

# United States Aid for Trade

## What is it?

The United States defines trade capacity building (TCB) assistance, or “Aid for Trade,” as assistance to help countries negotiate and implement trade agreements and build the physical, human, and institutional capacity to benefit from trade and investment opportunities.

## The U.S. Has Responded to the Call of Aid for Trade

Between 1999 and 2010, the U.S. government has obligated nearly **\$14 billion** for TCB assistance to developing countries. The majority of these funds, or **\$10 billion, have been obligated since 2005.**<sup>1</sup> See Figure 1

*We know that countries are more likely to prosper when they encourage entrepreneurship; when they invest in their infrastructure; and when they expand trade and welcome investment. So we will partner with countries . . . to create business environments that attract investment, not scare it away. We'll work to break down barriers to regional trade and urge nations to open their markets to developing countries.”*

*President Barack Obama at the Millennium Development Goals Summit at the United Nations Headquarters, New York, New York September 22, 2010*

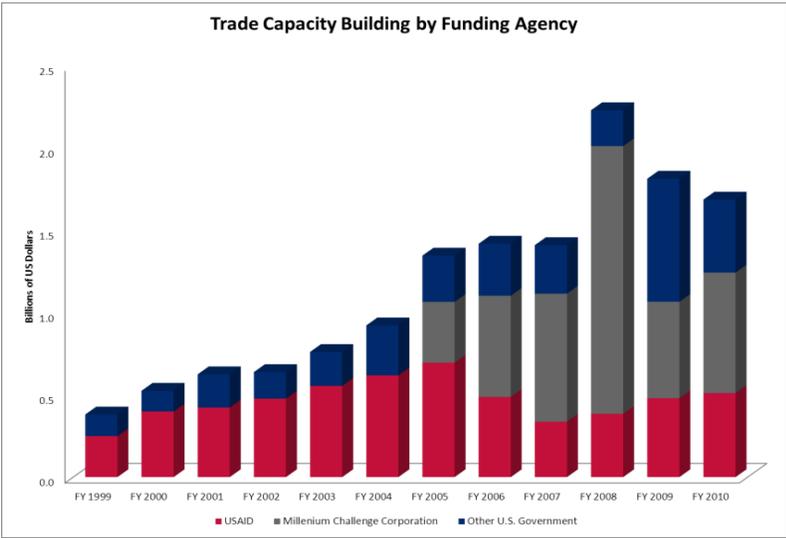


Figure 1

<sup>1</sup> Since 2001, the U.S. Agency for International Development (USAID) has conducted an annual survey on behalf of the Office of the U.S. Trade Representative (USTR) to identify and quantify the U.S. Government's trade capacity building activities in developing countries and transitional economies. This web site (<http://tcb.eads.usaidallnet.gov/>) offers access to the full set of that survey data, covering FY1999–FY2010.

Over 20 U.S. government agencies contribute to this effort. The agencies involved in providing trade-related assistance include: U.S. Agency for International Development (USAID), the Millennium Challenge Corporation (MCC), and the Departments of Commerce, State, Treasury, Agriculture, and Defense.

The U.S. Aid for Trade database is based on funding at the time of obligation rather than disbursement or expenditure. For those TCB activities that are in operation for a number of years, but for which all of the funding is obligated in one particular fiscal year, the database would reflect all of the funding in the first year of the

program. Therefore, Figure 2, showing a three-year moving average, is useful in illustrating the strong U.S. response to the call for Aid for Trade.

## Trends in U.S. Aid for Trade

### Millennium Challenge Corporation

One U.S. government agency, MCC, has emerged as a key champion of U.S. efforts to build developing countries' capacity to trade. **MCC, which began funding Aid for Trade in 2005, has surpassed USAID, accounting for the largest share of U.S. Aid for Trade.** MCC works in partnership with eligible countries that identify the greatest constraints to their own development and establish their own priorities to create sustainable economic growth. Many MCC partner countries place a high priority on increasing competitiveness and facilitating regional and international trade, and MCC encourages partner countries to include trade capacity building as a priority in their proposals for poverty reduction assistance. As a result, **\$4.7 billion—66 percent—of MCC assistance to its partner countries is considered Aid for Trade.** (See Figure 3<sup>2</sup>)

### Least Developed Countries

U.S. Aid for Trade is increasingly focused on the countries that need it most. **MCC assistance to LDCs from 2005 to 2010 amounts to almost \$3.5 billion or about 50 percent of its total obligations.**

<sup>2</sup> MCC compact funding amounts are based on the initial amount of the compact.

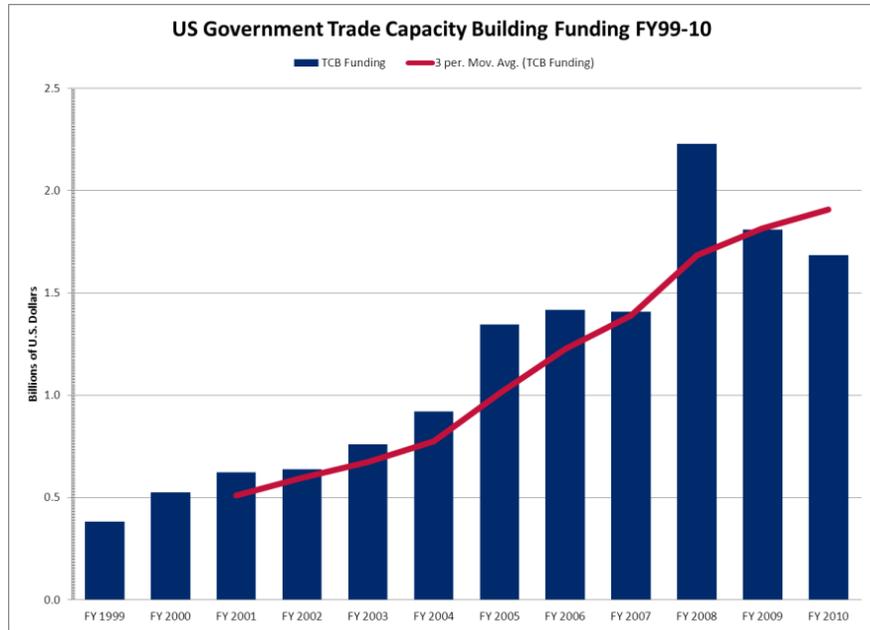


Figure 2

Approximately **63 percent of that has been Aid for Trade.** Bilateral TCB activities targeting **38 LDCs in 2010, reached 46% of all US Aid for Trade.** By comparison, in 2007 the USG carried out TCB activities in 27 LDCs representing 16% of overall TCB activities.

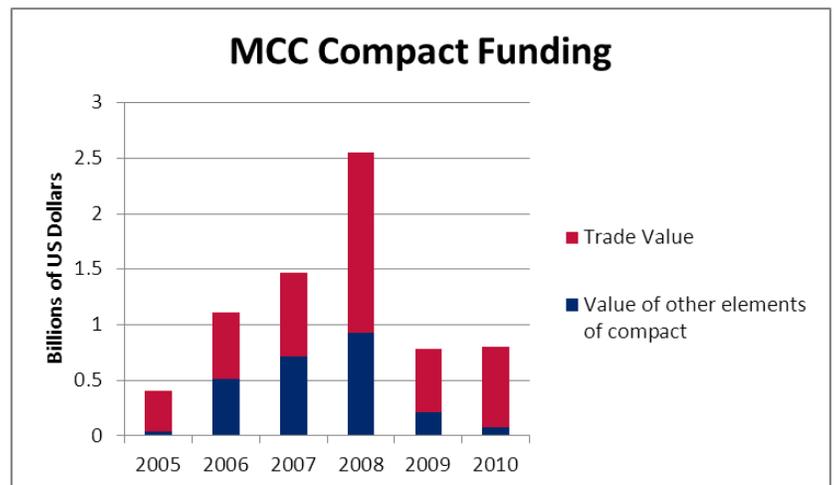


Figure 3