

Executive Summary

The spread and deepening of globalization has led to problems that require a global collective action, such as global public goods, and “global economic stability and free trade” are deemed as types of global public goods in need of support at the level of development cooperation. In order to maintain the stability and prosperity of both developing countries and the entire world, it is essential to create an international trade system by reflecting the standpoint of developing countries and to promote trade in those countries based on such a system as global public goods. However, the presence of developing countries in international commerce and trade is currently very weak. Therefore, developed countries should step in and make a concerted effort to tackle unfair market practices and regulatory barriers and also provide policy support and aid so that developing countries can grow through trade.

To promote trade in developing countries, it is important to ensure policy coherence between the trade and development policies of developing and donor countries. Even if donors provide aid for trade (AfT), the trade policies of developed countries that go against AfT will reduce the effects of AfT. This study, therefore, finds securing the coherence of trade and development policies to be the most important factor in promoting trade in developing countries. This study was also designed to draw suggestions to explore the trade and development policies of donors. Since encouraging developing countries’ participation in the trading system requires the expansion of AfT and improvement of its effectiveness, this study was intended to: examine the AfT policies and implementation programs of developed donors, find ways to improve Korea’ s AfT, and ultimately suggest solutions to promote trade in developing countries.

The objectives of this study were threefold; firstly, to examine and summarize the existing theories and discussions on trade policies for the growth of developing countries, and help policymakers and stakeholders better understand the theoretical foundations related to the economic growth and trade of developing countries. Secondly, this study is intended to provide information on the policy positions upon which the trade policies of DAC members for developing countries as well as AfT policies are established and implemented in order to ultimately provide references for policymaking and implementation. Lastly, the aim of this study is to enhance the coherence of trade and development policies of donors based on the study results, offer policy suggestions to encourage developing countries' participation in the international trade system, and come up with solutions to improve AfT to promote trade in developing countries.

Therefore, Chapter 2 of this report summarizes two standpoints on the trade, and Chapter 3 offers a list of donors that provide the most aid for trade. The latter also focuses on the coherence of trade and AfT policies of the donors and whether the donors have adopted developing country-friendly trade policies. Chapter 4 discusses the implementation of AfT by donors to improve AfT, and Chapter 5 delves into the trade and development policies and AfT of Korea. Lastly, Chapter 6 provides suggestions to promote trade in developing countries and solutions to improve Korea's AfT centering on KOICA.

Of the DAC donors that provide the most aid for trade, the World Bank, U.S., Japan, and Korea were selected for policy analysis, and Vietnam was selected as the recipient to which Korea and other DAC donors provide the most AfT.

The analysis results found that the trade policies of Korea, U.S., and Japan possessed both neoliberal and non-neoliberal characteristics, whereas their AfT

policies were exclusively neoliberal. The World Bank, U.S., and Japan all had their own AfT policies in place and there was an overlap between the priority areas of ODA and AfT. Furthermore, the donors adopted cross-cutting (mainstreaming) approaches for AfT. Their AfT businesses were implemented as program aids within the CPS framework, and the donors have recently begun to increase their PPP (Public–Private Partnership), non–ODA support, and package aid connected to other areas.

Meanwhile, Korea seems to have a higher degree of coherence of its trade and AfT policies than U.S. and Japan. Moreover, the country holds regular meetings and implements joint projects to ensure harmonization with other donors and its policy coherence. However, Korea still does not have an official AfT policy or implementation system in place.

Based on the results above, the study suggests the following solutions to promote trade in developing countries:

① Tasks for policymaking organizations

- Make efforts to expand and implement an AfT.
- Establishing a specific AfT policy and strategy to enhance the effectiveness of ODA.
- Make efforts to ensure the policy coherence of trade and AfT policies.
- Lead discussions about solving the problems of over–and underestimation of AfT statistics using CRS codes or trade markers.

② Tasks for agencies: centering on KOICA

- Establish a AfT policy and strategy.
- Develop indicators to evaluate and monitor AfT to enhance the effectiveness.
- Develop main AfT Programs:
 - Promoting a “customized package program” that meets the demands

and characteristics of recipients.

- Developing a variety of AfT programs, including PPP through a partnership with Development Alliance Korea (DAK) and increasing AfT trust fund.