

Gnangnon, Sèna Kimm

Working Paper

Duration of the Membership in the World Trade Organization and Aid for Trade Flows

Suggested Citation: Gnangnon, Sèna Kimm (2022) : Duration of the Membership in the World Trade Organization and Aid for Trade Flows, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg

This Version is available at:

<https://hdl.handle.net/10419/260562>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Duration of the Membership in the World Trade Organization and Aid for Trade Flows

Author: Sèna Kimm GNANGNON¹

Manuscript date: June 2022

Abstract

Recently, Lee et al. (2015 (*The World Economy*, 38, 2015 and 1462) have found that developing countries members of the World Trade Organization (WTO) received higher Aid for Trade (AfT) flows than non-WTO developing members. The present paper extends this analysis by investigating the effect of the duration of WTO membership (and not the mere membership in the WTO) on the amounts of AfT flows that accrue to recipient countries. The main argument in the analysis is that the duration of WTO membership matters more than the mere WTO membership for AfT recipient countries' degree of liberalization of trade regime and participation in international trade, the latter being a critical determinant of the AfT flows supplied by donors. The analysis has used a panel dataset of 136 countries over the period from 2002 to 2019, and the two-step generalized methods of moments estimator. It has established that countries receive higher AfT flows as their membership duration increases, and the amounts of these resource inflows increase as recipient countries further liberalize their trade regime and further participate in international trade. Additionally, the effect of the duration of WTO membership on total AfT flows depends on donor-countries' commercial self-interest in recipient countries, including the latter's economic growth performance and endowment in natural resources.

Keywords: Duration of WTO membership; Aid for Trade; Developing Countries.

Jel Classification: F1; O19.

DISCLAIMER

This is a working paper, which represents the personal opinions of individual staff members and is not meant to represent the position or opinions of the WTO or its Members, nor the official position of any staff members.

¹ World Trade Organization (WTO). E-mail for correspondence: kgnangnon@yahoo.fr

1. Introduction

Aid for Trade (AfT), as part of the official development assistance, is now recognized as an important policy tool for fostering the integration of developing countries into the multilateral trading system. The initiative to secure special financial resources to enhance the participation of developing countries in international trade dates back to the year '2005', when at the Hong Kong Ministerial Conference, Trade Ministers of the World Trade Organization (WTO) agreed to set up the AfT Initiative. The desire to mobilize greater financial resources for the development of the international trade sector came from the realization by WTO Members that developing countries were marginalized in the world trade due to a number of structural constraints² that were undermining their connection to international markets (e.g., Hallaert, 2010; Hallaert and Munro, 2009). The AfT Initiative aims to help address these constraints, notably by "assisting developing countries, particularly least developed countries³ (LDCs) build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade" (WTO, 2005: paragraph 57). After the launch of the AfT initiative, many of the studies that have examined its effectiveness, have reported a positive effect of AfT flows, including on developing countries' export performance (e.g., Benziane⁴ et al. 2022), and under certain conditions on economic growth performance (e.g., Naito, 2016) and poverty reduction (e.g., Gnangnon, 2021a).

Concurrently, several works have also investigated the factors underpinning the supply of AfT flows (e.g., Gamberoni and Newfarmer, 2014; Tadasse and Fayissa, 2009; Lee et al., 2015; Gnangnon, 2016a,b; 2017; 2019ab; 2021b). Among these studies, only Lee et al. (2015) have considered how the membership (or not) in the WTO of AfT recipient countries affects the amounts of AfT that accrue to them. Using AfT commitments data over the period from 2001 to 2010, Lee et al. (2015) have obtained that WTO developing members received 24.1 per cent more AfT dollar and 43.3 per cent greater number of AfT projects than non-WTO developing members. Yet, LDC WTO members received more AfT than non-WTO LDCs, but the difference did not increase since the launch of the AfT initiative. Finally, for LDC members, the WTO membership had exerted a higher positive effect on AfT for building productive capacity and AfT for trade policy and regulation than on AfT for economic infrastructure.

However, studying only the effect of WTO membership on AfT inflows does not tell the full story about the relationship between such a membership and AfT flows. We argue that the duration of a developing country's membership in the WTO for a developing country may matter most for the amounts of AfT that it receives from donors. This is because such a duration captures not only the mere membership in the WTO, but also the time spent by a country as member of the organization. For example, Dutt (2020) has uncovered that the WTO membership exerts a strong positive effect on trade flows, and the magnitude of this effect increases almost

² These structural impediments to developing countries' participation in international trade include for example the lack of trade-related infrastructure and capacity (e.g., Hallaert and Munro, 2009). The infrastructural deficiency concerns both hard infrastructure (such as highways, railroads, ports) and soft infrastructure such as transparency, customs efficiency, institutional reforms that would help reduce the burdensome time-consuming border procedures (e.g., Portugal-Perez and Wilson, 2012).

³ The category of LDCs has been defined as such by the United Nations as the group of countries qualified as the poorest and most vulnerable to exogenous economic and environmental shocks. Information on the LDCs could be found online at:

⁴ Benziane et al. (2022) have provided the most recent literature survey on the subject matter.

monotonically with years of membership. In light of the potential relationship between developing countries' participation in international trade and Aft flows (e.g., Gnangnon, 2016b; 2017; 2021b; Lee et al., 2015), one could question whether there is (or not) a relationship between the duration of WTO membership and Aft inflows. The relevance of this question lies on the rejection of the hypothesis of the Kruskal-Wallis test (Kruskal and Wallis, 1952) that the amounts of Aft that accrue to recipient countries are equally distributed regardless of these countries' membership duration of WTO membership. In fact, we perform the Kruskal-Wallis test (Kruskal and Wallis, 1952), which is a nonparametric test similar to the one-way analysis of variance. It allows comparing the distribution of outcomes among three or more independent (unmatched) groups. The null hypothesis of this test is that the distribution of an outcome is equal among the different groups that are the subject of the test. Especially, we use the Kruskal-Wallis test to examine whether the amounts of Aft that accrue to recipient-countries are the same regardless of the duration of WTO membership. Using a panel dataset of 136 countries over the period from 2002 to 2019, we perform this test over the full sample, the sub-sample of LDCs and the sub-sample of 'Other countries' in the full sample (i.e., NonLDCs). The chi-squared statistics and the related p-value (which is in parenthesis) for the full sample, LDCs and NonLDCs are respectively 92.5 (0.0001), 57.7 (0.0002) and 61.5 (0.0001). As these p-values are lower than 0.05 (at the 5% level), we, therefore, reject the above-mentioned null hypothesis, and conclude that the duration of WTO membership genuinely matters for the Aft amounts that received by countries from donors.

The present paper purports to address this question, that is, to investigate the effect of developing countries' duration of WTO membership on the total amounts of Aft that accrue to them. It complements the work by Lee et al. (2015) in several ways.

First, in contrast with Lee et al. (2015), the paper uses Aft disbursements data rather than Aft commitments data, the former reflecting more accurately the amounts of Aft that accrue to recipient countries. Second, it explores the effect of the duration of WTO membership on Aft flows, rather than merely the effect of WTO membership on Aft flows. Third, it explores some possible channels through which the duration of WTO membership can affect Aft flows to recipients.

As noted above, the reliance of the study on the duration of WTO membership rather than simply on the WTO membership is dictated by the fact that the membership duration captures both the fact that a country is a member of the WTO as well as the number of years spent by this country as member of the WTO. Relying simply on the WTO membership to perform the analysis, therefore, disregards the second aspect of this membership, which is the time spent as WTO member. The membership duration can be crucial for donors' Aft supply to recipient countries. The rationale for this is that on the one hand, the recipient country's level of trade policy liberalization (or trade openness) is an important determinant of donors' Aft supply (e.g., Lee et al., 2015; Gnangnon, 2016a,b; 2019ab; 2021b)), while on the other hand, the membership duration can affect the Aft recipients' extent of trade policy liberalization and degree of trade openness, including their level of participation in international trade (e.g., Dutt, 2020).

WTO members' trade policy is subject to transparency⁵ rules and rigorous scrutiny by their counterparts at the WTO (which is referred to as the multilateral surveillance of trade policies),

⁵ Further details on the fulfilment of the transparency objective by WTO Councils and Committees are available online at: https://www.wto.org/english/tratop_e/monitor_e/monitor_e.htm

notably the Trade Policy Review Mechanism⁶. The WTO provides for a stable and predictable trading environment thanks to members' commitments to reducing and binding tariff rates, and to limiting the utilization of non-tariff trade barriers⁷ (e.g., Chowdhury et al., 2021; Koopman et al., 2020; Mansfield and Reinhardt, 2008). WTO Members have to disclose their trade regulations and notify changes to these regulations⁸ to the WTO (e.g., Chowdhury et al., 2021), and WTO bodies, including the Councils and Committees as well as the Trade Policy Review Mechanism (TPRM) monitor the fulfilment of these obligations by members (e.g., Chaisse and Matsushita, 2013; Ghosh, 2010; Laird, 1999). Moreover, the dispute settlement legal rulings of the WTO contribute to promoting multilateral trade liberalization both by addressing trade problems for complainants, and improving market access for all WTO members (e.g., Shin and Ahn, 2019). Many studies have established that the membership⁹ in the WTO contributes to strongly promoting trade flows, including exports and imports flows (e.g., Chang and Lee, 2011; Chemutai and Escaith, 2017; Dutt, 2020; Eicher and Henn, 2011; Larch et al. 2019; Subramanian and Wei, 2007; Tomz et al. 2007). The membership in the WTO can also help improve governance¹⁰, domestic policies and trade-related institutions (e.g., Aaronson and Abouharb, 2014; Basu, 2008; Drabek and Bacchetta, 2004).

Building on these benefits of the membership in the WTO, a number of recent papers have documented the potential positive effects of the duration of WTO membership on the utilization of non-reciprocal trade preferences by developing countries (Gnangnon, 2021c), investment-oriented remittances inflows (Gnangnon, 2022a), trademark applications (Gnangnon, 2022b), as well as trade costs reduction (Gnangnon, 2022c). The argument at the heart of these papers is that as the duration of their membership increases, WTO members improve their trade regimes, including by further liberalizing their trade policies and achieving higher levels of trade openness. As a result, one could expect that donors would supply higher Aft flows to countries that have made efforts to reform their trade regimes (by improving governance and trade-related, domestic policies and institutions) and experience greater trade openness (e.g., Gnangnon, 2016b; 2017; 2018; 2021b; Lee et al., 2015). In this scenario, the duration of WTO membership will exert a positive effect on Aft inflows (hypothesis 1), and the greater the degree of trade policy liberalization (or trade openness), the higher is the magnitude of this positive effect (hypothesis 2). On the other hand, donors may prefer to supply greater Aft flows to countries that, due to capacity constraints (including human, financial and institutional capacity constraints), have not been capable of liberalizing their trade regimes, as expected. This argument is further supported by the fact that government effectiveness is a proxy for recipient country's ability to use aid effectively (e.g., Lee et al 2015). In this case, the duration of the WTO membership would exert a positive effect in countries with low levels of trade policy liberalization (or trade openness) (hypothesis 3).

⁶ Information on the WTO's role of overseeing national trade policies is accessible online at: https://www.wto.org/english/tratop_e/tpr_e/tp_int_e.htm

⁷ Koopman et al. (2020) have documented the positive effects of the membership in the WTO.

⁸ Basic information on the TPRM's role concerning the WTO's transparency objective can be found online at: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm

⁹ Anderson (2016) and Koopman et al. (2020) have provided literature surveys on the benefits of the WTO membership.

¹⁰ It is worth noting that Ferrantino (2010) has uncovered that the accession to the WTO exerts no significant effect on governance, and Choudhury (2019) has also obtained no significant effect of WTO membership on domestic corruption.

On another note, recipient countries' natural resource endowment (that represents their natural resource wealth) and economic growth performance (as a proxy for their market potential) reflect donors' commercial self-interest, and are hence two important determinants of the supply of AfT flows by donor countries (Lee et al., 2015). One may, therefore, question whether AfT recipient countries that are well endowed in natural resources or enjoy higher economic growth performance receive higher AfT flows as the duration membership expands. From the theoretical perspective, one can postulate that donors may be willing to supply higher AfT flows to countries that are well-endowed in natural resources or that enjoy a high economic growth performance. Donors will do because they may be willing to either exploit these natural resources or export to these countries, as a higher economic growth in the recipient countries could translate into a higher demand for foreign products¹¹. In this case, as recipient countries expand their membership duration in the WTO and eventually experience an improvement in their economic growth performance¹², they would enjoy higher AfT flows. The amounts of such aid are likely to increase as the economic growth performance rises. Similarly, the duration of WTO membership could exert a positive effect on AfT flows for countries that are well endowed in natural resources, with the magnitude of this positive effect increasing as the endowment in natural resources rises.

Overall, we can expect that the duration of WTO membership would affect positively AfT flows in countries that growth fast or are well-endowed in natural resources (hypothesis 4). It is, however, possible that the membership duration will influence positively AfT flows to recipient countries with have low economic growth performance, or those that are less endowed in natural resources. The argument here is that being less endowed in natural resources may signify limited opportunities to raise domestic financial resources (i.e, natural resource rents), apart eventually from mobilizing higher public revenue. In this case, donors may be willing to supply higher AfT flows to these countries, in particular to the less developed countries among them that are in need of huge amounts of financial resources for their economic development. As a result, one can expect that the membership duration will induce higher AfT flows in countries that are less endowed in natural resources. Along the same lines, donors may opt for extending higher AfT flows to low-growth performing countries, with a view to helping them expand their exports, and eventually increase their imports from these donors. Summing-up, an alternative assumption to hypothesis 4 is hypothesis 5, which is as follows. We expect that as low-economic growth performing countries or countries less endowed in natural resources expand their membership duration, they would receive higher AfT flows (hypothesis 5).

The empirical analysis has established that the duration of WTO membership has exerted a positive effect on total AfT flows, including both AfT flows for economic infrastructure and AfT flows for productive capacities. The duration of WTO membership exerts no significant effect on AfT related to trade policy and regulation. On another note, countries that further liberalize their trade regimes and improve their participation in international trade receive higher AfT flows as they experience an increase in the duration of WTO membership. Donor-countries' commercial interest in recipient countries proxied by the latter's economic growth performance and

¹¹ Hühne et al. (2014) have established empirically that while AfT flows increase exports by recipient countries, these resources inflows also induce a rise in the imports by recipient countries from donor countries.

¹² For example, Brotto et al. (2021), Cling et al. (2009) and Tang and Wei (2009) have found that the membership in the WTO is positively associated with economic growth performance. One may, therefore, assume that an increase in the duration of WTO membership would also exert a positive effect on economic, although this assumption might need to be tested empirically in future research.

endowment in natural resources also influence the amounts of AfT flows that accrue to recipient countries.

The remainder part of the paper tests empirically hypotheses 1 to 6, and is organized around three sections. Section 2 lays down the model specification that would help perform the empirical analysis, and briefly explains the econometric approach used to estimate this model specification and its different variants. It also presents briefly data analysis for our main variables in the analysis. Section 3 interprets empirical outcomes, and Section 4 concludes.

2. Empirical strategy

This section first presents the model specification that allows testing empirically the hypotheses set out above (see sub-section 2.1). It, then, provides some graphical analyses of the variables of interest in the study (see sub-section 2.2). Finally, it discusses the econometric method used to perform the empirical analysis (see sub-section 2.3).

2.1. Model specification

To test empirically hypotheses 1 to 6, we follow previous works on the macroeconomic determinants of AfT flows (e.g., Lee et al., 2015; Gnangnon, 2016a,b; 2017; 2018; 2019ab; 2021b), and postulate the following baseline model specification.

$$\begin{aligned} \text{Log(AfT)}_{it} = & \alpha_1 \text{Log(AfT)}_{it-1} + \alpha_2 \text{NUMBWTO}_{it} + \alpha_3 \text{Log(GDPC)}_{it} + \alpha_4 \text{Log(GDPC)}_{it}^2 + \\ & \alpha_5 \text{Log(NonAfT)}_{it} + \alpha_6 \text{GROWTH}_{it} + \alpha_7 \text{RENT}_{it} + \alpha_8 \text{Log(POP)}_{it} + \mu_i + \vartheta_t + \omega_{it} \end{aligned} \quad (1)$$

i and t are respectively the subscripts for an AfT recipient country, and the time-period. We have constructed an unbalanced panel dataset of 136 AfT recipient countries, using non-overlapping sub-periods of 3-year average data, with a view to reducing the effect of business cycles on variables at hand. These sub-periods are 2002-2004; 2005-2007; 2008-2010; 2011-2013; 2014-2016 and 2017-2019. μ_i represent countries' heterogeneity, i.e., their unobserved time-invariant fixed effects. ϑ_t stands for global shocks that affect simultaneously all countries' AfT inflows. ω_{it} is a well-behaving error term. α_1 to α_8 are coefficients that we will estimate.

The dependent variable "AfT" is the real gross disbursements of AfT flows, expressed in constant prices 2019, US Dollar. AfT variables used in the analysis are described in Appendix 1. They are the total AfT flows ("AfTTOT"), but also its three components, namely AfT flows for the build-up of economic infrastructure ("AfTINFRA"), AfT flows for fostering productive capacities ("AfTPROD"), and AfT related to trade policy and regulation ("AfTPOL").

The variable "NUMBWTO", which is our key regressor of interest, is the "transformed" indicator of a country's duration of WTO membership. For a given country, it represents the time elapsed since the country has joined the WTO, denoted "NUMBWTO1". The latter takes the value of "0" for years during which the country was not a WTO Member. It takes the value of "1" the first year the country had become a WTO Member (i.e., the year it acceded to the WTO), and is incremented by 1 for every subsequent (additional) year. Note that for any country that had joined the WTO before 2002 (which is the first year of the period under analysis), the value of "1" has been attributed to the year (i.e., between 1995 and 2002) during which the country had acceded to the WTO, and then incremented by "1" for every additional year until the last year of the period

under analysis. For example, for countries that joined the WTO in 1995, the variable "NUMBWTO1" takes the value of "1" in 1995, and hence "8" in 2002, "9" in 2003,...and "25" in 2019. The variable "NUMBWTO1" takes the value of "0" for every year from 2002 to 2019 for countries that are not WTO Members. For a given country, the higher the value of the indicator "NUMBWTO1", the greater is the duration of the WTO membership. As the variable "NUMBWTO1" contains many zeros and has a skewed distribution, it has been transformed using the following formula (see Yeyati et al. 2007): $\text{NUMBWTO} = \text{sign}(\text{NUMBWTO1}) * \log(1 + |\text{NUMBWTO1}|)$, where $|\text{NUMBWTO1}|$ refers to the absolute value of the variable "NUMBWTO1".

All other regressors are described in Appendix 1. Appendix 2 reports the descriptive statistics related to variables in model (1), and Appendix 3 contains the list of countries used in the analysis as well as their membership duration in 2019.

The variable "GDPC" represents the real per capita income, and is a proxy for countries' development level. It has been introduced in model (1) along with its squared term, with a view to capturing the potential non-linear relationship between AfT recipient countries' real per capita income and the amounts of AfT that accrue to them: AfT inflows are expected to fall as the real per capita income increases (e.g., Lee et al., 2015; Gnangnon, 2021b).

The variable "NonAfT" represents NonAfT flows, i.e., the portion of total development aid (i.e., the official development aid) devoted to other sectors in the economy than the trade and trade-related sectors. We expect a positive effect of NonAfT flows on total AfT flows, in particular if donors give priorities to both trade and non-trade related sectors in recipient countries (e.g., Gnangnon, 2021b).

The variables "GROWTH" and "RENT" are respectively the economic growth rate (as a proxy for the market potential) and the endowment in natural resources (proxied by the share of natural resources rents in GDP) of recipient countries (e.g., Lee et al., 2015). As noted above, these two variables have been introduced in model (1) in order to take into account the effect of donors' commercial self-interest on the amounts of AfT supplied to developing countries. As also emphasized above, it is possible that countries that well-endowed in natural resources or experience an improvement in its economic growth performance may receive higher AfT flows.

Finally, the variable "POP", which represents the population size, has been introduced in the baseline model (1) in order to capture the effect of the size of recipient countries on AfT flows (e.g., Gnangnon, 2018; 2021b; Lee et al., 2015). For example, donors may provide higher amounts of AfT to smaller countries than to larger ones, because it is relatively easier for them to exert a higher political influence on smaller countries than on larger ones (e.g., Younas, 2008).

All variables except for the economic growth rate and the share of natural resources rents in GDP have been transformed into natural logarithm in order to reduce their skewed distributions.

2.2. Data analysis

We start by presenting in Figure 1 the evolution of total AfT flows over the full sample, and sub-samples of LDCs and NonLDCs (i.e., countries in the full sample not classified as LDCs). We also compare the duration of WTO membership in LDCs and NonLDCs. Figure 2 displays the correlation pattern between the duration of WTO membership and total AfT flows, over the full sample, and the sub-samples of LDCs and NonLDCs.

Figure 1 indicates that after an increase¹³ in total AfT flows from US\$ 602.11 million in 2002-2004 to US\$ 799.80 million in 2005-2007, AfT flows plummeted to US\$ 730.78 million in 2008-2010, due probably to the 2007 global financial crisis. These resource inflows then moved upward to reach US\$ 955.93 million in 2017-2019. AfT flows to NonLDCs showed a pattern similar to the one observed over the full sample, and are higher than AfT flows to LDCs over the full period. For NonLDCs, total AfT moved from US\$ 515.49 million in 2002-2004 to US\$ 681.91 million in 2005-2007, and after declining to US\$ 557.7 million in 2008-2010, they increased steadily to reach US\$ 665.12 million in 2017-2019. In contrast, for LDCs, total AfT consistently increased from US\$ 96.03 million in 2002-2004 to US\$ 290.8 million in 2017-2019.

Figure 2 shows positive correlations between total AfT flows and the duration of WTO membership both over the full sample, and the sub-samples of LDCs and NonLDCs.

2.3. Econometric approach

Following previous works on the determinants of AfT, we estimate model (1) and its different variants described below using the two-step system generalized method of moments (GMM) estimator of Blundell and Bond (1998). This estimator has the advantage of overcoming endogeneity issues that can undermine dynamic panel datasets with a small time dimension and a large cross-section dimension, and where series exhibits a strong persistence over time (e.g., Alonso-Borrego and Arellano, 1999). The endogeneity problems here concern essentially the bias introduced by the correlation between the lagged dependent variable and countries' unobserved time invariant effects in the error term, and the bi-directional causality between the dependent variable and a number of regressors, including the variables "NUMBWTO", "NonAfT", "GROWTH", "RENT", "GDPC" and its squared term in the baseline model (1) (see Lee et al., 2015; Gnangnon, 2016a,b; 2017; 2018; 2019ab; 2021b). In the regressions performed in the present analysis, all these regressors were considered as endogenous. It is also important to note that the two-step system GMM estimator allows handling endogeneity biases arising from measurement errors, and omitted variables. The use of this estimator amounts to estimating a system of equations, which contains an equation in differences and an equation in levels. In this system of equations, lagged first differences are used as instruments for the levels equation, and lagged levels are used as instruments for the first-difference equation.

The correctness of the estimated models are checked by means of the standard diagnostic tests, which are the Arellano-Bond test of the presence of first-order serial correlation in the first-differenced error term (AR (1)); the Arellano-Bond test of the absence of second-order autocorrelation in the first-differenced error term (denoted AR (2)), and the Sargan/Hansen test of over-identifying restrictions (OID) that tests the validity of instruments used in the regressions. In addition and although not necessary, we present the results of the test of absence of third-order autocorrelation in the first-differenced error term (denoted AR3)). This is because the absence of the third-order autocorrelation in the first-differenced error term can be an indicator of the absence of omitted variables biases in the analysis. The models estimated are considered as correctly specified if the p-value of the statistic related to the AR(1) test is lower than 0.1 at the 10% level, and if the p-values of the statistics related respectively to the AR(2) test, AR(3) test and

¹³ Such an increase can be attributed to the AfT Initiative, which had helped mobilized greater financial resources in favour of the trade sector in developing countries immediately after the launch of this Initiative in 2005 (see Gnangnon, 2019c).

OID test are all higher than 0.1 at the 10% level. Finally, we ensure that the models estimated do not suffer of instruments proliferation, as the number of instruments are always well below the number of countries in the panel dataset (e.g., Roodman, 2009).

While the two-step system GMM estimator is our main econometric estimator to perform the empirical analysis, we also find useful to present the results of the estimation of the baseline model (1) by means of the standard econometric estimators, namely the pooled ordinary least squares ("POLS") and the within fixed effects ("FE") estimators¹⁴. The outcomes of these estimations are displayed in columns [1] and [2] of Table 1. Using these two estimators also allows comparing the related outcomes with those obtained when using the two-step system GMM estimator, but also contributes to verifying the correctness of the baseline model (1). The model can be considered here as correctly specified if the coefficient of the lagged dependent variable obtained when utilizing the two-step system GMM estimator is lower than the coefficient of the same variable when using the POLS estimator, but higher than the coefficient of the same variable when utilizing the FE estimator (Bond et al., 2001).

The different specifications of model (1) estimated by the two-step system GMM estimator to test hypotheses 1 to 6 set out in section 1 are as follows.

Hypothesis 1 is tested by estimating the baseline model (1) - where the variable "AfT" is measured by total AfT flows - results of which are provided in column [3] of Table 1. Column [4] of Table 1 also contains results that help test hypothesis 1, as these results allow examining the effect of the duration of WTO membership on AfT flows in LDCs versus NonLDCs. This specification of model (1) contains the dummy "LDC" and the multiplicative variable between the relevant AfT indicator and the dummy "LDC". The latter takes the value of 1 for LDCs, and 0, otherwise. Results in Table 2 also allow testing hypothesis 1 as they stem from the estimation of three specifications of model (1) where the variable "AfT" is measured by each of the three components of total AfT flows.

From now onwards, the variable "AfT" is essentially measured by total AfT flows. To test hypothesis 2 (or alternatively hypothesis 3), we estimate different variants of model (1) in which we introduce the multiplicative variable between the indicator of total AfT flows, and an indicator of trade openness. To recall, hypothesis 2 is related to the extent to which the effect of the duration of WTO membership on AfT flows depends on the level of trade policy/trade openness. For the sake of the analysis, we use three different indicators of trade openness, namely the 'de jure' trade openness and 'de facto' trade openness indicators. Especially, we use two 'de jure' trade openness indicators, which are the applied tariff rate (%) (weighted mean for all products), denoted "TARIFF", and the score of freedom to trade internationally (i.e., the indicator of trade policy) denoted "TP". This indicator is developed by the Heritage Foundation (see Miller et al., 2021), and is a composite measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services. Higher values of "TP" indicate greater trade policy liberalization. The indicator of de facto trade openness used in the analysis is the trade openness indicator proposed by Squalli and Wilson (2011). It is calculated as the ratio of the sum of a country's exports and imports of goods and services to its GDP, adjusted by the proportion of a country's trade level relative to the average world trade (see Squalli and Wilson, 2011: p1758). More than the

¹⁴ Standard errors of the coefficients obtained from the regressions based on these two estimators have been corrected using the Driscoll and Kraay (1998) technique. The latter corrects for the autocorrelation, heteroscedasticity, and any form of cross-sectional dependence in the error-term.

standard indicator of de facto trade openness (measured by the share of exports and imports of goods and services in GDP), the trade openness indicator by Squalli and Wilson (2011) genuinely reflects countries' participation in international trade. The results of the estimation of these variants of model (1) are Table 3.

Estimates reported in Table 4 allow testing hypothesis 4 (or alternatively hypothesis 5) (see results in columns [1] and [2]). These estimates arise from the estimation of specifications of model (1) that include the interaction between the variable measuring total AfT flows and the indicator of economic growth on the one hand, and the interaction between the same AfT variable and the indicator of natural resource endowments.

3. Empirical results

The estimates presented in Tables 1 to 5 show that the coefficients of the one-period lag of the dependent variable are always positive and significant at the 1% level. These findings are in line with those obtained by the above-mentioned previous works on the determinants of AfT flows. They indicate that a dynamic specification of model (1) was essential for exploring the effect of the duration of WTO membership on AfT flows. Moreover, we find from results in Table 1 that the coefficient of the lagged dependent variable in column [3] (results based on the GMM estimator) amounts to 0.541. It is lower than the coefficient of the same variable in column [1] (results based on the POLS estimator), which amounts to 0.668, but higher than the coefficient of the same variable in column [2] (results based on the FE estimator), which amounts to 0.212. These findings thus meet the recommendation by Bond et al. (2001). On another note, the outcomes of the GMM-related diagnostic tests that are reported at the bottom of columns [3] and [4] of Table 1 and Tables 2 to 5 indicate that the related variants of model (1) are correctly specified. On the basis of these findings, we conclude that the two-step system GMM approach is suitable for performing the empirical analysis.

Results in columns [1] and [2] of Table 1 show that the duration of WTO membership affects positively and significantly (at the 5% level) total AfT flows. However, the magnitude of this effect obtained by means of the FE estimator (it amounts to 0.173 - see column [2]) is far higher than the one obtained when using the POLS estimator (it amounts to 0.022 - see column [1]). At the same time, results in column [3] of the same Table indicate that the duration of WTO membership influences positively and significantly (at the 1% level) total AfT flows. The magnitude of this effect (0.127) is lower than the one obtained in column [2] of the same Table. As the GMM-based estimates are the most reliable ones, we conclude that an additional year of WTO membership (that represents a 100 per cent increase in the duration of WTO membership - i.e., in the values of the indicator "NUMBWTO1") leads to an increase in total AfT flows by 12.7 per cent. Across the three columns of Table 1, NonAfT flows appear to be positively and significantly (at the 1% level) associated with total AfT flows. Results in column [4] of Table 1 indicate that as the duration of WTO membership increases, LDCs experience lower total AfT flows (and in particular AfT flows for economic infrastructure) than NonLDCs. The net effects of duration of WTO membership on total AfT flows for LDCs and NonLDCs amount respectively to 0.05 ($= 0.190 - 0.142$) and 0.19. This signifies that an additional year of WTO membership leads to an increase in total AfT flows by 5 per cent for LDCs, and 19 per cent for NonLDCs. Summing-up, results in columns [3] and [4] lend support to hypothesis 1, although

they suggest that the membership duration exerts a higher positive effect on AfT flows that accrue to NonLDCs than to LDCs.

The effects of the other control variables are not the same in the three columns of Table 1. Focusing specifically on the estimates of control variables in columns [3] and [4] of the Table, we find that there is (at the conventional significance levels) no non-linear relationship between the real per capita income and total AfT flows (as found in previous studies) in column [3] of the Table. However, we obtain that this non-linear relationship is significant at the 5% level in column [4] of the Table. In these two last columns of Table 1, we observe that at the 1% level, countries that enjoy a higher economic growth performance receive higher AfT inflows. Also at the 1% level, an increase in the share of natural resources rents in GDP leads to lower AfT flows. The latter findings runs in contrast with our theoretical expectation, and suggests that donors tend to supply higher total AfT flows to countries that are less endowed in natural resources. This may be due to the fact an increase in the share of natural resource rents in GDP may be an indication of increasing wealth, and hence the need for lesser financial resources to invest in the trade sector. However, as noted above, there may an interaction between the effect of the duration of WTO membership and share of natural resource rent in GDP, on total AfT flows. This is what we will test in hypothesis 4/5. Finally, the population size is positively associated with AfT flows, although only at the 10% level in column [3], and at the 5% level in column [4]. It is worth noting at this stage of the analysis that results of control variables in Tables 2 to 5 are largely consistent with those in columns [3] and [4] of Table 1.

Outcomes in Table 2 suggest that as countries' duration of membership in the WTO increases, they enjoy higher AfT flows for economic infrastructure and higher AfT flows for productive capacities (the coefficients of the variable "NUMBWTO" are positive and significant at the 1% level in columns [1] and [2]). A one more year of membership in the WTO is associated with an increase in AfT flows for economic infrastructure by 14.3 per cent, and AfT flows for productive capacities by 7 per cent. However, the duration of WTO membership exerts no significant effect (at the conventional significance levels) on AfT flows related to trade policy and regulation.

Estimates in column [1] of Table 3 indicate that the coefficient of the variable "NUMBWTO" is negative and significant at the 1% level, while the coefficient of the multiplicative variable "TP*NUMBWTO" is positive and significant at the 1% level. The combination of these two outcomes suggests that an increase in the duration of WTO membership leads to higher AfT flows when countries' degree of trade policy liberalization exceeds (on average over the full sample) the level of 66 ($= 0.514/0.00779$) (otherwise the effect is negative). Descriptive statistics reported in Appendix 2 indicate that the values of the variable "TP" in the full sample range from 27.4 to 89.2. Figure 3 presents, at the 95 per cent confidence intervals, the marginal impact of the duration of WTO membership on total AfT flows for varying degrees of trade policy liberalization. It shows that this marginal impact is positive and significant for levels of trade policy liberalization higher than 69.3. Otherwise, it is at best statistically nil (including for levels of trade policy liberalization ranging from 61.3 to 69.3), or negative and significant (including for degrees of trade policy liberalization lower than 61.3). These outcomes indicate that countries that experience greater trade policy liberalization receive higher amounts of total AfT flows as their duration of membership in the WTO increases: the magnitude of the positive effect of the duration of WTO membership on total AfT flows increases as the degree of trade policy liberalization rises.

Estimates in column [2] of Table 3 confirm the findings in column [1] of the same Table, as they reveal that the coefficient of the variable "NUMBWTO" is positive and significant at the 1% level, while the coefficient of the multiplicative variable "TARIFF*NUMBWTO" is negative and significant at the 1% level. The combination of these two outcomes suggests that the duration of WTO membership influences positively AfT flows only in countries that implement lower tariffs, that is, where the average tariff on all products is lower than 6% ($= 0.0650/0.0108$) (values of the variable "TARIFF" range between 0.47 and 149.07 in the full sample - see Appendix 2). In other words, countries that implement lower tariffs (i.e., tariffs lower than 6%) on imported products receive higher AfT flows as their duration of WTO membership increases; otherwise, they experience lower AfT flows as their WTO duration membership increases. Figure 4 presents, at the 95 per cent confidence intervals, the marginal impact of the duration of WTO membership on total AfT flows for varying tariff rates. It confirms the previous finding by indicating that it is only for tariff rates lower than 5.96% (approximately 6%) that the duration of WTO membership is associated with higher AfT flows. Countries whose tariff rates are higher than 6% experience a fall in AfT flows, and the magnitude of this negative effect rises (in absolute value) as the tariff rates increase.

Finally, estimates in column [3] of Table 3 show that the coefficient of the variables "NUMBWTO" and (" $\text{Log}(\text{OPEN}) \times \text{NUMBWTO}$ ") are positive and significant at the 1% level. These outcomes, therefore, tend to suggest that regardless of the level of countries' participation in international trade, they always receive higher AfT flows as their membership duration increases. Additionally, the magnitude of this positive impact of the duration of WTO membership on total AfT flows increases as countries' level of integration into the global trading system improves. As these outcomes are 'average' effects across countries in the full sample, we display in Figure 5, at the 95 per cent confidence intervals, the marginal impact of the duration of WTO membership on total AfT flows for varying degrees of integration into the global trading system. It appears that this marginal impact is significant only for values of the variable "OPEN" higher than 0.0000088 (in the full sample, the values of the variable "OPEN" range between 0.000000033 and 0.0445 - see Appendix 2). We conclude that the duration of WTO membership exerts a positive effect on AfT flows only in countries whose level of integration into the world trade is higher than 0.0000088, and the greater this level of trade integration, the higher is the positive effect of the membership duration on total AfT flows. For countries whose level of integration into the world trade is lower than 0.0000088, there is no significant effect of the duration of WTO membership on total AfT flows. In a nutshell, Table 3 conveys the message that as countries improve their level of trade openness, including their trade policy liberalization and the degree of participation in international trade, they enjoy higher AfT flows, as their WTO membership duration increases. This finding clearly supports hypothesis 2 (at the expense of hypothesis 3).

Turning to outcomes provided in Table 4, we note from column [1] that the coefficient of "NUMBWTO" is yet positive, but not significant at the 10% level. At the same time, the interaction term of the variable "NUMBWTO*GROWTH" is positive and significant at the 1% level. These outcomes suggest that as they expand the membership duration, countries receive higher amounts of AfT when they improve their economic growth performance. The greater the economic growth rate, the higher is the magnitude of the positive effect of the membership duration on total AfT flows. On the other side, results in column [2] of Table 4 indicate a positive and significant coefficient (at the 1% level) of the variable "NUMBWTO", but a negative and

significant coefficient (also at the 1% level) of the interaction variable "NUMBWTO*RENT". These suggest that, on average, over the full sample, countries whose shares of total natural resource rents in GDP are lower than 29.7% ($= 0.219/0.0106$) receive higher AfT flows when the duration of their membership in the WTO increases. For these countries, the lower the share of total natural resource rents in GDP, the higher are the amounts of total AfT flows that would accrue to them. Conversely, countries whose shares of total natural resource rents in GDP exceed 29.7% receive lower AfT flows as they expand the duration of membership in the WTO. These patterns of outcomes in columns [1] and [2] of Table 4 are observed in column [3] of the same Table when we included both the interaction variables "NUMBWTO*GROWTH" and "NUMBWTO*RENT" in the baseline model (1).

Building on results in column [1] of the Table, we display in Figure 8, at the 95 per cent confidence intervals, the marginal impact of the duration of WTO membership on total AfT flows for different economic growth rates. It appears that donors supply lower AfT flows to low-growth performing countries (i.e., countries whose economic growth rates are lower than -3.33 per cent) that experience an increase in the duration of WTO membership. Countries whose economic growth rate range from 3.33 per cent to 0.85 per cent experience no significant effect of the membership duration on total AfT flows. In contrast, countries whose economic growth rate exceeds 0.85 per cent receive higher AfT flows from donors as their membership duration increases, and the higher the economic growth performance, the greater is the magnitude of the positive effect of the duration of WTO membership on total AfT flows. Finally, we depict in Figure 9, at the 95 per cent confidence intervals, the marginal impact of the duration of WTO membership on total AfT flows for different shares of natural resource rents in GDP. It appears from this Figure that the marginal impact of the duration of WTO membership on total AfT flows is always positive and significant (for all shares of natural resource rents in GDP), but the magnitude of this positive effect declines as the share of natural resource rents in GDP increases. Overall, these findings tend to lend credence to hypothesis 4 (at the expense of hypothesis 5). This is because donors tend to reward countries that improve their economic growth performance (as far as the economic growth rate is higher than 0.85 per cent) with higher AfT flows as their membership duration increases. At the same time, while donors still supply higher AfT flows to countries endowed with natural resources and that experience an increase in the duration of WTO membership, these amounts of AfT flows diminish as the share of natural resource rents in GDP rises.

4. Conclusion

This paper contributes to the literature on the macroeconomic determinants of AfT flows, and in particular complements the work by Lee et al. (2015) who have explored the effect of developing countries' membership in the WTO on the AfT flows that they receive from donors. Especially, the present paper has investigated the effect of AfT recipients' duration of WTO membership on the total amounts of AfT flows received from donors. The analysis has focused on a set of 136 countries over the period from 2002 to 2019, and revealed that as countries experience a higher duration of their membership in the WTO, they enjoy higher total AfT flows, including both AfT flows for economic infrastructure and AfT flows for productive capacities. The duration of WTO membership exerts no significant effect on AfT flows related to trade policy and regulation. LDCs appear to experience lower AfT total flows than other countries as their

WTO membership duration increases. On another note, donors supply higher AfT flows to countries that improve their participation in international trade (including through greater trade policy liberalization and trade openness) as their membership duration rises. The effect of the duration of WTO membership on total AfT flows supplied to recipient countries also depend on donors' commercial interest in recipient countries, proxied by the economic growth performance and the endowment in natural resources. The analysis has established that the duration of WTO membership is associated with higher AfT flows in countries that improve their economic growth rate performance, and in particular if the latter is higher than 0.85%. The magnitude of this positive AfT flows effect of the membership duration increases as the recipients' economic growth rate rises. Furthermore, the effect of the duration of WTO membership on total AfT flows is always positive for various share of natural resources rents in GDP, but donors tend to supply higher AfT flows to countries with lower shares of natural resource rents in GDP than to countries with relatively higher shares of natural resource rents in GDP.

AfT flows are critical for the integration of developing countries, including LDCs in the global trading system. The present study adds to the findings of the benefits of the membership in the WTO by showing that the duration of such a membership influences the amount of AfT that accrue to recipient countries. In particular, countries that endeavour to further liberalize their trade regimes and better participate in international trade are encouraged by donor-countries through higher AfT flows.

References

- Aaronson, S., and Abouharb, M. (2014). Does the WTO help member states improve governance? *World Trade Review*, 13(3), 547-582.
- Alonso-Borrego, C., and Arellano, M. (1999). Symmetrically normalized instrumental-variable estimation using panel data. *Journal of Business & Economic Statistics*, 17(1), 36-49.
- Anderson, K. (2016). Contributions of the GATT/WTO to Global Economic Welfare: Empirical Evidence. *Journal of Economic Surveys*, 30(1), 56-92.
- Basu, S. R. (2008). Does WTO accession Affect Domestic Economic Policies and Institutions? HEI Working Paper No: 03/2008. The Graduate Institute of International Studies, Geneva, Switzerland.
- Benziane, Y., Law, S.H., Rosland, A. and Abd Rahman, M.D. (2022). Aid for trade initiative 16 years on: lessons learnt from the empirical literature and recommendations for future directions. *Journal of International Trade Law and Policy*, 21(2), 79-104.
- Bond, S., Hoeffler, A., and Temple, J. (2001). GMM estimation of empirical growth models. CEPR Paper DP3048. Centre for Economic Policy Research, London, United Kingdom.
- Brotto, A., Jakubik, A., and Piermartini, R. (2021). WTO Accession and Growth: Tang and Wei Redux. WTO Staff Working Paper ERSD-2021-1. World Trade Organization, Geneva, Switzerland.
- Chaisse, J., and Matsushita, M. (2013). Maintaining the WTO's Supremacy in the International Trade Order: A Proposal to Refine and Revise the Role of the Trade Policy Review Mechanism. *Journal of International Economic Law*, 16(1), 9-36.
- Chang, P. L., and Lee, M. J. (2011). The WTO trade effect. *Journal of International Economics*, 85(1), 53-71.
- Chemutai, V., and Escaith, H. (2017). Measuring World Trade Organization (WTO) Accession Commitments and their Economic Effects. *Journal of International Commerce, Economics and Policy*, 08(02), 1750007.
- Choudhury, S. (2019). WTO membership and corruption. *European Journal of Political Economy*, 60, 101806.
- Chowdhury, A., Liu, X., Wang, M., and Wong, M. (2021). The Role of Multilateralism of the WTO in International Trade Stability. *World Trade Review*, 20(5), 668-689.
- Cling, J-P., Marouani, M.A., Razafindrakoto, M., Robilliard, A-S., and Roubaud, F. (2009). The distributive impact of Vietnam's accession to the WTO. *Économie internationale*, 2(118), 43-71.
- Cling, J-P., Marouani, M.A., Razafindrakoto, M., Robilliard, A-S., and Roubaud, F. (2009). The distributive impact of Vietnam's accession to the WTO. *Économie internationale*, 2(118), 43-71.

Collins-Williams, T., and Wolfe, R. (2010). Transparency as a trade policy tool: The WTO's cloudy windows. *World Trade Review*, 9(4), 551-581.

Drabek, Z., and Baccetta, M. (2004). Tracing the Effects of WTO Accession on Policymaking in Sovereign States: Preliminary Lessons from the Recent Experience of Transition Countries. *The World Economy*, 27(7), 1083-1125.

Driscoll, J. C., and Kraay, A.C. (1998). Consistent Covariance Matrix Estimation with Spatially Dependent Panel Data. *Review of Economics and Statistics*, 80(4), 549-560.

Dutt, P. (2020). The WTO is not passé. *European Economic Review*, 128, 103507.

Eicher, T. S., and Henn, C. (2011). In search of WTO trade effects: Preferential trade agreements promote trade strongly, but unevenly *Journal of International Economics*, 83(2), 137-153.

Ferrantino, M.J. (2010). 'Policy Anchors: Do Free Trade Agreements and WTO Accessions Serve as Vehicles for Developing-country Policy Reform?'. Palgrave Macmillan Books, in: Zdenek Drabek (ed.), *Is the World Trade Organization Attractive Enough for Emerging Economies?*, chapter 5, pages 139-175, Palgrave Macmillan.

Gamberoni, E., and Newfarmer, R. (2014). Aid for Trade: Do Those Countries that Need It, Get It?. *The Word Economy*, 37(4), 511-78.

Gnangnon, S.K. (2016a). Aid for Trade and trade tax revenues in developing countries. *Economic Analysis and Policy*, 50, 9-22.

Gnangnon, S.K. (2016b). Market Access of OECD Donor Countries and Their Supply of Aid for Trade. *Journal of International Commerce, Economics and Policy*, 07(1), 1650004, 38 pages.

Gnangnon, S.K. (2017). Multilateral Trade Liberalisation, Export Share in the International Trade Market and Aid for Trade. *Journal of International Commerce, Economics and Policy*, 8(3), 1750014 [35 pages].

Gnangnon, S.K. (2018). Relative Trade Preferential Margin and Aid for Trade Allocation. *The International Trade Journal*, 32(3), 240-267.

Gnangnon, S.K. (2019a). Trade-related Government Expenditure and Aid for Trade in Recipient-Countries. *Economic Issues*, 24(2), 1-20.

Gnangnon, S.K. (2019b). Financial Openness and Aid for Trade in Developing Countries. *South African Journal of Economics*, 87(1), 46-64.

Gnangnon, S.K. (2019c). Has the WTO's Aid for Trade Initiative Delivered on Its Promise of Greater Mobilization of Development Aid in Favor of the Trade Sector in Developing Countries? *International Trade Journal*, 33(6), 519-541.

Gnangnon, S.K. (2021a). Aid for Trade flows and Poverty Reduction. *Singapore Economic Review*, <https://doi.org/10.1142/S0217590821500685>

Gnangnon, S.K. (2021b). Do Donors provide higher Aid for Trade flows to Recipient-Countries that Diversify Export Products or Is It the Other Way Around? Arthaniti: Journal of Economic Theory and Practice, <https://doi.org/10.1177/09767479211036657>

Gnangnon, S.K. (2021c). WTO membership, the membership duration and the utilization of non-reciprocal trade preferences offered by the QUAD Countries, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg.

Gnangnon, S.K. (2022a). Duration of WTO Membership and Investment-Oriented Remittances Flows, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg. Accessible online at: <http://hdl.handle.net/10419/251274>

Gnangnon, S.K. (2022b). Effect of the duration of membership in the World Trade Organization on Trademark Applications. ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg. <http://hdl.handle.net/10419/253266>

Gnangnon, S.K. (2022c). Duration of the membership in the World Trade Organization, Structural Economic Vulnerability and Trade Costs. Preprint (Version 1) available at Research Square [<https://doi.org/10.21203/rs.3.rs-1674470/v1>]

Hallaert, J. and Munro, L. (2009). Binding Constraints to Trade Expansion: Aid for Trade Objectives and Diagnostics Tools. OECD Trade Policy Papers, No. 94, OECD Publishing, Paris.

Hallaert, J.J. (2010). Increasing the Impact of Trade Expansion on Growth: Lessons from Trade Reforms for the Design of Aid for Trade. OECD Trade Policy Papers, No. 100, OECD Publishing, Paris.

Hühne, P., Meyer, B., and Nunnenkamp, P. (2014). Who Benefits from Aid for Trade? Comparing the Effects on Recipient versus Donor Exports. *Journal of Development Studies*, 50(9), 1275-1288.

Koopman, R., Hancock, J., Piermartini, R., and Bekkers, E. (2020). The Value of the WTO. *Journal of Policy Modeling*, 42(4), 829-849.

Kruskal, W.H., and Wallis, W. A. (1952). Use of ranks in one-criterion variance analysis. *Journal of the American Statistical Association*, 47(260), 583-621.

Laird, S. (1999). The WTO's Trade Policy Review Mechanism - From Through the Looking Glass. *The World Economy*, 22(6), 741-764.

Larch, M., Monteiro, J.-A., Piermartini, R., and Yotov, Y. V. (2019). On the effects of GATT/WTO membership on trade: They are positive and large after all. In WTO Staff Working Papers ERSD-2019-09, World Trade Organization (WTO), Switzerland.

Lee, H. L., Park, D., and Shin, M. (2015). Do Developing-country WTO Members Receive More Aid for Trade (AfT)? *The World Economy*, 38(9), 1462-1485.

Mansfield, E. D., and Reinhardt, E. (2008). International institutions and the volatility of international trade. *International Organization*, 62(4), 621-652.

- Miller, T., Kim, A. B., Roberts, J.M., and Tyrrell, P. (2021). 2021 Index of Economic Freedom, Institute for Economic Freedom, The Heritage Foundation, Washington, DC. See online: https://www.heritage.org/index/pdf/2021/book/index_2021.pdf
- Naito, T. (2016). Aid for Trade and Global Growth. *Review of International Economics*, 24(5), 1178-1201.
- Portugal-Perez A., and Wilson, J.S., (2012). Export Performance and Trade Facilitation Reform: Hard and Soft Infrastructure. *World Development*, 40(7), 1295-1307.
- Roodman, D. M. (2009). A note on the theme of too many instruments. *Oxford Bulletin of Economic and Statistics*, 71(1), 135-158.
- Shin, W., and Ahn, D. (2019). Trade Gains from Legal Rulings in the WTO Dispute Settlement System. *World Trade Review*, 18(1), 1-31.
- Squalli, J., and Wilson, K. (2011). A New Measure of Trade Openness. *The World Economy*, 34(10), 1745-1770.
- Subramanian, A., and Wei, S.-J. (2007). The WTO Promotes Trade, Strongly but Unevenly. *Journal of International Economics*, 72, 151-175.
- Tadasse, B., and Fayissa, B. (2009). Determinants of the Allocation of US Aid for Trade. Working Paper 200901 (Duluth, MN: Department of Economics and Finance, University of Minnesota-Duluth).
- Tang, M.-K., and Wei, S.-J. (2009). The value of making commitments externally: Evidence from WTO accessions. *Journal of International Economics*, 78(2), 216-229.
- Tomz, M., Goldstein, J. L., and Rivers, D. (2007). Do We Really Know that the WTO Increases Trade? Comment. *American Economic Review*, 97(5), 2005-2018.
- Younas, J. (2008). Motivation of Bilateral Aid Allocation: Altruism or Trade Benefits. *European Journal of Political Economy*, 24(3), 661-74.

TABLES and APPENDICES

Table 1: Effect of the duration of WTO membership on total Aft flows

Estimators: POLS, FE and Two-Step System GMM

	POLS	FE	Two-Step System GMM	
Variables	Log(AfTTOT)	Log(AfTTOT)	Log(AfTTOT)	Log(AfTTOT)
	(1)	(2)	(3)	(4)
Log(AfTTOT) _{t-1}	0.668*** (0.0330)	0.212*** (0.0587)	0.541*** (0.0158)	0.537*** (0.0180)
NUMBWTO	0.0219** (0.0110)	0.173** (0.0675)	0.127*** (0.0198)	0.190*** (0.0192)
NUMBWTO*LDC				-0.142*** (0.0402)
LDC				0.623*** (0.141)
Log(GDPC)	0.641*** (0.223)	1.164*** (0.308)	0.575* (0.336)	1.257*** (0.417)
[Log(GDPC)] ²	-0.0426*** (0.0145)	-0.0143 (0.0254)	-0.0326 (0.0215)	-0.0682** (0.0265)
Log(NonAft)	0.311*** (0.0401)	0.356*** (0.0384)	0.464*** (0.0391)	0.480*** (0.0373)
GROWTH	0.00638 (0.0114)	-0.00651 (0.00847)	0.0174*** (0.00379)	0.0160*** (0.00399)
RENT	-0.0117*** (0.000912)	0.0116*** (0.00361)	-0.0168*** (0.00148)	-0.0177*** (0.00147)
Log(POP)	0.0155 (0.0106)	1.069*** (0.143)	0.0491* (0.0253)	0.0572** (0.0249)
Constant	-2.462*** (0.940)	-17.97*** (3.302)		
Observations - Countries	664 - 136	664 - 136	664 - 136	664 - 136
R-squared	0.881			
Within R-squared		0.3740		
AR1 (P-Value)			0.0000	0.0000
AR2 (P-Value)			0.2188	0.2320
AR3 (P-Value)			0.9394	0.8980
OID (P-Value)			0.3521	0.2290

Note: * p -value<0.1; ** p -value<0.05; *** p -value<0.01. Robust Standard Errors are in parenthesis. In the regression based on the two-step system GMM estimator, the variables "NUMBWTO", "NonAft", "GROWTH", "RENT", "GDPC" and its squared term, and the interaction variable have been treated as endogenous. The variable "POP" has been treated as exogenous. Time dummies have been included in the regressions. The latter have used a maximum of 4 lags of the dependent variable as instruments, and 3 lags of endogenous variables as instruments.

Table 2: Effect of the duration of WTO membership on the components of total AfT flows
Estimator: Two-Step System GMM

Variables	Log(AfTINFRA)	Log(AfTPROD)	Log(AfTPOL)
	(1)	(2)	(3)
One-period lag of the dependent variable	0.504*** (0.0139)	0.438*** (0.0156)	0.467*** (0.0205)
NUMBWTO	0.143*** (0.0244)	0.0697*** (0.0167)	0.00980 (0.0360)
Log(GDPC)	0.940** (0.465)	2.694*** (0.337)	3.056*** (0.642)
[Log(GDPC)] ²	-0.0563* (0.0296)	-0.180*** (0.0214)	-0.190*** (0.0418)
Log(NonAfT)	0.588*** (0.0539)	0.404*** (0.0305)	0.701*** (0.0759)
GROWTH	0.0363*** (0.00505)	0.0486*** (0.00586)	0.0161 (0.0115)
RENT	-0.0237*** (0.00231)	-0.0103*** (0.00124)	-0.0191*** (0.00324)
Log(POP)	-0.0165 (0.0338)	0.0725*** (0.0200)	-0.0426 (0.0385)
Observations - Countries	664 - 136	664 - 136	631 - 136
AR1 (P-Value)	0.0000	0.0000	0.0000
AR2 (P-Value)	0.0000	0.8677	0.1431
AR3 (P-Value)	0.9389	0.8662	0.5669
OID (P-Value)	0.4083	0.3158	0.1990

Note: * p -value<0.1; ** p -value<0.05; *** p -value<0.01. Robust Standard Errors are in parenthesis. The variables "NUMBWTO", "NonAfT", "GROWTH", "RENT", "GDPC" and its squared term, and the interaction variables have been treated as endogenous. The variable "POP" has been treated as exogenous. Time dummies have been included in the regressions. The latter have used a maximum of 4 lags of the dependent variable as instruments, and 3 lags of endogenous variables as instruments.

Table 3: Effect of the duration of WTO membership on total AfT flows
Estimator: Two-Step System GMM

Variables	Log(AfTTOT)	Log(AfTTOT)	Log(AfTTOT)
	(1)	(2)	(3)
Log(AfTTOT) _{t-1}	0.541*** (0.0130)	0.579*** (0.0159)	0.544*** (0.00886)
NUMBWTO	-0.514*** (0.110)	0.0650*** (0.0191)	0.247*** (0.0465)
TP*NUMBWTO	0.00779*** (0.00159)		
TARIFF*NUMBWTO		-0.0108*** (0.00224)	
[Log(OPEN)]*NUMBWTO			0.0175*** (0.00549)
TP	-0.00391* (0.00236)		
TARIFF		0.0192*** (0.00492)	
Log(OPEN)			0.0745*** (0.0215)
Log(NonAfT)	0.403*** (0.0264)	0.392*** (0.0236)	0.364*** (0.0183)
Log(GDPC)	3.166*** (0.315)	1.986*** (0.270)	0.722*** (0.267)
[Log(GDPC)] ²	-0.208*** (0.0205)	-0.130*** (0.0176)	-0.0582*** (0.0173)
GROWTH	0.0141*** (0.00344)	0.0160*** (0.00360)	0.0185*** (0.00276)
RENT	-0.0129*** (0.00167)	-0.0195*** (0.00147)	-0.0126*** (0.00123)
Log(POP)	0.0439** (0.0208)	-0.0138 (0.0128)	-0.0620*** (0.0190)
Observations - Countries	596 - 127	572 - 128	616 - 129
AR1 (P-Value)	0.0000	0.0000	0.0000
AR2 (P-Value)	0.7031	0.2937	0.1008
AR3 (P-Value)	0.8074	0.6784	0.4753
OID (P-Value)	0.2301	0.1493	0.3881

Note: * p -value<0.1; ** p -value<0.05; *** p -value<0.01. Robust Standard Errors are in parenthesis. The variables "NUMBWTO", "TP", "TARIFF", "OPEN", "FDICST", "NonAfT", "GROWTH", "RENT", "GDPC" and its squared term, and the interaction variables have been treated as endogenous. The variable "POP" has been treated as exogenous. Time dummies have been included in the regressions.

Table 4: Does the effect of the duration of WTO membership on total AfT flows depend on donors' commercial self-interest (economic growth and natural resource rents)?

Estimator. Two-Step System GMM

Variables	Log(AfTTOT)	Log(AfTTOT)	Log(AfTTOT)
	(1)	(2)	(3)
Log(AfTTOT) _{t-1}	0.525*** (0.0155)	0.575*** (0.0156)	0.577*** (0.0198)
NUMBWTO	0.0138 (0.0175)	0.219*** (0.0213)	0.122*** (0.0291)
NUMBWTO*GROWTH	0.0177*** (0.00335)		0.0234*** (0.00403)
NUMBWTO*RENT		-0.0106*** (0.00127)	-0.0114*** (0.00150)
Log(NonAfT)	0.461*** (0.0412)	0.480*** (0.0363)	0.549*** (0.0512)
Log(GDPC)	-0.103 (0.394)	0.888** (0.411)	0.806 (0.606)
[Log(GDPC)] ²	0.00860 (0.0250)	-0.0557** (0.0266)	-0.0483 (0.0387)
GROWTH	0.00105 (0.00398)	0.00209 (0.00463)	-0.0240*** (0.00739)
RENT	-0.0139*** (0.00147)	0.00214 (0.00211)	0.00685** (0.00292)
Log(POP)	0.0284 (0.0252)	0.00589 (0.0245)	-0.0596* (0.0315)
Observations - Countries	664 - 136	664 - 136	664 - 136
AR1 (P-Value)	0.0000	0.0000	0.0000
AR2 (P-Value)	0.2041	0.2755	0.2466
AR3 (P-Value)	0.7966	0.8770	0.6686
OID (P-Value)	0.2194	0.4794	0.1734

Note: * p -value<0.1; ** p -value<0.05; *** p -value<0.01. Robust Standard Errors are in parenthesis. The variables "NUMBWTO", "GOVEFF", "REGQUAL", "NonAfT", "GROWTH", "RENT", "GDPC" and its squared term and the interaction variables have been treated as endogenous. The variable "POP" has been treated as exogenous. Time dummies have been included in the regressions.

Appendix 1: Definition and Source of variables

Variables	Definition	Source
AfTTOT, AftINFRA, AfTPROD, AfTPOL	<p>"AfTTOT" is the total real gross disbursements of total Aid for Trade.</p> <p>"AftINFRA" is the real gross disbursements of Aid for Trade allocated to the buildup of economic infrastructure. "AfTPROD" is the real gross disbursements of Aid for Trade for building productive capacities.</p> <p>"AfTPOL" is the real gross disbursements of Aid allocated for trade policies and regulation. All four AfT variables are expressed in constant prices 2019, US Dollar.</p>	<p>Author's calculation based on data extracted from the OECD statistical database on development, in particular the OECD/DAC-CRS (Organization for Economic Cooperation and Development/Donor Assistance Committee)-Credit Reporting System (CRS). Aid for Trade data cover the following three main categories (the CRS Codes are in brackets):</p> <p><u>Aid for Trade for Economic Infrastructure ("AftINFRA")</u>, which includes transport and storage (210), communications (220), and energy generation and supply (230);</p> <p><u>Aid for Trade for Building Productive Capacity ("AfTPROD")</u>, which includes banking and financial services (240), business and other services (250), agriculture (311), forestry (312), fishing (313), industry (321), mineral resources and mining (322), and tourism (332); and</p> <p><u>Aid for Trade policy and regulations ("AfTPOL")</u>, which includes trade policy and regulations and trade-related adjustment (331).</p>
NUMBWTO	This is the "transformed" indicator of a country's duration of WTO membership (see section 2).	Author's computation based on data on WTO Membership extracted from the WTO's website (https://www.wto.org/english/thewto_e/whatis_e/tif_e/or_g6_e.htm)
NonAft	This is the measure of the development aid allocated to other sectors in the economy than the trade sector. It has been computed as the difference between	Author's calculation based on data extracting from the OECD/DAC-CRS database.

	the gross disbursements of total ODA and the gross disbursements of total Aid for Trade (both being expressed in constant prices 2019, US Dollar).	
TP	This is the indicator of trade policy, measured by the trade freedom score. The latter is a component of the Economic Freedom Index. It is a composite measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services. The trade freedom score is graded on a scale of 0 to 100, with a rise in its value indicating lower trade barriers, i.e., higher trade liberalization, while a decrease in its value reflects rising trade protectionism.	Heritage Foundation (see Miller et al., 2021)
TARIFF	This is the applied tariff rate (%) (weighted mean for all products).	Author's calculation based on data extracted from the World Development Indicators (WDI), 2021.
OPEN	This is the indicator of a country's participation in international trade. It is basically the measure of trade openness proposed by Squalli and Wilson (2011). It is calculated as the ratio of the sum of a country's exports and imports of goods and services to its GDP, adjusted by the proportion of a country's trade level relative to the average world trade (see Squalli and Wilson, 2011: p1758).	WDI
RENT	Total natural resources rents (% of GDP)	WDI
GDP	Gross Domestic Product (constant 2010 US\$)	WDI
GROWTH	Growth rate of the real GDP per capita (constant 2010 US\$), annual percentage	WDI
POP	This is the measure of the total Population	WDI

Appendix 2: Descriptive statistics on variables used in the analysis

Variable	Observations	Mean	Standard deviation	Minimum	Maximum
AfTTOT	664	215,000,000	387,000,000	53334.33	3,670,000,000
AfTINFRA	664	128,000,000	262,000,000	11374.00	3,170,000,000
AfTPROD	664	82,900,000	148,000,000	16850.67	1,840,000,000
AfTPOL	652	3979265	9792189	-29447	165,000,000
NUMBWTO1	664	12.32	8.49	0.00	24.00
NonAft	664	638,000,000	935,000,000	2419856.00	12,400,000,000
TP	596	70.38	10.22	27.40	89.20
TARIFF	572	7.72	7.71	0.47	149.07
OPEN	616	0.00	0.00	0.0000000033	0.0445
GROWTH	664	4.20	3.44	-12.52	29.30
RENT	664	8.19	11.00	0.00	62.08
GDPC	664	4056.08	3605.41	211.01	19230.04
POP	664	42,800,000	162,000,000	9944.67	1,390,000,000

Appendix 3: Duration of the WTO membership as at 2019 (end-year of the period under analysis)

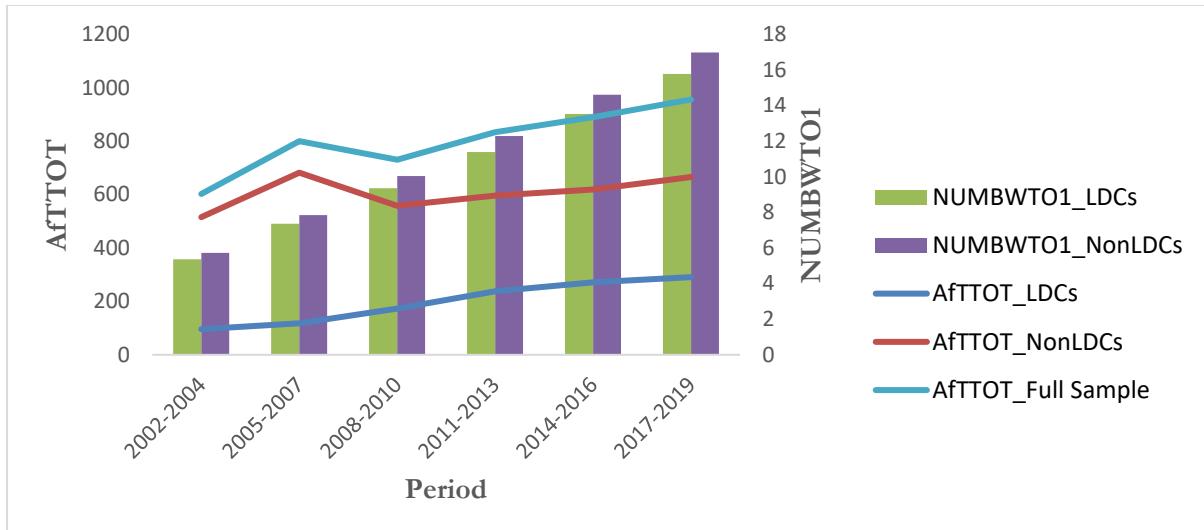
Country	Duration of Membership in 2019	Country	Duration of Membership in 2019	Country	Duration of Membership in 2019	Country	Duration of Membership in 2019
Afghanistan**	4	Dominican Republic	25	Liberia**	4	Sao Tome and Principe**	0
Albania	20	Ecuador	24	Libya	0	Senegal**	25
Algeria	0	Egypt, Arab Rep	25	Madagascar**	25	Serbia	0
Angola**	25	El Salvador	25	Malawi**	25	Seychelles	5
Antigua and Barbuda	25	Equatorial Guinea	0	Malaysia	25	Sierra Leone**	25
Argentina	25	Eritrea**	0	Maldives	25	Solomon Islands**	23
Armenia	17	Eswatini	25	Mali**	25	South Africa	25
Azerbaijan	0	Ethiopia**	0	Marshall Islands	0	South Sudan**	0
Bangladesh**	25	Fiji	25	Mauritania**	25	Sri Lanka	25
Belarus	0	Gabon	25	Mauritius	25	St. Lucia	25
Belize	25	Gambia**	23	Mexico	25	St. Vincent and the Grenadines	25
Benin**	24	Georgia	20	Micronesia, Fed. Sts.	0	Sudan**	0
Bhutan**	0	Ghana	25	Moldova	19	Suriname	25
Bolivia	25	Grenada	24	Mongolia	23	Tajikistan	7
Bosnia and Herzegovina	0	Guatemala	25	Montenegro	8	Tanzania**	25
Botswana	25	Guinea**	25	Morocco	25	Thailand	25
Brazil	25	Guinea-Bissau**	25	Mozambique**	25	Timor-Leste**	0
Burkina Faso**	25	Guyana	25	Myanmar**	25	Togo**	25
Burundi**	25	Haiti**	24	Namibia	25	Tonga	13
Cabo Verde	12	Honduras	25	Nauru	0	Tunisia	25
Cambodia**	16	India	25	Nepal**	16	Turkey	25
Cameroon	25	Indonesia	25	Nicaragua	25	Turkmenistan	0
Central African Republic**	25	Iran	0	Niger**	23	Tuvalu**	0
Chad**	24	Iraq	0	Nigeria	25	Uganda**	25
Chile	25	Jamaica	25	North Macedonia	17	Ukraine	1
China	19	Jordan	20	Pakistan	25	Uruguay	25
Colombia	25	Kazakhstan	5	Palau	0	Uzbekistan	0
Comoros**	0	Kenya	25	Panama	22	Vanuatu**	8
Congo, Dem. Rep**	25	Kiribati**	0	Papua New Guinea	23	Venezuela, RB	25
Congo, Rep	25	Kosovo	0	Paraguay	25	Vietnam	13
Costa Rica	25	Kyrgyz Republic	22	Peru	25	West Bank and Gaza	0
Cote d'Ivoire	25	Lao PDR**	1	Philippines	25	Yemen, Rep**	6

Cuba	25	Lebanon	0	Rwanda**	23	Zambia**	25
Dominica	25	Lesotho**	25	Samoa	8	Zimbabwe	25

Note: Countries for which the duration of WTO membership is '0' in 2019 are de-facto non-WTO Members. LDCs are marked with the symbol '**' in the Table.

FIGURES

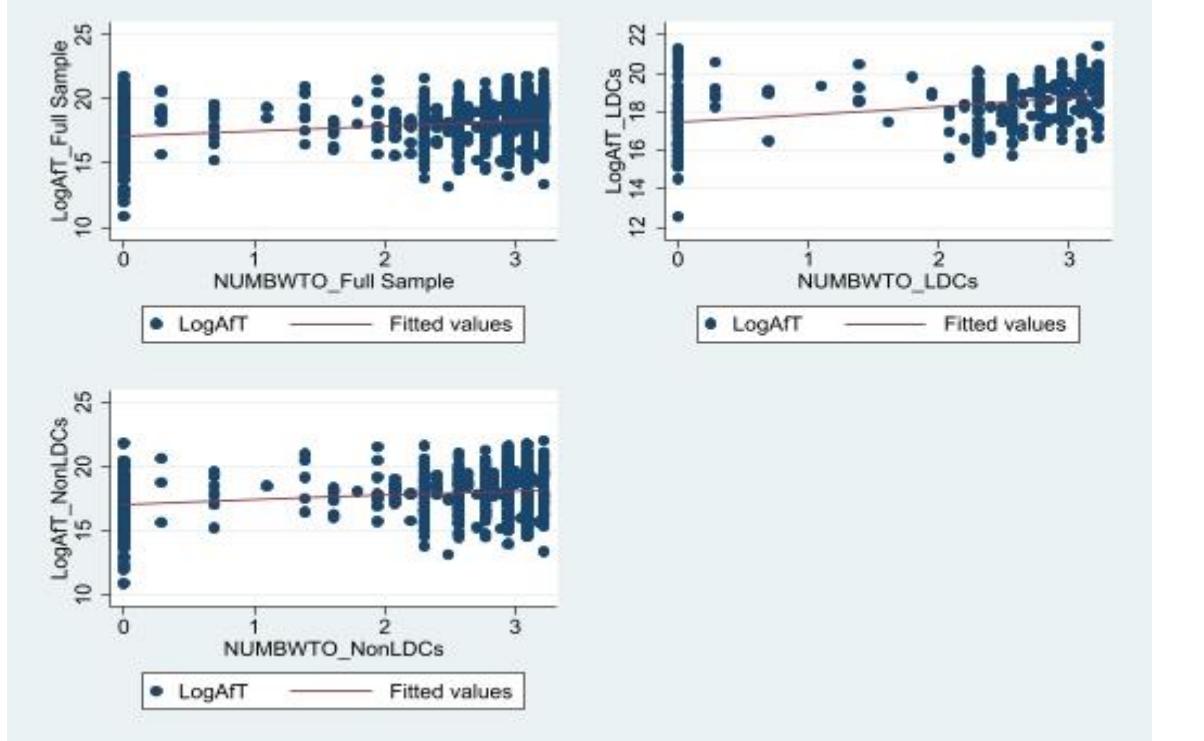
Figure 1: Duration of WTO membership and total AfT flows_over the full sample and sub-samples LDCs and NonLDCs



Source: Author

Note: The variable "AfTTOT" is the gross disbursements of total Aid for Trade, and expressed in million US\$, constant 2019 prices. The variable "NUMBWTO1" is the non-transformed indicator of the duration of WTO membership.

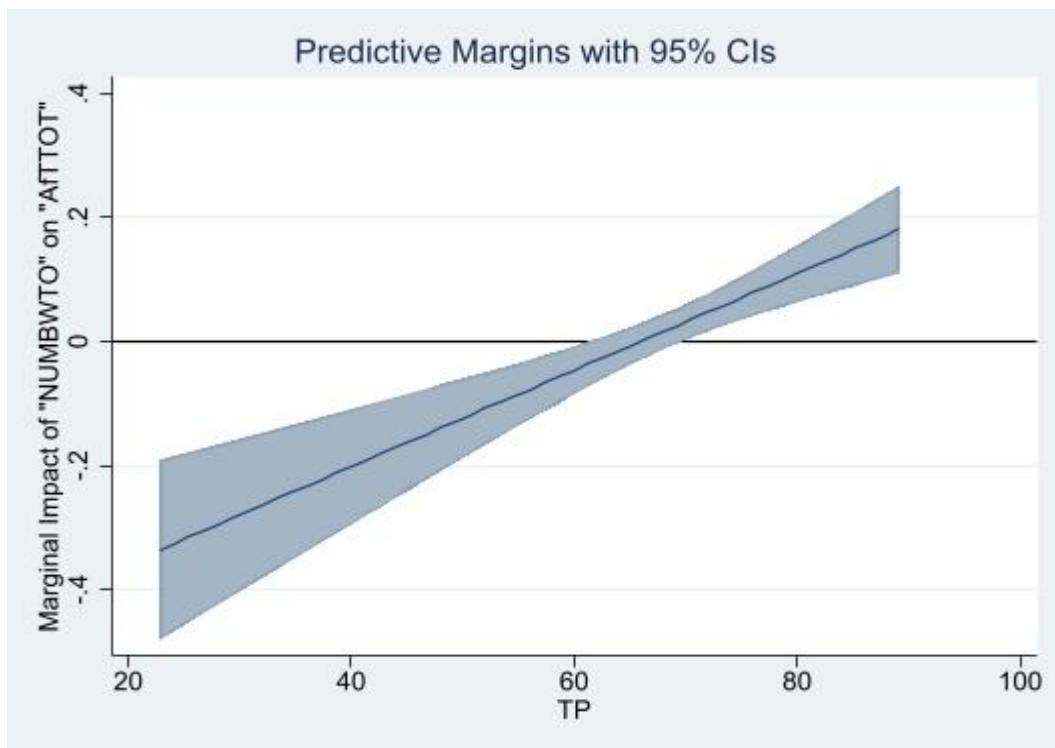
Figure 2: Duration of WTO membership and Total AfT flows



Source: Author

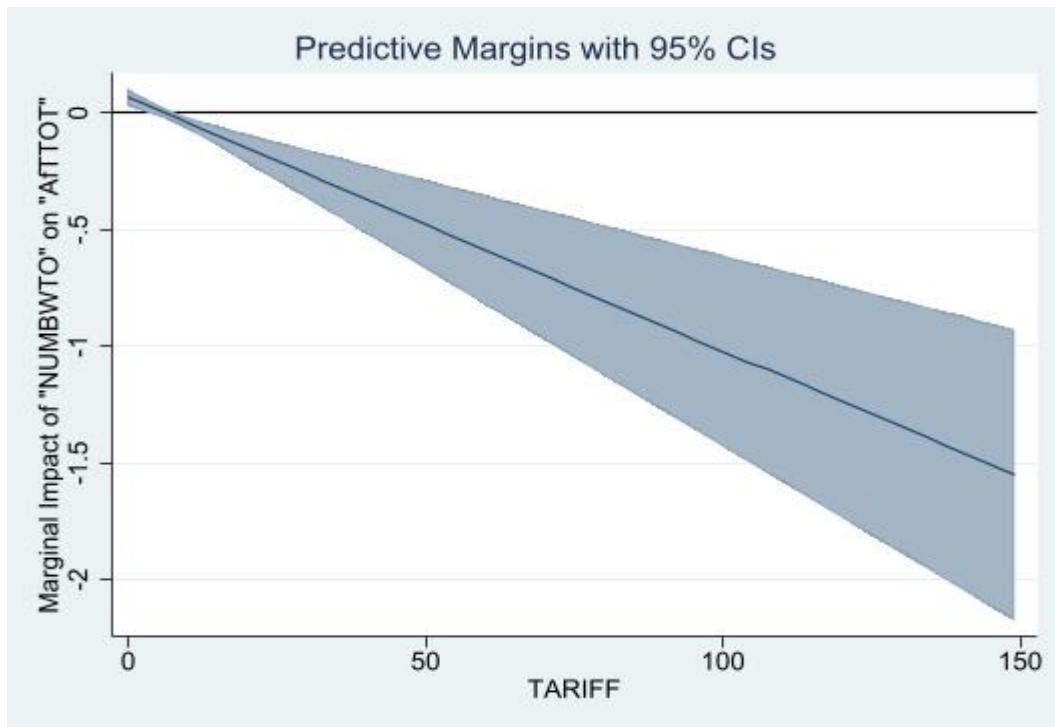
Note: The variable "AfTTOT" is the gross disbursements of total Aid for Trade, and expressed in million US\$, constant 2019 prices. The variable "NUMBWTO1" is the non-transformed indicator of the duration of WTO membership.

Figure 3: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying degrees of trade policy liberalization



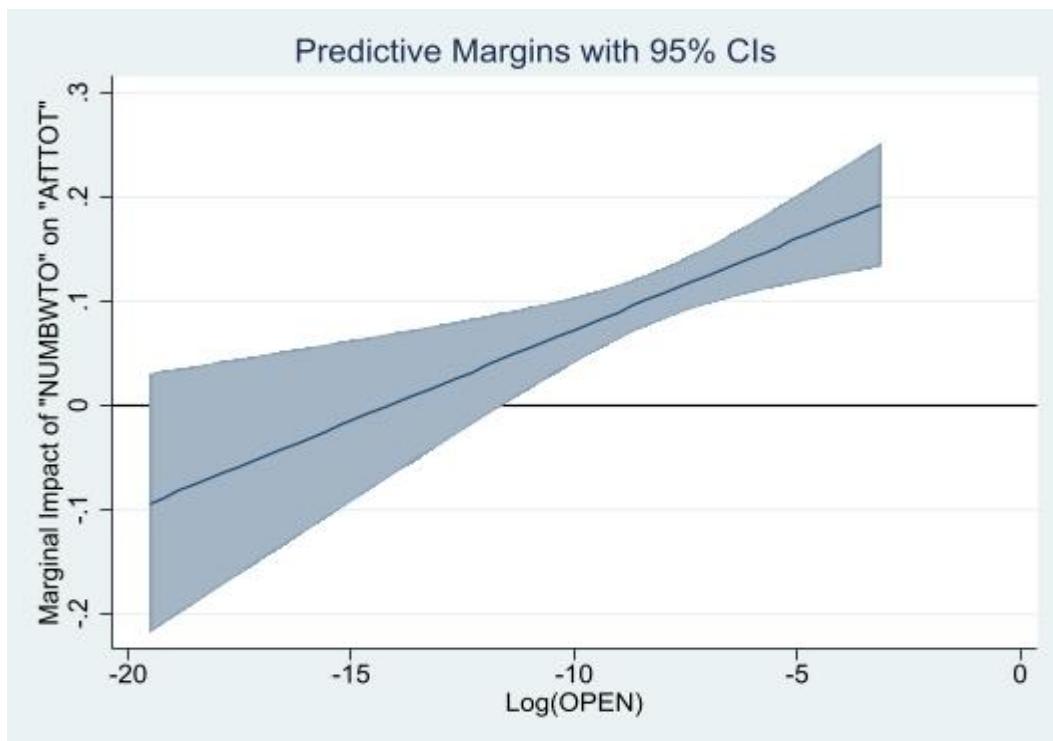
Source: Author

Figure 4: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying levels of tariffs



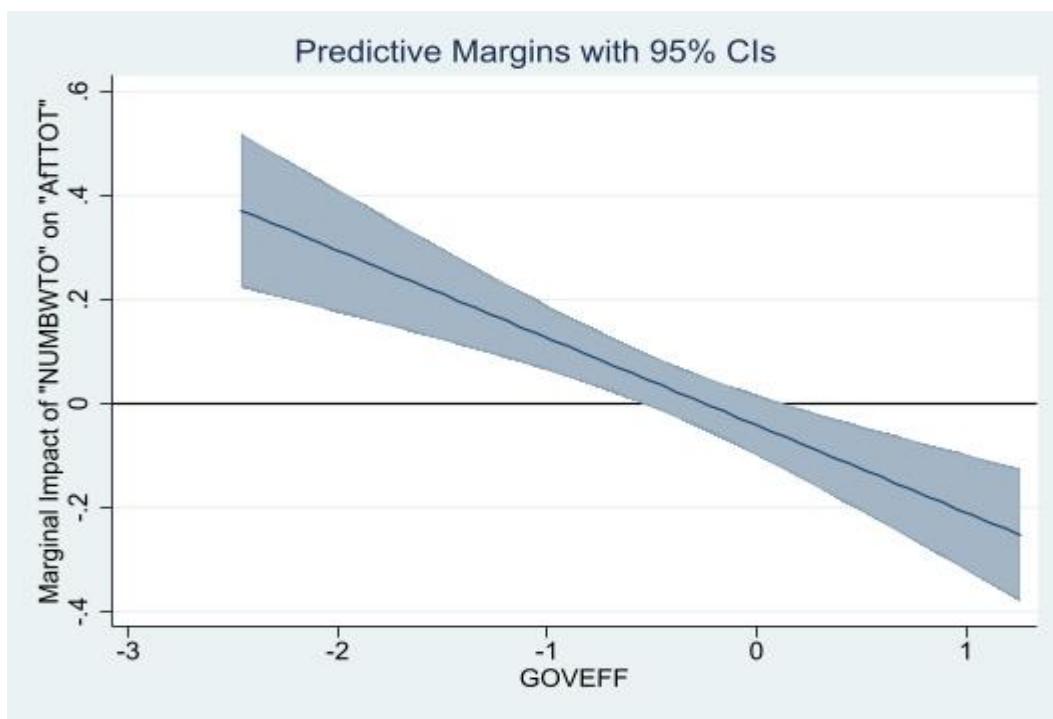
Source: Author

Figure 5: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying levels of participation in international trade



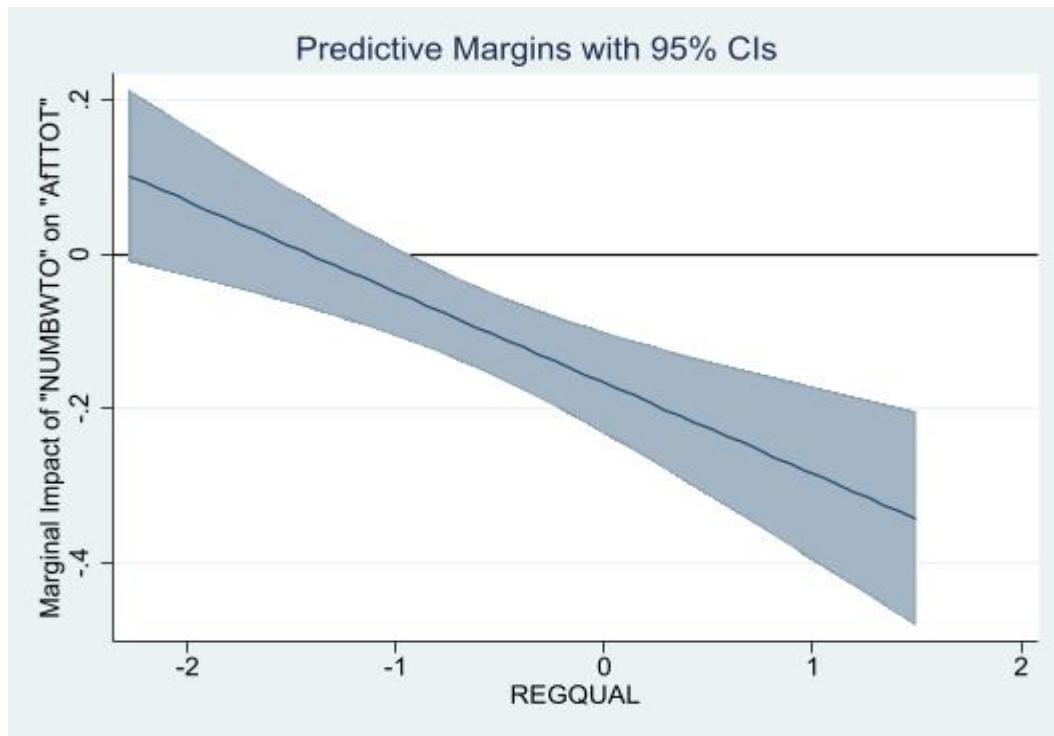
Source: Author

Figure 6: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying levels of government effectiveness



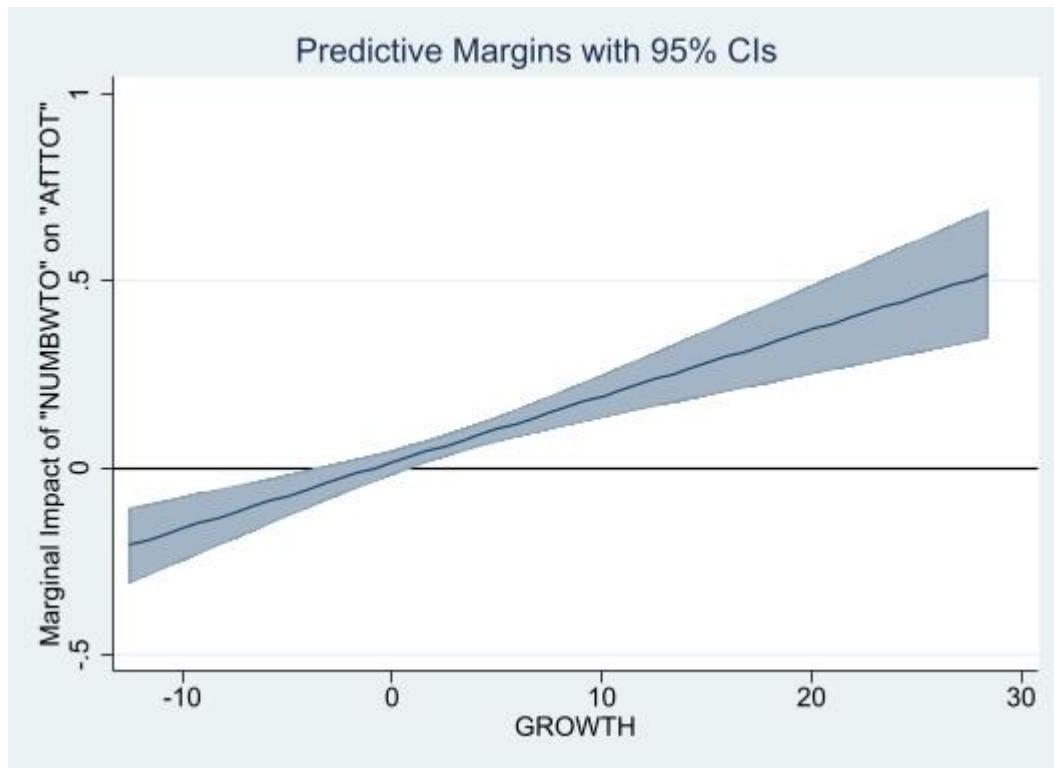
Source: Author

Figure 7: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying levels of regulatory quality



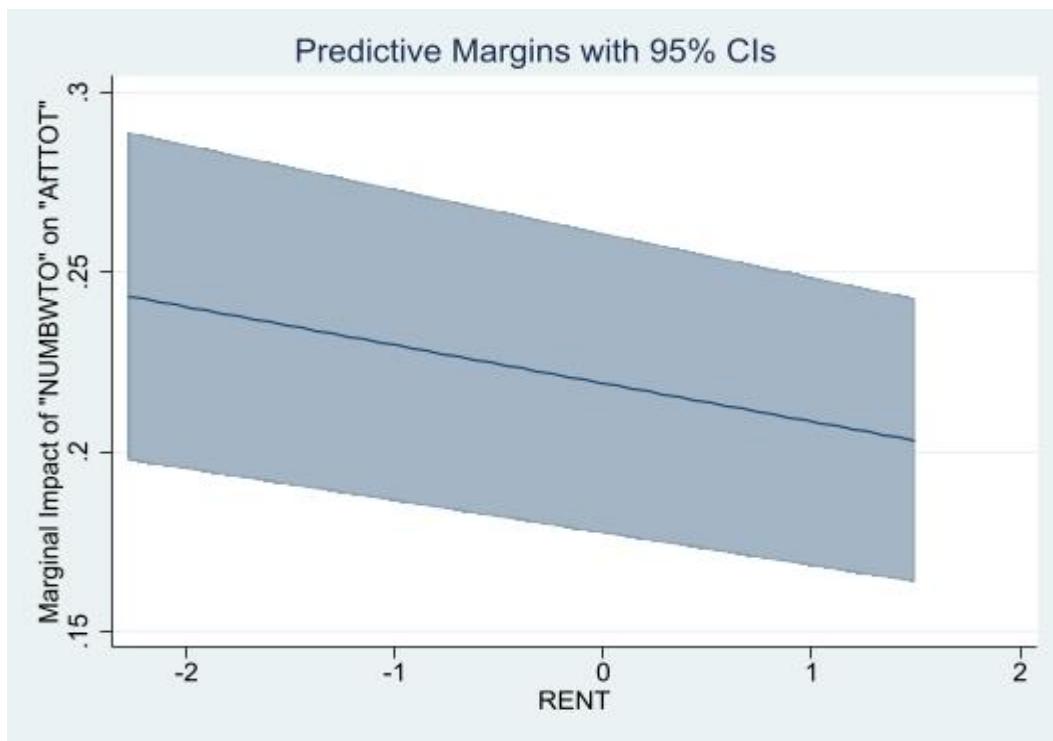
Source: Author

Figure 8: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying economic growth rates



Source: Author

Figure 9: Marginal Impact of "NUMBWTO" on "AfTTOT" for varying levels of natural resource dependence



Source: Author