

## **Mobilizing Aid for Trade: Focus Asia-Pacific**

### **The Private Sector and Aid for Trade A Dialogue organized by ITC ADB Headquarters, Manila, 18 September 2007**

The International Trade Centre organized a one day side event at ADB Headquarters, Manila on 18 September 2007 at the margin of the ADB/WTO organized Regional Review on “Mobilizing Aid for Trade: Focus Asia and the Pacific”. The event brought together private sector representatives from Cambodia, Kazakhstan, Laos, Malaysia, Mongolia, Thailand, Pakistan, the Philippines, Sri-Lanka, and Vietnam. Also represented were UNIDO and UNESCAP, as well as OECD, Norway, Switzerland, Spain, the UK and USAID. On this occasion, the private sector came to the following conclusions;

Given the important role which the WTO Task Force on Aft has recognised for the Private Sector in its Recommendations in July 2006, the primary purpose of the event was to take stock of the numerous instances where the private and the public sector have worked together for trade development and to analyse the factors which have lead to the success and of the failure of these initiatives. The main intention was to document the successful experiences and to look for means to replicate them. On the other, the lessons drawn from not so successful initiatives have been taken note of with a view to assess the specific needs of the private sector, which should be addressed through the “Aid for Trade” initiative.

#### **Session I: The role of the Private Sector in formulation of trade policy and regulations.**

During the first session aiming at assessing the role of Private sector in policymaking and trade negotiations, it was stressed that a prerequisite for a sustainable partnership between the private and public sector leading to actual results was for the private sector to be recognised as an equal partner by government and provided equal access to information. In this regard, trust and relationship building were seen as key components for private-public dialogue. In many countries, specifically but not only LDCs and transition countries, an open and transparent dialogue between government and private sector was regarded as new to the emerging private sector.

Furthermore, a shift in the paradigm of development delivery was noticed, i.e. the power and ability to pass technical knowledge versus the ability and willingness to absorb it -- Can do attitude vs. Can't do.

To prevent unhealthy competition among various actors of the private sector in influencing policy, the necessity to provide for an inclusive dialogue among sectors was underlined, including with the informal sector.

As a basis for a solid dialogue, the private sector must demonstrate consistency, credibility, certainty and clarity. In other words, they must command respect. Specific assistance and capacity building should be provided to enhance the knowledge and skills of private sector organizations, this with regard to multilateral negotiations (WTO), but also increasingly regional integration and bilateral trade negotiations. The private sector should be involved upstream in the policymaking process, to ensure a fruitful implementation of the agreements together with the design of adequate policy responses. In this regard, the private sector should take the initiative and push government to design a business friendly environment.

#### **Session II: The role of the Public Private in building trade related infrastructure.**

As far as the Public-private partnerships in trade related infrastructure are concerned, it was stressed that the primary role of Government was to put in place and maintain an appropriate regulatory balance. The role of multilateral institutions (IFIs, RDBs) for promoting and supporting PPP projects was seen as central, together with incentives for the participation by commercial banks.

For the private operators, it was recognised that – beyond the construction and financial risks, a central issue was to adequately mitigate regulatory and political risks. In this regard, it was stressed that understanding of the cultural sensitivity of the country was essential.

To minimize opposition from societal groups, the need to have an integrated and comprehensive awareness campaign was highlighted. The media should play an important role in creating effective and useful PPP, by assisting in the dissemination of the economic opportunities and by enhancing the understanding and acceptance by the public of the role of the PPPs.

Further, international best practices are to be developed and disseminated to assist Government to draw up international contracts. The role of UN-organizations – as neutral partner and facilitator - in enhancing awareness and sharing best practices among private and public stakeholders should be strengthened.

Exporters underlined the difficulties they face in complying with increasing quality and safety standards in global markets. In the context of global trade, the WTO TBT and SPS agreements guide the use of standards in trade. It was reminded that although tariffs have reduced with successive trade rounds, non-tariff barriers, mostly in the form of standards impose new challenges.

It was stressed that in the context of Aid For Trade supporting trade related infrastructure, the standards and quality infrastructure needs to be supported, to facilitate private sector access to export markets.

### **Session III: SMEs overcoming supply side constraints**

It was underlined that AfT should be designed and implemented as “Aid for Traders”.

The private sector outlined the day-to-day impediments to trade, including lack of productive capacities, access to trade intelligence, inadequate managerial skills, inefficient business advisory services, access to finance, packaging, capacities to comply with international standards, etc... (“Don’t forget the basics”).

As far as delivery of assistance is concerned, direct partnerships with specialized trade promotion institutions (e.g. ITC) – were seen as beneficial, in conjunction with the provision of methodologies to be applied by national experts according to the countries’ demands. AfT should be concrete; Technical Assistance should allow business representatives to meet and train in the “real place”, e.g. by being exposed to the latest production and marketing trends and through trade fairs and buyers-sellers meetings.

Capacity Building should be targeting both Government officials and enterprises – e.g. on the concept of value chain and other technical issues, to ensure common understanding and approaches among stakeholders. Assistance should be provided to develop linkages between local SMEs and multinationals -- AfT should facilitate these linkages. Capacity building is needed for SMEs to become suppliers and gain access to global value chains.

Technical assistance should be provided over a medium-longer timeframe to allow for gradual improvement of productivity and value added to access international markets. How can we help SMEs to become exporters? First, by developing local trade promotion activities – fostering linkages to national department stores – followed by national export promotion and overseas trade promotion activities (e.g. by forming export clusters group)

The specific problems faced by small countries producers characterized by micro and small enterprises in accessing global value chains were stressed. Assistance should be provided to help group of SMEs to join together to generate the necessary export volumes, delivery targets, and ensure quality, as well as obtain the necessary process technology.