

# **Economic Development Initiatives Through Aid for Trade in the Asia-Pacific Region**

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## **Abstract**

Trade is important in advancing economic growth and in meeting sustainable development targets. For this inclusive trade participation is vital to foster international competitiveness. Entrepreneurial development and global value chains for firms' productivity have become vital components in enhancing industrial transformation. Aid donors have hence emphasized on the partnership for global development (MDG7; SDG17) through aid for trade (AfT) initiatives, as a main sectoral impetus to meet the targets. Regional integration of Australia and New Zealand with Asia-Pacific economies is evident in their strong historical, strategic and economic ties for social and economic development. The paper assesses these donors' effectiveness of AfT development finance to Asia-Pacific nations, disaggregated impact of AfT categories for infrastructure, productive capacity building, and trade policy and regulation, and estimate the implied returns of exports on aid by each region. The empirical gravity trade framework provides an understanding of this region's bilateral trade and the factors that impact on trade-aid linkages, trade facilitation, and geographical constraints using the OECD AfT data for the period 2002 to 2013. The findings highlight some important policy implications on how AfT can be better targeted to improve firms' performance, boost trade, enhance public-private partnership and economic growth for long term development.

**KEYWORDS:** Aid for trade; Gravity trade framework, Private sector development, Regional impact