

TECHNICAL ASSISTANCE IN THE AREA OF TRADE AND INVESTMENT

TABLE OF CONTENTS

I. INTRODUCTION	2
II. DOES ASSISTANCE MATCH RECIPIENTS NEEDS?	2
III. IS THE ASSISTANCE PROVIDED EFFECTIVE FROM THE PERSPECTIVE OF THE STATED OBJECTIVES OF THE BENEFICIARY COUNTRIES?	4
IV. CAN ASSISTANCE COMPENSATE FOR THE LACK OF COHERENCE IN ECONOMIC, TRADE, AND DEVELOPMENT POLICIES OF MAJOR DEVELOPED COUNTRIES?	5
V. IS THERE A RELATIONSHIP BETWEEN TECHNICAL ASSISTANCE AND NEGOTIATIONS OF MULTILATERAL RULES ON INVESTMENT?	7
VI. CONCLUSIONS	8

TECHNICAL ASSISTANCE IN THE AREA OF TRADE AND INVESTMENT

I. INTRODUCTION

1. The Doha Ministerial Declaration (DMD) confirms the understanding among members that adequate, demand driven and recipient-controlled technical cooperation and capacity building constitute a core element of the development dimension of the multilateral trading system. Commitments for enhanced technical assistance were made by members in eleven (11) specific areas of the DMD including the so called Singapore issues, that includes the relationship between Trade and Investment¹.
2. Paragraph 21 of the DMD states:

‘We recognize the needs of developing and least-developed countries for enhanced support for technical assistance and capacity building in this area [relationship between Trade and Investment], including policy analysis and development so that they may better evaluate the implications of closer multilateral cooperation for their development policies and objectives, and human and institutional development. To this end, we shall work in cooperation with other relevant intergovernmental organisations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs’²
3. Paragraph 41 of the DMD reaffirms such commitment and expresses the importance that members attach to the implementation of provisions on technical assistance and the adequacy of such assistance.
4. Some WTO members have directly contributed to the technical assistance efforts carried out within the Doha mandate on investment-related technical assistance, and have also highlighted their overall contribution in the context of their programmes on development assistance in general.
5. It is of utmost importance though to undertake quantitative as well as qualitative evaluation of technical assistance based on a needs assessment of the intended beneficiaries, having due regard to their stated objectives. Otherwise we risk to overestimate the impact of technical assistance and to draw misleading conclusions regarding the capacities of the beneficiaries.

II. DOES ASSISTANCE MATCH RECIPIENTS NEEDS?

6. The starting point for evaluating technical assistance should be a needs assessment of the intended beneficiaries. As impressive as the amounts of technical assistance provided in terms of financial resources committed and

¹ The four Singapore issues are: Transparency in Government Procurement, Trade Facilitation, Trade and Competition Policy, and Trade and Investment.

² WT/MIN(01)/DEC/1, 14 November 2001.

activities undertaken may seem, these may still be minimal compared to the actual needs of developing countries.

7. Official Development Assistance (ODA) significantly declined over the last decade falling from 39 per cent to 15.3 per cent of total net inflows to recipient countries from 1990 to 1997³. Private capital, in particular Foreign Direct Investment, increasingly represents the bulk of resources developing countries rely on to meet their development finance needs. However, private capital flows to developing countries are highly concentrated in a handful of recipients leaving a large 'demand' for finance effectively unmet in those countries that in fact needed the most.
8. Proponents of a multilateral framework on investment argue that such an agreement could change this pattern and contribute to attract investment to those countries currently marginalised by private capital. However, as proponents have recognized a multilateral framework on investment will not change the fundamental determinants of investment flows for which substantial development assistance is required but is not forthcoming. Therefore, the context in which the adequacy of technical assistance is to be judged must include: the significant decrease in ODA; rather insignificant amount of FDI going to the majority of developing countries, particularly LDCs; and very substantial needs of developing countries for assistance in areas that are main determinants of FDI flows, e.g. good infrastructure, developed human resources, well functioning institutions, etc.
9. Although significant in terms of the human and financial resources devoted by both Secretariats to these activities, complacency is not warranted. 46 activities of technical assistance fall short of the needs of the more than 100 developing countries and LDCs members of the WTO. Furthermore, the WTO Secretariat itself has highlighted some of the shortcomings in the TA plan carried out so far: 'the duration of the seminars and workshops is considered insufficient to cover the ground in detail, and requests have been made for more references to specific regional and national experience with foreign investment and international investment agreements'.⁴ Problems of staffing have also been raised as an important constraint for the delivery of adequate TA for the large number of Developing and Least Developed Countries members of the WTO.
10. Moreover, the Technical Cooperation Audit Report for 2002 referring to the overall WTO TA programme further emphasised that 'the very short duration of TA activities and the often great number of participants (sometimes 40 to 100 persons) allow more for dissemination of information, sensitization or awareness rather than real skill development and capacity building. It is the eternal question of quantity vs quality'⁵

³ South Centre, *Financing Development. Key issues for the South*, The South Centre, Geneva, 1999.

⁴ *Idem.*

⁵ WT/COMTD/W/111 dated 28 March 2003.

11. Clearly, one-off training courses and short regional or national seminars carried out over a period of less than two years cannot make material impact in terms of the understanding of the large WTO developing country membership of the complex issues at hand in discussing multilateral cooperation in the area of investment. Both human and financial resources of both Secretariats are limited and cannot cover the large spectrum of developing country members of the WTO in such a short period of time.
12. Institution building in this area would require a long-term perspective and a reiterative process in which government officials and different stakeholders in developing countries could discuss and reach an understanding of the developmental implications of further multilateral cooperation on investment. Thus, a sustained effort in technical assistance would need to be undertaken, over an adequate period of time, for developing countries to take informed decisions regarding the development implications of further multilateral cooperation in this area.
13. It seems then that there is a significant gap between actual needs and the assistance provided to developing countries both, from the perspective of trade and investment-related technical assistance, and assistance directed to addressing structural features which prevent developing countries from benefiting from the Multilateral Trading System.

III. IS THE ASSISTANCE PROVIDED EFFECTIVE FROM THE PERSPECTIVE OF THE STATED OBJECTIVES OF THE BENEFICIARY COUNTRIES?

14. A key but elusive component in evaluating the effectiveness of technical assistance is the qualitative assessment of such assistance. For technical assistance to be effective in meeting the objective of the recipient country, it should be demand driven and fit within the priority areas of concern and interest to the intended beneficiary, to make the best use of scarce resources. These elements would impinge on the content and format of the assistance sought.
15. In the discussions on technical assistance in the particular area of investment, developing countries have emphasized their priority: understanding the development implications of further multilateral cooperation in the investment field, based on a historical perspective and in the light of each country's national situation and development strategies. Any assessment of the assistance provided should be gauged against this background.
16. In that respect, the content and format of the technical assistance activities could potentially be very broad as well as specific to the needs of the recipient country. With respect to the agenda, it would be relevant to consider the role of home country measures in promoting outward investment as well as the possible impact of home country restrictions on outward-flows and transfer of technology; the implications of different types of investment on development; a historical perspective of investment and investment policy world-wide, as

well as the lessons that can be drawn from such historical perspective; an analysis of the development implications of existing international investment agreements and the challenges posed to sustainable development policies, including the role of performance requirements; a critical analysis of the results of the implementation of WTO agreements with relevant provisions on investment; a review of national experiences with international investment; etc.

17. Obviously, these exigencies are qualitatively different from traditional technical assistance directed towards the implementation of existing agreements or a mere stocktaking of the state of the discussions in the Working Group on Trade and Investment of the WTO. Developing country delegates have highlighted that ‘the focus on the WTO’s technical assistance activities so far had been on organizing seminars and workshops...the focus should be on the implications of a multilateral framework for the policy flexibility of developing countries...’⁶ and that those seminars ‘could have benefited from a more thorough discussion of the issues highlighted in paragraph 22, rather than a general stocktaking. Certainly more time to discuss specific initiatives –and the concerns of specific countries – would have been worth in this type of activity’.⁷
18. Although often regarded as positive, the investment-related technical assistance programme implemented so far have been termed by developing countries as a starting point and issues of content as those mentioned above have been raised by delegations without clear answers from the Secretariat as whether and how those concerns could be addressed. In fact, institutional constraints set limits to the extent to which the WTO and UNCTAD Secretariats would be able to address in a critical manner some of the issues raised leaning more support to the desirability of engaging more regional and national experts and institutions in the delivery of investment-related technical assistance.

IV. CAN ASSISTANCE COMPENSATE FOR THE LACK OF COHERENCE IN ECONOMIC, TRADE, AND DEVELOPMENT POLICIES OF MAJOR DEVELOPED COUNTRIES?

19. There is a basic and perverse contradiction between the stated objectives and purpose of the development assistance provided by donor countries individually and through multilateral organizations, including the WTO, and many elements of their economic and trade policy.
20. In the area of trade policy, there are many instances of lack of coherence with a balance of net detrimental effects on developing countries. The agriculture sector is a case in point. This sector constitutes the backbone of the economies of many developing countries where millions of people depend on agriculture

⁶ WT/WGTI/M/19, page 5.

⁷ WT/WGTI/M/20, page 36.

production and trade for income and basic food requirements. And yet, OECD countries provide large amounts of subsidies to their own agricultural sectors. Their production is then dumped in international markets foreclosing any export opportunity of developing countries and compromising the survival and livelihoods of millions of small farmers that must compete with subsidised produce in their own local markets.

21. Trade in sectors of particular export potential for developing countries like textiles and clothing and agriculture are those affected the most by tariff and non-tariff barriers in developed countries. Antidumping measures, quantitative restrictions, standards, safeguards, obscure rules of origin, etc. restrict trade of developing countries in the very same 'exportable' sectors encouraged by donors and multilateral development agencies.
22. Depressed international markets and trade barriers on products of export interest to developing countries do not create an environment amicable to investment in those sectors where developing countries have comparative advantage to exploit and benefit from an open trade regime. In that respect, fairness and equity in the multilateral trading system cannot be made up for by technical assistance and capacity building.
23. Furthermore, developing countries are quite vulnerable to the changing international economic and financial climate which impinges on their macroeconomic stability, affecting their possibility to attract foreign investment. The control of those variables lay however, outside of their control.
24. The effects of currency misalignment between the industrialised countries for example, can have a significant impact on developing country export revenue. Many countries for historical reasons and the concentration of export markets on a few destinations, have pegged their currency to that of a major economic centre. Drastic fluctuations on the value of that currency can have negative spillovers affecting the volume and value of trade of the developing country hence its economic growth and employment.
25. The level of interest rates in major financial centres would also have a significant impact on developing country macroeconomic stability. A rise in international interest rates would increase the burden of debt service of developing countries, compromising their capacity to pay, their possibility to attract foreign investment and their macroeconomic stability. The debt crisis of the 80 was prompted by, among other things, the sharp increase of interest rates in the United States as a consequence of a large budget deficit in that country.
26. Moreover, large payments of foreign debt by poor countries constitute a heavy burden on their development prospects and constraint their capacity to invest in infrastructure and human development which would be key components of any strategy in attracting private capitals. Their vulnerability to changes in international interest rates remains larger.

27. Therefore, the potential contribution of developed countries and the major economic centres to developing countries' sound economic environment is arguably much more important in these areas than what it can contribute through technical assistance. Coherence in their economic and trade policy vis-à-vis developing countries will go a long way in providing these countries their own means to invest and develop.

V. IS THERE A RELATIONSHIP BETWEEN TECHNICAL ASSISTANCE AND NEGOTIATIONS OF MULTILATERAL RULES ON INVESTMENT?

28. Over the years, and particularly during the Uruguay Round, the multilateral trading system has been expanding to cover areas of policy within the borders of countries. This approach can substantially affect the development prospect of the large majority of WTO members whose economies are at the early stages of development and would require adequate time and flexibility for devising national frameworks in different areas before being able to participate in multilateral initiatives on them.
29. Developing countries are certainly interested in attracting foreign investment that would support their development objectives and policies. However, proponents of a Multilateral Framework on Investment (MFI) have failed to provide convincing arguments as how a multilateral investment framework in the WTO would contribute to achieve those objectives. In fact, discussions within the WGTI show that there are differing views among proponents of a multilateral agreement on investment regarding its basic structure and level of ambition. Suggestions made by developing countries regarding the need to consider the scope and nature of obligations by home countries and investors have been completely dismissed for lying outside the competence of the WTO and their developmental concerns mostly downplayed.
30. The fact is that an MFI would not increase the flow of investment to the developing countries that need it the most because a multilateral framework will not change in any significant way the fundamental determinants of investment. On the other hand, it is clear that such a framework may considerably restrict the possibility of governments to implement policies aimed at maximising the benefits of foreign investment to sustainable development and may fail to recognise in a meaningful way the specific needs of developing countries at different levels of development and overtime.
31. Obviously the merits of undertaking negotiations on investment at the multilateral level should be gauged against the economic and political considerations made by WTO members and on the basis of the development implications of such decision for developing countries.
32. The provision of technical assistance in this field, on the other hand, should constitute a long-term, gradual and non-time bound exercise focused on

creating the institutional and human capacity for policy analysis in developing countries to comprehend the complex issues involved in the relationship between trade and investment. Linking the provision of technical assistance both in content and timeframe to decisions about negotiations distorts the very aims of technical assistance.

VI. CONCLUSIONS

33. Technical assistance is a critical component of the development dimension of the DMD and important provisions to that respect were incorporated in relation with the Singapore issues, including the relationship between trade and investment.
34. Investment-related technical assistance in the WTO context should be understood as a long-term, gradual and non-time-bound exercise focused on creating sufficient understanding, skills, and institutional foundations to enable developing countries to participate effectively in the discussions in the Working Group and understanding the implications of further cooperation in this field for their development policies and objectives.
35. Moreover, it is crucial that current technical assistance to developing countries on investment be critically evaluated and understood in its adequate dimension. Otherwise, WTO members may rush to false conclusions regarding the impact of TA and capacities of the intended beneficiaries.
36. In that respect, there are issues of concern regarding the adequacy of the technical assistance provided to developing countries. A significant gap exists between their actual needs and the assistance provided both from a quantitative and qualitative perspective. These deficiencies should be urgently acknowledged and addressed by WTO members.
37. It is also important that developed WTO members introduce coherence in their economic and trade policy vis-à-vis developing countries. By doing so, their contribution to development would be greatly enhanced.
38. Finally, it is clear that the merits of undertaking negotiations in any specific area in the WTO depend on broader economic, social and political considerations which go much beyond the purviews of technical assistance. That is, even if technical assistance in the investment field were adequate, which of course is not, deepening multilateral cooperation in this area may not be in the interest of developing countries and they are the only ones to judge on that.



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