

ASIAN DEVELOPMENT BANK

TAR: TRA 36122

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

FOR

**CAPACITY BUILDING FOR DEVELOPING MEMBER COUNTRIES ON
THE WORLD TRADE ORGANIZATION TRADING SYSTEM**

June 2002

ABBREVIATIONS

ADB	– Asian Development Bank
APEC	– Asia Pacific Economic Cooperation
DMC	– developing member country
GATT	– General Agreement on Tariffs and Trade
IPR	– intellectual property right
TA	– technical assistance
TRIPS Agreement	– Agreement on Trade-Related Aspects of Intellectual Property Rights
WCO	– World Customs Organization
WIPO	– World Intellectual Property Organization
WTO	– World Trade Organization

NOTE

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

I. INTRODUCTION

1. As called for by the G-7 (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States), Asia Pacific Economic Cooperation (APEC) leaders meetings, and the World Trade Organization (WTO) ministerial conferences, capacity building is essential to integrate developing countries into the multilateral trading system, and international institutions are invited to assist in this area. The reason is that international trade plays a key role in poverty reduction through faster economic growth and development, and the creation of employment. In the light of the global economic slowdown, WTO is trying to revitalize the world economy by expanding trade, and is launching a new round of multilateral trade negotiations to facilitate such expansion.

2. The Fourth WTO Ministerial Declaration, which launched the Doha Development Round in November 2001, specifically underscores the urgent necessity for the effective, coordinated delivery of technical assistance (TA), reflecting the strong views expressed by developing countries. On 10 May 2002, the Asian Development Bank (ADB) concluded with WTO a memorandum of understanding to enhance cooperation on TA in the Asian and Pacific region. The proposed capacity building program¹ is directly linked to ADB's overarching objective of poverty reduction. It will strengthen a framework for liberalization and facilitation of international trade under the WTO trading regime, which will bring about faster economic growth as income levels increase. The TA will also facilitate regional integration through trade and enhance the capacity of developing member countries (DMCs) to negotiate regional and multilateral trade agreements. Appendix 1 provides the technical assistance framework.

II. ISSUES

3. While WTO, supported by some 20 agreements, was created in 1995, many developing countries have not fully implemented some of these agreements mainly due to the lack of financial and human resources to manage such agreements. One reason for the success of the Uruguay Round 1986–1994 was the active participation of developing countries that made a substantive contribution to tariff reductions. Developing countries need negotiating knowledge, skills, and techniques because WTO agreements are reached through bilateral and multilateral negotiations. More than 40% of current applications for WTO membership are from ADB DMCs in the Pacific, Mekong, and Central Asian regions. These DMCs need assistance with WTO accession.

4. Developing countries have difficulties implementing two of the WTO agreements. One is the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which stipulates complex provisions for seven rights, including border control. As WTO enters the area of harmonizing domestic regulations like intellectual property rights (IPRs), which are beyond the traditional General Agreement on Tariffs and Trade (GATT) approach of border measures (e.g., tariff reduction), DMCs require additional knowledge and expertise in such areas. IPRs are invisible, but their appropriate implementation supports sound development of industries of both developing and developed countries.

5. The other agreement in question is the so-called “customs valuation agreement.” The agreement provides precise methods to assess the customs value of imported goods, which provides the basis for a fair, uniform, and neutral system to collect customs duties. An arbitrary customs valuation system may undermine the results of tariff reductions. Since this agreement

¹ The TA first appeared in *ADB Business Opportunities* in March 2002.

may adversely affect collection of customs duties, and because of the lack of the necessary experience and expertise, some 50 WTO developing members have not yet implemented it. These members request for extension in its implementation as their customs valuation is based on their own systems.

6. Due to GATT and WTO negotiations, the average customs tariff rate is around 5%. Business and trading communities are concerned with trade facilitation, more precisely, reducing the costs of customs procedures. For this reason, the issue of trade facilitation will be included in the negotiating agenda in the new WTO round. The World Customs Organization (WCO) has recently revised the international convention on simplification and harmonization of customs procedures. However, the convention has not come into effect. It contains among other provisions, standard customs clearance procedures, a computerized clearance system, and other modern customs techniques (e.g., risk management), that require changes to traditional procedures. The convention should be implemented because it will benefit business communities and customs authorities.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

7. The main objective of the TA is to support DMCs to fully integrate into the WTO multilateral trading system through (i) increasing their awareness of WTO agreements so that they will be fully implemented; (ii) assisting them to participate fully in the new WTO round; and (iii) assisting DMCs, including Pacific DMCs, to accede to WTO.

B. Methodology and Key Activities

8. The capacity building program has two components: trade, and customs. The trade component has two activities: (i) a high-level meeting to discuss the WTO trading system, key policy issues, implications for participants' economies, and negotiation techniques for the new WTO round of negotiations; and (ii) a training for trainers course on the WTO TRIPS Agreement, including border enforcement. The customs component has two activities: (i) a course on trade facilitation for trainers, with emphasis on the WCO Convention on the Simplification and Harmonization of Customs Procedures ("Revised Kyoto Convention"); and (ii) a course for trainers on the WTO Customs Valuation Agreement, including a post-entry audit system.

9. **High-Level Meeting on WTO Trading System for Negotiators (July/August 2002, Bangkok).** Negotiators play an essential role at a round. They must have a sound knowledge of and techniques regarding how the WTO trading system works, what the key issues are, the implications for their domestic economy, and how to protect their national interests. Negotiators also have a key role in their country as coordinators among government agencies concerned in order to reach consensus among themselves on the vital negotiating agenda and to prepare the domestic procedures necessary to implement the agreements. A three-day meeting will provide an opportunity for these purposes. Policy-related issues will be discussed at the meeting. The issues will include the key agenda in the Doha Development Round; experience in multilateral trade negotiations in implementing WTO agreements and in WTO membership; dispute settlement mechanisms; and trade policies of the European Union, Japan, and the United States and the new round of negotiations. ADB, APEC, WTO, academics, and practitioners will be invited to make presentations. Of ADB's 40 DMCs, 20 are WTO members and 12 more are

applying for WTO membership (or more than 40% of the 28 applications at WTO). All 32 DMCs will participate in the activity.

10. Intensive Course on the WTO TRIPS Agreement (February 2003, ADB headquarters). The TRIPS Agreement is the result of the Uruguay Round and covers seven types of IPRs, including patents and copyrights. It also includes border enforcement to prevent circumventing of trademarks and copyrights. Due mainly to lack of financial and human resources in developing countries, the agreement has not been fully implemented. It is therefore vital to train trade officials who will act as a national expert. A curriculum for a seven-day course will be developed with the assistance of APEC, WTO, the World Intellectual Property Organization (WIPO) whose experts will be the lecturers. The course will cover the basic principles; standards concerning the availability, scope, and use of IPRs; enforcement of IPRs including civil, administrative, and criminal procedures; acquisition and maintenance of IPRs; and dispute prevention and settlement on the seven IPRs covered by the TRIPS Agreement.

11. Intensive Course on Trade Facilitation Emphasizing the WCO Kyoto Convention (November/December 2002, Bangkok). The original convention was revised to adopt new customs techniques such as computerization and risk assessment to provide international standards in customs operations. The revised Kyoto convention simplifies and harmonizes customs procedures for facilitating trade, but has not been put into force yet. It is important for DMCs to accede to the convention because it facilitates trade by shortening the time required for customs clearance, and enhances good governance and integrity through computerization and modern customs techniques. A curriculum for a one-week course will be developed with the assistance of WCO and key APEC economies, whose experts will be lecturers. The course will focus on relevant GATT articles on trade regulations, the WTO Agreement on Import Licensing Procedures, the WTO Agreement on Preshipment Inspection, and the Revised Kyoto Convention. All ADB DMCs members to WCO will be invited to the course.

12. Intensive Course on WTO Customs Valuation Agreement (May 2003, ADB headquarters). More than 50 WTO members (of which 9 are ADB DMCs) have not fully implemented the Customs Valuation Agreement due to the extended delay and reservations about some articles of the agreement. The main reason for the reservation is that implementation may lead to a decrease in customs duty collection. An effective tool is to introduce a post-entry audit system while imported goods are cleared based on a self-assessment system to facilitate trade. It is vital for DMCs to deepen their understanding of the agreement supported by the post-entry audit system. A curriculum for a one-week course will be developed with the assistance of WCO and key APEC economies, whose experts will be lecturers. The course will include seven precise methods of determining customs value, determination of customs value on transactions between related parties, a post-entry audit system, and experience in implementing the WTO Customs Valuation Agreement.

C. Cost and Financing

13. The total cost of the TA is estimated at \$450,000 to finance the travel, hotel accommodation, and other related expenses of resource persons and participants. The details of the financing plan are shown in Appendix 2. The TA will be financed on a grant basis from the Japan Special Fund, funded by the Government of Japan.

D. Implementation Arrangements

14. ADB's Economics and Research Department will implement the TA in cooperation with the Government of Japan acting on behalf of APEC economies. To be cost effective, the TA will introduce two measures, and will be the first related TA after the conclusion of the memorandum of understanding between ADB and WTO. The Economics and Research Department will develop a curriculum for each of the three intensive courses, with the assistance of APEC, United Nations Conference on Trade and Development (UNCTAD), WCO, WIPO, and WTO. APEC economies are to send their experts at their own cost as in-kind contributions to the program. ADB has been invited to all APEC meetings on WTO capacity building, which monitor and coordinate relevant projects conducted by APEC, WTO, and bilateral agencies to avoid duplication of activities.

15. 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; Turkmenistan; Uzbekistan; Vanuatu; and Viet Nam². Hong Kong, China; Republic of Korea; Singapore; and Taipei, China will be invited to the activities but will be requested to cover travel and other related costs of their participation.

16. Participants will evaluate the activities through a structured questionnaire. For further dissemination, the proceedings for the high-level meeting will be published and the papers presented in the other three courses will be put in interactive CD-ROM. The activities will be publicized on ADB's website.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$450,000 on a grant basis for Capacity Building for Developing Member Countries on the World Trade Organization Trading System, and hereby reports this action to the Board.

² In this paragraph, 33 ADB DMCs are listed: 20 are WTO members, 12 are WTO applicants, and 1 (Turkmenistan) is not a WTO member nor a WTO applicant, but is a WCO member.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
Goal To encourage developing member countries (DMCs) of the Asian Development Bank (ADB) to achieve full integration into the World Trade Organization (WTO) multilateral trading system	Implementation of outstanding WTO agreements Accession to WTO	WTO official documents	
Purpose To increase awareness of the WTO agreements among DMCs, leading to full implementation of the agreements To assist DMCs' active participation in the new WTO round of negotiations To DMC applicants to WTO to achieve their accession	Implementation of outstanding WTO agreements Participation in the new WTO round Accession to WTO	WTO official documents	New round and work at working parties on accession make sound progress
Outputs Publication of the proceedings of the high-level meeting Compiling materials for the other three training courses in CD-ROM	Timely processing of the work required Timely acquisition of training materials	Dissemination of information from the four training activities through the ADB web site	All materials for publication are provided in electronic form
Activities Organize the following: 1. high-level meeting on the WTO trading system 2. Intensive Course on the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) 3. Intensive Course on Trade Facilitation 4. Intensive Course on WTO Customs Valuation Agreement	Inputs Negotiators to the new round from DMCs who are WTO members and applicants to WTO; July/August 2002, Bangkok (\$124,700) Senior trade officials directly involved with intellectual property rights in DMCs who are WTO members and applicants to WTO; February 2003, ADB headquarters (\$117,500) Senior custom officials directly involved with customs clearance from DMCs who are World Customs Organization (WCO) members; November/December 2002, Bangkok (\$69,300) Senior customs officials directly involved with customs valuation in DMCs who are WTO members and applicants to WTO; May 2003, ADB headquarters (\$97,500)	N/A	Resource persons from WTO, World Intellectual Property Organization (WIPO), and APEC economies are available at the targeted time for the four activities

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
1. Resource Persons	
a. Honoraria	16,000
b. Airfare	70,400
c. Per Diem	5,100
d. Hotel	6,400
2. Participants	
a. Airfare	195,500
b. Per Diem	44,500
c. Hotel	51,100
3. Staff travel	
a. Airfare	10,000
b. Per diem	5,000
4. Miscellaneous Administration and Support Costs	20,000
5. Contingencies	26,000
Total	450,000

Note: Financed by the Japan Special Fund.
Source: Asian Development Bank estimates