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WTO STRATEGIC PARTNERSHIP WITH THE ASIAN DEVELOPMENT BANK FOR TRADE-RELATED TECHNICAL ASSISTANCE AND CAPACITY BUILDING SERVICES TO DEVELOPING ECONOMIES

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This 35th Annual Meeting of the Board of Governors of the Asian Development Bank is an excellent opportunity for your Bank and the World Trade Organization to sign the Memorandum of Understanding whereby the WTO and the ADB agree to cooperate on joint technical assistance programmes for participants from the ADB's developing member countries.

Under this memorandum of understanding, the two institutions will deepen their cooperation to provide technical assistance on trade negotiations and capacity building to countries in Asia and the Pacific Region. In order to help member countries meet their multilateral trade challenges, the WTO and the ADB will step up their joint efforts to assist them to strengthen their capacity to fully participate in the multilateral trading system.

One of the objectives of this seminar on the Doha Development Agenda is to discuss topics relating directly to the implications of the Doha Development Agenda for developing Asian economies.

First discussion topic : what are the opportunities and challenges in future trade liberalisation for Asia?

Asia faces a number of complex challenges in the short and medium term for which future trade liberalisation can have positive answers. Last year, Asia was adversely affected by the global economic slowdown and by the meltdown in the IT sector. An immediate short-term challenge is to recover from the downturn. Fortunately, there are already numerous signs, in particular in the US, that the recovery is underway. But there are equally important medium-term challenges. Japan, long the powerhouse of the region, continues to struggle with economic reform and returning to a path of sustained growth. Asia needs Japan as a source of trade, investments and technology. Over a period of two decades, the People's Republic of China has created the most vibrant economy in the world and lifted hundreds of millions of Chinese from poverty. Last year, it became a WTO member. The challenge for the People's Republic of China is to sustain its high rate of growth in order to provide employment for its millions of people. The People's Republic of China must continue to reform and liberalise its economy while ensuring that the resulting adjustments do not create unmanageable social stresses. India too is going through an important stage of economic transformation and reaping the benefits of liberalisation and deregulation. In a decade, it has catapulted tens of millions of Indians into the middle and consuming class. Like the People's Republic of China, the only way it could continue with economic growth is through further liberalisation. Southeast Asia is still recovering from the financial crisis of 1997-98 and

seeking to rebuild its economy in a way that creates a foundation for rapid but sustained growth. Again further trade liberalisation has a role to play in bringing this about.

Further trade liberalisation can contribute in meeting these short and medium term challenges. It had done so in the past. It must be remembered that Asia was a major beneficiary of the world-wide expansion of trade and FDI flows of the past two decades. While world merchandise trade grew by 6 percent between 1990-2000, Asia's overall exports and imports grew by 8 percent during the same period. Commercial services trade of Asia expanded also faster than global trade in the 1990s. Developing countries in East Asia and Southeast Asia, in particular, have experienced a sustained process of economic development that saw significant reduction in poverty and a process of industrial transformation. In the past decade, this same process has begun to take root in South Asia, particularly in India.

The gains from further trade liberalisation are quite substantial for developing countries in Asia. A recent study by the World Bank on reshaping the global architecture of trade shows that developing countries in Asia would reap substantial benefits from further multilateral trade liberalisation and other complementary measures (World Bank, 2002: *Global Economic Prospects and the Developing Countries*, Washington D.C.: The International Bank for Reconstruction and Development). The gains would translate into an increase of 10 percent and 6 percent respectively in unskilled wages in East Asia and the Pacific and South Asia. It would make possible a massive reduction in poverty, with nearly 180 million people rising above the poverty line (defined as income of US 2 dollars per day) in South Asia and East Asia and the Pacific.

Another beneficial element of future trade negotiations will be the strengthening of multilateral rules. In a region composed of countries with a large diversity in respect to population size, political clout, income levels and cultural traditions, the stability in international economic relations fostered by multilaterally agreed rules and disciplines in international trade relation is beneficial for all of them and crucial for the small and vulnerable economies.

Second discussion topic: what will be developing Asia's negotiating strategies to maximize the benefits from the new round of negotiations?

The trading opportunities for Asia would be enhanced from accelerated implementation of the Agreement on Textiles and Clothing, from reductions in tariff peaks and escalation, stronger disciplines on anti-dumping actions and from further liberalisation of agriculture and services. While Asia should certainly prod Europe and North America for greater market opening and liberalisation, a large part of the onus would be upon Asia itself to free up its own markets, in goods and services, and in improving investment rules.

Textiles accounts for 5.1 percent of the region's manufactured exports and clothing makes up 6.4 percent of Asia's manufactured exports. These products account for a much larger proportion of trade of the People's Republic of China, India, Pakistan and Indonesia. Accelerated implementation of the Agreement on Textiles and Clothing would provide an important boost to developing Asia's trade and economy, particularly given the labour intensive nature of these sectors.

Although the share of agriculture in Asia's exports is only 6.5 percent and the share in imports is only 9.4 percent, the sector is of great importance to the local economy, as provider of employment and as a source of income. Trade reform in export partners, particularly, the OECD countries, will affect a significant share of population in these countries, resulting in rural poverty alleviation. Trade liberalization is expected to benefit net

exporters in Asia, particularly those that are highly open to trade (Wilson, J., 2002: "Liberalising Trade in Agriculture: Developing Countries in Asia and the Post-Doha Agenda", Working Paper No 2804, Washington, D.C.: World Bank). Since Asia is a net food importer, it should also commit to reducing tariffs and non-tariff barriers in this sector.

The WTO Secretariat's recent study on market access issues indicates the prevalence of tariff peaks in developed countries for textiles and clothing (WTO, 2001: *Market Access: Unfinished Business, Post Uruguay Round Inventory and Issues*, Geneva, World Trade Organization). This suggests that even at the conclusion of the reform process for textiles and clothing, developing countries would face significant barriers to exports in this sector. The study also shows that most developed countries' tariffs increase with the level of processing (tariff escalation) for textiles, clothing, leather, leather products and metals. At the same time, many developing countries in Asia also exhibit tariff escalation. So further trade liberalisation that reduces if not eliminate tariff peaks and escalation would be a boon to the region's exporters.

Anti-dumping has become the trade remedy of choice by both developed and middle-income developing countries. The WTO Secretariat's study shows that anti-dumping actions have risen since 1995 reaching an all time high of 340 cases in 1999. Asian countries have been disproportionately affected by these anti-dumping actions. Of the 1,640 cases recorded by the WTO from 1995 to 2001, 47 percent of the cases have been filed against Asian countries a share somewhat larger than Asia's 43 percent share in world exports (excluding EU intra-trade). Asian countries accounting for only 19 percent of the cases initiated despite absorbing 38 percent of world imports (again excluding EU intra-trade). These crude comparisons point to a slight above average targeting of Asian countries and a much more restrained use of anti-dumping in the region than the other regions. Asia would therefore benefit from improving disciplines on anti-dumping, which is part of the Doha agenda.

In services, developing Asia would benefit from developed countries liberalising measures limiting the movement of natural persons. However, there has been limited progress in the GATS negotiations. Commitments in this mode of service supply has been largely confined to intra-corporate transferees and highly qualified personnel and not low-skilled workers. There is large room for improvements and for gains to be made given that South Asia, Southeast Asia and increasingly the People's Republic of China are important sources of temporary workers all over the world. At the same time, the competitiveness and productivity of the services sectors in Asia leaves much to be desired. The region's obvious strength in manufacturing needs to be complemented by improvements in services, particularly in the areas of finance and banking, telecommunications and transport. An important way this could be achieved is through increased liberalisation of the services sector in Asia.

It should be emphasised that further trade liberalisation is a collective responsibility. Europe and North America have a large responsibility for this. But a large part of the benefits to Asia would come from liberalising its own trade. Many developing countries in Asia still have relatively high tariffs on imports. Many developing countries in Asia also exhibit tariff escalation. Since the share of intra Asian trade has increased markedly in the 1990s the trade liberalisation as become even more important for the region's exports than previously. In 2000, one half of the region's exports remained within the region and accounted for 57 percent of the region's merchandise imports. Therefore those high tariffs have the effect of hurting the region itself. There are also a lot of barriers on movement of natural persons to be found in Asia, and incipient intra-Asian flows, for example between South Asia and Southeast Asia to the developed East Asian countries, could be accommodated through liberalisation of these barriers.

Third discussion topic: will developing Asia benefit from negotiations on other issues such as investment and competition policy?

If one examines the share of FDI going to Asia (excluding Japan), that share has been reduced from 18.8 percent during the 1989-94 period to 11.3 percent in 2000. If one takes the People's Republic of China out of the picture, Asia's share of global FDI was only 8.1 percent in 2000. This is an important issue for Asia, since foreign direct investments was a catalyst for a significant part of the growth in manufacturing and trade, particularly in East Asia and Southeast Asia. It is important for the region to continue to attract foreign direct investment if it is to regain its previous momentum. It is in this context that a stable, transparent and rules-based investment regime, is crucial for a country to attract and retain foreign investments. The competition between the countries to attract FDI can lead to an excessive use of subsidies and tax breaks. The widespread application of broad multi-lateral rules could contribute to limit these abuses which are particularly detrimental to smaller economies with less financial resources. Although Doha did not mandate negotiations on investment, there is some important work going on in the WTO Working Group on the Relationship Between Trade and Investment intended to clarify many of the related issues such as, scope and definition; transparency; non-discrimination; modalities for pre-establishment commitments based on a GATS-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; consultation and the settlement of disputes between Members. Asia should be supportive of this work.

Creative thinking will help create strategic partnerships to leverage more resources, to expand our joint activities and meet the technical assistance expectations of developing and least-developed countries highlighted in the Doha Ministerial Declaration.

The importance of capacity building was prioritised in the Doha Development Agenda, on which WTO Members placed the interests of developing and least-developed countries at the heart of the WTO's work programme. Furthermore, Mr. Mike Moore, Director-General of the WTO, has convened a meeting with heads of regional banks, funds and other development organizations, in Geneva on 3 May 2002. He believes that regional banks and funds can play an important role in helping countries to meet the capacity building challenges of the Doha Development Agenda. The WTO is already working closely with a number of regional banks especially in the area of technical cooperation. This meeting was an opportunity for the WTO to further develop our cooperation with them in supporting countries to meet their WTO-related capacity building challenges and to discuss how our respective organizations can work more closely together.

It was also an excellent opportunity for these regional banks to explain to WTO Members and heads of other regional organizations their important work in WTO-related capacity building and to discuss possible avenues for future cooperation.

The successful launch of the Global Trust Fund in March this year highlighted the increasing acceptance amongst the multilateral institutions of the need for greater coherence in providing resources to developing countries. The Doha Development Agenda established an extensive and unprecedented agenda for trade and development, including for trade-related technical assistance (TRTA), which far exceeds the delivery capacity of any one organization. This Pledging Conference gave a unique opportunity to initiate an urgent and necessary policy dialogue on several issues at the core of technical cooperation and capacity building. Central to current discussions on this is the urgent necessity for coordination and coherence amongst agencies and between agencies and the bilateral donor community.

There are seven levels to the architecture that the WTO conceives for addressing the mandates for technical cooperation and capacity building. These are:

- To negotiate and design effective inter-agency groups focused on issues and activities, for the coordinated delivery of TRTA.
- The Integrated Framework for Trade-Related Assistance. The unique aspect of the last meeting of Agency Heads was the unanimous undertaking to support developing and least-developed countries in the new round of trade negotiations and the negotiations of the Doha Development Agenda, on the basis of complementary expertise of the agencies.
- The creation of a Doha/Trade-Related Technical Assistance Database, which maintains a country file that is continuously updated, recording the assistance being received from different multilateral and bilateral donors.
- Effective coordinated delivery of TRTA by the WTO and bilateral donors in the Development Assistance Committee of the OECD.
- Building a strategic partnership with the Regional Banks, Institutions and Commissions. The MOU signed last February with the Inter-American Development Bank and the one signed with the ADB provide a model for this sort of cooperation.
- The WTO Secretariat-wide Annual Technical Assistance Plan, which, in coordination with some agencies, responds to the short-term TRTA needs of the beneficiary members. The plan is a significant step forward in delivering on the Doha mandates. It contains a total of 514 activities. Implementation has effectively begun, and will now be accelerated.
- New oversight mechanisms to evaluate performance and delivery of programmes.

In addition, WTO doubled its training capacity and its team is now engaged in creative initiatives in distance education and using new technology to tutor students. More work will be done in this area. We are seeking out and negotiating with new partners to ensure in-depth training accelerates, and is built into our drive to build capacity for developing countries to participate in negotiations, advance their interests, conclude agreements and implement them.

The WTO Secretariat's strategic role in promoting cooperation and joint technical assistance and capacity building needs to be stressed. The WTO Secretariat is neither the only nor the major instrument available in the international community for trade-related technical assistance and capacity building. We are committed to working closely with recipients, donors and other agencies in promoting effective technical assistance and capacity building activities. This is particularly relevant in light of our limited resources. This calls for enhanced coordination and coherence at all levels and by all stakeholders. The WTO Secretariat has to ensure proper coordination of its own technical assistance activities. International agencies need to coordinate their activities. Those seeking assistance need to be more specific about their needs. Donors need to better coordinate their own efforts both in capitals and amongst each other. Ministries need to ensure coordination, especially in cross-cutting areas that straddle administrative and functional divisions. Duplication and wastage is costly, not only in financial terms but in precious time and credibility.

We see ourselves as a "clearing-house" or repository of information for WTO-related technical assistance. We can help ensure that both donors and recipients are fully and promptly apprised of ongoing efforts to meet the requirements set out in the Doha Development Agenda. Under the memorandum, the WTO and the ADB will work to establish

joint programs to support, among other activities, regional and subregional workshops and meetings, training courses, distance learning courses and analysis of trade policy and multilateral negotiations issues.

This is how we conceive that the international community can work together to implement the Doha mandates, which we believe is a global mandate both to countries as well as to agencies.