Introduction

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Over the past decades, trade flows have become increasingly global. Today, South-South trade represents around one-half of global trade and the top ranks of major traders are not exclusively occupied by industrialized countries (OECD, 2010). Trade now spans all major world regions and continues to grow within and across those regions. Trade also takes new forms as trade in goods is increasingly accompanied by trade in tasks. Capital flows more freely across regions and trade and capital flows together have contributed to an increased transfer of technological change across regions. There is a strong sense that companies and countries well integrated in these global networks are part of a virtuous circle involving technological progress and growth. Not being connected, however, can represent a very serious bottleneck for future growth and economic development.

Policy-makers at the national and global levels are aware of the need to ensure that every country can connect to global markets. Notably, several initiatives have arisen at the global level to assist those countries which face difficulties achieving that objective successfully. These initiatives have, for instance, led to increased and more coordinated efforts to direct technical assistance to developing countries facing supply-side constraints, notably in the context of the Aid for Trade (AFT) initiative and the Enhanced Integrated Framework.

However, in this rapidly changing world, it is not just trade flows that change. Developing countries evolve and so do the challenges they face, including the private sector and policy responses that can be provided. To get a better understanding of the supply-side constraints its members face, the WTO invited the members of its academic network in developing countries – the WTO Chairs Programme (WCP) – to identify major challenges in their respective countries and, possibly, ways to overcome them. The WTO Chairs responded to this invitation by submitting a set of papers, most of which were presented to and discussed with policy-makers in Geneva during the Fourth Global Review of AFT and the WCP Annual Conference in July 2013. This volume combines the contributions from the 14 WTO Chairs and organizes them in four sections. The messages arising from the contributions are interesting because of the common lines that emerge from them, but also because of the diversity that characterizes them.

The first section of this volume focuses on major challenges developing countries face to achieve a sustainable growth path in the context of open markets. The main themes that emerge from the three contributions to this section are related to diversification and the role of small and medium-sized enterprises (SMEs) in global value chains. Both themes have frequently been highlighted in the literature on trade and development (e.g. Acemoglu and Zilibotti, 1997; Ben Hammouda et al., 2010). It is a well-known fact that countries that manage to grow also manage to diversify exports (Cadot, Carrère and Strauss-Kahn, 2011). Recent years have witnessed an increased interest in the question of how to achieve this virtuous circle of growth and diversification (e.g. Newfarmer, Shaw and Walkenhorst [Eds.], 2009), yet many open questions remain. The contribution by Sannassee, Seetanah and Lamport presented in this volume (Chapter 1) confirms that the positive relationship between export diversification and GDP also holds for Mauritius, as the country has experienced a positive evolution along both variables in recent decades. Their study, however, also highlights some of the challenges developing countries face as they take this path. Notably, they have to find ways to consolidate their position in traditional exports while moving into new export lines. The former often implies that the country needs to find ways to move into higher-value-added segments within traditional export lines. The latter implies identifying new areas of competitiveness and avoiding "overdoing it" by creating export concentration in the new activities.

The chapter by Arfani and Sulistyaning Winanti (Chapter 2) on Indonesia complements the analysis on Mauritius by examining in detail the different options Indonesia faces in order to move up the value chain within traditional areas of exports. The focus of the study is on the country's mining, oil and gas, and plantation industries. The authors analyse a set of factors that restrain the industries from diversifying or creating higher value added, including infrastructure and logistical constraints, lack of availability or quality of production factors, and institutional or policy constraints.

SMEs represent a dynamic, yet also vulnerable, segment of most economies (OECD, 2000; UNCTAD, 2010). They face particular challenges when it comes to international trade, as emphasized in the so-called new–new trade literature that builds on the seminal contribution by Melitz (2003). Zhang and Xia (Chapter 3) examine constraints Chinese SMEs face in expanding their activities in global markets, and the study focuses on a particular market segment: research and development (R&D)-intensive activities. The authors make the argument that China has the potential to strengthen its export capacity in R&D-intensive sectors and that stronger protection of the intellectual property (IP) of Chinese SMEs, combined with assistance to SMEs to more effectively employ their IP, could help Chinese entrepreneurs to exploit this potential.

Section II of this volume focuses on the role of non-tariff measures for export performance and policy-making in developing countries. One of the messages arising from this section is that non-tariff measures can represent major barriers to trade for developing countries. This does not come as a surprise and is in line with existing evidence and literature on non-tariff measures (e.g. WTO, 2012). The case study by Kiriti Nganga (Chapter 4) on Kenya emphasizes that domestic factors can represent formidable barriers to domestic imports and exports. Based on a survey of private and public sector actors, this chapter finds that transaction costs in the form of procedural obstacles are significant in Kenya. They take the form, for instance, of delays in the clearance of goods documentation or waiting times in ports and at weighbridges. Findings reported in this chapter thus provide support for the emphasis put on trade facilitation in recent policy debates at the national and international levels.

For many developing countries, revenue from agricultural exports is a major source of income. In Latin America, excluding Mexico, the share of agricultural export revenue in total merchandise export revenue reaches 30 per cent (Cheong and Jansen, 2013). In some sub-Saharan African countries and several other low-income countries, agricultural products account for almost half of merchandise export revenue. This may explain why two of the three chapters in Section II focus on sanitary and phytosanitary (SPS) measures. The contribution by Mbaye and Gueye (Chapter 5) examines the role of SPS standards for exports of mangos, green beans and tomatoes by Senegal. The authors find that SPS standards act as non-tariff barriers but that they allow producers who manage to meet those standards to capture significant price mark-ups. This can be explained by the fact that higher standards reflect higher product quality. In markets where quality competition matters, products of higher quality attain higher prices. The findings in the chapter on Senegal, therefore, suggest that investments in meeting SPS measures do not only represent a cost for producers but also have the potential to lead to higher revenues for some firms. The authors suggest that importing and exporting countries should work together to guarantee consumer health and protection while, at the same time, avoiding restrictions to trade.

The chapter by Delich and Lengyel (Chapter 6) makes a similar argument on the basis of three case studies: Argentina's exports of apples, lemons and rice. The authors describe in detail the success stories of lemon and rice exports and compare these with the relative struggle of apple producers to remain competitive in global markets. Export success appears to be partly based on producers' ability to move into higher quality and thus higher price segments. The authors also argue that producer associations and government policies can facilitate such a process. In line with this, they argue in favour of a more proactive approach by policy-makers towards SPS policies, notably at the regional level, that is, within Mercosur.

The three chapters in Section III look at the relationship between international economic law on the one hand, and export performance and national policy-making on the other. The chapter by Sutyrin, Koval and Trofimenko on Russia (Chapter 7) focuses on the adjustment challenges the private sector and policy-makers face in a country that only recently acceded to the WTO, and that is characterized by a relatively high level of export concentration due to the high importance of minerals in its export basket.

In Chapter 8, Condon and Sinha focus on how international economic law may restrict developing countries' ability to overcome the supply-side constraints they face when trying to address climate change. In this context, the authors discuss rules set out in international investment, IP and trade agreements. The fact that these three different vehicles of international economic law are discussed jointly is interesting in itself, and probably reflects the increased interconnection between trade, foreign direct investment (FDI) and technological change in a world dominated by global supply chains.

Furthermore, Ewing-Chow, Losari and Vilarasau Slade (Chapter 9) explicitly emphasize the role of international rules governing FDI, in their study on the ASEAN region. They make the argument that international commitments in the area of trade and investment can contribute to strengthening the domestic rule of law and, through this vehicle, to stimulating international trade. Their chapter thus supports existing empirical evidence with regard to a positive link between the rule of law and international trade (e.g. de Groot et al., 2004; Yang, 2013). The authors emphasize that the role of the rule of law has, if anything, become more important, due to the increased role of global value chains in trade.

The volume concludes with a section that focuses on another multilateral vehicle that can assist developing countries in overcoming supply-side constraints and that has, in fact, been explicitly created for this purpose: the AFT initiative. Section IV starts with a chapter by Lopez and Muñoz (Chapter 10) that provides a short overview of the evolution of the AFT framework and argues that upper-middle-income countries such as Chile find it hard to position themselves within this framework. On the one hand, such countries are not wealthy enough to be important donors within the framework. On the other hand, they are too wealthy to be important beneficiaries of aid. Lopez and Muñoz propose that upper-middle-income countries can play the very useful role of intermediary between donor and beneficiary. In particular, they argue that these countries' own development experience positions them well to assist low-income countries in the identification of needs for aid, and in the design and implementation of AFT projects.

The chapter by Nurse and Greene (Chapter 11) examines AFT flows to the Caribbean region. The authors discuss both statistical information on such flows, and processes and stakeholders involved in the disbursement of funds and implementation of AFT projects. Their analysis of the relationship between AFT and trade performance in the region indicates that this relationship is likely to be positive, but that it is difficult to draw strong conclusions, notably regarding causality. They call for a stronger and more targeted monitoring and evaluation system to facilitate future assessments of the effectiveness of AFT.

Morocco is one of the main recipients of AFT, and Ghoufrane and Boubrahimi's assessment of the effectiveness of AFT in this country (Chapter 12) comes to a rather positive conclusion. Yet, in the case study of Morocco, the authors also express some caution when it comes to interpreting their findings and hint at the methodological difficulties in assessing the impact of AFT, notably due to the lack of a commonly accepted definition of AFT and the ensuing difficulties in achieving a coherent way of quantifying it. On the policy side, the authors also refer to a number of institutional aspects that may negatively affect the effectiveness of AFT in Morocco and, possibly, the Middle East and North Africa (MENA) region more generally. Notably, they mention the lack of prioritization of barriers to trade by policy-makers, the lack of coherence between national and regional programmes, and the low involvement of the private sector.

Baloro (Chapter 13) highlights similar challenges in his case study of Namibia. He refers to the limited capacity of relevant ministries to plan the disbursement of aid flows as a possible reason why AFT flows to Namibia have remained rather limited. He emphasizes the greater need for coordination of AFT with national development objectives and priorities. In order to increase aid flows to the country and increase the effectiveness of AFT, he argues that it would be necessary to strengthen coordination among relevant government ministries as well as the dialogue between the Namibian Government and the donor community. This is very much in line with the recommendations that have emerged from the global reviews of AFT.

The chapter by Warrad (Chapter 14) complements the previous chapter as it also provides information on AFT flows to the MENA region, but with a focus on the link between AFT and export diversification.[1] An econometric exercise on the relationship between AFT and economic growth in Jordan reveals a positive and significant relationship, although the author also argues in this case that the findings have to be interpreted with caution due to the methodological constraints imposed by data limitations. In line with other contributions in this volume, Warrad emphasizes the link between trade and FDI, and the role AFT can play in stimulating FDI.

The choice of themes developed by the WTO Chairs within each of the four sections covers a large variety of trade-related concerns, which probably reflects the variety in economic conditions across the countries covered in this volume. It is interesting to note that, in some countries, the academic and policy thinking regarding supply-side constraints focuses on R&D-intensive or environmentally friendly sectors. It is also interesting to note that some countries may see themselves more as facilitators in the provision of aid than as receivers, which may also seem to provide an indication of their having successfully made the connection to global markets.

Another message arising from the chapters in this volume is that there appears to be an increased awareness of the opportunities international rules provide for developing countries to connect to global value chains and to better integrate in global trade. Overall, the volume reveals a strong interest and will on the side of policy-makers, private sector actors and researchers alike to think creatively and constructively about how to take advantage of the standards and rules applied in international trade for the benefit of their own economies. The possibilities seem to be myriad, as reflected in the contributions to this volume.

It is hoped that policy-makers, and the readers of this book more generally, will find some interesting and powerful arguments in support of using trade policy instruments as an engine for inclusive growth and economic development. Connecting to markets and overcoming supply-side constraints are critical elements in support of countries' efforts to integrate into the multilateral trading system, and this volume provides valuable insights into how to achieve this objective.

Endnotes

1. Other studies on export diversification in the MENA region include Al-Marhubi (2000) and Ben Hammouda, Oulmane and Sadni Jallab (2009).

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