

## Welcome Remarks

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H. E. Deputy Prime Minister Jeon Yun-Churl, Vice President Jemal-ud-din Kassum, Vice President Shin Myoung-Ho, President Choongsoo Kim, Ladies and Gentlemen, Distinguished Guests,

As the local host, it is a great pleasure to welcome you to the Fourth Asia Development Forum. Above all, I would like to express my deep appreciation to all of you for being here, and I especially want to recognize the time and effort that the ADB and the World Bank have put into this meaningful event. I am sure it was not an easy task to bring together senior government officials, world-renowned scholars, and prominent experts in one place. My special thanks also go to the participants who have traveled, even on trans-Pacific flights, to join us. I am really delighted to see many old friends.

The Doha Development Agenda is one of the main themes of this conference. Launched last year, the DDA is expected to bring both challenges and opportunities. As it deals not only with trade liberalization in various sectors, but also with the revision of the WTO rules, the consequences to the world economy will be enormous. According to the World Bank, as the trade protection level decreases by 40%, the welfare increase is likely to amount to US\$490 billion.

Along with such benefits, the DDA will also generate challenges. Because the DDA will pursue a free and fair world trade order, market competition will be intensified at the global level. As a result, competitive firms will prosper while vulnerable ones are strangled out. Also, the establishment of the trade rules concerning the environment, anti-dumping, subsidies, regional trade agreements, TRIPs, etc., will set up global standards.

China has impressively demonstrated high growth and trade expansion despite the global recession. For

China, its accession to the WTO in November 2001 marks the start of a second round of reform and liberalization that will bring about institutional and structural improvements, market opening, and competition. Expected extra GDP growth effects due to the WTO membership for the next five years are between 0.5% - 2.0% annually, while exports are expected to increase to US\$12.3 billion annually. Specifically, low cost and labor intensive sectors such as textiles, apparel, and shoes will largely benefit.

China's economic progress – expansion of its market and economic size, its new role as the production base of the world, and its absorption of the world's economic resources – will have a significant impact on the world economy. For example, Korea is expecting rapid hollowing out of not only labor industries but also capital and technology industries.

As of 2001, there were 172 active regional agreements reported to the GATT/WTO. It is noteworthy that about 56% of the regional agreements have been reported after 1995 when the WTO was launched. Regional trade agreements such as FTAs are pursued for various reasons such as economic efficiency gains, larger market, and to evade regional protectionism among others. The current boom in FTAs has been due to the so-called 'domino effects' from major economies such as the US and the EU. In this regard, this morning Korea's newspapers reported the trade deal, in terms of an "early harvest package," between ASEAN + China will be announced as the first concrete step toward an ASEAN + China FTA.

The launching of the DDA and propagation of FTAs imply that the world economy is being transformed through deep rather than shallow integration. As a consequence, the behind-the-door issues related to the investment, the services, and the innovation, etc., have been shifted from domestic to trade-related ones.

With such change, competitiveness is becoming the first priority of every country. While labor and capital were once the main determinants of competitiveness, the key factors today are technology and knowledge, from hardware to software, making the knowledge-based industries the new engine of the economy. Notably, about 35% of the GDP of the OECD member countries are derived from knowledge-based industries.

The progress of globalization and the advent of the knowledge and information society are accompanied by globally critical issues such as poverty, debt, and environment/energy problems. In this context, we cannot overlook the fact that the benefits of globalization may not be fairly distributed.

To lead the world trade expansion, pushed by globalization, into a globally fair income increase, we need solid political leadership to stabilize the international macroeconomy. In addition, we need to make efforts to allocate additional income increases by improving market access and terms of trade for developing

countries as well as least developed countries.

According to the World Development Indicators by the World Bank, the average annual increase rate of per capita income for the low-income developing countries recorded just 1.6% in the period between 1975 and 2000, while that of the high-income countries showed 2.2% in the same period. Additionally, at the current rate of population growth, the world's population is likely to double before the latter half of this century. And 95% of that increase will be in developing countries. In this context, the problem of poverty in the developing countries is structural.

To conclude, the three themes of our forum are interrelated issues that should be covered at the regional and global levels. These issues have created enormous challenges to policy makers of this region. These challenges are so complex and uncertain that we just cannot handle them alone. We must share our experiences and learn from each other. Only in this way, can we cope with the challenges that we are facing.

With prominent experts and scholars from all over the world, I am sure that our discussions will be very fruitful. I wish the forum resounding success. And I thank all of you again for joining us.

Thank you very much.