

# AID-FOR-TRADE: CASE STORY

ASIAN DEVELOPMENT BANK

## ADB's Technical Assistance to Build Trade Policy Capacity

<b>Date of Submission:</b>	2 February 2011
<b>Region:</b>	Asia and the Pacific
<b>Country:</b>	Asia and the Pacific
<b>Type:</b>	Program
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## EXECUTIVE SUMMARY

The Asian Development Bank's (ADB) trade capacity building work on trade agreements started in the early 2000s and is largely technical assistance (TA)-focused. Several TA projects form the core of ADB's work on trade agreements. These include TAs that focus on information dissemination, research and training geared towards the Asia-Pacific region as well as subregional groupings.<sup>1</sup>

## ISSUES ADDRESSED

The 2000s have seen increased activity in trade agreements involving the Asia-Pacific. The on-going WTO Doha Round commenced in 2001. There has also been a rapid spread of free trade agreements (FTAs) in the region over the past decade and moves towards FTA consolidation in the form of region-wide agreements. At present, there are two competing processes — the ASEAN+3 or +6 FTA (among the ten ASEAN countries plus China, Japan and Korea in the case of ASEAN+3, and plus Australia, India and New Zealand in the case of ASEAN+6) and the Trans Pacific Partnership (TPP) agreement — that could form the future basis of a region-wide FTA. ADB estimates that there are currently 93 FTAs in effect and another 145 in the pipeline in the Asia-Pacific. Trade agreements have brought many benefits including market access, promoting continuing liberalization and locking in structural reforms. At the same time, the demands of negotiating and implementing multiple trade agreements place increasing strains on scarce trade negotiation resources of many countries, especially given the expanding scope, content, and increasing complexity of recently negotiated FTAs in the region. These capacity constraints are particularly acute in ADB developing member countries that often lack institutions to support capacity building for their trade officials. These countries may not be well equipped to manage the analytical and technical aspects involved in designing, negotiating, and implementing effective trade agreements.

<sup>1</sup> ADB has supported subregional programs such as the Greater Mekong Subregion (GMS) Program, the BIMF-EAGA (the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area) Program, the Central Asia Regional Economic Cooperation (CAREC) Program, and the South Asia Subregional Economic Cooperation (SASEC) Program among others. For more information see <http://www.adb.org>.

## OBJECTIVES PURSUED

The objective of ADB's work is to strengthen the technical and analytical skills of officials from Asia-Pacific developing countries to design, negotiate, and implement effective trade agreements. The broader intended impact is the development and implementation of effective agreements that promote regional cooperation and integration in the Asia-Pacific region as well as global integration. Developing countries will thus be better equipped to use trade more effectively to promote growth, development and poverty reduction and to achieve development objectives, including the Millennium Development Goals.

## DESIGN AND IMPLEMENTATION

As a knowledge bank, ADB is engaged in various capacity building activities and facilitates the creation, consolidation, and dissemination of knowledge and information on trade agreements—thereby promoting transparency and uniformity in regional trade cooperation and integration. ADB's trade-related technical assistance (i.e. trade policy and regulation) seeks to strengthen ADB's existing efforts at the regional level to enhance the capacity of developing countries to trade effectively and efficiently. It consists of four components: (i) Information and Transparency; (ii) Capacity Building; (iii) Research; and (iv) Advocacy.

### (i) *Information and Transparency*

ADB has several databases that deal with trade indicators including exports and imports, intra-regional trade and trade agreements. One of these is the Statistical Database System (SDBS)<sup>2</sup>, ADB's central statistical database that stores macro-economic and social data of its developing member countries. SDBS has annual data, from 1975 onward, on trade and balance of payments, as well as other economic and social indicators on national accounts, prices, government finance, money and banking, external debt, population, and labor. ADB's flagship statistical publication *Key Indicators of Asia and Pacific Countries*, also makes these data available in print form.

Another database is the FTA Database which is housed in the website of ADB's Asia Regional Integration Center (ARIC). Launched in July 2006, it aims at improving information dissemination and transparency on FTAs. In doing so, it complements the WTO transparency mechanism and other FTA compilations databases (e.g. that of the Inter-American Development Bank). This unique online portal maps out the continuous spread of FTAs in the Asia and the Pacific region. ADB currently tracks more than 200 FTAs from the time each FTA is proposed for negotiation to the time it takes effect. The FTA database is a comprehensive, user-friendly tool for FTA negotiators, policy makers, researchers, and the like, where query results can be viewed and downloaded in spreadsheets. The database has the following features and information:

- *FTA trends* take stock of the number of FTAs by status, date of notification to the World Trade Organization, geographic area, scope, and country.
- *FTA by country/all* offers a one-stop shop of FTAs' legal documents, official summaries, feasibility studies and related researches, up-to-date news, opinions and editorials, membership and external link to the Asia-Pacific Trade and Investment Agreements database.<sup>3</sup>
- *Comparative FTA toolkit* is the most innovative feature of the database—enabling users to compare side-by-side provisions across concluded FTAs—thus saving time for policy makers.

### (ii) *Capacity Building*

In response to the growing demand to develop and enhance institutional and technical capacity of ADB's developing member countries in dealing with WTO Agreements and FTAs, ADB has for several years conducted relevant training courses. To date, training events have been held in several locations including

<sup>2</sup> The ADB Statistical Database System is available at <http://sdb.sadb.org>.

<sup>3</sup> The Asia-Pacific Trade and Investment Agreements database accessed at [http://www.unescap.org/tid/aptiad/agg\\_db.aspx](http://www.unescap.org/tid/aptiad/agg_db.aspx).

Cambodia, India, Japan, Lao People's Democratic Republic, Manila, People's Republic of China, Singapore, Sri Lanka, and Thailand.

Training courses on WTO issues and agreements have covered the WTO Doha Round, trade facilitation, General Agreement on Trade in Services (GATS), technical barriers to trade (TBT) and sanitary and phytosanitary standards (SPS). More recently, training course (at the regional and sub-regional level) have dealt with economics of FTAs and covered FTA trends and sources of information, economic concepts, WTO rules on FTAs, coverage of FTA provisions, best practices and lesson-sharing from designing FTAs. These training events been conducted by ADB and the Asian Development Bank Institute, often with the collaboration of development partners including the WTO, UNESCAP, ASEAN, SAARC and business associations, among others.

To complement the training courses, ADB has also published practical training manuals on trade. These include two training manuals on FTA negotiation and trade facilitation respectively. Building on FTA training courses and benchmarking on good practices in FTAs, the FTA manual is intended to be a valuable tool for policy makers, negotiators, and the others to learn the basic concepts, features, and processes of FTAs. The training manual on trade facilitation (jointly prepared with UNESCAP) draws on ADB's extensive experience of lending for trade facilitation projects and technical reports on trade facilitation, UNESCAP's trade facilitation experience, and ADB's FTA manual.

### (iii) Research

As part of an effort to spread knowledge and generate debate on regional cooperation and integration, ADB regularly conducts policy-relevant and related research work on regional trade as a way to inform the stakeholders of its benefits and costs. Key areas of research include: 1) the benefits of concluding the WTO Doha Development Round, 2) the economic effects of Pan-Asian integration, 3) the business impact of FTAs, 4) the anatomy of FTAs and 5) trade costs.

Research on trade and regional economic integration is rapidly disseminated via various working paper series including the *ADB Working Paper Series on Regional Economic Integration*, *ADB Working Paper Series on Economics and the ADBI Working Paper Series*. Monographs are also published based on longer term research projects on trade and regional cooperation. Some examples include:

- *ADB's Asian Development Outlook 2006: Routes for Asia's Trade* presented simulation results suggesting that a deep WTO Doha Round trade deal (which significantly reduces protection on agricultures and non-agricultural market access) will bring significant gains for the Asia-Pacific. The study concludes that a WTO Doha Round trade deal is crucial for future prosperity in the Asia-Pacific.
- *Pan Asian Integration: Linking East and South Asia* (2009) analyzed growing economic relations between East Asia and South Asian economies, conducted simulations of economic impacts of emerging Pan-Asian integration scenarios, possible impediments and made recommendations. The study finds that a broad Pan-Asian agreement covering East and South Asian economies offers significant gains to regional incomes and that key impediments to realizing these gains include the persistence of trade barriers, a lack of trade-related infrastructure, and insufficient structural reforms.
- *Asia's Free Trade Agreement: How is Business Responding?* (2011) analysed the business impact of the spread of FTAs in the region with a view to making suggestions. The study collected primary data from 841 manufacturing firms in six countries (Japan, Republic of Korea, People's Republic of China, Singapore, Thailand, and Philippines). The survey results showed that FTA use is higher than previously thought, that lack of information (rather than the "noodle bowl" of multiple rules of origin) is the biggest impediment to FTA use, and that businesses need institutional support to boost FTA use. The study recommends reducing tariffs, adopting best practices in rules of origin, enhancing business support for SMEs and a region-wide trade agreement as means to deal with the FTA spread in the region.
- *Institutions for Regional Integration: Toward an Asian Economic Community* (2011) takes stock of existing institutions for regional integration in Asia-Pacific and discusses the need for institutional innovation and reform in moving toward the creation of an Asian economic community. It suggests that new pan-regional institutions could include a Pan-Asian Infrastructure Forum to address the increasing needs for regional infrastructure development, an Asia-wide FTA to facilitate trade and investment integration by consolidating existing bilateral and plurilateral FTAs, and an Asian Financial Stability

Dialogue to address regional financial stability and regulatory issues while promoting the development of Asia's financial markets.

Research is regularly disseminated in the *Seminar Series on Regional Economic Integration*, *ERD Seminar Series*<sup>4</sup>, and ADBI's *Distinguished Speaker Seminar Series*<sup>5</sup> which regularly features academics, experts and other luminaries in fields of trade and regional integration.

(iv) *Advocacy*

ADB is also involved in facilitating bilateral, regional and global forums to discuss priorities and share best practices experiences. It maintains strong partnership with a range of development partners involved in trade and investment policy issues including the WTO, World Bank, IMF, UNESCAP, UNCTAD, APEC, ASEAN and SAARC, among others. ADB also participates in the WTO Aid for Trade Initiative, which seeks to increase concessionary development assistance for trade led growth and spread good practices in trade-related projects and assistance.

## PROBLEMS ENCOUNTERED

One challenge in providing capacity building assistance is measuring the actual impact of technical assistance interventions. For instance, the quantification and attribution of the direct impact of training courses or manuals on the performance of trade officials from developing countries can be difficult to constantly monitor and measure.

## FACTORS FOR SUCCESS / FAILURE

As the region's development bank, ADB is the natural catalytic agent for helping mobilize and channeling Aid for Trade effectively through various and sustained forms of capacity-building assistance. It has been active in trade-related lending through subregional cooperation programs for over forty years, with lending and non-lending activities in the region covering a range of trade-related areas including cross-border infrastructure, trade facilitation, trade finance, policy dialogue, policy studies and capacity building. This extensive institutional experience in aid for trade gives ADB the ability to share cross-border experience and technical expertise effectively through its trade-related research, training, and advocacy initiatives.

## RESULTS ACHIEVED

Overall, ADB assistance has enhanced institutional capacity of developing countries in dealing with trade agreements. Some specific results achieved in relation to work on FTAs include:

- The three components of the website (FTA trends, FTA by country/All and the Comparative FTA toolkit) combined had more than 110,000 hits in the period 2006-2010.
- Combined, the two manuals on FTAs and Trade facilitation was downloaded more than 100,000 times.
- There were over 600 trade officials from developing countries across Asia and the Pacific trained in several regional FTA training courses
- ADB and the Asian Development Bank Institute has published a dozen major publications and over a hundred working papers on trade and regional economic cooperation and integration

<sup>4</sup> For more information, visit the ERD website (<http://www.adb.org/erd/default.asp>).

<sup>5</sup> For more information, visit ADBI's Distinguished Speaker Seminar webpage, (<http://www.adbi.org/distinguished.speaker.seminar/>).

## LESSONS LEARNED

An important area of comparative advantage for ADB is its capacity to provide a comprehensive package of support for trade-related capacity-building assistance, which includes training courses, manuals and publications, provision of monitoring tools and relevant equipment, and organization of policy dialogues and other high-impact advocacy initiatives.

## CONCLUSION (applicability to other programs)

As the number and complexity of Asian trade agreements increase, continued technical assistance is needed to address capacity constraints in ADB developing member countries. ADB's technical assistance in the area of trade agreements have focused and will continue to focus on research, training, and information dissemination and have showed significant results. A comprehensive package of support for trade-related assistance is needed to ensure sustainability, continuous development, and effectiveness in aid delivery.

## ANNEXES and/or REFERENCES

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