportunity for trade ministers to make an important contribution to economic development. The Task Force report refers to a 'border' between Aid for Trade and other development assistance and emphasises that only 'trade-related' development be included.<sup>21</sup> In the same vein, Director-General Lamy has made clear that the 'aim [of Aid for Trade] was not to turn the WTO into a development agency'.<sup>22</sup> In my view, however, limiting the WTO's role in aid to matters that relate to trade, as the Aid for Trade initiative does, is an artificial and outdated notion, and misses the chance to do some very positive things for the poorest of the poor. In this section, I offer a proposal for expanding the WTO's role in aid beyond its current narrow reach.

While I agree that the WTO should not become a 'development agency', I believe it can do more than it currently does. In this regard, I argue for two specific efforts by the WTO in the area of development. First, the WTO should take on the *cause* of development, and development aid specifically, to a much greater extent than it has. Specifically, I think the WTO should use the 'bully pulpit' to argue for more development aid. And second, the WTO should be more involved in the administration and allocation of aid, to ensure that it goes to the most worthy projects. More details on both of these suggestions follow below.

Before turning to the details, though, let me explain that when I say 'the WTO', I refer to a number of people and groups. First and foremost, there are the various domestic trade, finance, foreign affairs and other ministries who effectively run, and make up, the WTO. These are the people who focus the agenda of the WTO and do most of the negotiating work. In addition, there is the Director-General of the WTO who, along with his Deputies, has an important role in promoting the overall goals of the WTO and helping the Members work

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21 Aid for Trade Report, above n 13, 2.

22 ICTSD, 'GC: In Speech on Aid for Trade, Lamy Stresses Monitoring and Evaluation' (2006) 10(43) *Bridges Weekly Trade Digest* <<http://www.ictsd.org/weekly/06-12-20/story2.htm>> at 29 August 2007. Director-General Lamy did note the complexities of defining Aid for Trade though, as 'the line between trade-related assistance and overall aid is a blurry one. For instance, infrastructure aid could well boost countries' ability to participate in international commerce. Yet, all infrastructure spending should not end up eligible to be classified as aid for trade'. An OECD study of Aid for Trade also notes the complexity of establishing a clear line in this regard: OECD, above n 11, 27–33.



towards these goals. The Director-General is the public face of the WTO and can be very influential in shaping the WTO's business, in particular trade negotiations. Finally, there is the WTO Secretariat, which does much of the day to day work necessary to run the organization.

I will now offer some details on the two ways I believe that the WTO can and should play a greater role in development aid: the bully pulpit, and administration and allocation of aid.

### A The Bully Pulpit

The term 'bully pulpit' was coined by US President Theodore Roosevelt. It describes a public office of sufficiently high rank that, due to its stature and publicity, provides the holder with an opportunity to speak out and be listened to on any matter. In Roosevelt's case, the reference was to the Presidency itself as a 'bully pulpit'. He 'often used the word "bully" as an adjective meaning superb/wonderful'.<sup>23</sup> Roosevelt's specific statement in this regard was: 'I am accused of preaching, but I have got such a bully pulpit'.<sup>24</sup> In other words, he was asking, how could he not take advantage of such a great 'platform' to argue for what he believed in? The office of the Presidency was a great position from which the public policy debate could be guided and the agenda could be set. Roosevelt recognised that despite the power of the American presidency, he faced significant limits on what he could do. He could not simply pass any law he wanted. To the extent that he could encourage Congress to pass legislation of a particular kind, he of course did so. In addition, though, when he could not achieve this sort of concrete result, he argued more generally for certain principles he believed in.<sup>25</sup>

The WTO, despite its many critics, commands a great deal of respect among key decision makers in government and business in the developed world. Like Theodore Roosevelt, however, the WTO has only limited power to act. The limits are different in degree and kind, of course, but there is a parallel here. While the WTO cannot simply order up more development aid, the WTO is in a good position to use the 'bully pulpit' to argue for more development aid.

If WTO officials and national trade and other ministers from developed countries would make calling for more development aid a consistent priority – in a sense, campaigning for it – it would provide added support for the cause of development and could have a powerful impact on the amount of aid that is given. What is needed is to push reluctant ministries and parliaments, as well as domestic constituencies more generally, to commit to giving more development aid. There is a good case to be made for boosting the amount of aid that is given, but it is sometimes ignored because of the sources who are making the argument, who are often NGOs or development aid agencies. If the voices of well respected government and business people were added, this could have an important impact

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23 C-SPAN Congressional Glossary, *Definition: 'Bully Pulpit'* <<http://www.c-span.org/guide/congress/glossary/bullypul.htm>> at 29 August 2007.

24 Ferdinand Cowle Iglehart, *Theodore Roosevelt: The Man as I Knew Him* (1919) 410–11.

25 For example, he denounced corruption and argued for non-discrimination in relation for immigrants: *Ibid.*

on the debate. United States Secretary of the Treasury Paul O'Neill famously did a tour of Africa with Bono to campaign for issues like debt relief and fighting the AIDS crisis.<sup>26</sup> Pascal Lamy, Susan Schwab and Peter Mandelson can play a similar role in talking about development aid.

To be clear, I do not think there is a need for a formal program related to aid within the WTO, although adding some formal aspects would not hurt. Rather, what I am suggesting is a more informal campaign. It could be called the Trade Campaign for Aid, or words to that effect. The focus would be on persuading others to act.

## **B Administering and Allocating Development Aid**

In addition to advocating for more aid, the WTO can help with the administration of development aid. It has been very difficult over the years to make development aid effective. (Section VI of this article, which, in part, discusses the effectiveness of aid and the issue of what development aid should be used for, addresses this to some extent.) Thus, more analysis of what works and what does not is always helpful. The WTO can contribute to the administering of aid by helping evaluate what has been done previously so as to assess how aid programs should be carried out in the future. The WTO Secretariat, though a lean organisation, has a number of people whose expertise can be utilised to examine the best uses of aid.

In addition, it may make sense to deal with all development aid as a 'single undertaking', so to speak. As noted, Aid for Trade is a valuable contribution. But is it more or less valuable than other projects, such as new hospitals or schools? To make sure aid is offered in a balanced way, it is useful to have some degree of centralisation, or at least cooperation and discussion, in the aid allocation process.

## **V DUAL BENEFITS: MORE AID AND GETTING THE DOHA ROUND BACK ON TRACK**

There are two reasons for the WTO taking on these efforts in relation to development aid: (1) development-related reasons such as increasing the amount of aid that is given and improving its administration and allocation; and (2) trade-related reasons, in particular getting the Doha Round moving again. I discuss each of these below.

Turning first to the development-related reasons, there are two sub-categories: the WTO's involvement could lead to (i) an increase in the amount of aid given, as well as, (ii) a more effective allocation of the aid. The WTO's role in increasing the effectiveness of aid allocation was discussed in the preceding section. I will discuss briefly here the justifications for increasing the amount of aid.

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26 CNN, 'Bono and O'Neill in Africa: Summing up the trip', *Behind the Scenes*, 30 May 2002 <<http://archives.cnn.com/2002/WORLD/africa/05/30/bono.oneill.kagan.otsc/index.html>> at 19 August 2007.

In terms of amounts of aid, it is difficult to come up with a specific amount of aid that is necessary and appropriate for dealing with the problems of underdevelopment. There are two sides to the equation: (i) how much development a particular level of aid will generate; and (ii) how much development we are aiming to buy. Because both are extremely difficult to quantify, setting a particular nominal amount is very hard.

Nonetheless, there is a general sense among many in the development community that more development aid is needed. Policy-makers in rich countries seem to agree, at least in theory. At the Monterrey Financing for Development Conference in 2002, world leaders pledged 'to make concrete efforts towards the target of 0.7 per cent' of their national income in international aid. This pledge was an affirmation of commitments made a number of times over the years.<sup>27</sup>

Unfortunately, these goals are not being met. Renowned American economist Jeffrey Sachs noted that in 2005, 'total aid from the 22 richest countries to the world's developing countries was just [US]\$106 billion, which is a shortfall of [US]\$119 billion dollars'.<sup>28</sup> Furthermore, on average, the world's richest countries provided just 0.33 per cent of their gross national product in official development assistance ('ODA'), with the United States providing just 0.22 per cent.<sup>29</sup>

Thus, leaving aside, for now, the question of what this aid should be used for, there is a good argument that more aid is needed (and has been promised).

In addition to these development-related benefits, there is an additional reason for the WTO to campaign for more aid: it may help get the Doha trade negotiations back on track. As noted above, after some early failures in the latest round of negotiations, the focus of the negotiations was shifted, at least formally, to emphasise development. But this was not enough to smooth over the differences between developed and developing countries. Over the past few years, developing countries have formed effective negotiating blocs, and have been willing to fight much harder than in the past for positions they support, such as opposition to rich country agriculture subsidies. This developing country opposition has been partially responsible for the slowdown in the current negotiations.

In my view, if developed countries were willing to make a substantial push for more development aid, developing countries might be more willing to go forward with the negotiations. An effort to increase the amount of aid would be a sign of good faith that the developed world really does care about development, and it would provide something concrete for the developed world to offer in the negotiations. If developed countries are not going to make substantial cuts in agriculture subsidies, which they seem unlikely to do even under the most optimistic predictions, at least they can offer more aid to the developing world as

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27 UN Millennium Project, *The 0.7% Target: An In-Depth Look* (2007) <<http://www.unmillenniumproject.org/press/07.htm>> at 19 August 2007.

28 The Earth Institute at Columbia University, *Facts on International Aid* <<http://www.earth.columbia.edu/endofpoverty/oda.html>> at 29 August July 2007.

29 Ibid.

a trade off.<sup>30</sup> Conveniently, good policy makes good politics here. If the WTO and its Member governments could successfully push for more aid (good policy), backing from developing countries and their NGO supporters for a WTO deal in the Doha Round would be more likely (good politics).

## **VI SKEPTICISM, CRITICISM AND GENERAL QUESTIONS**

There is likely to be strong resistance to having the WTO play a greater role in development aid. In this section, I address three questions that may be raised in relation to this proposal. First, is it within the scope of the WTO's mandate to address the issue of development aid? Second, does aid actually promote development? And third, what should development aid be used for?

### **A The Jurisdiction Issue: Is it Within the WTO's Mandate to Address Development Aid Issues?**

There has been much debate, in many contexts, about the extent to which WTO rules can and should address 'non-trade' concerns, and whether the WTO should focus only on areas that are 'trade-related'. However, it is often unclear what is meant by the terms 'non-trade' and 'trade-related'. Since almost all regulatory areas have some impact on 'trade' in some sense of the word, it is very hard to define the parameters of what issues the WTO should and should not be dealing with.

In my view, an argument that the WTO should avoid getting involved in development aid on this basis rings hollow. The role of the WTO has already grown beyond 'traditional' trade issues in a number of ways. Surely if the WTO can oversee rules that provide for copyright, trademark and patent protection, it can also address the issue of development aid. The connection between intellectual property protection and 'trade' is certainly no closer than that between development aid and 'trade'. Arguably, development aid may even be necessary in some instances to give countries the ability to engage in trade, and thus there is, in fact, a very close link.

Furthermore, as described in Section II, WTO rules have long recognised the importance of economic development. The goal of promoting economic development is mentioned many times in various WTO legal instruments, and this goal was supposed to be a main focus of the current negotiating round. Thus, it is not much of a stretch for the WTO to promote economic development in a more direct manner, as something more than just a corollary to its traditional trade liberalisation goals.

Finally, differences in economic development levels are an important consideration in trade relations, often contributing to mistrust and bad feelings on

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30 Of course, developing country support may depend in part on how such a plan is implemented. If more aid is tied to concessions by developing countries, such as rules on investment, it is unlikely to have the desired effect. Rather, there must be a good faith, non-reciprocal approach for there to be a chance of success. Even by itself, the proposal for more aid could spark concern among some in developing countries that their support is being 'bought'. Tying it to concessions in other areas is likely to undermine it completely.

both sides. Important groups in both developing and developed countries feel that they will be adversely affected by trade with countries at a different development level. To the extent that these differences can be lessened through development aid, it is good for the trading system because it will help address one of the major objections people have to free trade.

While adopting a broad definition of the boundaries of the WTO's mandate is certainly controversial, I believe that the existing rules clearly offer support for the WTO to extend its scope to include a role in development aid that is wider than the limited Aid for Trade notion.

## B Does Development Aid Work?

There will also likely be skepticism about this proposal in relation to the usefulness of aid. Haven't we been providing massive aid for decades now, with little progress seen in terms of economic development? What guarantee is there that new aid will have any impact? On their well-regarded blog, economist Gary Becker and Justice Richard Posner recently argued that foreign aid does not work. They made a number of arguments, including: (1) foreign aid allows developing countries to avoid addressing the political, social, and economic problems that are the root cause of underdevelopment; (2) it leads to waste and corruption; (3) it undermines the ethic of work and saving; (4) we do not know what these countries need; (5) it has not led to growth in the past; (6) it is often tied to the interests of the donor country, in terms of politics (conditioned on following policies preferred by the donor country) or economics (conditioned on buying goods or services from the donor country); and (7) it is sometimes used for projects that have harmful environmental and other effects. Posner even goes so far as to say that 'charitable giving, both governmental and private, is more likely to increase than to alleviate the poverty, ill health, and other miseries of the recipient populations'.<sup>31</sup> In other words, foreign aid makes recipient countries worse off!

Becker and Posner offer a number of good arguments against the effectiveness of foreign aid. I agree that these are useful and valid criticisms regarding the reality of aid over the years. However, I think it really shows only that development aid often has not worked well, not that it cannot work. It is possible to come up with ways to implement development aid that take into account the concerns noted above and will have substantial benefits to poor people around the world. This leads to the next section, where I address the question of what development aid should be used for.

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31 Gary Becker and Richard Posner, *Should the United States Provide Foreign Aid* (2007) The Becker-Posner Blog <[http://www.becker-posner-blog.com/archives/2007/01/should\\_the\\_unit.html](http://www.becker-posner-blog.com/archives/2007/01/should_the_unit.html)> at 19 August 2007. See also Gary Becker and Richard Posner, *Is There a Case for Foreign Aid* (2007) The Becker-Posner Blog <[http://www.becker-posner-blog.com/archives/2007/01/is\\_there\\_a\\_case\\_1.html](http://www.becker-posner-blog.com/archives/2007/01/is_there_a_case_1.html)> at 19 August 2007.

## C What Should Development Aid Be Used For?

Now comes the hard question: how should development aid be used to promote economic development? If there were easy answers to this question, the development agencies would have achieved much more by now. But there are no easy answers. Instead, there is heated debate over what the best approach is. Two prominent economists have recently had a very public fight about how development should be achieved. Sachs has argued optimistically that the developed world can eradicate the worst forms of poverty by promoting substantial economic reforms in poor countries and at the same time contributing large sums of money.<sup>32</sup> William Easterly has responded that this sort of Big Plan for development has been tried before in the 1950s and 1960s without success, and that Sachs' plan does not address the failures of that period. Easterly suggests the alternative of a 'piecemeal reform approach' that would 'acknowledge that nobody can fully grasp the complexity of the political, social, technological, ecological and economic systems that underlie poverty'.<sup>33</sup>

I am not qualified to get into the ring with these two heavyweight economists. But I do think there is room for an average person to use common sense to find ways to help the developing world. As support for this proposition, I look at what some 'average' people have done: Oprah Winfrey, U2 frontman Bono and Sports Illustrated magazine writer Rick Reilly. Of course, they are far from average in terms of their wealth and celebrity. The first two are in fact quite exceptional in this regard. But they are average in terms of their personal experience with development issues. They are not economists, scholars or government officials. Perhaps this has helped them sift through the complex debate and come up with straightforward solutions.

Starting with Oprah Winfrey, I was recently standing at the checkout line in the grocery store, and to pass the time I was thumbing through a celebrity magazine. Between the pictures of Tom and Katie's daughter and Brad and Angelina's growing family was an article about Winfrey spending US\$10 million to build a state of the art school for young girls in South Africa.<sup>34</sup>

Bono's efforts to help the developing world are more well known. For several years, he has campaigned for the developed world to forgive most of the debt owed by developing countries (as well as for solutions to the AIDS crisis in Africa and trade barriers faced by African countries).<sup>35</sup> In essence, his campaign asks the developed world to recognise that money was often lent to corrupt

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32 Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (2005).

33 William Easterly, 'A Modest Proposal – Review of *The End of Poverty: Economic Possibilities for Our Time*', *The Washington Post* (Washington D.C.), 13 March 2005, BW03; Jeffrey Sachs, Letter to the Editor (Responding to William Easterly's Review), *The Washington Post* (Washington D.C.), 27 March 2005, BW12; William Easterly, Letter to the Editor (in reply to Sachs' Letter), *The Washington Post* (Washington D.C.), 27 March 2005, BW12. Easterly also argued this issue with Steven Radelet in an 'online debate': *The Effectiveness of Foreign Aid* (27 November 2006) Council on Foreign Relations <<http://www.cfr.org/publication/12077/>> at 20 August 2007.

34 For details on the Oprah Winfrey Leadership Academy in South Africa, see: *O Philanthropy* (2007) Oprah.com <[http://www2.oprah.com/philanthropy/philanthropy\\_landing.jhtml](http://www2.oprah.com/philanthropy/philanthropy_landing.jhtml)> at 20 August 2007.

35 See especially DATA (Debt AIDS Trade Africa) <<http://www.data.org>> at 19 August 2007.

governments, which then squandered it, and that holding today's poor people in those countries accountable for the debt is unfair.

Finally, Rick Reilly wrote a column in *Sports Illustrated*, challenging each of his readers to donate at least US\$10 for the purchase of an anti-malaria bed net for use in the developing world. This article led to the creation of the Nothing But Nets campaign, which has raised over US\$1 million for the cause.<sup>36</sup>

These three examples demonstrate that no matter what we call the effort – a Big Plan or a piecemeal approach – there are things that people in the developed world can do to help the poorest of the poor around the world. With these examples in mind, I think it is possible to identify certain policies and actions that have clear long-term benefits, regardless of the current level of development or state of political affairs in a country. I focus here on four areas that I believe will, with the least amount of controversy, be used to provide great benefits to a large number of people in the developing world: education, public health, infrastructure and energy. These are almost certainly important for economic development, but even if it turns out they make only a limited contribution, they are crucial for people's general welfare.

With regard to how aid can be used in these areas, I offer the following brief thoughts. I am not an expert in development aid, so this may come across as somewhat simplistic and even naïve. But as noted above, sometimes a fresh perspective from an outsider can help push people towards commonsense ideas.

Starting with education and health, these areas can benefit from similar approaches. In both areas, infrastructure, equipment and skilled labour are the key. We can build schools and hospitals, train teachers, doctors and nurses and provide school and medical supplies and equipment. For example, if there is a dilapidated, overcrowded school, we can build a new one, setting it up with computers and fast internet access. The same goes for hospitals. We can also send teachers and medical specialists to perform services there and implement capacity-building programs for locals. In addition, public health can benefit from equipment and supplies to provide clean water, sanitation and vaccination campaigns.

Along the same lines, the UN Millennium Project mentions the following ways to spend aid money, among others: free mass distribution of malaria bed-nets and effective anti-malaria medicines, ending user fees for primary schools and essential health services, bringing AIDS patients onto antiretroviral treatment, and expanding school meals programs.<sup>37</sup>

Energy is a more difficult issue because many energy sources can have negative effects. Past development aid has been used for energy projects in ways that have caused controversy, through relocation of people living nearby, destruction of forests, and similar harms. While it is almost impossible to set up a large scale energy project without affecting anyone, energy is crucial for development and cannot be ignored. My suggestion, then, is to make use of solar

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36 See especially NothingButNets.net <<http://www.nothingbutnets.net>> at 19 August 2007.

37 UN Millennium Project, *10 Key Recommendations* (2006) <<http://www.unmillenniumproject.org/resources/keyrec.htm>> at 19 August 2007.

and wind power, which, while not perfect, are some of the least controversial energy sources in terms of their impact. This can be accomplished mainly through purchases of products and technology, but also through development of local production where possible. This would have the added benefit of giving a boost to producers of these goods and services, thereby pushing these environmentally-friendly industries along in their infancy.

In terms of infrastructure, there are important benefits from having new and modernised roads, railroads and airports, as well as telecommunications systems, as transportation and communications are necessary for much internal and external economic activity.<sup>38</sup>

In summary, I believe it is these contributions to the fundamental aspects of a society that can provide the most effective development in poor countries, with almost certain long-term benefits. In my view, the key is to pick out the most obvious and clearly beneficial programs and push hard to raise and spend money on them.

## VII CONCLUDING THOUGHTS

In this brief essay, I have argued that a narrow aid initiative that is limited to 'trade' issues is the wrong approach. If trade ministers want to take development seriously, they cannot just carve out a safe area of aid to operate in. Rather, they should address the issue of development aid more generally. Doing so will be good policy in terms of helping the poor, and, hopefully, good politics in terms of helping reach a positive conclusion to the Doha negotiations, by increasing developing countries' support for the system.

Two notes of caution should be set out. First, development aid is not a full solution to the problem of underdevelopment. Aid cannot solve all the problems by itself, certainly not in the short-term. But it can help, and it can lay the groundwork for the future.

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38 The World Bank recently approved financing worth US\$164.5 million for Kenya, Burundi and Madagascar for high-speed internet connections: Reuters, *World Bank gives Africa \$164.5 mln for internet connections* (3 April 2007) <<http://www.reuters.com/article/internetNews/idUSL0310254020070403>> at 21 August 2007.



Second, the rhetoric of the aid world is often slightly exaggerated. Much of the current development talk is about ‘ending poverty’ by year X<sup>39</sup> or achieving ‘universal’ primary education.<sup>40</sup> While my proposal will not ‘end poverty’, it could make many poor people better off. However, the results will not be achieved overnight, as the benefits of better education, for example, may not be seen for 20 to 30 years. We have to be patient. It is easy to think that we have given hundreds of billions of dollars to no effect. But there has been progress in terms of development over the years, and there can be more.

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39 The UN Millennium Campaign aims to ‘eradicate extreme poverty by 2015’: Millennium Campaign <<http://www.millenniumcampaign.org>> at 29 August 2007. Jeffrey Sachs calls for an end to such poverty by 2025: Sachs, above n 32, 21, 47.

40 The UN Millennium Declaration, adopted by the General Assembly on 18 September 2000, resolved to ‘[e]nsure that all boys and girls complete a full course of primary schooling’: *United Nations Millennium Declaration*, GA Res 55/2, UN GAOR, 55<sup>th</sup> sess, 8<sup>th</sup> plen mtg, UN Doc A/Res/55/2 (2000).