

**ASIAN DEVELOPMENT BANK**

**TAR: TRA 38580**

**TECHNICAL ASSISTANCE**  
(Financed by the Japan Special Fund)

**FOR**

**CAPACITY BUILDING OF DEVELOPING MEMBER COUNTRIES**

**ON SELECTED WORLD TRADE ORGANIZATION**

**AND**

**DOHA DEVELOPMENT AGENDA ISSUES**

**December 2004**

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
APEC	–	Asia-Pacific Economic Cooperation
DDA	–	Doha Development Agenda
DMC	–	developing member country
DSM	–	dispute settlement mechanism
ERD	–	Economics and Research Department
MFTR	–	Memorandum of Foreign Trade Regime
TA	–	technical assistance
WP	–	working party
WTO	–	World Trade Organization

## **TECHNICAL ASSISTANCE CLASSIFICATION**

Targeting Classification	–	General intervention
Sector	–	Industry and trade
Subsector	–	Trade
Theme	–	Sustainable economic growth
Subtheme	–	Promoting economic efficiency and enabling markets

## **NOTE**

In this report, "\$" refers to US dollars.

This report was prepared by T. Ujiie.
---------------------------------------

## I. INTRODUCTION

1. Capacity building is essential to integrate developing countries into the multilateral trading system as called for by the Statement of G-7, Asia-Pacific Economic Cooperation (APEC) leaders' meetings and World Trade Organization (WTO) ministerial conferences. As international trade plays a key role in reducing poverty by increasing economic growth, international institutions are invited to assist in this area. In 2001, WTO launched a new round (Doha Round) to revitalize the world economy by expanding trade.

2. In January 2002, the Asian Development Bank (ADB) strengthened its services in the trade sector by creating governance, finance, and trade divisions in each regional department. In addition, in May 2002, ADB and WTO concluded a memorandum of understanding to cooperate in technical assistance (TA) activities involving WTO-related issues in the region. ADB launched two WTO-related capacity-building programs in 2002<sup>1</sup> and 2003.<sup>2</sup> They covered two high-level meetings for developing member country (DMC) negotiators on the WTO trading system and on key Doha Round issues; and six courses on trade facilitation, WTO customs valuation agreement, WTO trade-related aspects of intellectual property rights agreement, antidumping, rules of origin, and investment. Responses to an evaluation questionnaire indicate that these activities are timely and relevant to the DMCs, and that they appreciate ADB's capacity-building efforts on WTO-related areas.

3. Since the launch of the Doha Round in November 2001, negotiations have started in such areas as agriculture and trade in services, and new areas such as trade facilitation. Among the DMCs, 22 are WTO members and 10 are WTO applicants. WTO members agreed to the framework or modalities for the Doha Round at the WTO General Council in July 2004, and set the new concluding date for negotiations for 1 January 2006. All applicants to WTO may participate in the Doha Round. The Sixth WTO Ministerial Conference is set for Hong Kong, China in December 2005, thus 2005 will be crucial for successfully completing the Doha Round.

4. The proposed capacity-building program supported by the TA is directly linked to ADB's overarching objective of poverty reduction. It will strengthen the framework for liberalizing and facilitating international trade under the WTO trading regime to hasten economic growth as income level increases. It will also enhance the DMCs' capacity to formulate national trade policies. Appendix 1 gives the TA framework.<sup>3</sup>

## II. ISSUES

5. Since 2005 will be crucial for concluding the Doha Development Agenda (DDA), TA would be timely and useful to provide the 32 DMC negotiators with technical and intellectual inputs and policy options on key Doha Round negotiating areas, such as agriculture, market access, rule-making areas, and trade facilitation. While the two previous regional TAs covered several important WTO issues and agreements, two other key areas need to be addressed.

---

<sup>1</sup> ADB. 2002. *Technical Assistance for Capacity Building for Developing Member Countries on the World Trade Organization Trading System*. Manila. The regional technical assistance (TA 6035) was approved on 4 June 2002.

<sup>2</sup> ADB. 2003. *Technical Assistance for Capacity Building on Selected World Trade Organization Issues*. Manila. The regional technical assistance (TA 6142) was approved on 28 November 2003.

<sup>3</sup> The TA first appeared in the *ADB Business Opportunities* (Internet edition) on 9 November 2004.

6. First is the accession issue.<sup>4</sup> Of the 25 WTO applicants,<sup>5</sup> 10 (40%) are ADB DMCs. Since the launch of the Doha Round, only Cambodia and Nepal have been admitted to WTO. DMC applicants include economies in transition in the Central Asian republics and island countries in the Pacific. Given the number of benefits of WTO membership, these 10 applicants should be provided with technical knowledge to support admission as soon as possible.

7. The second area is WTO's dispute settlement mechanisms (DSMs), a right to due process enjoyed by all WTO members on equal footing. WTO prohibits its members from invoking unilateral trade sanctions against any member. Any trade dispute between WTO members must be settled under the DSMs agreed at the Uruguay Round. Recently, complaints have been increasingly filed against the DMCs by other WTO members. This trend is likely to grow. However, the DMCs' knowledge about the DSMs—such as panel proceedings and strict time limit at each stage of the panel—remains insufficient.

8. While the Doha Round started on 1 November 2001, its framework or modality for negotiations was agreed on only in July 2004. The Doha Round aims, in particular, to reduce or eliminate customs tariffs on both agricultural and industrial products, domestic support and export subsidies on agricultural products, and other types of nontariff barriers in order to expand international trade. It is now timely and important to evaluate developments in the Doha Round, give intellectual and technical inputs on key Doha Round issues, and provide the DMCs with policy options for successful conclusion of the Doha Round.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

9. The goal of this TA is to promote the full integration of the DMCs into the WTO multilateral trading system. To achieve this goal, the TA aims to increase awareness and expertise of senior officials responsible for WTO and Doha round issues through delivering three specific outputs: (i) successful conclusion of High-level meeting for director-general level and above negotiators; (ii) successful completion of training course on accession for senior officials; and (iii) successful completion of intensive training course on dispute settlement.

#### **B. Methodology and Key Activities**

10. The TA's capacity-building program has three key components: (i) a high-level meeting for DMC negotiators on WTO key Doha Round issues, (ii) an intensive course on accession, and (iii) an intensive course on dispute settlement mechanisms (Appendix 2). In implementing the three activities, the Economics and Research Department (ERD) of ADB will consult with APEC, United Nations Conference on Trade and Development, World Customs Organization, WTO, and other relevant organizations. Target participants will be actual DMC negotiators (e.g., directors-general and officials of higher ranks in charge of the DDA) for the high-level meeting

---

<sup>4</sup> The accession process starts with the application for WTO membership by a non-WTO member. Then, the WTO's General Council decides on whether to establish a working party that would (i) examine the trade regime of an applicant as to whether the regime is consistent with the WTO General Agreement on Tariff and Trade, based on the Memorandum on Foreign Trade Regime prepared by the applicant; and (ii) draft a working party report for the General Council. Bilateral trade negotiations on trade in goods and services take place after the examination of the trade regime. Finally, the General Council decides on the final package (working party report, protocol, and lists of commitments).

<sup>5</sup> As of October 2004.

and senior government officials (e.g., directors and officials of higher ranks in charge of one of the two areas covered) for the two intensive courses.

11. **High-Level Meeting on WTO Key Doha Round Issues, July/August 2005, Osaka.** As the DDA will be in a crucial stage of negotiations in 2005, the meeting will focus only on important topics. The three-day meeting for DMC negotiators will aim to (i) review and evaluate the key DDA negotiating areas, (ii) provide technical and theoretical inputs to the DMCs, and (iii) examine policy options for the DMCs on such areas as market access, agriculture, trade in services, and trade facilitation.<sup>6</sup> The Osaka Local Government is willing to host this event.

12. **Intensive Course on Accession, February/March 2006, Bangkok.** Ten DMCs in Central Asia, Mekong Region, and the Pacific are currently applying for WTO membership: Azerbaijan, Bhutan, Kazakhstan, Lao People's Democratic Republic, Samoa, Tajikistan, Tonga, Uzbekistan, Vanuatu, and Viet Nam. While accession issues are examined at a WTO working party by applicant, the degree of such examination varies from one applicant to another (Appendix 3). A five-day course on accession will (i) review progress at the working party, based on country presentations of each applicant; (ii) provide country experiences of some WTO members recently admitted to WTO; and (iii) provide technical inputs and advice by experts. Three midlevel officials from the ministries of trade, agriculture, and finance who are directly involved in the WTO accession negotiations, for the 10 WTO applicant countries, will participate.

13. **Intensive Course on Dispute Settlement Mechanisms, Singapore, May 2006.** A WTO agreement on the DSMs, officially entitled Understanding on Rules and Procedures Governing the Settlement of Disputes, provides the following mechanisms to settle disputes between WTO members. The first mechanism is consultations between the parties concerned. The second is the creation of a panel to examine a particular case. If one of the parties is not satisfied with the findings of the panel, it is referred to the third mechanism, review of the Standing Appellate Body of seven members. In addition, the parties concerned may accept good offices, conciliation, and mediation. Strict time limits are set on panel proceedings to settle disputes without delay.

14. A five-day course on the DSMs will (i) review the recent trend of dispute cases, (ii) examine DSM principles, (iii) discuss DSM judicial and panel proceedings, (iv) provide case studies, and (v) provide practical information when complaints are filed against the DMCs.

### **C. Cost and Financing**

15. The total cost of the TA is estimated at \$400,000 equivalent to finance the travel, hotel accommodation, and other related expenses of resource persons and participants. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The details of the financing plan are shown in Appendix 4.

---

<sup>6</sup> Negotiating positions vary from one member to another, reflecting the member's national interest. For example, agriculture is the most important and difficult area for every negotiating member. Negotiations have three pillars, namely reduction/elimination of (i) customs duty on agricultural products (market access), (ii) export subsidies, and (iii) domestic support. Net exporters of agricultural products (United States, the Cairns group led by Australia, G20-Brazil, India, and other member countries) request radical reforms so that such disciplines over industrial products are applicable to agricultural products. On the other hand, net importers (European Union, Japan, Republic of Korea, Switzerland, and others) want progressive reforms and the consideration of nontrade concerns.

#### **D. Implementation Arrangements**

16. ERD will implement the TA in cooperation with the Government of Japan. Implementation is expected to commence in January 2005 and to end in May 2006. To be cost effective, ERD will develop a curriculum for each of the two intensive courses, with the assistance of APEC, United Nations Conference on Trade and Development, World Customs Organization, World Intellectual Property Organization, and WTO. While the TA will finance travel and per diem and, in certain cases, honorarium for resource persons,<sup>7</sup> key APEC economies are expected to send their experts at their own cost as in-kind contributions to the program. To avoid duplication of activities, ADB is invited to all APEC meetings on WTO capacity building to monitor and coordinate relevant projects conducted by APEC, WTO, and bilateral agencies.

17. DMC participants will come from Azerbaijan; Bangladesh; Bhutan; Cambodia; People's Republic of China; Fiji Islands; Hong Kong, China; India; Indonesia; Kazakhstan; Republic of Korea; Kyrgyz Republic; Lao People's Democratic Republic; Malaysia; Maldives; Mongolia; Myanmar; Nepal; Pakistan; Papua New Guinea; Philippines; Samoa; Singapore; Solomon Islands; Sri Lanka; Taipei, China; Tajikistan; Thailand; Tonga; Uzbekistan; Vanuatu; and Viet Nam. The proceedings for the high-level meeting will be published, and the papers presented in the three courses will be put on an interactive CD-ROM. The activities will be published on ADB's web site. The participants will evaluate the activities through a structured questionnaire.

#### **IV. THE PRESIDENT'S DECISION**

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis for Capacity Building of Developing Member Countries on Selected World Trade Organization and Doha Development Agenda Issues, and hereby reports this action to the Board.

---

<sup>7</sup> The resource persons will be engaged in accordance with ADB's Guidelines on the Engagement of Resource Persons.

### TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b> Current applicants for WTO accession in the Asia-Pacific region join the World Trade Organization (WTO) and all outstanding agreements are implemented.</p>	<p>Implementation of all outstanding WTO agreements (e.g. TRIPs and Customs Valuation agreements)</p> <p>Accession to WTO by Azerbaijan, Bhutan, Kazakhstan, Lao People's Democratic Republic, Samoa, Tajikistan, Tonga, Uzbekistan, Vanuatu and Viet Nam.</p>	<p>WTO official documents</p>	
<p><b>Purpose</b> Increased awareness and expertise of senior officials responsible for WTO and Doha round issues.</p>	<p>Future panel cases involving Asia-Pacific WTO members are resolved within the time limit</p> <p>Action being taken to make laws consistent with WTO rules</p> <p>Each applicant in the Asia-Pacific region accepts the final package</p>	<p>WTO official documents</p> <p>ADB follow-up on actions taken</p>	
<p><b>Outputs</b> High-level meeting for director-general level and above negotiators successfully concluded</p> <p>Training course on accession for senior officials successfully completed</p> <p>Intensive training course on dispute settlement successfully completed</p>	<p>32 officials from 32 developing member countries (DMCs)</p> <p>Proceedings published and CD-ROM produced, uploaded in <a href="http://www.adb.org">www.adb.org</a>.</p> <p>30 officials from 10 DMCs (Ministry of Trade, Ministry of Finance and Ministry of Agriculture)</p> <p>Materials uploaded at <a href="http://www.adb.org">www.adb.org</a>.</p> <p>32 participants from 32 DMCs, with the rank of directors and above Materials uploaded in <a href="http://www.adb.org">www.adb.org</a>.</p>	<p>Dissemination of information from the three training activities through the ADB web site</p>	<p><b>Assumption:</b> DMCs are prepared to allow their officials to attend.</p> <p><b>Risks:</b> While DDA involves 148 members and 25 applicants, negotiations take place as scheduled and they show a clear political commitment to accept a final package.</p>

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Activities</b> Organize the following: High-Level Meeting on WTO Key Doha Round Issues</p> <p>Intensive Course on Accession Intensive Course on WTO</p> <p>Dispute Settlement Mechanisms</p>	<p>Scheduled for Osaka in July/August 2005</p> <p>Scheduled for Bangkok in February/March 2006</p> <p>Scheduled for Singapore in May 2006.</p>	N/A	<p><b>Assumption:</b> Resource persons from WTO, World Customs Organization, United Nations Conference on Trade and Development, and Asia- Pacific Economic Cooperation economies are available at the targeted time for the three activities</p>
<p><b>Inputs</b> Negotiators to the Doha Round from DMCs that are WTO members and applicants to WTO; July-August 2005 (\$200,000)</p> <p>Senior officials from ministries of finance, trade, and agriculture involved with WTO accession; February-March 2006 (\$100,000)</p> <p>Senior trade officials directly involved with dispute settlement mechanisms; May 2006 (\$100,000)</p>			

J. P. Verbiest  
Officer in Charge, ERD

**WORKSHOPS, TRAINING/SEMINARS, AND CONFERENCES**  
(\$'000)

Purpose	Number of Participants	Venue	Duration	Cost Per Activity (\$)
High-Level Meeting on WTO Key Doha Round Issues	32	Osaka	3 days	200
Intensive Course on WTO Accession	30	Bangkok	5 days	100
Intensive Course on WTO Dispute Settlement Mechanism	32	Singapore	5 days	100

WTO= World Trade Organization

Source: Asian Development Bank estimates.

**STATUS OF ACCESSION APPLICATION OF DEVELOPING MEMBER COUNTRIES  
(As of October 2004)**

Applicant	Date of		Remarks
	Application	Establishment of Working Party	
Azerbaijan	30 June 1997	16 July 1997	Memorandum of Foreign Trade Regime (MFTR) submitted in April 1999. Working party (WP) held in June 2002.
Bhutan	17 September 1999	6 October 1999	MFTR submitted in February 2003. No WP has been held yet.
Kazakhstan	29 Jan 1996	6 February 1996	MFTR submitted in September 1996. Six WP meetings held. Bilateral negotiations took place. Lists of commitments are to be prepared.
Lao PDR	16 Jul 1997	19 February 1998	MFTR submitted in March 2001. WP held once in October 2004.
Samoa	15 Apr 1998	15 July 1998	MFTR submitted in February 2000. Bilateral negotiations took place. A draft WP report prepared in June 2003.
Tajikistan	29 May 2001	18 July 2001	MFTR submitted in February 2003. WP held once, but bilateral negotiations took place.
Tonga	30 June 1995	15 November 1995	MFTR submitted in May 1998. Bilateral negotiations took place. A revised draft WP report prepared in October 2003.
Uzbekistan	18 December 1994	21 December 1994	MFTR submitted in September 1998. WP held once. Bilateral negotiations just initiated
Vanuatu	7 July 1995	11 July 1995	MFTR submitted in November 1995. Three WP meetings held. Bilateral negotiations took place. A final draft accession package prepared in October 2001
Viet Nam	4 January 1995	31 January 1995	MFTR submitted in September 1996. Seven WP meetings held. Bilateral negotiations initiated.

Lao PDR = Lao People's Democratic Republic, MFTR = Memorandum of Foreign Trade Regime, WP = working party.  
Sources: Various WTO documents.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>Asian Development Bank Financing<sup>a</sup></b>	
1. Resource Persons	
a. Per Diem	20.0
b. International Travel	60.0
c. Honorarium	20.0
2. Participants	
a. Per Diem	80.0
b. International Travel	140.0
3. Conference Package	40.0
4. Materials and Communication	20.0
5. Contingency	20.0
<b>Total</b>	<b>400.0</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan.  
Source: Asian Development Bank estimates.