

Trade Policy Issues

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Executive Summary of Proceedings

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Key Messages

- 1 The establishment of regional trade agreements generates dynamic effects that affect **Foreign Direct Investment** (FDI) flows. In the implementation of regional integration agreements, large locational advantages and environmental change could result in substantial impacts on the regional distribution of FDIs. In particular, technological change and other efficiencies should strengthen the positive linkages between regional integration agreements and intra-regional FDI flows.
- 2 Increased specialization across affiliates with multinational companies (MNCs) can provide additional indirect efficiency gains associated with the capture of product-level economies of scale. The MNCs can also promote a faster international diffusion of new technology with relatively large social benefits in the form of lower producer cost and increased consumer surplus. On the other hand, the relationship between trade and factor mobility suggests that MNC's presence is a means of getting around tariff barriers and that general tariff reductions would reduce FDI flows.
- 3 In the context of **regional economic integration**, there have been various attempts to form free trade and economic cooperation agreements among Asian countries in recent years. The closer integration provides developing countries with the means to build on their comparative advantages and enhance the efficiency of their industries. To build on this platform, countries also have to establish better infrastructure and skills in order to fully benefit from the trade integration, many of these could also be promoted at sub-regional and sub-national levels.

- 4 The recent **World Trade Organization (WTO) Ministerial Meeting in Doha, Qatar** has made progress in concluding various declarations and decisions—namely, the main Ministerial Declarations; the Declaration on the Trade-Related Intellectual Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health; the Decision on Implementation—Related Issues and Concerns; Subsidies—Procedures for extensions under Article 27.4 for certain developing country Members; Decision on Waiver for EU-African, Caribbean and Pacific (ACP) Partnership Agreement; and Decision on EU transitional regime for banana imports.
- 5 In addition, the Doha Ministerial Declarations approved a negotiating agenda, which aims at poverty reduction and development. The new round—**Doha Development Round**—covers nine issues ranging from agriculture to the environment. The Doha declarations also mandated discussions with several other institutions and established a new trade negotiations committee.
- 6 **Singapore** has been adjusting its economic strategy according to the changing environment. Over the past decades, its economy has developed from an import substitution strategy to a more outward looking approach, and then to a knowledge-based economy. The lesson from the regional crisis has reinforced her development strategy towards better integration with other economies. Globalization and rapid technology developments have created a different environment so that a shift into knowledge-based economy is critical. Singapore is also expanding its bilateral free trade arrangements with major trading partners in Asia, the US and Europe.
- 7 The **People's Republic of China's (PRC's) accession to the WTO** will have many implications to global as well as regional trade. PRC's import barriers and investment restrictions will be dramatically reduced within the next five years. In a more competitive environment, there would be some economic adjustments in the PRC economy as well as in the economies of its trade partners.
- 8 Opportunities emanating from increasing openness of PRC are likely to outweigh threats for disruption and/or displacements as built-in transitional safeguard measures will help in avoiding or minimizing unintended disruption in production, trade and employment in partner countries. Those that face stronger competitive pressure from PRC's opening will have to improve their competitiveness and/or be able to exploit complementarities with the PRC, where possible, rather than resorting to safeguard measures which would result in protectionist revival leading to loss of economic efficiency and social welfare. Countries in the region should improve their general policy environment and corporate governance to attract more FDIs.
- 9 The development of **Intellectual Property Rights (IPRs)** is essential for developing countries to move into the next phase of economic growth. A proactive intellectual property (IP) strategy will enhance the productive capacity through the emphasis in higher value-added products. Furthermore, the participation of various kinds of institutions, for instance, governments, universities and private companies, is necessary for the policy's implementation.
- 10 Essentially, IPRs are protected to encourage creative work, reward technological innovation, provide fair competition as well as for the transfer of technology. To encourage transfer of technology, countries must first protect these rights and provide fair competition as the creators invest large resources for their creation. In the IPR protection, there is likely to be an adverse impact on the poor. For example, an exclusive right of IPR holders would prevent the access by the poor to these products, as the products would be almost prohibitively costly to the poor. There should be a balance of rights and obligations, and concessions could be given to public goods.
- 11 The **World Intellectual Property Organization (WIPO)** aims to ensure administrative cooperation among the intellectual property unions created by the Paris and Berne Conventions and sub-treaties concluded by members of the Paris Union. The TRIPS is one of the three pillars of the Uruguay Round Trade Negotiations. The TRIPS Council administers the TRIPS agreement and consists of all WTO members. The goals of the TRIPS agreement include the reduction of distortions and impediments to international trade, promotion of effective and adequate protection of intellectual property rights and ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.
- 12 Furthermore, intellectual property rights are **valuable economic assets** for growth and also poverty reduction. Intangibles like trademarks and brands, goodwill, business relations, IP licenses, patent portfolios, musical works, domain names, and other intellectual properties are the most valuable assets of a business that are prized by venture capitalists, investors and business partners.
- 13 In particular, cultural industries that are based on copyright have shown tremendous growth in the last 20 years, especially in music and software products.
- 14 For any country, **trade facilitation** is an essential part of liberalization, as it accelerates trade flows and also serves to support domestic regulatory efficiency over time. It has become an issue of significant importance in the non-tariff trade barriers agenda, as tariff rates of protection have fallen along with the availability of advanced information technology that can speed goods transfer across borders. To counter major development obstacles, like corruption and cumbersome administra-

tive procedures, domestic policy especially on customs needs to be enforced. 'Behind the border' barriers such as regulated monopolies, and high shipping cost, are less obvious but they could be a great hindrance to trade facilitation.

15 The **World Bank's** work program and lending operations include projects to support trade facilitation; about 23 percent of its lending has been in this area. The Asian Development Bank (ADB) also has operations in the area of improving trade facilitation in its developing member countries, e.g., Greater Mekong Subregion and various technical assistance projects. Along with the focus on development objectives, the WTO and the World Bank have capacity-building programs under the Integrated Framework (IF) for Trade Related Assistance to Least Developed Countries (LDCs).

16 Various WTO agreements on **standards** aim to address issues related to technical and regulatory barriers. Moreover, the World Bank's new agenda on standards and technical regulations seeks to strengthen developing countries' industrial performance, increase agricultural production, and expand their opportunities in world trade markets.

17 **Rules of origin** are necessary in all free trade areas to serve an authentication function so that non-members do not benefit from market access privileges intended only for members. The need for rules of origin increases with the level and variance of external tariffs among Member States. The desire for strict rules of origin will be of greater concern to Member States that give high levels of protection to their domestic industries. Restrictive rules of origin thus shield existing producers from new competition and deprive consumers of the benefits of regional tariff reductions.

18 By depriving producers' access to raw materials or intermediate products from low cost international sources, strict rules of origin can raise the cost of producing a product for sale in the free or preferential trade area. The rules of origin are also seen as a means to promote development through import substitution, by forcing producers to source inputs in the region in order to qualify for regional trade preferences. However, the use of rules of origin to force potential regional competitors to operate under the same policy-induced handicaps as those in a particular Member States is harmful from the economic efficiency perspective.

19 **What the donors should do?** The Integrated Framework (IF) does not seem to have included regional development banks, such as ADB; neither are its programs inclusive and adequate enough for all the low-income countries in the Asia and Pacific region. More specifically, multilateral specialized agencies such as WIPO, WTO, World Bank and ADB should provide technical assistance on how best the countries in the Asian region could organize themselves for IPR protection and commercialize their

IP assets, including traditional knowledge. They should also assist these countries in the area of simplification and harmonization of policy and procedures for standards, trade facilitation, and rules of origin. On the trade policy front, there still is a huge demand for technical capacity building in the developing countries in Asia to help raise the level of understanding of economic implications of the WTO provisions in general and the Doha Development Round in particular.

Introduction

1. The ADB Institute conducted a capacity-building workshop on "Trade Policy Issues" in Singapore from 25 February to 1 March 2002. The workshop was co-hosted with the Technical Cooperation Directorate (TCD), Ministry of Foreign Affairs, Singapore and the Economics and Research Department of the ADB. Twenty-eight middle- to senior-level government officials and chamber of commerce and industry officials from 14 ADB developing member countries in South Asia, South East Asia and the People's Republic of China, attended the workshop. Dr. R. B. Adhikari, Senior Capacity Building Specialist, ADB Institute designed and coordinated the workshop, which featured prominent resource speakers from the academia, governments, research institutes and multilateral organizations. The workshop's central goal was to strengthen the participants' understanding of the various global and regional trade policy issues, particularly in the context of the outcomes of the Doha Ministerial Meeting and their economic implications for the Asian countries.

2. At the reception in the premises of the Ministry of Foreign Affairs, Mr. Tan Gim Kheng, Deputy Director, TCD, welcomed the participants and pointed out that the workshop was intended to provide a comprehensive overview of a wide range of trade policy issues, including conceptual and practical issues for the developing Asian countries. At the opening of the workshop, Adhikari introduced the participants, resource persons and the ADB and the ADB Institute officials. **Dr. Masaru Yoshitomi, Dean, ADB Institute**, welcomed all the participants and thanked them for their participation.

3. In his opening remarks, Yoshitomi stressed that trade liberalization should result in raising the incomes of the poor by creating new jobs, by enhancing their assets, or by a combination of both. As most poor people in the region live mainly in rural areas, their main livelihood will be agriculture. Therefore a large part of the expected increases in incomes should come from the agriculture or related activities in the rural areas. Trade liberalization should therefore reach these rural areas so as to provide the rural population with opportunities to enhance rural household incomes, particularly of small farmers. Therefore, farming and farm-related activities should be made more productive and efficient to capture new market opportunities. At the same time, concerted efforts need to be made at the regional and international levels to improve economic cooperation and help developing countries gain increased access to markets, development finance and technical assistance.

4. The Doha Ministerial Meeting has made progress in addressing and resolving some of the thorny issues relating to the next round of multilateral trade talks and has agreed on the Doha Development Round. Inputs in the coming months from individual member governments and their business communities will be crucial in determining the eventual results of subsequent negotiations. Given that the welfare implications of many of the policies that are now emerging on the international negotiating agenda may depend importantly on the identification and consideration of impacts on local stakeholders, it has become increasingly important that the policy mix chosen reflects the assessment of local interests and concerns. Thus it is imperative that there is a participation of the business community and civil society in the preparation for the next rounds of multilateral trade talks.

5. In the context of “new regionalism”, Yoshitomi urged policymakers in developing countries to have a good understanding of the economic implications of the various standards, regulatory frameworks associated with national and international trade and the appropriate institutional set-ups to be established for their effective implementation. Economic cooperation plays an important role in deepening and widening economic integration in sub-national, national and global markets. It has a strong potential in promoting common projects among countries in the region, which in turn will promote growth and reduce poverty.

6. Yoshitomi then introduced the main objectives and the scope of the workshop to the participants. He highlighted that the workshop was aimed at: (i) updating the participants on the emerging trade policy issues; (ii) enhancing their conceptual understanding of the policy issues; and (iii) sharpening their practical skills in trade policy analysis and debate. The knowledge and skills acquired in the workshop are expected to enable participants to improve the effectiveness of their work in their own countries and to promote a more active participation of their countries in international trade, and benefit from it in terms of faster economic growth and poverty reduction. Building upon the last two workshops on the same topic (on which the materials were provided on the Internet), this year’s workshop was designed to cover emerging policy issues in the area of free trade and economic cooperation; lessons from Singapore’s experience in trade policy reforms and development; the key outcomes of the Doha Ministerial Round; implications of PRC’s increasing openness; and the economic implications of the standards, rules of origin and the need for improving trade facilitation and customs administration.

7. In order for the ADB Institute to have a wider outreach, Yoshitomi noted that a hybrid approach based on a combination of Internet and classroom-based training courses, with intensive and interactive sessions and less lecturing would be designed and conducted shortly. Internet-based self-learning opportunities would also be made available to alumni—for

the life time learning of all the people who have attended the Institute’s earlier capacity-building and training programs. He went further to say that what the Institute had accomplished before was quite encouraging, however, it was not enough. The Institute would need to reach the thousands and thousands of government officials and policymakers and it needed to innovate further to increase its effectiveness in terms of both cost and quality. This would only be possible through the increased use of Internet and deployment of multimedia-based and innovative learning programs.

8. **Mr. Jeffery Liang, Senior Economist, ADB**, gave his opening remarks of behalf of the ADB. Liang noted that the workshop was timely given the significant recent events taking place in Doha and the region; namely PRC’s entry into the WTO, the launch of a new round of multilateral trade negotiations, and the proliferation of free trade agreements within the region as well as in the rest of the world. In respect to the “Doha Development Agenda”, there is a need for policymakers in developing countries to strengthen their analytical and negotiating capacity and to shape the WTO rules to their interests.

Session I: Free Trade and Economic Cooperation in Asia

9. **Professor Magnus Blomstrom, President, European Institute of Japanese Studies, Stockholm School of Economics, and ADBI Advisory Council member** spoke on ‘**Regional Integration—an Overview of Current Issues**’, with special focus on FDI in the context of regional economic integration. He started with some facts regarding the MNCs and said that while there was a need to integrate the economies, regional integration could be complicated. The MNCs account for 20 to 25 percent of the world’s output but most of their production takes place in their home countries. They are also more significant in the “industry” rather than in “services” sectors. Almost all of the MNCs originate from the industrialized countries.

10. The MNCs own, produce and develop most of the world’s advance technologies. They have market access worldwide, e.g., MNCs have helped Hong Kong textile companies enter the US market. Most importantly, there is a technology diffusion effect from the MNCs to the host countries. There is an additional “technology transfer” effect to their affiliate companies in the host countries. This will in turn lead to a “spill-over” effect. Host (recipient) countries are likely to benefit from this technological spillover. However, Blomstrom stressed that if such technological spillover is not present, there is little benefit from hosting these MNCs.

11. Technological spillover can be inter-industry or intra-industry. In the inter-industry spillover, the local suppliers could

be taught how to produce simple components to supply to the MNCs. Subsequently, MNCs as a customer, could spin-off the use of high tech equipment to the local supporting industries. In the intra-industry, MNCs provide the countries with education, training, exposure and competition. Competition will result in “rationalization” within the industry, which in turn lead to better efficiency. Technology spillover varies differently in industries and countries. However, for countries to benefit from the technological spillover, good infrastructure must first be in place. A study has shown that only 10 developing countries could greatly benefit from this spillover. Also, another study shows that foreign investment is 25 percent more productive than that of domestic investment.

12. With regards to trade barriers, Blomstrom demonstrated the flows of FDIs. He noted that if the intra-regional tariffs decreased, the intra-regional FDIs would drop. This indicates that there is less need for the intra-regional investment for the purpose of overcoming trade barriers. On the other hand, the inward inter-regional FDIs might increase if there is trade protection towards the rest of the world and if there is a larger market size to attract FDIs. Besides trade barriers that influence the FDI flows, a social capacity, technical base and workforce are important factors to attract FDIs. There is a need for countries to stimulate investment by educating their own people and upgrading production. According to a World Bank publication, the Nokia management encourages its staff to upgrade their education level and this has tremendously increased the productivity of the company. Blomstrom also cited that the Republic of Korea is at present “over-educated” but this will benefit the economy in the future.

13. Locational advantages and environment changes are other important determinants of FDI attractiveness that have been condensed into a general summary framework relating trade and investment liberalization initiatives to country and industry characteristics. In a positive local advantages and a strong environment change, a country or region would have positive capital flows from both foreign and domestic investors. Two relationships are of primary relevance, namely, (i) the stronger the environment change connected with regional integration, the larger the impacts on FDIs; (ii) the stronger the locational advantages of the individual country or industry, the more likely it is that integration agreement will lead to inflows of FDIs from the outside as well as from the rest of the integrating region, e.g., due to geographical proximity and abundance of relatively cheap labor, Mexico also possesses strong national locational advantages in labor-intensive manufacturing processes with respect to its northern neighbors. Consequently, regional integration has created new commercial opportunities for domestic and foreign investors in the domestic Mexican market as well as in the US and Canadian markets. The response has been a significant increase

in inflows of FDIs, particularly from outside the North America Free Trade Area (NAFTA) region.

14. In the open discussion, a participant noted that there could be a win-lose situation in the inflow of FDIs. Another participant asked what the government could offer in order to attract FDIs. In his response to these questions, Blomstrom discouraged the use of incentives for attracting FDIs. He suggested all countries should publish the amount of incentives they have offered; there should be a better transparency rather than incentives; and, if possible, governments should do away with incentives altogether. It is seldom the incentives that influence the MNCs, but rather the size and skills of labor force and the cost of doing business that the MNCs are looking at. On the question on PRC’s transparency, education and infrastructure, Blomstrom explained there are currently few cities in the PRC that provides good conditions for investment and also there is relatively little transparency. However, these should improve over time, especially as part of its compliance with the WTO obligations.

15. **Professor Junichi Goto, Kobe University**, gave a presentation on ‘**Economic Interdependence and Cooperation in East Asia with reference to Asia**’, with a focus on the recent trends in Free Trade Area (FTA), labor market integration, theories of regional economic integration and on some empirical results emerged from his research in this area. There is an increasing expansion of intra-Asia trade. By comparing trade intensity indices among the East Asian countries to that of the European Union (EU) members, there are more cases of high trade among the East Asian countries. Besides, there has been an increasing number of active regional trading arrangements (RTAs) among the Asian countries in recent years.

16. The Association of South East Asian Nations (ASEAN) FTA’s membership has increased to 10 countries and it aims to reduce tariff to 0 to 5 per cent by 2008. Its success lies mainly in the realistic approach, which included an inclusion list, a sensitive list and a general exception list. The South Asian Preferential Trade Agreement (SAPTA) targets at forming a customs union by 2015. The Asia Pacific Economic Cooperation (APEC) was mooted from the Bogor declaration in 1994. It follows individual and national action plans rather than a rigid and uniform plan. Japan was not a party to any FTA until recently when it signed the Japan-Singapore trade agreement, the Japan-Korea trade agreement is in the making, and so are other similar bilateral FTAs. In particular, there is a rapid progress toward FTAs, particularly after the FTA with Singapore was signed in January 2002 and has a wide range of industry coverage.

17. In the context of labor market integration in Asia, the degree of integration is not as large as that in North America or in Europe. However, the intra-Asian migration has increased

from one million in 1980 to 6.5 million in 1997. In the Philippines, more overseas workers, about 40 percent, are now in Asian countries as compared to about 27 percent previously. The Asian Financial Crises has somewhat reduced the number of overseas workers.

18. Goto presented an empirical study of the effect of FTAs, which included a welfare simulation using the new framework. In the analysis, each FTA's impact is presented on the welfare on Europe, Canada, US, Japan, Asia and the rest of the world. Asia's welfare is maximized in the case of EU and APEC-wide FTA, and it is lowest in the case of only EU and NAFTA FTA. Another finding is that the degree of synchronization of real disturbances in Asia is high as compared to EU. The synchronization with Japan has also become stronger in 1990s. The participants has raised many question with the simulations.

19. In his conclusion, Goto explained that interdependence in terms of goods and labor has increased in the 1990s but the Asian financial crisis proved to be a major setback to the closer economic integration. On the other hand, macroeconomic linkage has increased in the 1990s and has also become more closely integrated as a result of the Asian financial crisis (e.g., currency swaps). The presence of sufficient degrees of regional economic integration suggests the presence of potential gains from greater economic policy coordination.

20. The open discussion that followed centered on the case of an empirical study that showed that the US experience lower welfare in the presence of any FTAs and its welfare is maximized when there is no FTA. This is in contradiction of its objective in participating in the NAFTA. Goto replied that the US's welfare decreased due to less exploitation in the presence of the FTAs. This was one reason why in the past the US has strongly opposed the creation of the East Asia Economic Caucus (EAEC). With the absence of FTAs, large countries tend to exploit smaller countries. Thus, in the case of a world free trade situation, the rest of the world's welfare would be highest.

21. **Mr. Edwini Keesie, Counsellor, World Trade Organization**, spoke on '**Regional Integration and WTO—Post Doha Ministerial**'. The proliferation of RTAs in recent years raises the question as to whether they are building or stumbling blocks for the multilateral trading system. Studies carried out by academics, the WTO and other reputable bodies, have mostly indicated that they have in the past contributed to the efforts of the WTO in liberalizing world trade by eliminating barriers to trade among the parties to the agreement and also by reducing barriers to trade of third world countries, resulting in an increase not only of intra-trade between the parties, but also trade between the established regional trading bloc and the outside world.

22. Under Article XXIV of the General Agreement on Trade and Tariffs (GATT) 1994, Members wishing to form free trade areas and customs unions are obliged to satisfy a number of requirements including liberalizing substantially all their trade and ensuring that the general incidence of tariffs and regulations of commerce is not higher after the formation of the RTA. The rules have been designed in such a way as to protect the interests of third world countries. In fact, as stated in Article XXIV:4, "the purpose of a customs union or a FTA should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other [members] with such territories."

23. In addition, the WTO recognized the multilateral trading system and has consistently stated that the two approaches are not mutually exclusive and could be complementary if RTAs operate in full openness and comply with WTO rules. In that context, it permits its Members to form RTAs under Article XXIV of the GATT 1994, and Article V of the General Agreement on Trade in Services (GATS) and the Enabling Clause. Members can also seek a waiver under Article IX of the Marrakesh Agreement to maintain RTAs, which otherwise may not be in conformity with the relevant rules of the WTO.

24. To ensure that RTAs comply with relevant disciplines of the WTO, members of the WTO are obliged to notify any trade agreement that they enter into for examination by the WTO. To date, over 100 agreements have been examined, but only one case was examined and unanimously accepted. For the rest of the cases, opinions were sharply divided with parties to the examined agreements insisting on conformity, while third countries expressed a contrary opinion. The paralysis in the decision-making process could be attributed to the lack of clarity in the WTO rules as well as principle of consensus. This will enable affected third parties to the particular agreement to frustrate the examination process. There have been cases where such examinations have ended up with the dispute settlement mechanism to challenge the consistency of RTAs. A case of such precedence involved Turkey and India over a case on quantitative restrictions on textile and clothing products. During that case, the Appellate Body stated that panels and itself had the authority to determine the overall consistency of RTAs with the rules of the WTO.

25. Under the GATT, there was the consensus that it was only the Working Parties, which were competent to decide this issue. If WTO is to monitor effectively existing RTAs and the proposed ambitious ones (in terms of the subject areas and the diverse membership), the rules of the WTO regarding RTAs have to be clarified and strengthened. In addition, the decision-making process of the committee on RTAs should be fundamentally reformed so as to enable it to make decisions. The members of the WTO should seize the opportunity to clarify the rules and strengthen the examination process. For example, para. 29 of the Doha Ministerial Declaration says "We also agree to negotiations aimed at clarifying and improving disciplines and procedures under

the existing WTO provision applying to regional trade agreements. The negotiations shall take into account the development aspects of the regional trade agreements.” Discussions and negotiations will take place in the Committee for Regional Trade Agreements and Negotiating Group on Rules during the course of Doha Development Round.

26. In response to an inquiry on the consensus on various issues, Keesie replied that the WTO makes decision based on consensus from all members and this is a problem in the long run. Any member that disagrees to a decision could result in the failure of the consensus. On the issue on RTAs, Keesie explained that the WTO as an institution would not be able to be involved to greater extent in the RTAs and it is up to the individual countries to agree on the issues of concern to them. However, most countries could proceed even if they are not fully aware on whether their agreements are consistent with the WTO rule.

27. Dr. Antoni Esteveordal, Senior Trade Economist, Inter-American Development Bank, focused his presentation on **regional integration and cooperation in Latin America and the Caribbean**. After a short introduction emphasizing the relevance of the Latin America and Caribbean experience, he pointed out the growing importance of the regional integration process around the world, particularly in Latin America and the Caribbean is significant, in particular when looking at the steady decline in the average distance that countries ship their imports. The average distance that a bundle of imports travel around the world has declined by 10-15 percent in just 15 years. Secondly, there has been an increase of intra-regional trade vis-à-vis the recent rise in global trade. This increase has been quite dramatic in various sub-regions in Latin America and the Caribbean, such as in MERCOSUR.

28. Most experts agree that effective participation in the world economy is probably a necessary element of a successful development strategy. One question being put forward and debated is what role does regional integration play in a development strategy? We have witnessed the different roles that regionalism has played in this context. Regional integration has been used as an alternative to globalization, as was the case for Latin America in the 1960's and the 1970's. Regional integration can also be a building block for liberalizing trade at the multilateral level. And finally, regional integration and globalization are two processes that can occur simultaneously. The “new regionalism” of the 1990's is both a building block of global liberalization, as well as a process that occurs simultaneously with globalization.

29. The first issue to address is the desired model of integration that provides the structural foundation. The second dimension, which is becoming more and more important, involves the choice of partners in a regional scheme ranging from south-south models to more contemporary north-south arrangements. The dynamics of the regional integration models are particularly

relevant in the case of Latin America and the Caribbean. Starting in the 1960's, regional integration was based mostly on south-south arrangements. This model has evolved during the 1990's into the so-called “new regionalism,” which combines south-south arrangements with deeper commitments or new north-south initiatives.

30. The case of MERCOSUR, for example, is a typical new regional south-south arrangement that includes negotiating arrangements with northern partners, such as the US and the EU. Among those already negotiated, the NAFTA is the clearest example (US, Canada and Mexico). However, Canada has also negotiated agreements with Chile and Costa Rica. There are also other inter-regional initiatives linking Latin American countries with some Asian partners, including Japan and Korea. APEC is a very important case within this model. Finally, the Free-Trade Area of the Americas (FTAA) is the most ambitious integration initiative connecting North and South America.

31. The import substitution industrialization model characterized the “old regionalism” in Latin America and the Caribbean. This was extended to the regional market, while supporting an inward-looking development strategy. Liberalization was limited in terms of its objectives and mostly dealt with the manufacturing sector in order to promote the import substitution industrialization strategy. The model was very much driven by public sector policies that were implemented by cumbersome bureaucratic institutions. This eroded the model's credibility with the private sector.

32. The “new regionalism” changes these paradigms dramatically. Firstly, there is a deepening of the trade liberalization agenda as a mechanism to promote reforms. Regional integration is a structural component of a three-tier strategy of trade liberalization: unilateral openness, regional integration, and full participation in the multilateral trade agenda. Secondly, the new regionalism was very much a market-driven model with the objectives of attracting direct foreign investment, creating and diversifying trade, and generating a dynamic transformation of productive sectors. Regional groups also became important voices in world forums, a significant factor in terms of the geo-politics of these initiatives. Finally, the new regionalism has provided a very important mechanism to foster institutional modernization. The impact of NAFTA on Mexico is a visible affirmation of this phenomenon, while proving to be instrumental in providing other types of regional “public goods”, such as regional infrastructure initiatives.

33. In comparing the two models based on effectiveness of their instruments to achieve the integration objectives, a model of open negotiations clearly characterizes the “old regionalism”. There were no airtight agreements, but rather frameworks for renegotiating tariffs and other types of provisions

over time. It undermined the credibility of the agreements, including leaving the door open for tariff commitment reversals. Credible enforcement mechanisms were wanting for the type of provisions negotiated under these agreements. Most were negotiated under the so-called “positive lists”—what you negotiate is what you want to liberalize, rather than what you want to exempt from the agreement.

34. In contrast, the “new regionalism” contains simple, usually automatic liberalization programs that adhere to strict liberalization schedules. It is nearly impossible for a country to renege on this type of commitment. Agreements are negotiated within the GATT rules of trade liberalization and they are highly reciprocal (at least in terms of tariff items liberalized, but not necessarily in terms of liberalized trade). They are also negotiated under the so-called “negative lists”—you negotiate what you want to exempt rather than what you want to liberalize.

Box 1. Check-list of Free Trade and Economic Cooperation

Old Regionalism

- Inward-oriented, import substituting type development strategy
- Static comparative advantage based
- Public sector driven
- Limited liberalization objectives
- Reversal tariff commitments
- No credible enforcement mechanism
- Non-reciprocity and S&D Treatment
- Positive lists, narrow scope
- Limited cooperation in other areas

New Regionalism

- Outward oriented, export oriented development strategy
- Includes dynamic comparative advantage
- Market, Private sector and FDI driven
- Trade creation and diversification, and dynamic productive transformation
- GATT/WTO consistent
- Irreversible commitments
- Highly reciprocal
- Negative lists, wider scope
- Respect for geo-politics
- More cooperation in other areas—institutional modernization, enhanced regional or sub-regional economic cooperation, potential for regional public goods and services

Key Limitations of Regionalism

- ‘Spaghetti bowl’ effects with too many rules
- Rules of origin and other implicit NTBs too cumbersome to handle
- May divert attention from promoting multilateralism (e.g. WTO)
- A second best option

35. Lastly, Estevadeordal offered an overview of the FTAA process. He discussed first how structured and orderly the process of the FTAA has been from the very beginning. This is probably one of the key factors behind the success of this process. It has been designed with a very clear set of rules for supervision and monitoring of both the working and negotiating groups. There is also very strict oversight at the ministerial and vice-ministerial levels; and a summit at the presidential, ministerial, and vice-ministerial levels and so on. The pre-negotiating phase of the FTAA began in 1994 until 1998. This was the period when most of the “technical” preparatory work of the negotiating groups took place, mostly behind closed doors. In 1998, in Santiago, Chile, the heads of state launched the formal negotiations. The presidential summit is the final monitoring body within the negotiating structure. Ministers meet on a yearly basis to supervise the work of negotiating groups. The trade negotiating committee—the executive committee for the negotiations—has been formed at the vice-ministerial level. Already, the countries that are going to head the trade negotiating committee to the end of negotiations have been established. There are currently nine negotiating groups in the areas of market access, agriculture, investment services, government procurement, subsidies, dumping and countervailing duties, intellectual property, competition policy, and dispute settlement. Very active, they meet almost once per month, and once every two months in the established secretariat.

36. The tripartite committee is an institutional mechanism constituted by the Inter-American Development Bank, the Organization of American States and the United Nations Economic Commission of Latin America and the Caribbean (ECLAC). It is an institutional arrangement that provides technical support to the collective negotiating process. It also provides some financing to support administrative bodies and logistical expenses. Finally, there are three very important committees: a joint private-public sector committee of experts on e-commerce, a committee of government representatives on civil society issues, and a committee on small economies.

37. Further, it is important to summarize some of the notable achievements of the FTAA. At the ministerial meeting in Buenos Aires in April 2001, negotiating groups presented ministers with a full agreement draft that included all negotiating areas and positions of different countries along with sub-regional groups in the FTAA. It also serves as a full primary draft for the upcoming negotiations. This draft represents a historical precedent, as it is the first time that a trade negotiation document has been made public. During the Buenos Aires meeting, ministers agreed to create a technical committee on institutional issues. This is quite important as this committee will make final recommendations regarding the FTAA agreement’s structure, as well as recommendations on implementation. The ongoing implementation of business facilitation measures is another major achievement of this process, while ministers agreed on a clear road map for 2000-2002 with very important deadlines.

38. Finally, the main challenges for the FTAA should be examined. The first challenge involves the “joining” or some other word instead of “connection”, the final balance of concessions between the major players or actors in the negotiations (i.e. Latin America and Caribbean region, Canada), and US. The final balance will be the outcome of a complex negotiation in the areas of agriculture, textiles, tariffs, etc. The second challenge is the interplay of the US executive branch trade promotion authority (i.e. “TPA”). The third challenge is the inclusion of labor and environmental provisions in the final treaty. The fourth challenge is the interaction with the new round of multilateral negotiations in Qatar. Some FTAA issues will require compromise at the multilateral level, especially in areas of agriculture or anti-dumping. Without commitments at the multilateral level, it is very difficult to move ahead on some of these issues in the context of the FTAA. The future of sub-regional agreements is yet another major challenge. If an FTAA is eventually agreed upon, what role will sub-regional agreements play within the region? Which areas of integration can extend beyond an eventual FTAA agreement? Indeed, sub-regional agreements can still play an important role in Latin America. Adjustment costs will be another challenge, especially in the context of small economies. We must observe how small economies adjust (at all levels) to the dynamics of a hemispheric agreement. They face a number of adjustment issues that range from fiscal to more complex matters like macroeconomic sectoral adjustment. Finally, it should be noted that a successful agreement needs “bold” leaders, which will remain an open question in the hemisphere.

Session II: Singapore Experiences in Trade Policy Issues

39. **Mr. Tan Song Chuan, President, International Trade Institute of Singapore**, spoke on **Trade Policy Reforms—Lessons from Singapore’s Experience**. Tan described in great detail the various phases that Singapore, as a small country, encountered to become a newly industrialized economy. Singapore’s total trade is now three times its GDP. Singapore started as a British trading colony due to its close proximity to the region rich in spices and PRC. In the early 1960s, Singapore adopted the import substitution strategy but realized that it did not solve unemployment and balance of payments problems.

40. After separation from Malaysia, Singapore geared towards export orientation industrialization and various trade measures were implemented to support this policy. Among the measures include removing tariffs and quotas, developing basic infrastructure, streamlining import and export procedures, providing trade finance and export credit, and establishing the Trade Development Board (TDB). The role of TDB is to engage in trade promotion, trade facilitation and trade policy. Over this period 1965-79, growth has averaged 10 percent per year and unemployment has dropped to 3.3 percent. Facing a tight labor market situation and competition from lower cost developing countries in the late 1970s,

Box 2. Some Examples of New FTAs and Economic Cooperation Initiatives in Asia

Japan - Singapore FTA—a hybrid bilateralism

- It is an FTA plus economic cooperation
- Tariff removal over the next ten years or so in about 15 percent of imports from Singapore, the rest is already tariff free
- It also includes an agreement in uniform standards in information and communications technology, services, and institutional reforms.
- Benefits from customs administration reform, harmonization and computerization of customs procedures; liberalization of services including investment are estimated to be high.
- It is WTO consistent.

Proposed PRC-ASEAN FTA—an enhanced new regionalism

- Free trade between PRC and the ASEAN countries
- Economic cooperation in five key areas: (i) agriculture, (ii) information technology, (iii) human resources, (iv) direct investments, and (v) the development of Mekong river basin
- High potential for enhancing complementarities and promoting intra-regional trade

Sub-regional economic cooperation—a market driven integration

- A simplified form of economic integration at sub-regional level (involving part of the territory not the entire country)
- Focuses on sub-regional economic development through infrastructure development (e.g., common transport and energy projects), regional public goods and services
- Works with limited policy reforms—e.g., for efficient operation of transport or energy industry, border administration, and customs facilitation
- It emphasizes more on trade facilitation than on tariff free trade. It does not seek nation wide openness but minimum policy reform to facilitate trade across borders on sub-national or sub-regional basis.
- It promotes partnership among governments, private sector and international financiers.
- This initiative in various forms is being practiced in Asia—e.g., Greater Mekong Subregion (1993); Indonesia-Malaysia-Thailand Growth Triangle (1993); Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (1995); Central Asia and China (1997); and South Asia sub-regional economic cooperation (2000).

Singapore underwent an industrial restructuring phase. A three-year wage correction policy accompanied by a human resource development strategy shifted the economy towards higher value-added and skills intensive investment promotion.

41. The failure to recognize global market changes and over-dependence on a few key industries and markets were the main causes of Singapore's first recession in 1985. In response, the Government adopted corrective measures like the lowering of labor wages, promotion of high value-added technology-based manufacturing and skills development. The recession has taught Singapore to focus in capacity building and economic diversification. In addition it led to proactive measures to develop an external economy through trade generating investments so as to counteract the impact caused by domestic fluctuations.

42. As a result of the Asian regional economic crisis in 1997, Singapore went into another recession. Although its financial and economic fundamentals were strong, the rapidly deteriorating external environment adversely affected Singapore due to its close linkages with the regional economies. In particular, services exports were more severely affected than merchandise goods exports. Looking beyond the crisis, the government aims to transform Singapore into a knowledge-based economy. Due to globalization and rapid technological developments, the basis of wealth creation in the post-crisis era will shift from traditional production factors to the ability to assess, harness and apply knowledge.

43. In response to a question on wage controls in Singapore, Tan pointed out that the National Wage Council gave guidelines and recommendations on the wage rate after taking into consideration the economic situation. Although the recommendations were not binding, employers are encouraged to follow the guidelines. Another participant asked about Singapore's strategy on investment in PRC. According to Tan, domestic firms are encouraged to venture overseas as this is a part of the Singapore's strategy in developing its external economy. In particular, Singapore firms are targeting India and PRC as their investment destinations. As for PRC, Singapore investments are not just restricted to coastal cities, but also in the inland provinces as well.

44. A participant asked regarding Singapore's concern over certain industries shifting out of Singapore. Tan clarified that cost factors will result in labor-intensive industries shifting to the neighboring countries. However, while the labor-intensive components were moving out, Singapore continued to attract the higher value business activities to stay in Singapore. For instance, while the actual manufacturing of garment has shifted to Indonesia and Thailand, Singapore's strategy has been to move up to promote higher value chain like fashion design and development. Fashion shows are being held in Singapore every year.

45. **Dr. Ramkishan Rajan, Senior Lecturer, University of Adelaide**, examined the issue of **Singapore's New Commercial Trade Strategy: the Bilateral Route**. Rajan pointed out two important aspects of Singapore's economic growth experience. Firstly, Singapore has, until recently, enjoyed the highest growth rates in the world over the past three decades, averaging 8 percent annually. Secondly, the growth has, until recently, been highly durable. The essential ingredient of Singapore's growth strategy has been openness to trade and investment flows. Singapore's imports are free from duties, excepting few items like alcoholic beverages and tobacco products.

46. During 1986 to 1996, there was a sharp rise in the value of Singapore's merchandise trade. This coincided with the large amounts of FDI to the region. Although Singapore is a major proponent of global trade and investment liberalization, FTAs are also now an integral part of Singapore's trade policy. Since 2000, Singapore has been involved in discussions with a number of countries on the possibility of bilateral trade agreements. Among them, the Japan-Singapore Economic Partnership Agreement as well as the Agreement between New Zealand and Singapore on a closer Economic Partnership have been or are in the process of being implemented. Rajan noted that FTAs are a global phenomenon and that almost 160 FTAs are in force as of the end of year 2000 (based on WTO data).

47. Rajan noted that Singapore's choices of FTA partners may be broadly divided into two groups. The first group consists of the US and Japan, which accounted for about one third of Singapore's global trade. Thus trade accords with them are seen as a formalization of the *de facto* extensive and deep linkages that already exist. Bilateral trade pacts with the US and New Zealand, as well as anticipated ones with Australia and Chile may lead to a Pacific-5 FTA. The Singapore-Japan and the proposed ASEAN-PRC FTAs may actually be precursors to an East Asia-wide FTA. The objectives of the broad-ranging trade pacts with these two economic superpowers are to gain greater market access, to avoid imposition of future protectionist measures, and to manage future trade tensions including establishing orderly dispute settlement mechanisms. Singapore is a significant trade partner to the US and Japan although the relationship is rather asymmetric. On the other hand, the US, Japan and the EU together account for over half of total inward direct investment in Singapore. In particular, the US is the largest single foreign investor in terms of investments in both Singapore's manufacturing and services sectors. Bilateral trade pacts with the US and New Zealand, as well as anticipated ones with Australia and Chile may lead to a Pacific-5 FTA. The Singapore-Japan and the proposed ASEAN-PRC FTAs may actually be precursors to an East Asia-wide FTA.

48. The second group of Singapore's FTA partners comprises of New Zealand, Australia, Canada, Chile, Mexico, among others. Although these countries individually do not account for more than 3 percent of its total trade, Singapore aims to seek out new markets in view of the seeming loss of growth momentum in Southeast Asia. In addition, Singapore aims to diversify to its external linkages so as to reduce its vulnerability to regional spillovers as well as maintain visibility and economic vigor.

49. The proliferation of overlapping FTAs raises many technical problems about rules of origins (ROOs) and operating within such a complex—"spaghetti bowl"—system. There are serious problems that arise due to the wastage of resources, delays and rent-seeking activities. Time and effort spent on negotiating and implementing various bilateral agreements may divert Singapore's scarce resources from the multilateral rounds. This may divert the attention of trade partners away from multilateral negotiations. As Singapore appears ready to accept conditions set forth by the larger partners, such supplemental agreements may not be readily acceptable to other ASEAN members or developing countries. As Rajan noted, however, Singapore's prime minister has reportedly stated that "FTAs should not be pursued at the expense of the multilateral trading system. We must continue to invest efforts towards the launch of a New Round (of multilateral trade negotiations), to ensure that the gap between FTAs and the WTO does not grow so wide that it becomes irreconcilable." Rajan concluded that Singapore and other responsible WTO members should always consciously seek to reconcile bilateralism and multilateralism as much as possible.

50. In **Mr. Tan Song Chuan's** second presentation, he focused on '**Trade and Investment Policy Priorities for the 21st Century**'. Tan first described the characteristic of Singapore's economic development that Singapore has progressed from a commerce and labor-intensive manufacturing economy in the 1970s to higher value-added manufacturing base by the 1990s. As the economy starts to mature, it is facing greater resource constraints and diminishing returns. Furthermore, the indigenous technological capabilities are shallow compared with other newly industrialized economies (NIEs) and developed economies.

51. During the regional crisis and against the backdrop where there is currency contagion and rapid pullout of foreign funds, Singapore's role as coordinator of regional production network was affected. Singapore's regional-oriented business activities like entrepot, financial services and tourism were badly affected. In response to overcome the downturn, Singapore's remedy was to forge strategic partnerships, maintain investor confidence, and diversify export markets and reduce cost.

52. The advent of the knowledge age, rapid technological development, regionalization and protectionism posed greater challenges on the domestic resource constraints. Emphasis has shifted from cost competitiveness to capabilities and competitiveness. The emergence of PRC will also have implications on Singapore's future economic development. Taking the case of the manufacturing industry, which accounts for 25 percent of Singapore's GDP, the lower-stream production will gradually shift out of Singapore. Restructuring is likely to cause social disruptions and structural unemployment. In addition, Singapore is also facing shortages of skilled manpower and entrepreneurs.

53. Tan reported that an Economic Review Committee was established to review the development strategy and formulate a blueprint to restructure Singapore's economy. Various sectors have been targeted under the knowledge-based economy initiative. Beside the export of knowledge-intensive services, Singapore is developing as the regional hub for knowledge-intensive industry clusters namely Life Sciences, Petroleum and Petrochemicals, Electronics, and Engineering. These clusters will play very strategic roles to sustain the continuous growth of the economy. To support the growth of these industries, Singapore is developing local expertise in these knowledge-intensive areas through specialized education. Moreover, foreign talent was encouraged to come to Singapore to complement the skills set and to facilitate skills transfer.

54. During the open discussion, a participant inquired about the research and development progress in Singapore. Tan pointed out that Singapore's research and development accounts for 1.5 percent of GDP and there is an on-going process of scouting for talents in various disciplines. The target is to increase the current level of 69 research scientists per thousand population to a proportion of 90 research scientists per thousand.

55. In response to a query about export incentives, Tan noted that Singapore does not provide export subsidy. Instead, the Singapore Trade Development Board provided other form of assistance including seminars on new markets, airfare subsidy in trade mission participation, and printing of brochures. Moreover, the participating firms will have double tax deductions from these activities.

Session III: Post-Doha Trade Policy Issues

56. **Dr. Raymond J. Krommenacker, Head, Asia Pacific Unit, Technical Cooperation Division, World Trade Organization**, spoke on **WTO Updates, including Doha Ministerial Declarations**. He first listed six Declarations and Decisions of the Doha work program. They are:

- 1 the main Ministerial Declarations,
- 2 the Declaration on the Trade-Related Intellectual Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health,
- 3 the Decision on Implementation—Related Issues and Concerns,
- 4 Subsidies—procedures for extensions under Article 27.4 for certain developing country Members,
- 5 Decision on waiver for EU-African, Caribbean and Pacific (ACP) Partnership Agreement, and
- 6 Decision on EU transitional regime for banana imports.

57. The Doha Declarations provide for immediate negotiations in 7 specific areas to be supervised by a special Trade Negotiating Committee. In particular, under Agriculture, Ministers adopted recommendations by the Committee on Agriculture to establish an inter-agency panel of financial and commodity exports with the participation of the World Bank, the International Monetary Fund, the Food and Agriculture Organization, the International Grains Council, and the United Nations Conference on Trade and Development. The aim is to explore ways and means for improving access by least-developed and WTO net food-importing developing countries of commercial imports of basic foodstuff, as well as the concept and feasibility of a proposal to establish a revolving fund.

58. The four “new” Singapore issues that were first brought up at the WTO’s Singapore Ministerial meeting in 1996 will be studied in existing WTO bodies with a view to the possible launch of full-scale negotiations after the Fifth Ministerial meeting in 2003. These issues are: *government procurement; trade facilitation; relationship between Trade and Investment; and relationship between trade and competition policy*. As it has been highlighted by the Director General of the WTO, “the Singapore issues have a vital development dimension that should assist developing countries to capture more investment capital, tackle corruption and inefficiency more effectively and ensure a more equitable marketplace for their entrepreneurs and customers. Yet achieving this requires hard work and generosity from the rich countries. Unless they provide technical assistance and capacity building, developing countries will not be prepared to take the next step”.

59. Preliminary talks on TRIPS, Trade, Debt and Finance were held in the Doha meeting. In the preliminary talk on TRIPS, the Committee (on TRIPS) was instructed to look specifically into the question of protecting biodiversity, traditional knowledge and folklore. This would go some way to meeting demands from farmers in India who highlighted that seeds they have developed are effectively stolen by big multinationals who take out patents on them. This problem was brought to the open in Doha by campaigners from India. Also

at the request of developing countries, a separate working group will be set up in the WTO to examine the relationship between trade and transfer of technology as well as possible recommendations on steps that might be taken to increase flows of technology to developing countries.

60. On the development issues, Ministers endorse the Integrated Framework (IF) as a viable model for Least Developed Country (LDC)’s trade development, and urge the core agencies to explore the enhancement of IF to address least-developed countries (LDC’s) supply-side constraints. There are 5 development-related issues in the Doha Declaration, namely, *special and differential (S&D) treatment, small economies, LDCs, technical assistance, and electronic commerce*. Among them, technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system. The delivery of the technical assistance is designed to assist Members to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority is to be given to small, vulnerable and transition economies, as well as those without a representation in Geneva.

61. Declaration on the TRIPS Agreement and Public Health recognizes that “WTO Members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreements” and instructs the Council for TRIPS to find an expeditious solution to this problem before the end of 2002. The Declaration also provides LDCs a longer transition period, until 1 January 2016, for full implementation of the TRIPS Agreement.

62. In response to a question about the acceding countries’ participation in the WTO discussions, Krommenacker replied that acceding countries have the right to participate. In the Uruguay Round, PRC has participated as an acceding country and has benefited from it. Acceding countries may adjust their law to the rules of WTO. Although they do not have any voting rights, their views will be taken into consideration. Another participant asked if the countries have to abide to WTO’s request although they are not yet members. Krommenacker clarified that this issue has been expressed several times and there must be some re-balancing of decisions among the parties.

63. There were two presentations on the subject **PRC’s openness—implications for other countries in the region**. First, **Dr. Yongzheng Yang, Economist, Trade Policy Division, International Monetary Fund**, and former Senior Research Fellow at the Australian National University, spoke on the topic, focusing on the question on whether PRC’s increasing

openness would be a threat or opportunity for other countries. Yang started by saying that the rapid and steady growth of the PRC economy in the past two decades has been good news as well as a source of concern for many countries. While welcoming PRC's emergence as a large export market, they also fear PRC's competition in third country and their own markets. Its accession to the WTO and its strong commitments to opening its markets and to complying with multilateral trading rules, providing unprecedented opportunities for exports and investments from its trading partners have heightened these concerns. PRC is also expected to further expand its exports of labor intensive manufactured goods, increasing its competitive pressure on its trading partners.

64. The emergence of any large economy will inevitably lead to redistribution of world production, trade investment, and hence employment. Given its sheer size, its ascendancy is bound to cause a lot of anxiety among its trading partners. To some, PRC has the potential to pump out unlimited volumes of labor intensive exports, leaving little room for other developing countries to expand in the world market; its vast market can absorb so much foreign direct investment (FDI) that there will be little capital left for other developing countries.

65. Yang noted that while it is important to recognize the challenges that PRC's emergence poses, such fear could be self-fulfilling, and exploited by vested interests to the detriment of both PRC and its trading partners. There already has been protectionist response to its export growth in the past, making it a largest victim of antidumping actions. Safeguard measures against PRC could spread rapidly in the future if the various discriminatory provisions, built in the Protocol of PRC's Accession to the WTO, were exploited by protectionists.

66. He said that nevertheless the question as to how PRC's increasing openness will affect other countries is a complex one. It needs to be examined from a broad perspective, recognizing that trade is a two-way street and taking into account both short and long term effects. An appropriate assessment of the issue also needs to go beyond the direct effects by examining how its integration into the world economy affects the multilateral trading system, whose future direction will in turn affect the interest of its member countries.

67. Yang also gave an account of PRC's policy reforms in recent years, which included dismantling central planning, establishing border protection, decentralization, trade liberalization, relaxing exchange controls, maintaining realistic exchange rate, and removing anti-export bias. The simple average tariff has decreased consistently from 42.9 percent in 1992 to a low of 15.3 percent in 2001. Total value of trade now represents over 40 percent of GDP in 2001, as opposed

to 10 percent in 1978. Data has also shown that bilateral trade between PRC and other Asian countries has increased tremendously in the past decade.

68. There are 3 areas of concerns for its trading partners. Firstly, there will be greater export competition in the developing countries' markets. Many Asian developing countries, which are textiles and clothing exporters, will face more competition when the Multi Fiber Agreement (MFA) quota restriction is removed. In the electronics industry, PRC will still specialize in the labor-intensive end and as a result import many of its intermediate inputs. Its production and exports are likely to expand with the relocation of plants from the NIEs. The FDI driven expansion will also lead to increasing intra-firm and intra-industry production in the region. These are likely to benefit industrialized countries in the region and beyond. In the agriculture sector, PRC will increase the imports of high quality rice, tropical and sub-tropical products. There will also be an increased import of minerals, including petroleum. These will directly benefit developing countries in the region. Thus there is an expected overall increase in trade in all sectors, which implies additional opportunities.

69. Secondly, some fear that there might be a diversion of FDIs. In recent developments, FDI to PRC is 30 percent of total FDIs invested in the ASEAN region. The FDI in the ASEAN region has also declined. On the contrary, FDI in Hong Kong, China has increased. These funds may be "parked" in Hong Kong, China before subsequently moving into PRC. Thus there is a potential diversion of FDI into PRC. On the question of whether WTO accession will make PRC more attractive to FDI, the answer is a definite 'yes'. However, the overall FDI growth is likely to be moderate, and most of the new FDIs will go into the services sector, followed by some consolidation in the manufacturing sector. During the 1980s and 1990s, much FDI was trapped in PRC due to high tariff. When tariff is reduced, there will be pressure for the consolidation of the FDIs. Lastly, there are various factors influencing the Renminbi exchange rate. The import expansion will cause a downward pressure on the Renminbi while greater FDI inflows and services sector expansion is likely to put an upward pressure on the currency. The overall assessment is that the real exchange is more likely to appreciate.

70. The second presentation on the subject was by **Dr. R. B. Adhikari, ADB Institute**. He focused on PRC's increasing openness in relation to WTO accession and the FTA proposal with ASEAN as well as its implications for Asian economies. He started by giving some stylized facts about PRC and its recent successes in many fields, including its WTO accession. He noted that PRC has definite economic objectives, which are to: (i) secure more predictable market access for its exports in the rest of the world; (ii) anchor domestic economic

reforms; (iii) reduce domestic distortions and increase domestic competition to achieve efficiency gains; (iv) attract more FDIs, and (v) achieve long-term growth based on efficiency and innovation by locking in the policy reforms that it has successfully accomplished over the past two decades.

71. PRC took 15 years to become the 143rd member of the WTO on 11 December 2001, as result it is a party of almost all the multilateral agreements of the Uruguay Round by virtue of its membership. WTO rules will apply to its trading practices. There are increased market access to foreign goods and services as well as access to Chinese goods in foreign markets. Its average bound tariff on manufactured goods has been reduced to 8.9 percent but tariffs on photo films and automobiles remain high. Average bound tariff for agriculture goods has also declined to 15 percent. In general, there will be an overall tariff elimination or reduction by 2005, but in no case later than 2010.

72. Adhikari went on to highlight the additional trade liberalization as a result of its accession to the WTO. For all WTO members, quotas on textiles will end at 31 December 2004. However, in the case of PRC, there will be a safeguard mechanism in place until the end of 2008, which will permit WTO Member governments to take action to curb imports in the event disruptions caused by a surge of imports of textile products from PRC. Subsidies for agricultural production in PRC will be reduced to 8.5 percent of the value of farm output and there will be no export subsidies on agricultural products. In addition, price controls will not be used for protecting domestic producers or suppliers.

73. Upon accession, foreign telecommunication firms, financial institutions and insurance companies will be permitted to increase their ownership and to expand their business scope overtime. For instance non-life insurers can also established a branch or joint venture with 51 percent foreign ownership and will be permitted to establish a wholly subsidiary within two years. Transitional safeguard mechanism is in place for the first 12 years in cases where its exports may become disruptive to the domestic producers of other WTO members. This apparently is an area, which might encourage protectionist revival, however, its implementation framework is yet not known.

74. Adhikari then went on to discuss the proposed ASEAN-PRC free trade and economic cooperation agreement, which was endorsed at the Brunei Summit for consideration to be achieved within the next 10 years. In 2001, PRC's bilateral trade with Asian countries reached \$30 billion. Together, ASEAN and PRC would represent a large free trade area with a \$2 trillion trade flow. This proposed FTA will also mean better trade facilitation, technological collaboration, having potential for mutual economic benefits and regional security.

There are 5 key areas for economic cooperation, namely agriculture, information technology, human resources, direct investments, and development of Mekong river basin. These have potential for enhancing complementarities through better sourcing of intermediate inputs and promoting intra-regional trade.

75. Adhikari also said that despite the ongoing concerns over the threat or opportunity of PRC's increasing openness, there are a lot of concerns at home in PRC itself. The WTO commitments are big challenges to the central government as well as provincial governments, enterprises, farm workers and professionals. It is feared that the farming sector is likely to get hit hard (once imported agricultural products flood local markets) since it is considered to be less competitive largely due to use of traditional instead of modern technology in farming. Government's nature and role must be changed and relevant laws and regulations perfected. (recently just before the accession, the State Council abolished 221 laws not consistent with the WTO, but more needs to be done to improve consistency and transparency). Fiscal restructuring is likely to include tax reforms and more spending on mitigating social impact and strengthening social security systems. The WTO commitments are also likely to inspire reforms in other sectors e.g., state enterprises, banking, capital markets and pension systems.

76. Adhikari concluded that opportunities are likely to outweigh threats for disruption and/or displacements as built in transitional safeguard measures will help in avoiding or minimizing unintended disruption in production, trade and employment in partner countries. Those that face stronger competitive pressure will have to improve their competitiveness, be able to exploit complementarities with PRC, where possible, rather than resorting to safeguard measures which would lead to protectionist revival, resulting to loss of efficiency and welfare. Countries in the region should improve their general policy environment and corporate governance to attract FDIs.

77. In the open discussion, a participant commented that state enterprise reform is still in process and there is no good substitute social security system in place. Currently, there is no immediate large influence in the ASEAN countries arising from PRC's WTO accession. Taipei, China and Hong Kong, China account for half of the FDIs in PRC. Another participant also stated that it was uncertain that PRC would attract more FDIs after its entry in WTO. Although FDIs would move into its service sector, it may not be at the expense of other Asian countries.

78. Ms. Yuejiao Zhang, Deputy Director General, Mekong Regional Department, ADB, spoke on intellectual property

rights (IPR) protection and poverty reduction. She first gave an overview of the IPR. She said that IPRs are the rights given to people over their intellectual creations. The IPR usually gives the creator an exclusive right over the use of his/her creations for a certain period of time. Essentially, IPR is protected to encourage creative work, reward technological innovation, provide fair competition as well as for the transfer of technology. There are many debates on the IPR issues in PRC. To encourage transfer of technology, countries must first protect these rights and provide fair competition as the creators invest large resources for their creation. Due to this transfer of technology, Japan and the Republic of Korea have in turn created many business opportunities. In the IPR protection, there is potentially an adverse impact on the poor. Exclusive right of IPR holders would prevent access by the poor to these products, as they would be prohibitively expensive to them. There should be a balance of rights and obligations, and grants should be given to public interest products.

79. Amongst the agencies involved in the IPR issues, World Intellectual Property Organization (WIPO) aims to ensure administrative cooperation among the intellectual property unions created by the Paris and Berne Conventions and by the sub-treaties concluded by members of the Paris Union. The TRIPS is one of the three pillars of the Uruguay Round Trade Negotiations. The TRIPS Council administers the TRIPS agreement and consists of all WTO members. The goals of the TRIPS agreement include the reduction of distortions and impediments to international trade, promotion of effective and adequate protection of intellectual property rights and the assurance that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.

80. Among the objectives of TRIPS, Article 7 states that “the protection and enforcement of IPR should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”. Article 8 recognizes the rights of Members to adopt measures for public health and other public interest reasons and to prevent the abuse of IPR, provided that such measures are consistent with the provisions of the TRIPS Agreement. The three basic principles of copyright in the Bern Convention are—*national treatment, automatic protection and independence of protection*. The basic principles on national treatment states that each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals.

81. Zhang also touched on definitions and protection standards on copyright, trademark, its geographical indications,

industrial design, and patents. She pointed out that Article 31 allows compulsory licensing and government use of a patent without the authorization of its owner. However, this can only be done under a number of conditions aimed at protecting the legitimate interest of the right holder. The authorization granted under compulsory licensing must meet certain requirements. In particular, it cannot be exclusive, and must be granted predominantly to supply the domestic market. TRIPS indicated that “In order to facilitate the implementation of this Agreement, developed country members shall provide, in request and mutually agreed terms and conditions, technical and financial cooperation in favor of developing and least-developed country members.”

82. In the open discussion, a participant questioned IPR issues on agricultural products. In response, Zhang said that the regulations on traditional knowledge and bio-diversity issue will be reviewed and discussed in future negotiations. Another participant pointed out that developing countries needed assistance for the development of an IPR regime, to which she agreed and emphasized the need to establish a system. Developing countries need to provide education to support its development as well as subsequent training and information dissemination.

83. Ms. Cynthia Cannady, Director, Intellectual Property Policies and New Technologies, WIPO, spoke on “Intellectual Property Assets Tools for Economic Growth.” She provided an overview of the WIPO and its objectives. She elaborated on the intellectual property (IP) assets that it is a strategic collection of patents, trademarks, industrial designs, geographical indications, semiconductor mask works, copyright and trade secrets. In contrast to the economic situation 30 years ago, real property, equipment and capital are no longer the most valuable assets of businesses. Intangibles like trademarks and brands, goodwill, business relations, IP licenses, patent portfolios musical works, domain names, and other intellectual property are the most valuable assets of a business that are prized by venture capitalists, investors and business partners. In particular, cultural industries that are based on copyrights have shown tremendous growth in the last 20 years, especially in music and software products.

84. There is an increasing awareness and use of patents in Asia, particularly in Singapore, Republic of Korea and PRC. Proactive IP policies would stimulate local research and development and support accumulation of national intellectual property assets. Indirectly, these policies could attract FDI and enhance exports. Proactive enterprise IP policies also help to build valuable portfolios of IP as core competence leading to revenues and high valuation. Government, private sector and academia are important players to formulate a proactive

IP strategy. Research centers and universities are the incubators where technologies and cultural industries are born and nurtured. Through these policies, human capital and IP will in turn fuelled economic growth, Cannady stressed.

85. She went on to highlight the essential components in a proactive IP strategy. Firstly, government and private enterprise need to formulate strategic policies. It is important to focus policies on key strength areas in cultural industries, and technologies. Besides, the plan should identify the economic, educational and complementary policies to support intellectual assets. Secondly, national IP laws need to be developed and enforced. There must also be organizational development principles that can be used to optimize IP coordination and policy implementation. Thirdly, countries should promote IP culture in the context of human capital development and national economic policies. Lastly, there should be dynamic use of these intellectual assets so to fully benefit from it. Business could develop portfolios of IP that have economic worth and gain revenues.

86. In the open discussion, a participant asked how traditional knowledge could be patented. Cannady replied that the WIPO does not have a position on taking traditional knowledge into the domain of IP. However, it is still looking into this subject. Although traditional knowledge cannot be patented, other activities such as extraction and storage of certain medical herbs can be patented.

Session IV: Technical Standards and Rules of Origin in Trade Negotiations

87. Mr. John S. Wilson, Lead Economist, Development Research Group, The World Bank, covered the subject of **Standards and Non-Tariff Barriers—Trade and Development Challenge.** Wilson described various measures on trade facilitation. To remove complexity that involve trade, there must be a transparent regulation, a consistent valuation of goods and services as well as clear rules of origin. Modern infrastructure and efficient policy and procedures are also essential factors for efficient flows of goods and services. To counter major development obstacles like corruption and cumbersome administrative procedures, domestic policy especially on customs needs to be enforced. ‘Behind the border’ barriers such as regulated monopolies, and high shipping cost, are less obvious but they could be great hindrance to trade facilitation. For example, shipping costs are often 5 times higher than tariffs in African countries. Besides, the breakup of private carrier agreements could reduce transport prices by 30 percent. An APEC study on the cost of barriers shows that there is 0.26 percent GDP gain and 1-2 percent lower import prices when trade barriers are removed.

88. There are various international agreements on trade procedures. The legal framework of the WTO contains numerous Articles and provisions in Agreements, which have a direct relation to facilitating the movement of consignments across borders. In the GATT 1994, Articles V (Freedom of Transit), Article VII (Valuation for Customs Purposes), Article VIII (Fees and Formalities connected with Importation and Exportation), and Article X (Publication and Administration of Trade Regulations) contain obligations for Members, which are aimed at easing the conduct of international trade transactions. In addition, several WTO Agreements have a direct bearing for trade facilitation. They are the Agreements on Customs Valuation, Import Licensing Procedures, Pre-shipment Inspection and Rules of Origin.

89. Among the recent agenda of the World Bank, the focus is now on the LDCs and trade-related issues, especially on non-trade barriers. The World Bank has undertaken various lending operations related to trade facilitation and approximately 23 percent of its lending are trade-related. Among them, it has funded an amount of \$300 million for Indonesia’s customs modernization in fiscal year 1999. The planned work program under the integrated framework for trade-related technical assistance involves diagnostic studies to look into trade obstacles and prioritize assistance requirements. Three pilot integrated studies for Cambodia, Madagascar and Mauritania have been completed as well. Subsequently, similar studies on other LDCs will be carried out and will provide recommendations for enhancing trade capacity and undertaking pro-poor reforms.

90. In response to a question on poverty reduction in Asia, Wilson replied that there are various areas to be looked at and the World Bank does not provide assistance unless it is requested to do so by member countries. Some parties have also suggested that it help in overcoming balance of payment crisis for some countries. There was more lending in Asia during the fiscal year 1999. Many projects are still in the process and can be successful if monitored carefully. The aim of trade-related loans provided by the World Bank is to generate more employment and trade itself is a part of its poverty alleviation effort.

91. Mr. Wilson, in his second presentation, covered the topic on **Standards and Trade: The Development Challenge.** There are various terms of reference in standards. Voluntary standards such as International Organization for Standardization and International Electrotechnical Commission may help to reduce the need to impose further safety standards by governments. Furthermore, there were mandatory technical regulations imposed by different government agencies on health, safety and environment areas. Standards are also a form of technical barriers when trading partners have different standards on its own products. For example, an EU standard re-

garding aflatoxin cost Africa \$670 million in exports. Similarly some countries suffered a \$5.8 billion loss in banana exports on account of not having a harmonized pesticide standard. A part of the World Bank's lending, amounted to \$150 million in 1999, falls into assisting countries to comply with international standards, including implementation of quality standards program.

92. The Tokyo Round of GATT and the Uruguay Round have included negotiations on Agreement on Technical Barriers to Trade (TBT). The major principles of TBT are to provide harmonization, remove unnecessary obstacles to trade as well as to maintain an equivalence of regulations. The Agreement on Sanitary and Phytosanitary Standards (SPS) sets out the basic rules in the WTO on how government can apply food safety and measures on health protection. The agreement also covers production methods and applies to plants and animals. Among the WTO disputes on SPS agreement are beef hormones, Australian salmon and Japanese varieties.

93. **Dr. Robert Kirk, Senior Trade Policy Adviser, Southern African Development Community (SADC) Secretariat**, delivered a presentation entitled **Rules of Origin and Free Trade Areas: The Lessons from SADC**. Rules of origin are necessary in all free trade areas to reduce the incentive to import goods through the country with the lowest external tariffs to the rest of the world and then simply transship them across to other member countries. The incentive for import (trade) deflection will increase with the variation in the external tariff rates within the free trade area. Kirk noted that in discussions leading to the implementation of the SADC free trade area, the rules of origin became a major area of negotiations and revealed significant differences in opinion about the trade and industrial policy between Member States, and also came to be used as a substitute for the differential removal of tariffs.

94. Within any preferential trading arrangement, rules of origin can serve two functions. The authentication function, that aims to ensure that non-members do not benefit from market access privileges that are intended only for members. Secondly, the protective function, where the rules of origin are designed to provide encouragement for certain regional activities with the aim of encouraging greater use of regional inputs.

95. While rules of origin are necessary for authentication when they are used explicitly as instruments of industrial development, their impact may be considered analogous to a local content requirement. Under an inward-looking view of regional integration, rules of origin are seen as a means to promote development through import substitution, essentially by creating incentives for producers to source input in the

region in order to qualify for regional preferences. When this approach is adopted, it can deprive producers from access to the lowest cost sources of raw materials and intermediate products and thus raise the cost of producing the final product in the FTA. Restrictive rules of origin thus shield existing producers from new competition and deprive consumers of the benefits of regional tariff reductions. Designing rules of origin to force potential regional competitors to operate under the same policy-induced constraints as those in a specific Member States is harmful. Where this occurs, it will make the FTA irrelevant for the internationally competitive producers who will continue to source materials from the most appropriate international suppliers. To the extent that a restrictive rule of origin induces Member States to source from the region, where the region is not the most competitive, it will encourage the development of high cost internationally uncompetitive productive activity. The burden of rules of origin designed to encourage regional production of raw materials and intermediate inputs will be borne by the downstream industries, and the consumers.

96. During the course of the SADC trade negotiations, Member States proposed many other possible uses for rules of origin. These included, the need to enforce consumer and industrial safety standards, the protection of the environment and the prevention of dumping. Whilst little evidence was put forward for these claims the main point is that in each case there are a wide range of more direct and appropriate instruments to use than rules of origin.

97. Kirk illustrated his presentation with a series of specific case studies from the SADC region. In each case the experience showed that the development of internationally competitive industries requires flexibility in the sourcing of raw materials and intermediate inputs. An environment that encourages this flexibility is essential to foster the investment necessary for the region's long-term development and for the generation of much needed employment opportunities for the people. Non-restrictive rules of origin can help make SADC a platform for reducing costs and increasing the competitiveness of the region in the global economy.

98. In response to a query on EU rules of origin, particularly in relation to textiles and clothing, Kirk noted that it is important not to simply copy rules of origin from major trading blocs such as the EU and NAFTA because the differing market size allowed for more substantial use of cumulation. He also noted that rules of origin are expected to be discussed in the ACP negotiations with the EU. Within the WTO, the work on rules of origin has been focusing on non-preferential rules of origin, and although this work remained outstanding it indicated a move towards preferring rules based on substantive transformation that were relatively easy to verify.

Session V: Group Work

99. The participants were divided into small groups to interact among themselves and with resource persons in small working groups and deepen their learning, and also prepare and present group reports. Four different themes were chosen for this purpose and accordingly the participants were divided into four groups. The key points of their presentation are summarized below.

Group A: Cambodia, India, Malaysia, Myanmar, Sri Lanka, Viet Nam, and Thailand

Theme 1—Free trade and economic cooperation agreements, including bilateral and regional, and related WTO provisions

100. There will be higher employment and welfare through increased global trade. There are increasing numbers of regional trade agreement, which are paving the way towards greater cooperation among the trading nations within the region. It is likely that these countries will move into higher stage of economic integration, which will enable greater movement of resources. The group also described the latest development of the Asian countries' trade (trade flows, FDI, agreements, etc.) and their dependence on world markets (e.g., Japan, US and EU) and their potential for contributing to multilateral trading systems. They noted that new regionalism-based free trade and economic cooperation, regardless of whether they are bilateral, sub-regional or regional, could contribute to trade and investment promotion leading to further growth and poverty reduction in the region.

101. The group also identified various obstacles towards better economic cooperation. They noted that there are limitations of regional or bilateral economic agreements. Moreover, there are many unsettled multilateral issues and unsatisfactory results through multilateral cooperation. The group also noted that the Doha Ministerial Declaration provides an avenue to clarify and improve disciplines and procedures under existing WTO provisions. There will be negotiations on the developmental aspects of RTAs. The group listed few possible options in the RTAs development. In particular, FTAs should be allowed to continue and proliferate as long as they are complementary to multilateralism and beneficial to all countries. Moreover, developing countries should engage in more capacity-building programs, which is also an area where the donor community could provide technical and financial resources.

Group B: Cambodia, PRC, Indonesia, Laos PDR, Nepal, and Thailand

Theme 2—Policy priorities in trade and investment promotion

102. The group place infrastructure development as the main priority. Special economic zones, such as industrial park and export processing zone, could be set up to facilitate foreign trade and investment. Besides, there must be an efficient system of transportation facilities to complement the increasing volume of goods being moved from place to place. Another priority would be the human resource development as this is very much important to achieving higher productivity and innovations. Skilled personnel should be employed at all levels and they should also make use of better technology in their operations.

103. Trading countries should engage actively in various trade agreements to better complement their existing resources. Domestic policy reform must also be carried out and provide fair competition among the privatized and foreign companies. In order to attract investments, the Foreign Business Act should be non-discriminative and there must be administrative actions to reduce red tape. Enforcement on protection of intellectual property should also be a part of the reform program to gain the confidence of MNCs.

Group C: Bangladesh, PRC, Indonesia, Myanmar, the Philippines, Pakistan, and Viet Nam

Theme 3—WTO issues including implementation issues, agriculture, textiles, safeguard measures, antidumping, dispute settlement, and special and differential treatment

104. The group first discussed the perspectives of developed and developing countries on the Doha Ministerial Meeting. The developed countries had wanted an extensive agenda for this round of meeting and its failure would lead to loosing credibility of the WTO system. On the other hand, developing countries wanted Doha Ministerial to succeed so the multilateral system remained as the center stage and not be overshadowed by other regional trade arrangements. The WTO members in Doha had decided to launch a new WTO with a tight deadline of three years. Although developing countries raised about 100 implementation issues that needed attention

for effective enforcement of the WTO accord, the Doha Ministerial Declaration has not addressed all of these issues.

105. Developing countries' greatest concern is agriculture as a large proportion of the labor force is working in the agriculture sector. Besides, their exports consist of mainly primary products. Improved market access is needed through elimination and reduction of tariff peaks and tariff escalation. Besides, the huge amount of agriculture subsidies given by the developed countries to their farmers have pushed down international market price and this has reduced the incentive for developing countries to improve their productivity. The WTO's developed country members should start phasing out these subsidies.

106. In the dispute settlement, developing countries face multiple problems and need technical assistance. Besides, they do not have the financial and human resources to engage in the negotiations. In the special and differential treatment, Doha Declaration has addressed specific constraints faced by developing countries. Lastly, developing countries need target-oriented technical assistance to strengthen capacity building for both the public and private sector institutions. In essence, a meaningful strategy for future negotiations requires strengthening of efforts at the national level in the developing member countries of the WTO. IF is appreciated but does not appear adequate to make any significant dent on the technical capacity-building requirement.

Group D: Laos PDR, Malaysia, Nepal, Pakistan, and Sri Lanka

Theme 4—Intellectual property rights, standards, and rules of origin

107. In the area of IP, developing countries need to institutionalize IP implementation and regulation by making necessary legislative changes and by setting up specialized agencies. Furthermore, developing countries should link educational institution with business to encourage private sector to invest in research and development. The relevant agencies should also engage in national program to increase IP awareness. Although IP protection does not apply to traditional knowledge, countries should encourage local organizations to conduct research and development to further enhance the benefits and market these products.

108. In area of standards, countries are encouraged to use voluntary standards instead of state determined standards and to adhere their products to the international standards. The use of these internationally recognized standards could be part of a marketing strategy to increase their exports to developed countries. In addition, the rules of origin should be kept as simple and harmonious as possible and not be used as barriers to trade.

Closing Ceremony

109. The participants said that the workshop taught them a great deal about the economic implications of trade policy issues, and provided a useful insight into the Doha Ministerial and its outcomes. These have been very useful also from the perspective of preparing for the Doha Development Round negotiations. Presentations by the eminent resource persons were both enlightening and informative. The interactive discussion sessions and small group work greatly expanded their knowledge base in this area. In addition to providing a quality learning experience, the workshop had fostered friendship and useful contacts amongst trade officials and international experts and also the donor agencies. The participants also expressed their deep appreciation to the ADB, the ADB Institute and the TCD for organizing the workshop.

110. Adhikari, Officer-in-Charge of the workshop, extended his congratulations to all the participants for completing the intensive workshop, and noted that the participants had contributed immensely toward the success of the workshop through their active and knowledgeable participation. Before that, he demonstrated the architecture of the Virtual Learning Labs (VLL), its content on trade policy issues; and navigation. He noted that VLL-Trade Policy will be a useful companion for all the participants to learn more or get updated on emerging trade policy issues and interact or stay in touch with like minded people.

111. **Mr. S. B. Chua, Director, Capacity Building, ADB Institute** extended congratulations to the participants on their successful completion of the course. He thanked the resource speakers and their organizations for making the delivery of the workshop content successful. Mr. Tan of the TCD and Chua together distributed the certificates of attendance to all the participants. Tan was pleased that the workshop had gone on well.

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