

June 19, 2005

Trade and Aid to Poorest Seen as Crucial on Agenda for Richest Nations

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The breakthrough on debt relief to 18 of the world's poorest countries grabbed world headlines this month, but with only two weeks to go before the richest nations again take up the woes of the world's poor, this time at a summit meeting in Scotland, two more consequential issues loom: aid and trade.

While the debt deal, which was reached June 11 at a meeting of finance ministers in London, will free the World Bank and 18 poor countries from decades of futile haggling, it will generate relatively little new money to fight poverty - about \$1 billion a year.

That is just a bit more than one percent of the aid that rich countries gave poor ones last year, and a tiny fraction of the aid increase that Prime Minister Tony Blair of Britain will be looking for when he plays host to the Group of 8 industrialized nations at the meeting, which begins July 6 in Gleneagles, Scotland.

Mr. Blair is seeking a doubling of aid, which would include an extra \$25 billion for Africa alone. The worry among some of those advocating a huge new infusion of aid is that euphoria about debt relief will relieve pressure on leaders of rich nations to do more.

"The G-8 meeting is make or break in mobilizing resources for Africa," said Kevin Watkins of the United Nations Development Program.

Over the past year reports from Britain, the United Nations and the World Bank have argued that, yes, African countries do need to root out corruption and improve the management of their economies - but also that they need much more money to help pay for clinics, schools, medicines, roads and other investments to help millions of Africans stay alive, get an education and earn a living.

The 15 major nations of the European Union, which already give most of the aid to poor countries, decided in May to almost double what they contribute within five years.

The Bush administration has declined to make a similar commitment, skeptical that poor countries can productively spend such a large increase. And the likelihood that American aid will grow as much as even President Bush would like seemed to dim further last week.

Republican leaders of the House Appropriations Committee had already set a goal for foreign aid spending for next year of \$20.2 billion, \$2.5 billion less than President Bush requested. (The amount appropriated last year was \$19.7 billion.)

And even Mr. Bush's own priorities are vulnerable. On Thursday, the subcommittee that oversees aid almost halved the \$3 billion Mr. Bush had requested for one of his signature initiatives, the Millennium Challenge Account, which is charged with providing grants to well-governed poor countries.

John Scofield, a spokesman for the House Appropriations Committee, noted that Mr. Bush's proposed spending on aid increases faster than spending on homeland security or defense. "That's a tough sell in Congress," he said.

Trade is also a crucial issue for developing countries - and it will be on the G-8 agenda in Scotland, though the red-letter dates this year are in December at a World Trade Organization meeting in Hong Kong.

A few statistics suggest the importance of trade to poor countries:

Rich countries spent \$280 billion last year subsidizing farmers and agribusiness - more than triple the \$79 billion they spent on aid. Those subsidies reduce prices for agricultural goods on international markets, making it harder for farmers in poor countries to compete. If all trade barriers were removed and agricultural subsidies were eliminated, developing countries would gain \$100 billion in income, according to World Bank estimates.

As the G-8 summit talks approach, those pressing for increased aid are trying to put the extra billion in resources from debt relief in perspective, and to remind the leaders of rich nations that what they believe the poor regions of the world need is a fairer trading system and more aid.

"These are countries that need grant financing to build infrastructure, fight disease and grow more food," said Jeffrey D. Sachs, the Columbia University economist. "These are countries that have nothing. People are dying."