Aid for Trade in Asia and the Pacific: Its Role in Trade-Driven Growth

Report from the Co-Chairs of the Regional Technical Group on Aid for Trade for Asia and the Pacific

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Disclaimer:

The content of the report is based on discussions at several RTG meetings. It also took into account external consultations at the WTO, APEC and other fora. The report was compiled and finalized under the responsibility of the RTG Co-Chairs and does not necessarily reflect the views of either the RTG member countries or the organizations.

Unless otherwise noted, $ refers to US dollars.

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You may reach the RTG Secretariat at http://aric.adb.org/aid-for-trade-asia/feedback.php

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List of Abbreviations

ADB	Asian Development Bank
AfT	Aid for Trade
AusAID	Australian Agency for International Development
APEC	Asia and the Pacific Economic Cooperation
ASEAN+3	ASEAN members plus the People's Republic of China, Japan, and the Republic of Korea
ASEAN+6	ASEAN+3 members plus Australia, India, and New Zealand
ASEAN	Association of Southeast Asian Nations (includes Brunei Darussalam Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam)
CEPEA	Comprehensive Economic Partnership in East Asia
DMC	developing member countries
EAFTA	East Asia Free Trade Area
EU	European Union
FDI	foreign direct investment
FTA	Free Trade Agreement
FTAAP	Free Trade Area of Asia and the Pacific
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GATT	General Agreement on Tariffs and Trade
GNP	gross national product
GMS	Greater Mekong Subregion
ICT	information and communication technology
IMF	International Monetary Fund
IT	information technology
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
Lao PDR	Lao People's Democratic Republic
MFN	most-favored nation
MNC	multinational corporations (s)
MRA	mutual recognition agreements (s)
NAFTA	North American Free Trade Agreement
NIE	newly industrialized economy

ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
PRC	People's Republic of China
R&D	research and development
ROO	rules of origin
RTG	Regional Technical Group
SPS	sanitary and phytosanitary standards
S&D	special and differential
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US	United States
USAID	United States Agency for International Development
USTR	United States Trade Representative
WTO	World Trade Organization

Preface

The formation of a Regional Technical Group (RTG) on Aid for Trade in Asia and the Pacific was a key recommendation from the Aid for Trade Regional Review Meeting in Manila in September 2007. The recommendation was presented at the First Global Aid for Trade Review Meeting in Geneva in November 2007 and is a part of the 2009 World Trade Organization (WTO) Aid for Trade Roadmap.

The RTG membership comprises several partners participating in the development efforts of the region. The members who contributed to this report include representatives from the Asian Development Bank (ADB), Australia, Cambodia, European Union (EU), Japan, Pakistan, Tonga, and Viet Nam, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), United States of America (US), and the World Trade Organization (WTO). At the 4th RTG meeting in Manila in April 2011, the Republic of Korea joined the RTG.

The RTG's work focuses on four broad tasks: (i) serving as an informal regional forum for discussing Aid for Trade issues and proposals, (ii) building partnerships among key players in the initiative and sharing good practices, (iii) formulating an integrated approach to operationalize Aid for Trade over the medium-term, and (iv) considering links between future WTO Aid for Trade initiatives in the preparation of the RTG's work plan.

This RTG report, Aid for Trade in Asia and the Pacific: Its Role in Trade Driven Growth, was prepared from inputs and feedback from RTG members who have devoted their time and resources to discussing Aid for Trade issues, sharing good practices, taking stock of analytical work, and participating in RTG meetings held in Manila (March 2009) Bangkok (November 2009) and Tokyo (May 2010). The preparations of the RTG report also benefited from external consultations at the WTO, APEC, and other fora. At the 4th RTG meeting, a work plan for 2011—2012 was prepared.

As Co-Chairs of the RTG, we would like to express our sincere thanks to the members of the RTG for constant encouragement and invaluable technical inputs. In this vein, we are particularly grateful to Shishir Priyadarshi of the WTO and Andra Koke of the European Commission. Special thanks are also due to the RTG Secretariat at ADB who have spearheaded the preparation of this report. Led by Dr. Ganeshan Wignaraja, the ADB team included Dr. Siow Yue Chia, Dorothea Lazaro, Genevieve de Guzman, Anna Mae Tuazon, Kevin Donahue, and Guy Sacerdoti.

Tomochika Uyama
Regional Technical Group
Co-Chair

Sok Sopheak
Regional Technical Group
Co-Chair

Executive Summary

Background

Two questions people frequently ask are: why Aid for Trade? And, what are the lessons from Asia?

Trade liberalization under the World Trade Organization (WTO) has its roots in the General Agreement on Tariffs and Trade (GATT), which began building a rules-based modern global trading system in 1948. Since the WTO was launched on 1 January 1995, an increasingly influential bloc of developing economies have argued that while trade liberalization is necessary, liberalization alone is not sufficient for them to benefit from open markets. Even as these economies are taking steps to liberalize their trade regimes, they nonetheless lack the capacity to export and hence cannot benefit fully from the opportunities offered by liberalization. Thus, Aid for Trade has emerged as an important agenda item within the WTO—with a focus on how developing countries can better benefit from liberalization.

Trade has been the lynchpin of Asia's rapid economic growth and has lifted hundreds of millions out of poverty. But the lesser developed countries of the region—the 37 poor, landlocked, small, and island nations—still account for a mere 2.8% of world exports, nearly the same share as in 1980. The rationale for Asia embracing Aid for Trade is to close the gap between these "two faces of Asia." In July 2006, the heads of several regional development banks—including the Asian Development Bank (ADB)—agreed to join the WTO in making Aid for Trade work for their respective regions. One of the key mechanisms for Asia and Pacific was the voluntary formation in March 2009 of a Regional Technical Group (RTG) on Aid for Trade. The RTG provides a regional forum to discuss Aid for Trade issues, share good practices, build partnerships, and consider a coordinated approach to operationalizing Aid for Trade in the medium-term.

Aim of the RTG Co-Chair's Report

The overall connection between trade, development assistance, economic growth, and poverty reduction has become broad-based conventional wisdom. What is perhaps less well understood is how to operationalize these connections concretely at the country or sub-regional level. Accordingly, this first RTG co-chairs' report—Aid for Trade in Asia and the Pacific: Its Role in Trade-Driven Growth—takes stock of Asia and the Pacific experience and identifies the way forward for the WTO Aid for Trade Initiative in the region.

The report tackles five main questions:

i. What are the historic links between foreign direct investment (FDI), official development assistance (ODA), and economic growth and development in Asia and the Pacific?

ii. How much Aid for Trade has Asia and the Pacific received since the start of the WTO initiative?

iii. What role can national development strategies play in supporting the regional approach?

iv. How does Aid for Trade seem to work best?

v. How best should the region move forward on Aid for Trade?

Main Findings

There are eight key findings of the RTG report:

1. Certain economies and subregions in emerging Asia and the Pacific have been transformed into global factories—where trade liberalization has led to robust economic growth and rising prosperity. Forty years of outward-oriented development strategies underpinned this economic surge. The key lesson involves how countries created the capacity to build and run a vibrant export segment. Trade is a private-sector-driven commercial activity. Aid alone cannot create trade. An appropriate regulatory environment and positive business climate can attract FDI, which, if managed properly, builds both production and export capacity, thus igniting a virtuous cycle.

2. FDI is key. An attractive investment climate naturally invites new business. Various government reforms initiated in developing economies—specifically those that facilitated accession to the WTO—have been the main components of an improved business environment. ***To support such efforts, official development assistance (ODA)—particularly for trade-related capacity building and infrastructure development—also played an important supporting role in creating a better investment climate. In essence, this is Aid for Trade.***

3. Typically, in the large and/or more outward-oriented economies of Asia, FDI created factories, competitive products, jobs, and exports. Export capacity drove increased production capacity, and thus demand for greater FDI. Well-managed FDI brought with it technological transfer, which contributed to the development of domestic industry. That in turn demanded a more liberalized investment climate, which attracted even greater FDI. So in a sense, the backbone of the trade juggernaut in Asia was premised on enticing more FDI. Examples include the so-called newly industrialized economies such as Hong Kong, China; Singapore; and Taipei,China; the larger members of the Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, Philippines, and Thailand; and most recently the Asian giants of the People's Republic of People's Republic of China and India.

4. Despite these success stories, two-thirds of the world's poor live in Asia with over 900 million people survive on less than US$1.25 per day. This figure rises to 1.8 billion if a poverty line of $2.00 per day is used. It is in the region's 37 lesser developed countries where many of these people live. And even in the large Asian economies, there is wide disparity in incomes—usually in the more remote and trade-isolated regions. Indeed, the reality of trade in Asia and the Pacific is a heterogeneous pattern of trade performance and development—the two faces of Asia. High poverty and trade under-performance in resource-rich, low-income economies, and other lesser developed countries and small states is increasingly worrying.

5. Aid for Trade must help close this gap. Aid for Trade flows to Asia and the Pacific increased to an average of US$11.3 billion annually in 2006–2008, compared with US$9.5 billion in 2002–2005. Aid for Trade flows adjusted for population size and the incidence of poverty show that flows to Asia and the Pacific region are smaller compared with other regions in the developing world. And the distribution of Aid for Trade has been largely concentrated in only a few countries in the region. With fiscal constraints facing many aid donors, the outlook for further increases in targeted Aid for Trade flows is tenuous. Accordingly, the effectiveness of existing Aid for Trade programs for middle-income countries must be maximized with non-concessionary assistance given greater attention, along with traditional concessionary aid for low-income countries.

6. A regional approach backed by national strategies can maximize the benefits of available Aid for Trade and non-concessionary assistance most effectively. National and regional approaches are intricately linked. The experience of what has worked in Asia and the Pacific shows that an effective operational approach typically addresses core Aid

for Trade elements—infrastructure development, economic corridors, economic reforms focusing on trade and investment liberalization, trade finance, competiveness, and trade capacity—and are based on common principles of public–private partnerships, mainstreaming trade in regional and national development strategies, donor coordination, and effective monitoring and evaluation. As geography and levels of development vary across the region, any strategy needs to be tailored to the individual circumstances of different subregions and countries.

7. ODA must continue to play a critical role in helping attract FDI—and thus provide impetus for commercial trade—by improving the business climate. Aid can contribute to both hardware (infrastructure) and software (education, training, legal and regulatory environment, and institutions). More important is ownership by the host country of an open FDI policy and the building of a better business climate. It is particularly important that structural reform also refines laws and regulations to comply with WTO requirements. This experience applies to some of Asia, but not all of Asia.

FDI and ODA must be seen as complementary instruments in the development process. ODA is essential for low income countries without the environment to attract private sector FDI and the capacity to build the hard and soft infrastructure to improve the investment climate for business. As the economy moves up the development ladder and the investment climate improves, private sector FDI is the more appropriate instrument for development.

8. The RTG provides a useful regional forum in building partnerships, motivating constituents, and implementing Aid for Trade projects in Asia and the Pacific. This informal group of developing countries, donors, and development agencies began as a pilot project to discuss relevant issues, build partnerships, and evolve an operational approach to Aid for Trade in Asia and the Pacific. The RTG is gradually expanding its role and 2011-2012 RTG Work Program depending on interest and funding availability. This will allow a more active contribution to the WTO's 2011-2012 Work Program, including the Third Global Aid for Trade Review Meeting in Geneva in mid-2011.

1. Introduction

- *Aid for Trade is concessionary assistance to help developing countries create the conditions necessary to generate trade-driven growth.*
- *This report reviews the experience of trade-driven growth and Aid for Trade in Asia and the Pacific, and offers policy lessons on optimal ways to operationalize Aid for Trade projects on the ground.*

1.1 The Importance of Trade and the Role of Aid for Trade

Access to global markets is a powerful driver of economic prosperity. Trade gives firms and households access to world markets for goods, services, and knowledge. Trade also generates investment and fosters higher productivity of domestic industries as a result of competition, exploitation of economies of scale and access to knowledge. When combined with complementary policies (e.g. investment, infrastructure and human capital), trade can boost the fight against poverty and foster more inclusive, sustainable development. It can play an important part in reducing poverty by boosting economic growth[1].

The liberalization of trade creates opportunities for countries, but it also leads to adjustment costs in the short-run as domestic economies and local sectors are exposed to dynamic, competitive global markets. Least developed countries (LDCs) and small states, in particular, can incur adjustment shocks and more often than not lack the necessary infrastructure, investment, technology, and resources to meet production standards in competitive markets.

Aid for Trade funding is concessionary development assistance to help developing countries create the necessary conditions to generate trade-driven growth. It acknowledges that the necessary investments are large and the capacity to meet them is limited. The mandate of the Aid for Trade initiative is to provide the assistance to enhance developing country capacity to trade. By helping foster trade-supportive environments, Aid for Trade helps developing countries increase exports of goods and services, integrates countries into the multilateral trading system, liberalizes trade, and expands market access. Aid for Trade also plays a key role in distributing the benefits of trade more equitably across and within countries.

1.2 Purpose of the Report

With the advent of the World Trade Organization (WTO) Aid for Trade Initiative in December 2005, increasing international attention has been directed toward Asia and the Pacific[2] in view of the region's long history of economic expansion through trade, resurgence from the global economic crisis, and large trade-related assistance. More awareness has been raised about the importance of supporting developing countries, particularly the least developed, to overcome the barriers to trade. As a result, developing partner countries have ramped up the profile of trade in their development strategies, and donor countries have responded by increasing resources and assistance.

While previous studies and reports prepared by the Organisation for Economic Co-operation and Development (OECD) and the WTO, such as the Global Monitoring of Aid for Trade reports, have provided much information on flows, an integrated approach that brings together Asia and the Pacific's history of trade-FDI- driven growth, with aid flows and good practice projects, has been lacking. This report attempts to provide an overview of the

1 World Bank study "Growth Is Good for the Poor" (March 2000) uses data from 80 countries over four decades and demonstrates that trade openness boosts economic growth and that the incomes of the poor rise one-for-one with overall growth.

2 For the purposes of this report, Asia and the Pacific is defined as the 45 developing countries in the region. For a complete list of countries, see Appendix 1.

experience of trade-FDI- driven growth and Aid for Trade in Asia and the Pacific in order to prompt new ways of gauging the region's trade performance and capacity, to galvanize the need for more Aid for Trade in the region, and to offer policy lessons on optimal ways to operationalize projects on the ground.

The report addresses five inter-related questions:

i. What are the historic links between foreign direct investment (FDI), official development assistance (ODA), and economic growth and development in Asia and the Pacific?

ii. How much Aid for Trade has Asia and the Pacific received since the start of the WTO initiative?

iii. What role can national development strategies play in supporting the regional approach?

iv. How does Aid for Trade seem to work best?

v. How best should the region move forward on Aid for Trade?

1.3 Structure of the Report

The report is structured as follows. Chapter 2 examines the historic links between trade, FDI, ODA and growth in Asia and the Pacific. It demonstrates that underlying the buoyant picture of rapid economic expansion and the success of its export-led model is a dichotomous pattern of trade performance and development. Overshadowed by their more successful neighbors and plagued by chronic underperformance, many developing countries in the region still face barriers that impair their trading capacity. In Asia and the Pacific, over 900 million people live on less than US$1.25 per day, highlighting the social vulnerabilities that loom large in many countries. Even regional economic giants such as the People's Republic of China (PRC) and India grapple with high concentrations of poverty within their borders. This deep development-divide and trade performance gaps have resulted in the "two faces" of Asia and the Pacific. The chapter concludes that Asia and the Pacific must adopt new export-led strategies for stimulating growth and demand alongside more Aid for Trade to help the region's "second face" (see Appendix 1 for country classifications).

Chapter 3 maps Aid for Trade flows in the periods before and during the WTO Aid for Trade initiative and asserts that more Aid for Trade is needed for the region and is vital to closing the trade and development gaps between the two faces. While there has been a modest increase in flows, the region receives a disproportionately smaller amount of Aid for Trade per capita and per poor person compared to other regions in the developing world.

Chapter 4 reviews various best practice approaches from developing country partners, donors, and other stakeholders on operationalizing Aid for Trade in Asia and the Pacific and concludes that a regional approach underpinned by national strategies is the optimal means to close the gaps between the two faces.

Chapter 5 charts the way forward for the region on Aid for Trade. It summarizes the approaches and development strategy principles for closing the region's trade and development gaps. It also reaffirms the RTG's mandate as a regional forum to foster partnerships, mobilize, and assess the progress of Aid for Trade flows.

2. Trade, FDI, ODA, and Growth in Asia and the Pacific

- *The transformation of much of Asia and the Pacific into a "global factory" has been the outcome of decades of outward-oriented development strategies, inward FDI, infrastructure investment, the upgrading of human capital, and public–private sector partnerships.*
- *A dichotomous growth pattern in the region has resulted in the "two faces" of Asia and the Pacific. While many Asian economies have benefited tremendously from export-led growth, a group of smaller, low-income countries continues to lag behind.*
- *Underlying this stark contrast in economic growth and development is the marginal integration of the second face of Asia and the Pacific into the global trading system.*
- *To sustain growth in the second face of Asia and the Pacific, LDCs and small states need to (i) shift their sources of growth toward domestic and regional demand, without losing export momentum or outward-orientation and openness; (ii) improve the diversity and composition of exports; (iii) enhance export competitiveness; and (iv) use free trade agreements as drivers of regional economic integration.*

This section explores the historic links between trade, FDI, and ODA in driving growth and development in Asia and the Pacific. While many countries have experienced the benefits of trade-driven growth, other countries in Asia and the Pacific have lagged behind. Many countries consistently underperform because of lack of export diversification, low value products, and a lack of productive capacity and infrastructure needed to reduce the costs of trade and connect with the global economy. This section explores in detail the challenges faced by these countries and discusses ways to improve the trading capacity of LDCs and small states, including adapting the export–growth model toward greater regional demand and domestic demand, enhancing overall export competitiveness, and using FTAs as drivers of regional growth and trade. Alongside these complementary policies, Aid for Trade becomes a critical catalyst to achieving these goals in Asia and the Pacific.

2.1 Emergence of "Factory Asia"

The transformation of much of Asia and the Pacific into the "global factory" based on production networks has been the outcome of decades of outward-oriented development strategies, inward foreign direct investment (FDI), infrastructure investment, the upgrading of human capital, and public–private sector partnerships (ADB 2008a). Openness and an export-led model of growth resulted in dense supply chains—forming a regional hub of global production networks attracting investment and technology transfer to the region (Figure 1), and with Hong Kong, China and Singapore as regional distribution and procurement hubs playing complementary roles.

Over time, these production networks widened and deepened across the region. Production networks initially linked industries and firms in Japan with the first tier of industrializing economies in Asia, namely, the Republic of Korea; Taipei,China; Hong Kong, China; and Singapore; and then spread to the second-tier economies from the Association of Southeast Asian Nations (ASEAN), including Malaysia, Thailand, and the Philippines, followed by the People's Republic China (PRC), Indonesia, and Viet Nam. In South Asia, Central Asia, and the Pacific Islands, the production network phenomenon has been less well developed.

In recent decades, the combination of falling trade barriers; rapid technological change; spread of multi-national corporation (MNC) investments; and declining costs of transport, communications, and logistics have spurred the growth of these regional production networks and value chains.

Trade, FDI, ODA, and Growth in Asia and the Pacific

The prerequisites for being a part of the global and regional production networks and supply chains are (i) a pro-business policy and regulatory environment; (ii) an enabling "just-in-time" production environment with minimal production disruptions (e.g., political disruptions, labor disputes, natural disasters, or power-supply disruptions); (iii) extensive, efficient and reliable external physical connectivity and logistics (including physical transportation and telecommunication links); (iv) the availability of human capital; and (v) adherence to technical standards and quality control for parts and components production and sub-assemblies.

Much of the resulting trade generated by production networks increasingly takes the form of trade in parts and components, with final goods trade largely destined for markets in North America and Europe. This network trade has embraced an ever-widening circle of Asia and the Pacific economies.[3] By 2005/06, parts and components trade accounted for 30.6% of the total trade of East Asia, with ICT products comprising more than a 60% share.[4] In the 10 ASEAN economies, the parts and components share of total trade was 40.9%, with 65.1% for the Philippines, 48.5% for Malaysia, and 17.9% for Indonesia. In South Asia, the parts and components trade is less developed and account for only 9.1% of total trade, although the ICT share was 35.9%.

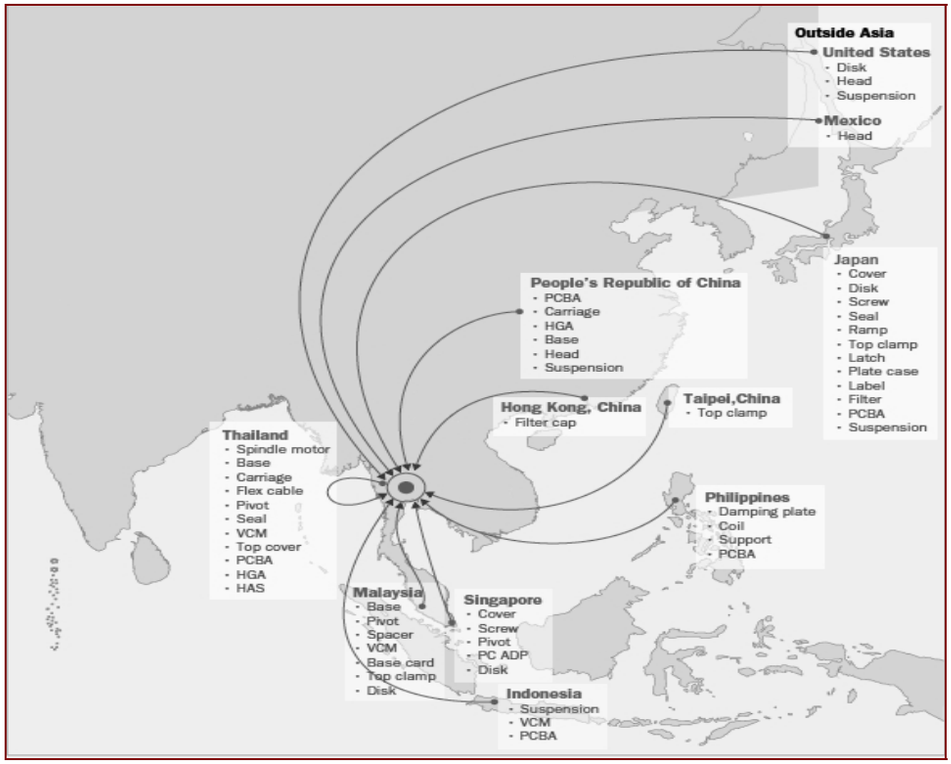
As a result of this industrial integration, intra-Asian trade has grown rapidly in recent decades. Among Asia and the Pacific sub-groupings, intra-subregional trade shares[5] show the stronger trade integration

3 The example shown in Figure 1 shows the actual sourcing of parts and components of a hard disk drive assembly firm in Thailand, where most of the parts and components are sourced from other Asian economies.

4 See Athukorala and Menon (2010).

5 Intra-subregional trade share is the percentage of intra-

Figure 1: Emergence of Factory Asia



Source: ADB 2008a

of Southeast and Northeast Asia relative to South Asia and the Pacific Islands. The intra-subregional trade shares have grown between 1990 and 2008 as follows: ASEAN from 18.8% to 26.7%; Asian NIEs-4[6] from 11.8% to 12.4%; and South Asia from 2.9% to 4.8% (ADB 2011a). Meanwhile, this figure fell slightly in the Pacific Island countries from 10.8% to 9.2%

2.1.1 Trade as an Engine of Growth in Asia and the Pacific

It is no surprise that most of Asia and the Pacific developing economies are heavily trade-dependent, whether on manufactures, commodity and marine products, or tourism services. East Asia, in particular, has achieved dynamic economic growth in recent decades because of its growing outward orientation. In merchandise exports alone, the developing Asia and the Pacific accounted for 23.9% of world exports in 2008, compared with only an 8.8% share in 1980 (Figure 2).

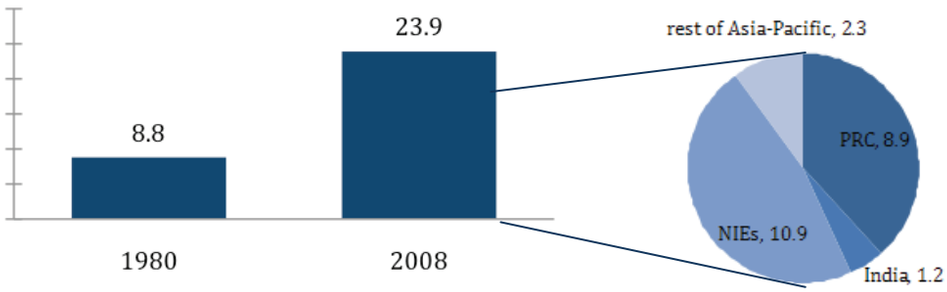
The largest exporters of goods are the PRC (with an 8.9% share of world exports in 2008), the Asian NIEs (with a 10.9% share), and India (with a 1.2% share). Together, this group of eight economies accounted for 21.1% of world exports in 2008, rising from a share of only 6.7% in 1980. They also accounted for about 16.9% of world imports in 2008, rising from 6.3% in 1980 (International Monetary Fund 2009).

The PRC, in particular, has been experiencing buoyant export growth since its market reforms and open door policy of the late 1970s, and more particularly since its WTO accession in 2001. As a result, its share of world exports has grown dramatically from only 1.0% in 1980 to 8.9% by 2008. India's export acceleration has been more recent, following major economic reforms in the early 1990s. In contrast, the rest of developing Asia and the Pacific accounted for only 2.8% of world exports in 2008, up slightly from 2.0% in 1980. The LDCs and small states (22 economies) have been accounting for only 0.2% of world exports from 1980 to present (See Appendix 3-1).

subregional trade to total trade of the region, calculated using exports data. It is calculated as: where Xii is exports of region i to region i; Xiw is exports of region i to the world, and Xwi is exports of world to region i. A higher share indicates a higher degree of dependency on regional trade.

6 NIEs in this report refers to newly industrialized economies including Hong Kong, China; Republic of Korea; Malaysia; Singapore; Taipei,China; and Thailand. NIEs-4 strictly refers to Hong Kong, China; Republic of Korea; Singapore; and Taipei,China only.

Figure 2: Asia and the Pacific's Share of World Exports, %



Note: NIEs include Hong Kong, China; Republic of Korea; Malaysia; Singapore; Taipei,China; and Thailand.
Source: Computations based on IMF (2009).

An indicator of the growing importance of trade in each economy is the rising trade-to-GDP ratio. The ratio has exceeded 100% for several of the Asian NIEs. Even continental economies such as the PRC and India have seen rapidly rising trade-to-GDP ratios. In the PRC's case, the ratio rose from 21.7% in 1980 to 65% in 2008, and for India, from 15.6% to 50.7% over the same period (Table 1).

Another important indicator is the rapidly changing structure of exports, with a rising share of manufactured exports in total exports for many countries. For example, between 1980 and 2008 the share of manufactured exports grew from 18.8% to 54.4% for Malaysia, 25.2% to 73.9% for Thailand, 21.1% to 83.3% for the Philippines, 48.2% to 73.5% for Pakistan, and 18.5% to 67.1% for Sri Lanka (Table 2).

Within this manufactured export structure, there has been a dynamic shift from labor-intensive and simple manufactures of textiles and garments, and commodity-processing, to exporting an increasingly sophisticated range of industrial goods, such as information technology (IT) products and parts and components, automobiles, chemicals and petrochemicals, and biotechnology products. Their high value-added service exports include IT services, transportation and logistics services, financial services, and health and education services. With a production base increasingly focused on modern manufacturing and high-end services, Asia and the Pacific enterprises are becoming among the most efficient in the world, with their exports rapidly dominating international markets (ADB 2008a).

It bears noting that for the LDCs and small states, their share of manufactured exports to total exports improved It bears only marginally from 25.6% to 31.6%, and their composition of manufactured exports are largely simple manufactures and commodity processing. They also remain largely outside the global and regional production networks.

2.1.2 FDI and ODA as Factors in Asia and the Pacific Growth

Asia and the Pacific countries have the option of depending on ODA, FDI or a mixture of both to finance their development efforts. Initially public ODA but increasingly private FDI have been instrumental in the transformation of Asia and the Pacific since the 1950s (Figure 3). Most of the high-growth economies of Asia and the Pacific are now more dependent on FDI inflows than on ODA.

Table 1: Trade to GDP Ratio, %

	1980	2008
PRC	21.7	65.0
India	15.6	50.7
NIEs	114.6	338.1
Rest of Asia and the Pacific	82.0	92.6

Notes: Trade indicates imports plus exports. NIEs include Hong Kong, China; Republic of Korea; Malaysia; Singapore; Taipei,China; and Thailand. Values for NIEs and Rest of Asia and the Pacific were calculated using the simple average for countries in the groups.

Source: IMF (2009) and World Bank (2011) data accessed on 22 March 2011.

Table 2: Share of Manufactured Exports to Total Exports, %

	1980	2008
PRC	21.7	65.0
India	15.6	50.7
Malaysia	114.6	338.1
Thailand	82.0	92.6
Philippines		
Pakistan		
Sri Lanka		
LDCs and Small States		

LDCs = least developed countries.
Source: World Bank (2011); data accessed on 22 March 2011.

While ODA flows are public and driven by political–strategic reasons and economic–humanitarian reasons, FDI flows are private and market-driven and profit motivated. FDI not only loosens the financial and foreign exchange constraints for development but is usually accompanied by technology transfer, management and quality control know-how, and import-export linkages in production networks. It has developed industrial and export capabilities and domestic industries in many recipient economies. Private-sector driven FDI has created factories, competitive products, jobs and exports across Asia.

A country's ability to attract foreign investors depends on the motivations of FDI. Resource-seeking FDI is attracted to countries that possess mineral, energy, forestry and marine resources. Market-seeking FDI is attracted to countries with large and dynamic domestic markets, such as PRC and India. Efficiency-seeking FDI is attracted to countries that can provide efficient and low-cost nodes for their production and distribution networks. In addition, host countries have to offer an attractive investment climate in terms of a pro-business-pro-FDI policy and regulatory environment, ease of access to factor supplies (land, skills, labor, and capital), infrastructure and services and a stable political-labor environment. Low income countries and LDCs without a rich resource base or sizeable domestic market and unable to provide an efficient and competitive environment would experience great difficulty in attracting FDI even with a pro-business-pro-FDI policy environment. These countries would need to depend on ODA to build-up their efficiency-competitiveness. For them, ODA and FDI are complements.[7]

Republic of Korea and Taipei,China received sizeable ODA inflows in the early stages of their development from the 1950s onward. These economies were able to use ODA to ease their foreign exchange constraints while implementing industrial policies to promote key industries. In contrast, Hong Kong, China and Singapore, and more recently the PRC depended more on FDI inflows. Hong Kong, China benefited from the inflows of industrial capital and expertise fleeing the PRC in the late 1940s and 1950s, and developed its manufacturing and shipping industries. Singapore opened its doors from the early 1960s to inward FDI from MNCs based in Japan, the US, and Europe, and developed itself as an export manufacturing platform and a regional financial and transportation hub.

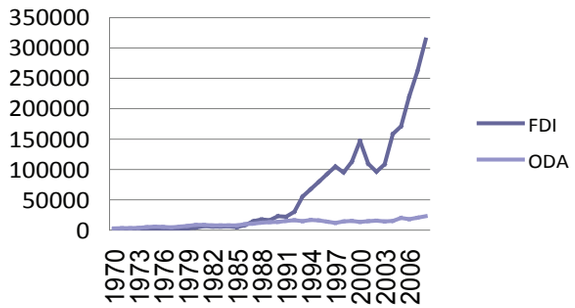
When the PRC opened its doors to FDI in the late 1970s, investors were mainly from Hong Kong, China, Taipei,China and the overseas Chinese in Southeast Asia. It was only as the PRC improved on its legal and regulatory framework, and more particularly after its WTO accession and rapid growth of the domestic market, that MNCs from Japan, North America and Europe flocked to the country. Annual FDI inflows had risen to US$60–80 billion in recent years and in 2008 surged to over US$100 billion. The PRC has emerged as the largest absorber of FDI in the developing world. This has raised concerns in some developing countries of a crowding-out effect by the PRC. However, on a per capita basis as well as in terms of share of GDP, the PRC's FDI inflows are small. In absolute magnitude, Hong Kong, China[8] has the largest FDI stock, ahead of the PRC in the second position, with Singapore having the third largest FDI stock in Asia and the Pacific. In contrast to the PRC, India has a much smaller stock and inflow of FDI, although there has been an acceleration of inflows from 2006. This reflects the liberalization of FDI policy in India as well as the buoyancy of the Indian economy in recent years.

After the massive yen appreciation following the Plaza Accord of 1987, Japanese FDI surged into Republic of Korea; Taipei,China; Hong Kong, China;

7 See Kimura and Todo (2010) for a gravity model-based analysis of how foreign aid supports FDI in developing countries.

8 It should be noted, however, that a sizeable part of Hong Kong, China's FDI inflows represent "tripping," that is substantial inflows of FDI from the PRC for investing in the PRC to take advantage of the PRC's preferential treatment of foreign investors.

Figure 3: FDI [a/] and ODA [b/] in Asia and the Pacific ,US$ Million



Sources: [a/] UNCTAD (2009). [b/] OECD (2010b).

Singapore; Malaysia; and Thailand. It marked the first wave of the Japanese "flying geese" transfer of industries into neighboring economies (ADB 2008). The choice of host countries depended on their respective pro-business and pro-FDI environments. The other ASEAN countries (particularly Indonesia, Philippines, Cambodia, Lao PDR, Myanmar, and Viet Nam), the South Asian sub-continent, and the PRC were not major recipients of this first wave as they were either in transition from command to market economies, had yet to fully embrace pro-trade and pro-FDI policies, or still posed a high investment risk because of political conflicts. FDI is no longer primarily from Japan, but also from Europe and North America, as well as from the Asian NIEs and more recently, from PRC.

As noted earlier, unlike FDI, ODA flows are public and driven by political–strategic reasons and economic–humanitarian reasons. ODA has the advantage of offering grants (without repayment requirements) or loans at concessional terms. Such funds are particularly suitable for public sector projects that cannot provide market rates of return and have long gestation periods, and therefore are unattractive to private investors. There is increasing demand from international agencies and donor countries for greater efficiency and accountability of ODA funds.

The major recipients of ODA flows, in absolute amount, are India, Viet Nam, Afghanistan, Bangladesh, and Pakistan. On a per capita basis, the biggest recipients are Micronesia, Tonga, Mongolia, and Vanuatu, while as a percentage of GDP the biggest recipients are Vanuatu, Afghanistan, and Thailand. Most of these economies (excepting India, Thailand and Viet Nam in recent years) are not among the rapid-growth economies of Asia and the Pacific. The largest donor of ODA to Asia and the Pacific region is Japan (OECD 2010a). Also, Japanese ODA has been supportive of Japanese FDI in the region.

2.1.3 FTAs as Drivers of Regional Integration

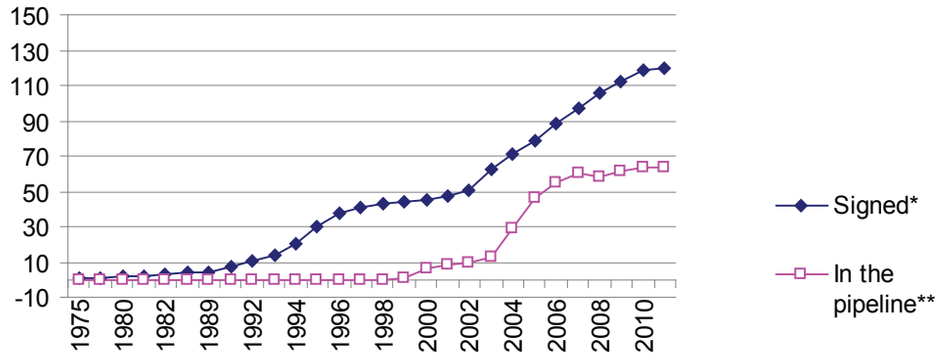
The countries of East Asia, led by Japan, have been strong advocates of multilateralism as embodied in the General Agreement on Tariffs and Trade (GATT). These countries have prospered from trade liberalization under the various multilateral trade rounds and the principle of most-favored nation (MFN). They are strongly supporting the Doha Development Round.

Nonetheless, Asia and the Pacific (including Japan) has shifted towards FTA-led regionalism since the mid-1990s, pursuing a simultaneous, multi-track trade strategy of multilateralism and regionalism/bilateralism. FTA-led regionalism/bilateralism as a complement to multilateralism represented efforts to ensure market openness for the region's trade dependent economies. As of January 2011, Asia and the Pacific emerged at the forefront of global FTA activity, with about 120 FTAs signed and another 63 in the pipeline (Figure 4).

Several factors underlie the surge of FTA activity in the region. First, it was viewed as a response to the Asian financial crisis of 1997–1998 and a move toward regional coordination and cooperation in trade and finance to improve regional resilience.[9] Second, Asian governments perceived a need for institutional structures to manage the rapid growth in market driven trade and investment

9 See Chia (2010a) for further discussion on regional trade policy cooperation and architecture.

Figure 4: Growth of Free Trade Agreements in Asia and the Pacific



Note: * - Signed = includes FTAs that have been signed, whether or not they are in effect.
** - In the pipeline = includes FTAs that are under negotiation or Framework Agreements that are being negotiated or have been signed.
Source: ADB (2011a); data as of 1 January 2011.

interdependence. Third, frustration at the pace of multilateral liberalization in the WTO (with the Doha Development Round stalled) and with APEC's slow progress towards the Bogor goals of free trade for the developed economies by 2010 and for the developing economies by 2020 also spurred an interest in FTAs.[10] Fourth, the formation of NAFTA and the European Single Market discriminated against Asian exporters while their subsequent perceived success acted as a demonstration effect for Asia.

Most Asian FTAs are WTO-consistent with GATT Article XXIV (and GATS Article V)[11] , or otherwise notified to the WTO under the Enabling Clause for developing countries. Many are "new age FTAs" with deepened and widened trade and investment liberalization and behind-the-border issues. These WTO-plus provisions include trade facilitation; investment liberalization, facilitation, promotion and protection; competition policy; government procurement; intellectual property rights protection; wider and deeper coverage of trade in services including mobility of labor. They also have special and differential provisions for the less developed members and provisions for functional economic cooperation in areas such as food and agricultural technology; small and medium enterprises; human capital development; mutual recognition agreements of educational qualifications and technical standards; technology transfer and research and development; and environmental and labor standards. Positive experiences with market opening under FTAs would prepare businesses, farmers and labor unions for the broader market opening under the WTO.

The proliferation of bilateral and plurilateral FTAs in Asia and the Pacific may give rise to a potential problem of a "spaghetti bowl" or Asian "noodle bowl". This can arise when the same commodity is subject to different tariffs, tariff reduction trajectories and rules of origin for obtaining preferences and sanitary and phytosanitary standards (SPS) and technical standards, as well as varying exclusion lists and time frames for liberalization. The noodle bowl creates confusion and distortion in sourcing decisions and adds to business transaction costs. To mitigate these risks, the region's policy makers should adopt supportive measures providing more information to businesses, pursuing a simplified approach to rules of origin (ROOs), adopting good practices

10 For more information on the Bogor goals of free trade, see http://www.apec.org/apec/leaders_declarations/1994.html.

11 Consistency with GATT Article XXIV (and GATS Article V) involves not raising tariffs and other trade barriers against non-FTA partners, covering substantially all trade, and a liberalization time frame of 10 years.

in ROO administration, and, in the medium term, moving towards consolidating overlapping FTAs into a region-wide agreement.[12]

Moves towards large region-wide FTAs around ASEAN and APEC are increasingly seen as a way to provide a seamless border and to reduce the transaction costs to trade and investment flows in Asia and the Pacific. These arrangements can provide for a common regional trade policy regime for members, particularly with regard to tariffs, non-tariff barriers and regulatory regimes, ROOs and standards. Economic benefits such an FTA would confer include: wider market access to goods, services, skills and technology; increased market size, which would permit specialization and realization of economies of scale; promotion and facilitation of production networks and FDI activities, and minimizing cross-border testing requirements through common technical and product standards and mutual recognition arrangements. Most importantly, region-wide FTA proposals based on outward-looking regionalism can potentially serve as building blocs toward multilateral free trade and investment.[13]

2.2 The "Two Faces" of Asia and the Pacific

Despite the rapid economic expansion in the region, a dichotomous pattern of development has emerged offering an alternative and more realistic picture of the Asian growth miracle. To accurately gauge the progress of trade and development in Asia and the Pacific, the two faces of Asia and the Pacific need to be recognized. While many Asian economies have benefited tremendously from export-led growth, particularly the NIEs and the PRC and India, helping to raise growth rates and living standards across the region—a group of smaller, low-income countries continues to lag behind as well as sub-regions within the continental PRC and Indian economies.

2.2.1 "First Face": High-Performing Asian Economies

The first face is comprised of eight high performing economies in developing Asia. The first tier of newly-industrialized economies of Hong Kong, China; Singapore; Republic of Korea; and Taipei,China has been joined by the second tier of Malaysia and Thailand and the third tier of the PRC and India. Their per capita incomes range from a low of US$1,000 in India to a high of US$38,000 in Singapore. This group is characterized by the dynamic growth of its exports of manufactures and high value-added services. They are catching up with the advanced developed countries in manufacturing and services capabilities. They have also absorbed a growing share of the FDI that flows to the developing world.

2.2.2 "Second Face": Resource- Rich, Other Low-Income, and LDCs and Small States

Persistent economic underperformance among these countries can be attributed to many factors, including unfavorable geographical circumstances (e.g., being land-locked or in a remote location), high trade costs resulting from insufficient trade infrastructure, and a lack of economic competitiveness. The second face group can be further divided into the following three sub-groups.

Natural Resource-Rich Economies: This group covers the central Asian economies of Armenia, Azerbaijan, Georgia, Kazakhstan and Turkmenistan and the ASEAN economies of Brunei Darussalam and Indonesia. These economies are enjoying high growth rates from the resource boom in oil, gas and other commodities. Manufactured exports are growing, particularly of textiles and garments. Prospects for natural resource processing activities are also good. However, their technological and human resource bases remain weak, limiting their industrial capabilities. Despite their relatively high per capita incomes from the resource boom, these countries also have relatively weak performance in

12 See Kawai and Wignaraja (2011a) for new firm-level evidence from 6 East Asian economies (Japan, PRC, Republic of Korea, Singapore, Thailand, Philippines) on the business impact of FTAs.

13 See Kawai and Wignarja (2011b).

terms of human development indicators. While the HDI averages 0.83 for the first face of Asia and the Pacific and 0.89 for the Asian NIEs, they average 0.79 for these resource rich countries, with the exception of Brunei Darussalam (0.92).

Other Low-income Economies: This group includes the Philippines and Viet Nam in ASEAN, Pakistan and Sri Lanka in South Asia, Mongolia and several Central Asian states. Their underperformance may be attributed to past and present political conflicts, inadequate economic and policy reforms, and underinvestment in physical and human capital.

LDCs and Small States: This group includes several states in South Asia (Afghanistan, Bangladesh, Bhutan, Maldives, and Nepal), some ASEAN states (Cambodia, Lao PDR, and Myanmar) and most of the Pacific Islands. Their state of underdevelopment may be attributable to their geographic location (land-locked or "ocean-locked") and poor natural and human resource base. Their resource base can only produce a limited range of goods and services and opportunities for diversification are limited. Commodity-based producers are highly vulnerable to the vagaries of weather conditions and global price fluctuations. There are prospects in processing of agro-marine products, as well as regional cooperation and coordination in the area of tourism. Historically many of these small states have been dependent on preferential access to the markets of the developed countries and on ODA rather than FDI.

2.2.3 Geographic Sub-divisions of the "Second Face" of Asia and the Pacific

The second face of the developing Asia and the Pacific region can also be divided according to their geographic sub-regions, each with their own trade-related development issues, and hence their need for Aid for Trade programs.

- Greater Mekong Subregion (GMS) excluding Thailand: Limited physical connectivity; infrastructure gaps; variable transit times; lack of SME competitiveness; limited capacity for analysis and policymaking.
- Central Asia: Non-trade barriers; high transport and logistic costs; long transit times; fragmented infrastructure; limited capability for trade policymaking and negotiations.
- South Asia: Limited access to finance; regulatory and customs barriers; lack of investment enabling environment; untapped tourism potential.
- Pacific Islands: Smallness of economic size and population; physical isolation and dispersion; weak private sector activity; limited capacity.

2.3 Challenges Faced by the "Second Face" of Asia and the Pacific

2.3.1 State of Play: Gaps in Trade Performance and Growth

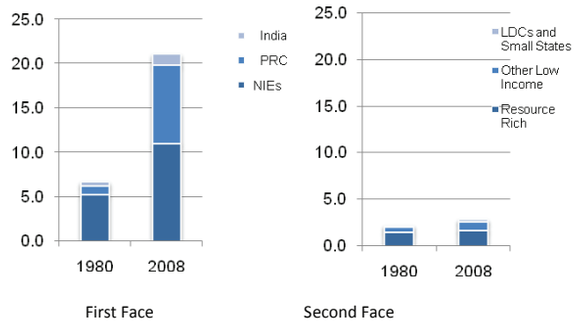
Underlying this stark contrast in economic growth and development is the marginal integration of the second face of Asia and the Pacific into the global trading system. Over the past several decades, the second face of Asia and the Pacific has improved their total share of world exports only slightly from 2.2% in 1980 to 2.8% in 2008 (see Figure 5).

The first face economies enjoy robust growth built on outward-looking policies that encourage trade, particularly in manufactures, while the second face sees potential for enhanced trade but still lags behind (see Figure 6a). The situation is most bleak among the LDCs and small states subgroup, which have seen little improvement in boosting trade by only 0.06% of world trade between 1980 and 2008 (see Figures 6b). For more indicators on trade for Asia and the Pacific, including export value, export growth rate and the share of manufactures in exports, refer to Appendix 3-1.

However, the biggest challenge of second face countries in terms of exports stems not so much from its share of world exports, neither its trade-to-GDP ratio, which is as high as 92.6%. Rather, as outlined in Table 3, the biggest gap can be seen in the second face countries' share of manufactured exports to total exports (which is much lower than that of first face countries), as well as concentration

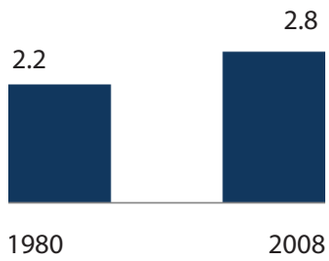
in low-value manufactures. This implies that export diversification in second face countries is limited. Having a narrow export base hampers their ability to participate better in global trade, subjects them to unfavorable terms of trade and makes them vulnerable to external shocks such as changing weather conditions. It should be noted then that open economies may be affected by shocks in the short term, but in order to fare better in the long run, openness should be complemented by investments in skills, infrastructure, technology development to enable them to scale the technological ladder, and adoption of good economic management to enable them to effectively manage external shocks.

Figure 5: The Two Faces of Trade Performance in Asia and the Pacific, %



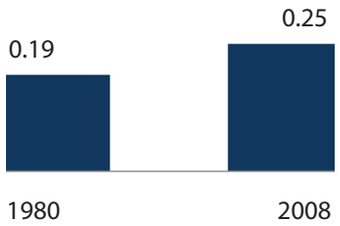
Source: Computations based on IMF (2009).

Figure 6a: Share of World Exports—Second Face (%)



Source: Computations based on IMF (2009).

Figure 6b: Share of World Exports—LDCs and Small States (%)



LDCs = least developed countries.
Source: Computations based on IMF (2009)

Table 3: Share of World Exports, Trade/GDP Ratio, Share of Manufactured Exports

	Share of World Exports (%) a/		Trade to GDP (%) /b		Share of Manufactures in total Exports (%) /b	
	1980	2008	1980	2008	1980	2008
First Face	6.7	21.1	50.6	151.3	56.91	75.39
PRC	1.0	8.9	21.7	65.0	-	92.99
India	0.5	1.2	15.6	50.7	58.64	62.78
NIEs	5.2	10.9	114.6	338.1	55.17	70.39
Second Face	2.2	2.8	82.0	92.6	18.7	46.2

Sources: [a/] Computations based on IMF (2009). [/b] World Bank (2011); data accessed on 22 March 2011.

Gaps in trade performance and growth between the two faces can be attributed to several other factors and result in social vulnerabilities and poverty, such as:

- High trade costs and infrastructure deficiencies;
- Uneven FDI flows;
- Global financial crisis of 2008-2009; and,
- Social vulnerabilities and poverty.

2.3.2 High Trade Costs and Infrastructure Deficiencies

Costs to conducting business transactions in the second face economies make investors wary. High-performing countries have lower customs, freight and handling costs because of more efficient customs administration, more efficient port facilities and dense network of shipping services to support their large trade volumes and resulting in lower sea and air freight costs. Trade costs in the second face countries are exacerbated by the prevalence of inadequate infrastructure and inefficient customs procedures and logistics of moving goods across borders. Frequent feeder services to regional transshipment ports and airports can help LDCs and small states overcome the problems of distance and low trade volumes resulting in shipment delays and high transportation costs. Continental PRC has efficient trade infrastructure and low trade costs for its eastern seaboard but not for the land-locked interior provinces. Hence, the PRC is keen to develop transportation networks through Myanmar and other countries in the Greater Mekong subregion for the trade of its interior provinces.

For example, the average time to export ranges from 16 days for the Asian high performers to 43 days for the rest of Asia and the Pacific. Likewise, the average cost of exporting measured in terms of cost per 20-foot container ranges from US$608 for the Asian high performers (PRC, India and Asian NIEs) to an average of US$1,855 for the rest of Asia (World Bank 2010). This huge gap in trade efficiency is also evident in logistics, production technology, marketing, and other export-related capabilities. The costs to trade of inadequate infrastructure and cumbersome regulatory environment are believed to be substantially higher than those from tariff barriers. For an example of the costs incurred to second face economies from deficiencies in infrastructure, see Box 1.

Box 1. Infrastructure Gaps and Inefficient Trade Facilitation: Impact on the Perishable Food Product Markets

The perishable food supply chain, including fruits and vegetables, is generally considered to be the most complex in terms of movements of goods, because of their time and temperature-sensitive nature. A fast growing sector as household income rises in the region and dietary patterns shift more towards non-staples, perishable food products offer more income for rural farmers and an opportunity to diversify agriculture production from traditional crops. Most of the global exports of fruits and vegetables originate from relatively few countries, because these exports require efficient storage and handling facilities and swift customs clearance procedures. For example, India produces about 11% of global vegetable and 15% of fruit production, respectively but its share of global exports is only about 1%. Fruit exports of Pakistan constitute only about 7% of the country's total fruit production. The reasons for the limited exports might be attributed to several factors, including the size of domestic market and increased domestic consumption as well as inability to meet SPS standards in potential export markets. More critically, a major deterrent to perishable food exports is the delays within the supply chain that can be detrimental to exporters.

Delays result in outright product loss as well as greater risk of food-related diseases. A large portion of delays and additional costs are associated with the preparation of trade and customs documents and inspections due to the lack of standardized documents. A single complete consignment transaction, from seller to buyer, can comprise up to 150 documents with duplicated information and data to be re-entered 42 times. At the India–Bangladesh border, a consignment needs at least 22 different documents and over 55 signatures and at least 116 copies for the final approval (De 2009). Each country requires different sets, including customs declarations, certificates of origin, cargo manifest, which exporters have to prepare on each side of the border before actual shipping of goods. In addition, more procedures in terms of sanitary and phytosanitary (SPS) certificates are required on agricultural products to verify that the exported products meet health and standards of the importing country.

Simplifying the complex and myriad trade and customs formalities, procedures and associated documentary requirements will be critical for developing countries in the region to make inroads in this lucrative market.

Source: UN ESCAP (2009a).

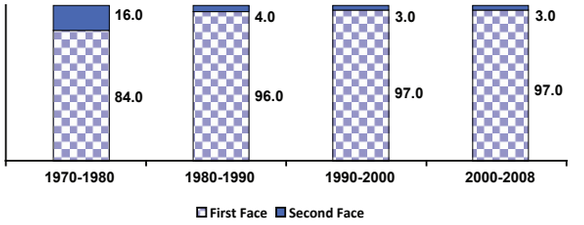
2.3.3 Uneven FDI Flows

FDI has been more important to the development of Asia and the Pacific than ODA flows. Countries in the first face have been highly successful in attracting FDI inflows, particularly Singapore, Hong Kong, China and the coastal provinces of the PRC.

In the PRC, the bulk of FDI inflows have so far gone to the coastal region of People's Republic of China, while the central and western regions are only beginning to receive sizeable FDI inflows. This reflects in part the FDI strategy of the PRC, with the coastal region having special economic zones and development zones with infrastructure and tax incentives to attract export-oriented FDI. This has led to a widening development and income gap between the coastal and central and western regions and massive migration of labor to the coast. To narrow the development gap, the PRC government has in the past decade been encouraging FDI to locate in the central and western regions through various incentives and accelerated infrastructural development.

In 2008, the second face of Asia and the Pacific received an FDI inflow average of US$121 per capita— much smaller than the inflow per capita (US$1,863) received by the first face group. In particular, LDCs and small states received an average of only US$65 per capita. This gap in FDI flows between the first and second face has also worsened in terms of shares of FDI received. The share of FDI going to Asia and the Pacific's second face has steadily declined from an average of 16% of FDI inflows to a mere 3% in the period 2000–2008 (see Figure 7).

Figure 7: Share of total Foreign Direct Investment in the Two Faces, %



Notes: First Face countries include PRC, India, and 6 NIEs. Second Face comprises of 34 developing countries. Values of shares are calculated using simple averages for the particular period.
Source: UNCTAD (2009)

As a percentage of GDP, FDI inflows to the second face group are also consistently behind countries in the first face groupings, particularly NIEs. Between 1980 and 2008, for example, FDI inflows as a share of GDP increased from 2.2% to 7.2% for the first face, while only increasing from 0.6 to 4.5% for the second face (see Table 4).

Table 4: Foreign Direct Investment to GDP ratio, %

	1970	1980	1990	2000	2008
First face	1.6	2.2	3.8	8.6	7.2
Second face	4.0	0.6	2.4	5.4	4.5

Note: First Face countries include PRC, India, and 6 Newly Industrialized Economies. Second Face comprises of 34 countries.
Source: UNCTAD (2009)

Countries that wish to attract FDI should promote opportunities for investors that are commercially viable. Conditions like political and social stability and a business-friendly environment are important (see Box 2 for a case study of Singapore's FDI strategy). For complete information on FDI inflows in Asia and the Pacific economies, see Appendix 3-3.

Box 2: Singapore–An FDI Success Story

Singapore is a small city-state with a land area of about 700 sq km, a population of 5 million and a per capita GNP of over US$38,000. With very limited land and no natural resources, except for its geographic position along a major sea route, Singapore was able to achieve high economic performance through outward-oriented economic policies of open trade and investment and the development of human capital. Singapore's total merchandise and service trade is more than three times its GNP, while its inward FDI stock is among the largest in Asia.

Such high levels of FDI penetration in Singapore are largely attributed to its role as an export manufacturing base and a services hub in finance, trade, transportation, and logistics. FDI has enabled Singapore to be a major exporter of high-tech goods–IT products, chemicals and petrochemicals, and biotechnology products. FDI has also helped Singapore develop as a regional financial center.
Attracting FDI into Singapore became a policy priority after political independence. The government viewed FDI as a package providing much needed finance, technology, management, and marketing expertise, while also integrating the city-state into global production networks and supply chains. The government pursued policies aimed at ensuring maximum efficiency at minimum cost by providing a business-enabling environment :

- Highly-competent and friendly government agencies such as the Economic Development Board acts as a "one stop" investment center to attract FDI and as a post-establishment trouble-shooting services center.
- A highly-competent and honest government helps to minimize business costs and risks through the provision of efficient public services.
- The scarcity of skills and labor was eased by human capital development and immigration, with about a third of Singapore's labor force being foreign.
- Industrial relations have been peaceful since the early 1970s with a cooperative relationship between labor, management, and government to minimize industrial strife and seek orderly increases in wages.
- Scarcity of land has been eased with careful urban planning and the establishment of industrial estates and parks with ready-built infrastructure and amenities.
- Infrastructure is well-developed (e.g., roads, ports, airports, telecommunications, public utilities) to give firms a competitive edge.
- Costs of importing and exporting are minimized through an efficient and non-corrupt customs regime, and a dense shipping and air cargo network.
- Generous fiscal and financial incentives are available to ease the tax burden of investors.

Source: Singapore IE (2010); People's Republic of China (2011).

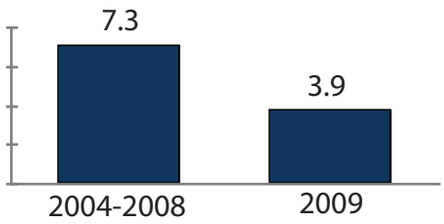
2.3.4 Post Global Financial Crisis Developments

The global financial and economic crisis that originated in the US and spread to Europe and Asia and the Pacific in 2008, struck developing Asia most forcefully through the trade channel.

Severe stress in the financial systems in developed countries led to a domino effect around the world of shrinking credit, fiscal deprivation, and recoiling household wealth. These conditions, in turn, precipitated a synchronized collapse in global demand of exports, a contraction that has pummeled countries across Asia and the Pacific. The spillover has been exacerbated by Asia's specialization in sectors hit by the crisis and its reliance on high- and medium-technology manufacturing exports—motor vehicles, electronic goods, and capital machinery—that have seen a sharp fall in demand.

As a result, GDP growth also slowed significantly for Asia and the Pacific. Overall growth in developing Asia stumbled from its impressive peak of 9.6% in 2007 to 5.2% in 2009 (ADB 2011c). In the first face group, growth decelerated from 9.9% in 2007 to 5.5% in 2009. Growth in the second face was only 8.3% in 2007 (7.3% for the period 2004–2008) and plunged to 3.9% in 2009 (see Figure 8). Among the subgroups in the second face, LDCs and small states saw growth rates drop to 5.6%, while resource-rich states saw a drop to 3.7% and low-income experienced a collapse to 2.5% in 2009.

Figure 8: GDP Growth, Second Face, %



Note: Values were calculated using the simple average for countries in the second face for that period or year.
Source: ADB (2011c)

In response, governments in Asia and the Pacific undertook Keynesian pump priming with huge fiscal stimulus packages. The stimulus packages generated sharp increases in domestic demand, particularly in the PRC, with positive spillovers on export demand. Other countries in the region were less severely affected by the global crisis but low performing economies burdened by the magnitude of poverty and strained social safety nets— made them even more vulnerable.

Thankfully many countries in the first face experienced a sharp V-shaped recovery in 2010, while updated data show that the negative impact in 2009 was not as severe as had been anticipated. The sharp recover was in response to the huge fiscal stimuli, relaxed monetary policies, and the spillover effects of continued buoyancy in PRC growth. For 2011 the expectation is that growth in these countries will revert to normal trend growth.

However, economic growth and prospects in Asia have been highly uneven, with the second face still struggling to recover growth. They were more vulnerable to the external shocks than others, and experienced deeper negative effects on export and tourism earnings, remittances and external financing. Stimulus packages are also unsustainable in the long-term given the dwindling fiscal space, and many countries, particularly the second face, will need to rely on monetary and structural policies to mitigate the headwinds from the uncertainty in economic recovery in the US and Europe, continuing instability of financial markets and growing inflationary pressures that may further erode investment and business confidence. Finally, protectionism in response to increasing unemployment presents a significant risk to the global recovery, with serious implications for Asia and the Pacific's second face.

2.3.5 Social Vulnerabilities and Poverty

The trade gaps across and within countries in Asia have also been accompanied by mostly uneven development gains. Amidst high growth performance and rapidly rising standards of living, mass poverty and low human development remain serious problems in Asia and the Pacific. The countries in developing Asia have over 900 million living under US$1.25 per day (see Table 5) and over 1.8 billion people living under US$2 per day—the largest concentration of the world's poor. Within the second face group, there is a close correspondence between the dimensions of underdevelopment and the dimensions of poverty. These countries are characterized by low average incomes and low productivity, weak and unresponsive institutions, widespread food insecurity, low levels of health and education, vulnerability to crisis and conflict, inferior status of women, and other facets of underdevelopment.

An examination of regional trends over time confirms the role of broad-based development in reducing poverty in Asia and the Pacific. Sustained and high economic growth in the PRC has shrunk the percentage of the poor in Asia and the Pacific from 60.2% in 1990 to 15.9% in 2005. PRC's rapid growth may be attributed to major economic reforms, key pillars of which are the open door policy to international trade and international investment and the adoption of the market economy.

Table 5: Poverty Headcount in Asia and the Pacific (people living under US$1.25 per day)

Poverty Headcount, millions	1990	2005
Developing Asia	1416.0	903.4

Selected countries where number of poor decreased

Poverty Headcount, millions	1990	2005
PRC	683.1	207.7
Indonesia	96.7	47.3
Pakistan	63.1	35.2

Selected countries where number of poor increased

Poverty Headcount, millions	1990	2005
India	435.5	455.8
Uzbekistan	1.0	10.2
Bangladesh	56.4	77.4
Philippines	18.2	19.1
Papua New Guinea	1.8	1.8

Note: Values were calculated using the simple average for countries in the second face for that period or year.
Source: ADB (2011c)

These strides in poverty reduction, however, mask the increase in the number of poor in other countries. The largest concentration of the poor remains in South Asia, with 456 million in India, followed by 77 million in Bangladesh, 35.2 million in Pakistan, 14.8 million in Nepal. India's rapid growth trajectory is more recent than that of the PRC; hence, its impact on reducing mass poverty has only just begun. Other concentrations of the poor are found in Indonesia with 47 million and the Philippines with 19 million. These economies have yet to attain the sustained high growth of PRC and India and their prospects of reducing the number of absolute poor are also of lower order exacerbated by continuing high population growth in many states. It should be noted that these country aggregates hide internal variation in performance. The growing income and development gaps within the large economies of PRC and India are a growing political, economic and social concern. Huge pockets of underdevelopment and poverty remain, in parts of PRC and in many Indian states. Development strategies will have to balance maximizing growth with equitable and environmentally sustainable growth, re-channeling and concentrating development financing in the underperforming states (ADB 2008b; WTO 2009)[14] For complete information on the magnitude of poor and poverty headcount index (HCI) in Asia and the Pacific, see Appendix 3-5.

A new international measure of poverty is the Multidimensional Poverty Index (MPI) developed by the Oxford Poverty and Human Development Initiative (OPHI) and UNDP.[15] The MPI shows 3 dimensions of poverty, namely incidence of poverty (percentage of poor people); intensity of poverty (average number of deprivations poor people face at the same time); and composition of poverty and difference across states, ethnic groups, rural/urban areas. The three dimensions are equally weighted and the indicators in each dimension are also equally weighted. A person is identified as multidimensionally poor if he/she experiences deprivation in at least 30% of the weighted indicators. One deprivation alone may not represent poverty. Among the 93 countries used for calculations, MPI poverty is higher than the $1.25 per day for 57 countries and lower than the $1.25 per day for 36 countries. 51% of the MPI poor people live in South Asia alone. There are more MPI poor people in eight Indian states than in the 26 poorest African countries combined.

2.4 Sustaining Trade-Led Growth in Asia and the Pacific's Second Face

By early 2010, exports of commodities and manufactures in Asia and the Pacific seemed to be well on the path toward recovery. In the fourth quarter of 2008, many of the trade-dependent economies in the region (with the exception of the PRC), in region began experiencing negative export growth, with the double-digit declines worsening

14 See also Ali and Zhuang (2010).
15 See Alkire and Santos (2010).

in the next two quarters (International Monetary Fund (2009); ADB 2011b; and various national sources). However, by fourth quarter of 2009, most of these countries recovered to achieve double-digit export growth.

Yet there is concern that second face economies are at risk of being marginalized and left behind in the recovery. The challenges in pulling out of the global recession are daunting for developing Asia and most critically for the second face. These challenges include (i) shifting the sources of growth toward domestic and regional demand, without losing export momentum or outward-orientation and openness; (ii) building a better business environment; (iii) using FTAs as drivers of regional economic integration; and (iv) enhancing export competitiveness.

2.4.1 Trade-Led Growth Through Balanced Openness

Since the outbreak of the financial and economic crisis in 2008–2009, it has become evident that the US and Europe cannot continue to absorb the bulk of Asia and the Pacific's manufactured exports. For Asia and the Pacific, the crisis has made the risks of excessive dependence on external demand painfully clear. Aggressive export-oriented growth policies in some countries have also welfare costs associated with producing too little directed toward domestic consumption.

One outcome of the global crisis is the consensus that Asia must reconsider its export-led growth model, rebalancing its sources of growth away from traditional markets like the US and Europe for manufactured exports toward regional and domestic markets (UN ESCAP 2009b; ADB 2010).

The PRC, in particular, has emerged as the largest export destination for the region's manufactures and commodities— providing further impetus for intra-regional trade. Rebalancing growth will also require governments in the second face to adopt a bold mix of policies to improving its trade environment, including creating a more attractive investment climate by improving institutions as well as social and physical infrastructure; pursuing a more active fiscal policy balanced with monetary and structural reforms; promoting small- and medium-sized enterprises and service industries; and diversifying exports. The second face of Asia and the Pacific has a clear opportunity to foster deeper trade and investment integration with its neighbors as a crisis response, boosting regional demand while continuing to globalize.

2.4.2 Enhancing Export Competitiveness

Globalization is a powerful influence on the future competitiveness of business in second face economies. On the one hand, it offers access to new markets and new technologies than ever before. On the other hand, it heralds intensive competition from imports and foreign direct investment. There is a real prospect of winners and losers among second face economies. Many of the low-income countries have high trade/GDP ratios, highlighting their dependence on trade and vulnerability to the negative aspects of globalization. Other countries in the second face have narrow export bases, with manufacturing focused on a few exports. For example, dependency on marine resource exports among Pacific Island countries makes them vulnerable to weather conditions and climate change, and to unpredictable demand and price volatilities. A boom bust cycle related to fluctuating prices and Dutch disease issues seem to affect some oil and gas rich Central Asian economies. South Asian economies are reliant on clothing exports which are sensitive to rising exchange rate appreciation and rising labor costs.

These countries could also be "frozen" in the low-end of manufacturing with limited prospects for upward mobility without adequate technology and human resource development. At the same time, they risk losing their competitiveness in labor-intensive manufacturing due to rising costs at home and new emerging players in the global market. Assistance through export diversification programs, processing activities, reforestation, and marine resource conservation are needed to

help these economies reduce their vulnerabilities and increase their value added from commodity exports (ADB and WTO 2007 and 2008).

The second face countries find it difficult to compete in international markets. Their limited resource base allows them to produce only a narrow and limited range of goods and services (see more details in ESCAP 2009b). In addition, their human resource base is sparse and focused on tourism or agriculture-based industries. Opportunities for diversification are also limited and single-commodity producers are particularly vulnerable to global price fluctuations. Some small economies have been reliant on preferential market access for their exports or on foreign aid for meeting their foreign exchange requirements.

While manufactured exports have been the development path for the PRC, India and the Asian NIEs, this same development path may not be realistically available for the small and geographically isolated states in the second face group. A more realistic approach for these economies could be more focused on agriculture, mineral, marine and tourism-related exports, rather than manufactures (ESCAP 2009b). A regional approach to enhancing export competitiveness could include:

- Regional/subregional programs to protect marine resources and cooperative development of such resources for the export market.
- Development of the oil and gas resources of Central Asia, including seeking new global markets, fostering backward linkages and services pertaining to natural resource development (e.g. banking, transport and professional services).
- Development of the region's tourism potential, including improving regional land, air and sea connectivity and common marketing of tourist attractions and tourist packages.
- Support to contain the spillover effects of national air and water pollution and contributions to climate change and regional and sub-regional environmental deterioration.

Low income economies in the second face (such as those in South Asia), which have entered the production of labor-intensive manufactured exports, face the notable challenge of export diversification and technological upgrading over time. Service sector development offers another powerful potential engine of growth and poverty reduction. Pursuit of structural reforms along with supply-side support and regional cooperation and integration initiatives can facilitate this process. While the detailed measures and support policies need to be country specific, the main strategic thrusts can be identified as follows:[16]

- Maintain credible macroeconomic policies (including competitive exchange rates) and outward-oriented trade and investment policies.
- Reduce barriers to service sector development.
- Invest in human resources and industrial training.
- Improve the quality and coverage of infrastructure
- Ensure adequate technological support and export promotion.
- Foster small business start-up and growth.
- Strengthen public-private sector dialogue and partnerships.
- Promote e-commerce and e-government.

2.4.3 Using FTAs as Drivers of Regional Economic Integration

The spread of production networks and the emerging regional architecture led by FTAs will continue to be key drivers of trade-led growth in Asia and the Pacific. For the second face group, FTAs would enable countries to benefit from the synergies of linking with larger and dynamic neighbors, as well as overcome their problems of smallness and geographic isolation (ADB 2008a). Possibilities for smaller economies to dock onto existing FTA agreements could be explored. The ASEAN experience is a good example of the benefits

16 See Wignaraja (2003); Wignaraja, Lezama and Joiner (2004).

of these linkages through FTAs. The low-income and least developed economies in Southeast Asia (Cambodia, Lao PDR, Myanmar and Viet Nam) have become members of ASEAN since the late 1990s. Through ASEAN membership, they have been participating in the ASEAN Free Trade Area (AFTA) and ASEAN Economic Community and in the ASEAN-plus FTAs with PRC, Japan, Republic of Korea, India and Australia–New Zealand. Under these sub-regional and regional agreements, they have been able to survive the tough trade and investment reforms at home, and enjoy the benefits of economic complementarities, improved and preferential market access for commodities, manufactures and services, increased attractiveness for FDI (including from ASEAN's more advanced economies) and participation in global and regional production networks (including relocations from the more advanced ASEAN locations). These ASEAN lesser developed countries and low-income countries are also enjoying the special and differential (S&D) treatment accorded by ASEAN's more advanced economies and ASEAN's FTA partners. Without participation in the regional ASEAN FTAs, these second face countries would have lacked the negotiating capacity to enter into agreements with larger trading partners. By "piggy-backing" on ASEAN, they benefited from the experience of their more developed ASEAN partners and S&D treatment. Less developed and smaller countries would find difficulty to participate and would need financial and technical assistance to undertake the necessary structural adjustments.

Another practical way forward for the second face is the realization of a regional agreement. The formation of such a region-wide FTA brings more benefits than sub-regional and bilateral FTAs due to economies of scale and scope and minimal negative effects from a spaghetti bowl outcome. It may also make it easier to achieve a deep Doha trade deal as many of the concessions on agriculture and industrial goods so crucial to LDCs and small states may be already incorporated into the region-wide agreement.

3. Aid for Trade Flows in Asia and the Pacific

- *Annual Aid for Trade flows to Asia and the Pacific increased to US$11.3 billion in 2006–2008 from US$9.5 in 2002–2005. The mapping of Aid for Trade flows showed that infrastructure, transport and storage, and energy account for the bulk of flows to Asia and the Pacific.*
- *Such flows are concentrated among a few countries in the region and are smaller compared with other regions in the developing world when population and the incidence of poverty are taken into account.*
- *In spite of Asia and the Pacific's growing need for concessional Aid for Trade, financially-strained donors are likely to maintain or reduce assistance in the years ahead.*
- *As a result efforts will need to be redoubled to improve the operational effectiveness of specific Aid for Trade measures. Other forms of Aid for Trade, including non-concessional and private sector assistance, will take on increased importance.*

As the trade and development gaps highlighted in Chapter 2 demonstrate, additional and better-targeted trade-related development assistance in the form of Aid for Trade is crucial to the continued development and growth of Asia and the Pacific. This chapter presents the results of attempts to measure concessional Aid for Trade flows into the region and the impact of such flows. Asia and the Pacific has received increasing Aid for Trade flows since the start of the WTO Initiative on Aid for Trade in 2005. However, detailed mapping of flows reveals a more nuanced assessment of the impact and distribution of Aid for Trade in the region. In particular, these flows are concentrated among a few countries in the region and such flows are smaller compared with other regions in the developing world when population and the incidence of poverty are taken into account. However, given the limited concessionary funds available for Aid for Trade, non-concessionary funds would also need to be explored.

As data is not currently available for non-concessional and private sector assistance, these important categories of Aid for Trade and their impact, particularly upon countries that comprise the second face of Asia, will be discussed in a broader sense in this chapter.

In the next chapter, a case will be made for the development of a more operational approach to Aid for Trade in the region that is anchored on national-level strategies. Successful projects in Asia and the Pacific typically address core Aid for Trade elements—including economic corridors, trade finance, competiveness, and trade capacity—and are based on common principles that stress public–private partnerships, mainstreaming trade in regional and national development strategies, donor coordination, and effective monitoring and evaluation.

3.1 Mapping Aid for Trade Flows

Using data provided by the OECD and WTO, this chapter maps key aspects of Aid for Trade flows in Asia and the Pacific, including

i. growth of flows since 2002 and some comparisons with other developing regions,
ii. sectoral distribution of Aid for Trade flows,
iii. flows by the two faces of Asia and the Pacific and at country-level.

Refer to Appendix Box 3-6 for more information on total flows of Aid for Trade in the period before the Initiative (2002–2005) and during (2006–2008).

Growth of Aid for Trade Flows

Figure 9 provides a simple comparison of annual average Aid for Trade flows to Asia and the Pacific before (2002–2005) and after the launch of the WTO Initiative (2006–2008). Aid for Trade flows to Asia and the Pacific have increased notably since

the start of the Initiative at the WTO Ministerial Meeting in Hong Kong, China in 2005. Such flows to the region averaged US$11.3 billion per year in 2006–2008 compared with US$9.5 billion per year during 2002–2005—amounting to a 19% increase between the two periods.

Compared to other regions in the developing world, Asia and the Pacific has received the largest annual Aid for Trade inflows (see Figure 10).

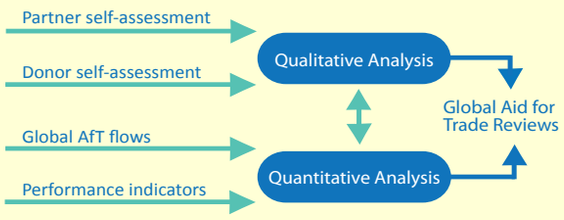
While inflows are highest for Asia and the Pacific, they have remained static over the relevant period. Meanwhile, Africa has seen the largest annual increase in flows and is nearly at Asia and the Pacific levels. The Americas lag behind both Asia and the Pacific and Africa. However, cross-regional

Box 3: OECD–WTO Monitoring of Aid for Trade Flows

With the advent of the WTO Aid for Trade Initiative in 2005, Aid for Trade flows are being more actively monitored by the international community. The WTO Task Force on Aid for Trade recommended establishing two accountability mechanisms to track progress in implementing the initiative and to enhance its credibility: (i) at the local level, to foster genuine local ownership and ensure that trade needs are integrated into country development strategies; and (ii) at the global level, to increase transparency about what is happening, what is not, and where improvements are required.

Following these recommendations, the OECD and the WTO established an Aid for Trade monitoring framework to promote dialogue and encourage all key actors to honor commitments, meet local needs, improve effectiveness, and reinforce mutual accountability. The value of this joint OECD–WTO monitoring framework lies in creating incentives, through enhanced transparency, scrutiny, and dialogue (i.e. putting a "spotlight" on progress), to foster synergies between trade and other economic policy areas in developing countries, as well as to improve the coherence of Aid for Trade with overall donor strategies.

Aid for Trade Monitoring Framework



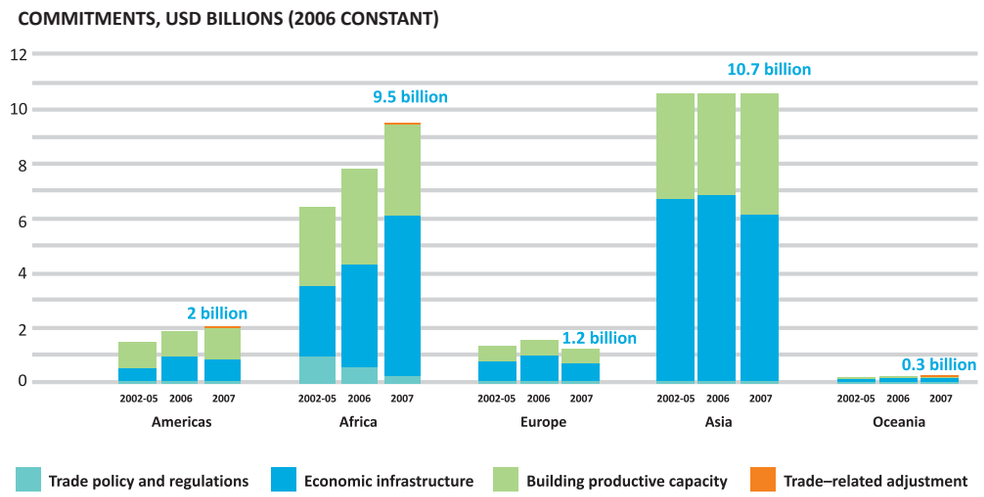
Since 2007, the monitoring of Aid for Trade has been undertaken using a three-tiered system. The first two tiers are partner and donor self-assessments and are carried out through structured questionnaires tailored to the donor community and partner countries. Two such exercises have been undertaken to date: one in 2007 and the other in 2009. The third tier of Aid for Trade monitoring is quantitative analysis of global Aid for Trade commitments and disbursements as recorded in the OECD's Creditor Reporting System (CRS) aid activity database. The categories used to track Aid for Trade are those that were established as benchmarks by the Aid for Trade Task Force as reported to the WTO General Council in July 2006. Through time, these benchmarks have been improved to allow for a more precise reporting and collation process for Aid for Trade statistics from the CRS. Further work on development of the monitoring and evaluation framework, notably on tracking outputs and impact, is ongoing and will form a key component of the 3rd Global Review on Aid for Trade in 2011.

Sources: WTO Secretariat and OECD CRS database. (http://www.oecd.org/document/52/0,3343,en_2649_34665_39145396_1_1_1_1,00.html

Figure 9: Growth of Aid for Trade Flows in Asia and the Pacific (2007 Constant US$ Billion)

Note: Data refers to AfT commitments, not disbursements. Values are annual averages; 2008 data is preliminary only.
Sources: WTO Secretariat and OECD CRS database (2010a); data as of April 2010.

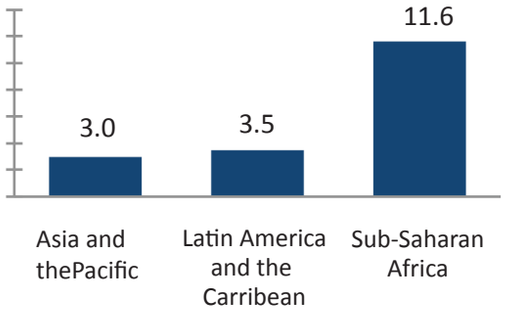
Figure 10: Aid for Trade Flows: Regional Distribution



Source: OECD–WTO (2009).

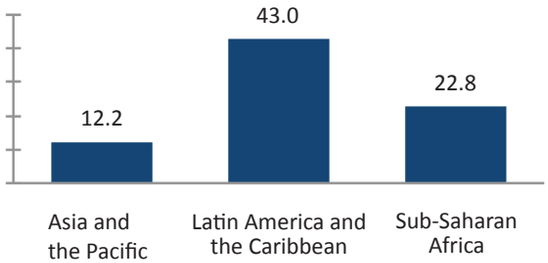
comparisons based on total Aid for Trade flows can be misleading. It highlights a high volume of Aid for Trade flows to Asia and the Pacific but does not take into account that the region has the world's largest population and, more particularly, the world's largest number of poor. A more relevant indicator is to use Aid for Trade flows on a per capita basis. Aggregate flows adjusted for population size and the number of poor (defined as population living on less than US$1.25 per day) shows a different picture. Figures 11 and 12 and strikingly show that Asia and the Pacific gets significantly less Aid for

Figure 11: Aid for Trade Flows per Capita (2007 Constant US$)



Note: Per capita is calculated using 2008 population data.
Sources: Computation based on ADB (2009b), OECD (2010a), and World Bank (2011); data accessed on 22 March 2011.

Figure 12: Aid for Trade Flows per Poor (2007 Constant US$)



Note: Per poor is calculated using 2008 population data and 2005 poverty ratio data.
Sources: Computation based on ADB (2005), ADB (2009b), OECD (2010a), and World Bank (2011); data accessed on 22 March 2011.

Trade per capita and particularly per poor person compared with other regions.[17] Targeting the poor in Asia and the Pacific will go a long way to reducing the incidence of poverty globally. The Aid for Trade Flows by country are presented in Appendix 3-6.

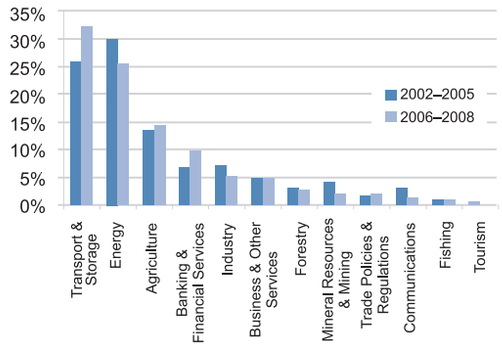
17 When calculated using the number of people living on less than US$2 per day, the data is even more compelling. Asia and the Pacific receives only US$6 per poor—lower than Latin America and the Caribbean (US$21) and Sub-Saharan Africa (US$16).

Aid for Trade flows in Asia and the Pacific

Sectoral Distribution of Aid for Trade Flows

A breakdown of Aid for Trade flows on a sectoral basis is provided in Figure 13. The data shows that infrastructure, transport and storage, and energy account for the bulk of the flows to Asia and the Pacific. Agriculture and banking and financial services receive far less. In an environment of rapidly evolving trade policies and regulations in Asia and the Pacific, a potentially important sector for capacity building (e.g. trade policy and regulations) receives considerably less Aid for Trade than other sectors.

Figure 13: Aid for Trade Flows in Asia and the Pacific, by Type (Aid for Trade Flows, %)



Note: Values refer to the percentage share of each type to the annual period average of AfT commitments.
Source: WTO Secretariat and OECD CRS database (2010a); data as of April 2010.

Flows by the Two Faces and By Country

Table 6 provides a breakdown of Aid for Trade by the two faces of Asia and the Pacific. The second face group continues to receive over two-thirds of Aid for Trade flows. Within the second face, low-income economies and LDCs and small states receive equal amounts while resource-rich economies receive less. The balance between the first and second face, and within the second face, indicates an appropriate allocation by development needs.

Table 6: Aid for Trade Flows in Asia and the Pacific, Two Faces and Selected Countries Aid for Trade Flows (Annual Average, US$ million)

Group/ Country	Pre-AfT Period (2002–2005)	During AfT Initiative Period (2006–2008)	% change
First Face (total)	2,618	3,052	17
People's Republic of China	730	552	–24
India	1,524	2,230	46
Second Face (total)	6,902	8,213	19
Resource-Rich	1,382	1,460	6
Indonesia	1,010	820	–19
Other Low Income	3,142	3,378	8
Viet Nam	1,470	1,729	18
LDCs and Small States	2,378	3,364	41
Afghanistan	730	1,445	98

LDCs = least developed countries.
Notes: Covers AfT commitments, not disbursements. First Face includes People's Republic of China, People's Republic of; India; Republic of Korea, Republic of; Malaysia; and Thailand. Pre-AfT period value is the annual average for 2002–2005. During AfT period value is the annual average for 2006–2008.
Source: WTO Secretariat and OECD CRS database (2010a)

These averages, however, mask a notable concentration of Aid for Trade flows for selected countries in Asia and the Pacific. Table 7 provides the top and bottom five recipients for the periods before and during the Aid for Trade initiative. Five economies in particular—India, Viet Nam, Afghanistan, Bangladesh, and Indonesia—account for the bulk of Aid for Trade to the region. Furthermore, the concentration seems to have increased over time from 58.4% of total flows to the region in 2002–2005 to 60.7% in 2006–2008 (see Table 7) for these top five countries.

Table 7: Aid for Trade Flows in Asia and the Pacific, Top and Bottom Recipients

Country Ranking (based on 2006–08 ranking)	Total AfT Flows (Annual average, US$ million)		Per Capita Flows (Annual Average, US$ million)	
Top Five Recipients:				
1. India	1,524	2,230	1.4	2.0
2. Viet Nam	1,470	1,729	18.1	20.3
3. Afghanistan	730	1,445	25.1	45.2
4. Bangladesh	822	913	5.5	5.8
5. Indonesia	1,010	820	4.7	3.6
Bottom Five Recipients:				
1. Cook Islands	1	0	--	--
2. Marshall Islands	5	1	89.5	19.7
3. Turkmenistan	2	2	0.5	0.3
4. Tuvalu	4	5	--	--
5. Palau	6	6	294.4	278.4

Notes: Covers AfT commitments, not disbursements. First Face includes the PRC, India, Republic of Korea, Malaysia, and Thailand only. Pre-AfT period value is the annual average for 2002–2005 and During AfT period value is the annual average for 2006–2008. No per capita data is available for Cook Islands and Tuvalu.
Source: WTO Secretariat and OECD CRS database (2010a)

3.2 Measuring Aid for Trade

Aid for Trade broadly covers all types of public and private financing, and concessional and less concessionary schemes. With the possibility that governments in donor countries around the world may scale back spending to address public debt concerns, the role and effectiveness of non-concessional and private sector Aid for Trade can be expected to take on added significance.

Concessional Financing

The OECD Creditor Reporting System (CRS)—a database covering around 90% of all official development assistance (ODA) – is the main international source for tracking global Aid for Trade flows.[18] Active monitoring of such assistance only began with the advent of the WTO Aid for Trade initiative in 2005 and the creation of an Aid for Trade monitoring framework (see Box 3). CRS does not provide data that match exactly all of the WTO Task Force-defined Aid for Trade categories, but instead present proxies under the following five headings: (i) technical assistance for trade policy and regulations, (ii) economic infrastructure, (iii) productive capacity building (including trade development), (iv) trade-related adjustment, and (v) other trade-related needs. Both ODA and OOF are concessional Aid for Trade lending and grants to developing countries, and are reported in the CRS database. Other forms of trade-related assistance are not reflected nor reported systematically. Hence, the current report on Aid for Trade flows largely underestimates total flows because it does not include less concessionary and private flows, both of which will be discussed below.

Less Concessionary Public Finance and Private Sector Financing

Among the trade-related assistance that is not presently covered includes (i) non-ODA or less concessionary public finance, and (ii) private sector financing. Such public finance are those not otherwise identified as ODA or OOF, but are nonetheless critical instruments of Aid for Trade.

In the case of ADB, only the concessional lending and grant operations under the ADB Fund (ADF) are reported to the CRS database. Meanwhile, ordinary

18 It collects information on ODA and other official flows (OOF) to developing countries. ODA refer to grants or loans to countries and territories on OECD's Development Assistance Committee (DAC) list of ODA recipients (developing countries) that (i) are undertaken by the official sector, (ii) have promotion of economic development and welfare as the main objective, and (iii) include concessional financial terms (if a loan, having a grant element of at least 25%). In addition to financial flows, technical co-operation is included in aid. OOF, on the other hand, are transactions by the official sector with countries on the DAC list of ODA recipients that do not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development or because they have a grant element of less than 25%.

capital resources (OCR), which account for the bulk of ADB lending operations, are not captured. OCR comprise a pool of funds available for ADB's lending operations that are offered at near-market terms to lower- and middle-income countries. In 2009 alone, ADB's OCR-approved sovereign lending operations amounted to US$10.6 billion.

Another significant trade-related financing instrument is private sector financing. Examples include non-sovereign operations and private sector investment finance. Non-sovereign operations aim to catalyze investments and capital flows, through direct financing or risk-mitigation instruments, in an effort to promote economic development in Developing Member Countries (DMCs). ADB's US$1 billion trade finance facilitation program (see Appendix Box 4f) supports DMC banks by providing resources to support trade and facilitating partnerships with more than 150 participating banks worldwide. ADB's Trade Finance Facilitation Program (TFFP) also assists SMEs by providing guarantees and loans. By spurring cross-border trade, the program also promotes regional cooperation.

Similarly, the Japan Bank for International Cooperation (JBIC) launched a trade finance facility in 2009 to support financial institutions, primarily in Asian countries. To facilitate trade transactions affected by the financial crisis, the facility was expanded to US$1.5 billion in April 2009, which will support overall trade transactions worth up to US$6.0 billion over the next 2 years.

JBIC is also implementing a private sector investment financing scheme to support private enterprises conducting business in developing countries with funds provided as either equity investments or loans. The Asia Regional Apex Fund in India is an example of financial cooperation through equity investment. Many of India's companies are small- and medium-scale enterprises (SMEs) with weak financial bases, thus they often face difficulties attracting investment. JBIC invested in a fund for the development of such SMEs and this program is expected to raise the competitiveness level of private companies in India.

3.3 Assessing the Quality of Aid for Trade

Assessing the quality of Aid for Trade flows in meeting country needs is equally important as mapping the volume of flows. Successful Aid for Trade programs contribute to trade creation, poverty reduction, and the wider development goals of partner countries.

The analysis of Aid for Trade flows has largely focused on the quantity of aid in part due to the lack of accessible, cross-country-comparable data on aid quality. While the OECD's DAC has made significant progress in collecting cross-country data on aid spending, information still falls short of enabling a clear assessment on the effectiveness of Aid for Trade. Unfortunately, only a few assessments looking at trade-related aid have been undertaken. These studies suggest that a country (or region) seeking to expand trade should invest in building productive capacity while promulgating a pro-business environment that includes strengthened transportation and communications infrastructure, low trade transaction costs, open markets, and public–private partnerships.[19]

In spite of Asia and the Pacific's growing need for concessional Aid for Trade, donors may either maintain or perhaps reduce such assistance in the years ahead as public sector fiscal austerity programs come into effect across the developed world.[20] For this reason, donors and DMC partners will need to redouble efforts to improve the operational effectiveness of specific Aid for Trade measures.

Aid Effectiveness

Aid effectiveness principles are grounded in the 2005 Paris Declaration on Aid Effectiveness (the Paris Declaration) and the 2008 Accra Agenda for Action (the Accra Agenda), which both aim to improve the delivery and impact of aid, and seek to

19 Studies include Cali and te Velde (2008), OECD (2009), and World Bank (2007, 2008).

20 The G20 Seoul Summit Leaders' Declaration (para. 44) noted a commitment to "at least maintain, beyond 2011, Aid for Trade levels that reflect the average of the last three years (2006 to 2008)." (November 2010)

transform the roles of donors and partner countries. For donors, this requires new approaches to aid management and delivery. For partner countries, it requires strong country ownership and leadership on development interventions.

The Paris Declaration is built on five basic principles:

i. Ownership. Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions.
ii. Alignment. Donors base their overall support on partner countries' national development strategies, institutions, and procedures.
iii. Harmonization. Donors' actions are more transparent, collectively effective, and harmonized with each other.
iv. Managing for results. Resources are managed and decision-making improved with a focus on results.
v. Mutual accountability. Donors and partners are accountable for development results.

The Accra Agenda deepens the principles set forth in the Paris declaration, focusing on three areas:

i. Strengthening country ownership over Development. This entails broadening the country-level policy dialogue on development and encouraging governments to take stronger leadership roles on their own development policies. Donors will support this by investing in human resources and institutions and increasing the predictability of flows.
ii. Building more effective and inclusive partnerships for development. Donors reduce fragmentation and improve the complementarity of their individual efforts, as well as ensure more inclusive partnerships by focusing on demand-driven, tailored, and coordinated capacity building support.
iii. Delivering and accounting for development results. Greater transparency and accountability are required for the use of development resources.

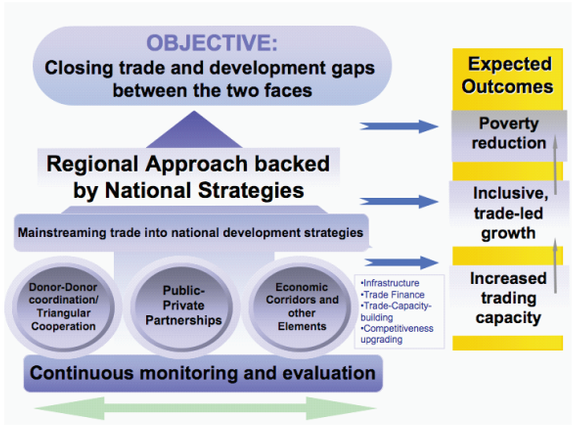
This is an evolving agenda. The emergence of other potential sources of Aid for Trade, including private sector financing, may require further work to clarify the meaning of the quality of Aid for Trade in the context of the Aid for Trade experience.

4. Aid for Trade on the Ground: A Regional Approach Backed by National Strategies

- *National and regional approaches are intricately linked. Asia and the Pacific experience has shown that scarce amounts of Aid for Trade are best optimized through projects that are tailored to individual country needs, cover multiple sectors, and promote public–private sector partnerships, while simultaneously aligning with regional or sub-regional cooperation initiatives.*
- *To maximize effectiveness, Aid for Trade projects should focus on (i) developing infrastructure, (ii) strengthening economic corridors, (iii) facilitating economic reforms and WTO accession, (iv) promoting trade finance, (v) upgrading competitiveness, and (vi) building trade capacity.*
- *The following design principles can help boost the overall effectiveness of Aid for Trade flows: (i) the use of public–private partnerships, (ii) mainstreaming national development strategies, (iii) donor coordination, and (iv) effective monitoring and evaluation at the national and regional levels.*
- *ODA must continue to play its critical role in helping attract FDI—and thus provide impetus for commercial trade—by improving the business climate. The host country must also assume ownership of its open FDI policy to build a better business climate and—in some Asian countries—implement structural reforms that comply with WTO requirements.*

Information on Aid for Trade flows broadly highlights trends and the distribution of concessionary resource flows from public sources for the WTO Initiative. It does not, however, effectively capture how Aid for Trade works on the ground in Asia and the Pacific. Drilling down to the micro-level, actual programs and projects should be examined in order to identify evolving approaches and good practice examples. A central lesson from the trade-driven growth experience in Asia and the Pacific, particularly from the first face of the region, is that Aid for Trade assistance works best as a regional approach backed by national strategies. While the political, economic, demographic, and geographic diversity of Asia and the Pacific and its two faces of trade performance suggest that a one-size-fits-all approach is not ideal, an evolving operational approach that spotlights best practices provides a useful starting point to improving the quality and effectiveness of Aid for Trade flows to Asia and the Pacific (Figure 14).

Figure 14: Toward an Operational Approach to Aid for Trade



4.1 Why a Regional Approach is Important

Regional integration has gained momentum in Asia and the Pacific as a powerful growth catalyst. The growth of production networks, falling trade barriers, and technological progress have spurred the process of regional cooperation and integration (RCI) on a range of trans-boundary issues, particularly trade, that hold vast potential for accelerating economic growth, reducing poverty and income disparity, raising productivity and employment, and strengthening institutions (ADB 2008a). RCI can improve a poor country's possibilities for growth by expanding trade and joint investment with neighbors, strengthening

transport and information links, and improving information and communication technology. Larger regional markets for goods, services, and capital raise the efficiency of resource use and enhance the region's global competitiveness. Closer regional coordination also elevates the overall quality of trade policy and reinforces the abilities of countries and regions to respond more effectively to sudden or unexpected changes in economic circumstances.

A regional approach is an important driver of Aid for Trade in Asia and the Pacific, particularly in maximizing resource mobilization and mainstreaming Aid for Trade into national and regional development strategies. Asia and the Pacific experience has shown that scarce amounts of Aid for Trade are best optimized through projects that are tailored for individual country needs (e.g., income level, comparative advantage, geography), cover multiple sectors, and promote public–private sector partnerships, while simultaneously aligning with regional or sub-regional cooperation initiatives. The examples below identify priority Aid for Trade needs in Asia's subregions in support of continued economic growth.

- In Southeast Asia over the past 15 years, Cambodia, Lao PDR, and Viet Nam have accelerated their transition toward more market-based systems and are forging closer integration with external markets. Liberalization of trade and investment, improvements in infrastructure, and wider market access have contributed to a shift in exports from primary commodities to labor-intensive manufactured goods. Given the need to further reduce impediments to trade and improve the business environment, the intensification of such liberalization efforts is necessary to enable Southeast Asia to continue increasing output while raising living standards.
- The Central Asian Republics—natural-resource rich, yet predominantly landlocked—are seeing a revival of economic growth. While oil, gas, and other commodities continue to drive industry, manufactured exports are picking up as well, particularly textiles and garments from Tajikistan, and iron and steel products from Kazakhstan. Central Asian markets can be further integrated by improving cross-border connectivity, shortening transit times, modernizing customs, implementing policy reforms, and speeding up WTO accession.
- In South Asia, the move toward labor-intensive exports is underway. Some economies have also begun to benefit from India's information technology industry. Priorities include improvements in telecommunications, ports, and other transport infrastructure; domestic policy reforms; and continuing efforts to integrate regional markets.
- In the Pacific Islands, unleashing export potential requires further rationalization of tariff and nontariff barriers to trade, measures to facilitate trade and transport, and efforts to relieve constraints on private sector development, and cooperation among the islands to achieve economies of scale and competitive efficiency.

4.2 Aid for Trade Initiatives

The experiences of Aid for Trade in Asia and the Pacific suggest that projects should be tailored to address specific country, subregional, and regional circumstances. However, there is an overarching need for each economy to undertake policy, regulatory and institutional reforms (including accession to the WTO for non-members) to liberalize trade, attract investments, and achieve efficiency and competitiveness.

To maximize effectiveness, projects should focus on the following Aid for Trade elements: (i) developing infrastructure, (ii) strengthening economic corridors, (iii) promoting WTO accession and economic reforms, (iv) promoting trade finance, (v) upgrading competitiveness, and (vi) building trade capacity. ODA can play a critical role in attracting FDI—and thus providing impetus for commercial trade—by improving the business climate.

(i) Developing Infrastructure

The inadequacies of Asia's infrastructure networks are a significant cause of Asia's development gaps. While the region's infrastructure is world class in some places, it is below the global average on the whole. Regional studies show cross-border infrastructure has benefited participating countries at the macro- and micro-levels. At the macro-level, cross-border infrastructure has enabled faster economic growth and contributed to poverty reduction. At the household level, it has helped raise incomes, especially through improved access to markets. Investing in regional infrastructure projects toward a "seamless Asia" could potentially boost developing Asia's real income in 2020 by US$1.6 trillion, which is equivalent to 10% of developing Asia's GDP. According to ADB, there are at least 21 high-priority sub-regional projects that could be implemented by 2015 at the cost of US$15 billion (ADB and ADBI, 2009).

(ii) Strengthening Economic Corridors

The concept of economic corridors is a signature approach to regional development based on linking infrastructure design to production and trade potentials to maximize economic benefits from infrastructure investments. An economic corridor can be envisioned as grids and rings in a region, whether land- or sea-based, that integrates dynamic markets and production centers to facilitate the flow of goods and services across land and sea borders. Regional infrastructure development, which is a key facet of building economic corridors, ranges from simple projects that involve two countries, such as building a road link or bridge across a boundary river, to complex ones that involve several countries, such as gas pipelines in which many countries cooperate to create networks for common benefit. Well-planned infrastructure development helps improve connectivity and can bring large gains to all participating countries.

While economic corridors encompass a smaller defined geography, they often straddle a central transport artery such as a road, rail line, sea lane, canal, or other such facility, and serve as strategic nodes within the corridor (see Appendix Box 4-3 and 4-4 for railway and airport infrastructure examples in India and Kazakhstan, respectively). Cross-border projects should encompass and coordinate "hard" infrastructure elements, such as transport infrastructure (e.g., roads and ports), as well as "soft" infrastructure, such as trade facilitation (e.g., customs facilities to reduce trade costs) and regulatory reforms (e.g., harmonization of international trade procedures).

Japan International Cooperation Agency (JICA) and ADB's assistance to the development of Greater Mekong Subregion (GMS) Economic Corridors has been recognized as a successful case of economic corridors on land and is being replicated in other regions (e.g., CAREC and SASEC) (see Appendix Box 4-5 on the GMS East–West Corridor project and its impacts). This success can be attributed to a number of factors, including (i) an appropriate mix of lending and non-lending assistance to support and sustain the GMS dialogue, (ii) the selection and implementation of physical infrastructure improvements based on needs at the national and subregional levels, and (iii) proper focus on cross-border issues and diligence in preparing cross-border trade agreements.

The creation of maritime economic corridors (MECs) between island and archipelagic nations can also significantly boost economic activity by linking small island economies with wider regional transport networks. MECs can substantially lower transport and other transaction costs, thus encouraging more trade and traffic between adjacent islands. One way to link MECs is through "roll-on/roll-off" (RoRo) services, which allow cargo to be easily rolled on and rolled off the ramps of sea vessels. The use of RoRo services is currently being expanded in the archipelagic Southeast Asian region, which comprises the Philippines, Indonesia, Malaysia, Timor Leste, and Papua New Guinea.[21]

21 Includes the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP–EAGA) and the Indonesia–Malaysia–Thailand Growth Triangle (IMT–GT), Timor Leste, and Papua New Guinea.

(iii) WTO accession and Economic Reforms

On 1 January 1995, the WTO replaced GATT, which was formed in 1947. Upon signing the new WTO agreements, signatories to the updated GATT of 1994, including some Asia and the Pacific countries, officially became WTO members. To date, some of Asia and the Pacific countries have yet to be members of the WTO (see Appendix 3-4 for a list of WTO accession dates of Asia and the Pacific countries), while Cambodia, PRC and Taipei,China have joined in the last decade. WTO accession requires substantial institutional and economic reforms during the negotiating stage and in the post-accession stage. Acceding countries have to undertake substantive measures to open up their trade and investment regimes and adopt market-based regulations and measures to be consistent with the objectives and principles of the WTO. Such reforming measures have improved the resource allocation and competitiveness of the PRC, Viet Nam and Cambodia, greatly improved their attractiveness for FDI, and boosted their economic growth performance in subsequent years.

Countries that are seeking WTO accession would be required to open up their economies and adopt WTO-consistent policies and practices. Aid for Trade is crucial to incentivize and assist these countries to undertake the various needed reforms to build up supply-side capabilities and develop their SME sectors.

(iv) Promoting Trade Finance

Another important operational element in Aid for Trade projects is adequate trade finance. The poor supply of trade finance hinders the trade and export potential of economies, particularly those in Asia's second face, which have a larger proportion of SMEs confronted with limited access to financing, high trade costs, and a lack of insurance and guarantees. In Asia and the Pacific, many of the region's poorest countries lost affordable access to trade finance as activities were disrupted by the credit crunch and the flight of capital.

Addressing the trade finance gap between the two faces of Asia will require tackling the liquidity traps by establishing cross-currency payment facility schemes and other anti-shock financing facilities to enable large-scale, low-conditionality, and rapid-disbursing grants to soften the blow on the second face group.

ADB's Trade Finance Facilitation Program (TFFP) is the first region-wide program designed to help banks in DMCs provide trade finance products to importers and exporters. ADB's TFFP provides guarantees and loans to partner banks in DMCs. The three main products offered by the TFFP are the Credit Guarantee, Risk Participation Agreement Revolving Credit Facility (see Appendix Box 4-6). Realizing that access to trade finance in times of crisis is vital to cushioning the shock of the global economic downturn on international trade, ADB has expanded TFFP to US$1 billion. Through leveraging with partner banks, this move is expected to generate up to US$15 billion in much-needed trade support by the end of 2013.

(v) Upgrading Competitiveness

Asia's second face countries are confronted with three types of constraints related to competitiveness: (i) a lack of competitive supply capabilities for traded goods that often locks countries into producing low-value goods in the supply chain; (ii) technical problems in accessing international markets, such as numerous technical standards as well as health, safety, and environmental requirements; and (iii) excessive regulatory and procedural barriers that make trading across border costly.

The objective of Aid for Trade in this area is to strengthen the capacity of the second face to raise their productivity so that they can compete in the global market. Several types of interventions exist to address the broader business environment as well as the supply-side constraints at the firm level, including (i) competitiveness analysis and trade-related policies; (ii) eliminating unnecessarily cumbersome procedures and requirements, and improving transparency in trade transactions (ADB and ESCAP 2009); (iii) quality management and

enterprise upgrading; and (iv) standards, metrology, testing, and conformity (UNIDO 2010).

Assistance in these areas covers multiple activities, such as helping exporters meet regulatory and marketing requirements in importing countries; streamlining, harmonizing, and automating trade procedures and implementing other trade facilitation measures to make trade and business processes more efficient; and improving the incentive frameworks shaped by individual country tax and tariff policies (e.g., special economic zones or reforms to reduce anti-export bias). In addition, this assistance addresses supply-side constraints, such as export diversification, value-added upgrading, services trade promotion (e.g., tourism services), and trade-related agriculture.

One example of a sector-specific competitiveness project is the United States Agency for International Development (USAID)–ASEAN Competitive Enhancement Project, which promotes trade and growth opportunities by helping tourism and textile and apparel firms better integrate with regional supply chains. This project is assisting the region's garments industry to enact quality standards and promote human resource development, and is helping form virtual vertical factories by uniting textile mills and garment factories to add value for global apparel buyers. The project also helps firms reach service standards for certification. In the tourism sector, the project helped develop a marketing strategy for tourism providers (see Appendix Box 4-7).

(vi) Building Trade Capacity

Taking advantage of opportunities to produce and export competitively requires knowledge, skills, commitment to quality control, and access to finance. A significant impediment faced by the second face group involves deficiencies in human resources in trade-related institutions in the public and private sectors, and the lack of capacity to assess the merits of policy options and seize opportunities for trade expansion. Efforts to build trade capacity involve enhancing the ability of policymakers, firms, and civil society in developing countries to do the following:[22]

i. collaborating in formulating and implementing a trade development strategy embedded in a broader national development strategy;
ii. increasing the volume and value-added of exports, diversifying export products and markets, and increasing foreign investment to generate jobs and exports by strengthening trade policy institutions and the ability of enterprises to seize trading opportunities as they emerge; and
iii. Participating in and benefiting from the institutions, negotiations, and processes that shape national trade policy and the rules and practices of international commerce.

The benefits from trade capacity building are potentially enormous. According to USAID's 2008 Economic Growth Strategy, technical assistance has a positive and significant impact on growth. For the average developing country, a 25% increase in technical assistance per capita leads to about a quarter percentage point increase in yearly growth rates.

Private sector capacity building can be aimed at either for-profit or non-profit organizations, and generally focuses on providing consultant services to specific sectors in order to increase their effectiveness and/or profitability. Private sector capacity building activities for donors have generally been labeled as competitiveness projects and include such areas as value-chain development, market linkages and market information systems enhancement, skills training, capacity building for advocacy, and technology transfers.

On the public side, in order to create an environment supportive of the enhanced trade volumes necessary for economic development, government organizations need to effectively fulfill their designated functions as service providers. Government ministries and agencies should efficiently provide services to the private sector

22 See OECD (2003).

and invest in public goods that facilitate trade and benefit all citizens. However, many central government actors are severely constrained by inadequate funding, poor human capital, inefficient laws and regulations, corruption, and even more fundamental political disincentives to perform effectively. Public sector capacity building seeks to increase government effectiveness at providing trade-related services and assistance on customs operation and administration, inter-agency coordination, and participation in regional trade agreements.

One of the most significant barriers to government capacity building is the lack of incentive structures that provide specific public sector organizations interest to improve their effectiveness. Many public sector officials have little incentive to expand vital services to exporters (e.g., the cost and time required to export and import are unreasonably high), and focused instead on efforts at making certain that politically powerful businesses are protected from competition. Sound incentive structures, in contrast, promote accountability, equitable service delivery, and effective organizations.

At the regional level, intensifying integration initiatives show the potential for greater economic and financial integration in Asia and the Pacific, as well as the need to enhance awareness and capacity to respond to emerging regional trade trends. In this vein, ADB has supported a regional trade capacity building program that includes training, online resources, and research (see Appendix Box 4-10).

Building trade negotiating capacity has been an important part of ensuring effective participation in PACER-Plus discussions – a regional trade and economic cooperation agreement between Australia, New Zealand and the Pacific Island Forum Countries[23] PACER Plus negotiations includes elements of trade capacity building and trade development assistance designed to strengthen Forum Island Countries' ability to trade (see Appendix Box 4-8 on the Australian Agency for International Development's [AusAID] assistance and incentive schemes targeted to Pacific island countries to facilitate participation in PACER-Plus).

The UN Economic and Social Commission for Asia and the Pacific (ESCAP) Trade Capacity Building Programme and other partner institutions also provide knowledge and capacity building tools to the region's institutions and governments. Programmes and activity areas that have been established as a result of ESCAP's Trade Capacity Building Programme are presented in Appendix Box 4-20.

Table 8 summarizes the activities that governments and businesses can participate in and advocate for in order to build trade capacity. When identifying capacity building activities to implement, the breadth and depth of impact are key components. Activities that will impact only a few firms or communities are far less desirable than measures that will affect firms across whole sectors. For example, USAID finances systematic reforms. Ideal projects have outcomes that cause a large portion of the population to follow suit without subsidies, or that catalyze policy or institutional changes with a much wider and more systemic impact (see Appendix Box 4-9), which describes USAID capacity building efforts related to the implementation of the US–Viet Nam Bilateral Trade Agreement [BTA] with a focus on legal reform). In the private sector, projects should aim to stimulate demand-driven countrywide or institutional changes.

A successful example of a regional institution building trade capacity includes the ASEAN Connectivity Plan, which was adopted to promote intra-regional connectivity towards enhanced trade, investment, tourism, and development (see Appendix Box 4-1). The EU and the ASEAN Secretariat have also implemented a plan for enhancing ASEAN integration with a focus on supporting the realization of the ASEAN Economic

23 Pacific Island Forum (PIF) countries other than Australia and New Zealand include Cook Islands, Federated States of Micronesia, Republic of Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Table 8: Trade Capacity Building Activities

Public Sector Capacity Building	Private Sector Capacity Building
• Mainstreaming trade into national development plans • Training in trade negotiation techniques and specific • Specialized technical assistance on customs valuation, trade facilitation, technical barriers to trade (TBT), and sanitary and phytosanitary measures (SPS) • IT-based trade system development (e-commerce) in cooperation with international partner agencies such as the WTO and ITC	• Identifying sectors and products that have competitive potential and are suitable for local value addition • Assessing trends in industrial performance at national, regional, and global levels • Consultations on overcoming technical barriers to trade (TBT) and complying with sanitary and phytosanitary measures (SPS) • Upgrades to manufacturing processes and financial support for the establishment and enhancement of a standards, metrology, and certification infrastructure; supply chain management; and information networking

Source: Authors' compilation.

Community and strengthening EU–ASEAN relations (see Appendix Box 4-2 on the ASEAN–EU Program for Regional Integration Support [APRIS II]).

4.3 Aid for Trade Implementation Principles

A set of common principles has emerged from recent implementation experiences that can boost the overall effectiveness of Aid for Trade flows: (i) the use of public–private partnerships, (ii) mainstreaming national development strategies, (iii) donor coordination, and (iv) effective monitoring and evaluation at the national and regional levels.

(i) Public–Private Partnerships (PPPs)

PPPs engage the private sector and acknowledge the role for government in ensuring that social obligations are met and successful sector reforms and public investments are achieved. Aid for Trade projects that have strong PPP elements allocate tasks, funding, and risks among public and private partners in an optimal way, recognizing that each have certain advantages relative to the other in performing specific tasks. Public partners in a PPP are government entities such as ministries, departments, municipalities, and state-owned enterprises. Private partners can be either local or international, and may include businesses or investors with technical or financial expertise relevant to the project. Increasingly, PPPs may also include nongovernmental organizations (NGOs) which represent stakeholders directly affected by the project. The government's contribution to a PPP may take the form of capital for investment (available through tax revenue), a transfer of assets, or other commitments or in-kind contributions that support the partnership. The government also provides elements of social responsibility, environmental awareness, local knowledge, and an ability to mobilize political support. The private sector's role in the partnership is to make use of its expertise in commerce, management, operations, and innovation to run the business efficiently. The private partner may also contribute investment capital depending on the form of contract.

Greater forms of collaboration—from PPPs to closer cooperation among developing economies in the form of bilateral, trilateral, and regional assistance—are crucial to strengthening the Aid for Trade initiative. Successful PPPs in trade-related

initiatives and new ways to facilitate an active role for businesses in expanding regional and global trade are the crux of good Aid for Trade projects.

The benefits of PPPs are evident in the innovative Nam Theun 2 hydropower project, a public–private collaboration funded by the European Development Fund International of France, Electricity Generating Public Company Ltd of Thailand, and Italian–Thai Development Public Company Ltd. The project has led to significant development outcomes for households in the area (see Appendix Box 4-11). Japan's Visionary Leaders for Manufacturing program is a public–private collaboration that brought together two higher education institutes on technology and management in India, the Indian Ministry of Human Resource Development, and the Confederation of Indian Industry (CII) to create a training program to teach management techniques from Japanese manufactures (see Appendix Box 4-12).

(ii) Mainstreaming Trade in Regional and National Development Strategies

Maximizing the benefits of Aid for Trade as an instrument to closing trade and development gaps is best achieved when trade is embedded in overall national development strategies and identified as a key development cornerstone. As Chapter 2 demonstrated, there are strong links between trade, growth, and poverty reduction. Through trade, countries have access to a wider range of goods and services as well as to technologies that increase the productivity and competitiveness of local firms. Stimulating the private sector, trade creates jobs and fosters learning, which in turn attracts FDI and new opportunities for production and export. Mainstreaming trade and promoting country ownership of trade-promoting activities underscores the critical role and contribution that trade can make in catalyzing growth and reducing poverty at the country-level for the second face.

Mainstreaming trade into national development strategies typically takes places at three levels, including the

i. policy level, where trade is integrated into national and sectoral development strategies;[24]
ii. institutional level, in which country-specific capacities and structures are put in place to facilitate policy dialogue and trade integration;[25] and
iii. donor–partner coordination level, where a dialogue is facilitated between partner governments and donors on trade-related issues.

In mainstreaming trade into development strategies, several key questions should be addressed to ensure that trade priorities are in line with national development goals:

i. Which sectors are the poor engaged in and what is their export potential?
ii. What is the market access for goods and services of which the poor are the principal producers?
iii. How will tariff reductions on inputs and tradable goods produced by the poor impact their incomes?

Maintaining a pro-development stance will ensure strong poverty reduction linkages, while also raising the profile of trade and trade openness in country strategies and reforms.

Drawing from the links between trade, growth, and poverty alleviation, policymakers should target specific trade policy objectives and instruments that

24 For LDCs and small states, national development strategies are embodied in their respective Poverty Reduction Strategy Papers (PRSP), which provide a coordination framework for international assistance. While PRSPs previously focused on social sectors with the aim of ensuring that debt relief funds were allocated to priority sectors for poverty alleviation, over time they evolved to become a programmatic approach to both growth and poverty reduction. The new generation of PRSPs provides guidance on using trade policies for poverty reduction.

25 At the institutional level, this means having government ministries, supporting institutions, and private sector bodies coordinate and participate in the integration of trade into development strategies. Broad-based consultations and the participation of external stakeholders are key.

Table 9: Trade Policy Objectives and Instruments for Mainstreaming

Public Sector Capacity Building	Private Sector Capacity Building
• Trade openness and reduced tariff barriers • Export diversification and increased competitiveness • Development of high-value agriculture • Development of export-oriented manufacturing activities • Sector specific development (e.g. tourism, energy) • Strengthened production and consumption linkages • Small- and medium-sized enterprise (SME)-focused development	• Trade-related infrastructure development • Consultations among the three key stakeholders: government, private sector, and civil society • Trade facilitation • Export promotion schemes • Export insurance schemes • Financial incentive schemes for exporters • Export processing zones • Regulatory policies • Enhanced collection, dissemination, and analysis of trade-related information at the local and national levels • Technical assistance in key areas, such as product quality standards, trade financing, freight forwarders and shippers, and overseas commercial representation

enhance trading capacity and stimulate growth. In particular, this means promoting trade strategies that are carefully coordinated with industrial and private sector development policies, as well as aligned with complementary policies, such as social safety nets, tax reform, and skills development in the labor force. Table 9 summarizes examples of trade policy objectives and instruments of relevance to the second face that are building blocks for effective mainstreaming.

Cambodia's Trade Sector Wide Approach (Trade SWAp) is one model that has successfully mainstreamed trade into national development strategies. Trade SWAp coordinates the resources of the Cambodian government and various stakeholders to promote Cambodia's trade sector. The SWAp approach identifies priority products and services to strengthen and diversify Cambodia's export base, and removes bottlenecks in those priority export sectors. In broad terms, it more clearly links trade sector development to poverty-reduction and sustainable human development polices (see Appendix Box 4-13).

Pakistan is also pursuing a mainstreaming strategy with its Trade Policy Framework, which identifies a clear national competitiveness strategy with reforms to improve the business climate and investments in upgrading Pakistan's technological capacity and promoting skills development among its workforce (see Appendix Box 4-14).

From a donor perspective, successful mainstreaming is highlighted in the EU Multilateral Trade Policy Assistance Project (MUTRAP), which is aimed at helping Viet Nam better integrate with the global trading system, including providing assistance in WTO accession and trade policy and negotiation capacity building (see Appendix 4-15).

Promoting country ownership also aids effective implementation of sub-regional initiatives. In South Asia, one of the least integrated regions in the world, trade is an important tool for enhancing not only national competitiveness, but also wider regional development. The South Asia Strategic Framework for Aid for Trade Road Map involves a pilot study that aims to operationalize Aid for Trade in South Asia, particularly in LDCs such as Nepal, Bhutan,

and Bangladesh. The road map aims to produce the ADB's Aid for Trade business plan for South Asia and enhance in-country institutional capacity. The business plan will prioritize interventions based on their combined economic impacts, taking into account spatial complementarities and economic spillovers such as building productive capacities for service and production networks, and investing in trade-related infrastructure. This approach is designed to maximize the economic impact in terms of growth, employment, and structural changes for higher trade competitiveness among South Asian LDCs.

For LDCs, the Enhanced Integrated Framework (EIF) helps bridge the gap between demand and supply for Aid for Trade and to mainstream trade into national development plans. The EIF is the main mechanism through which LDCs access additional Aid for Trade resource through an EIF Trust Fund, managed by the WTO.[26]

(iii) Effective Donor–Donor Coordination and the Emergence of Triangular and South–South Cooperation

A potential pitfall in Aid for Trade project implementation is a lack of coordination among donors, particularly on technical assistance and capacity building projects. A lack of donor coordination, or fragmentation, leads to inefficiencies that adversely impact the implementation of Aid for Trade projects. Strong donor coordination enables concerted support and ensures sustainability and the success of projects, while donor fragmentation results in duplication and inefficiencies in the use of funds. For example, donors face fixed costs in the provision of capacity building projects (e.g., local office space, consultants, and travel expenses, among others).Therefore, as fragmentation increases, less resources are used for their intended target.

One case of successful multi-donor coordination is the trade capacity building program for Lao PDR, which included assistance from the EU, World Bank, Australia, and Switzerland. This program involved trade policy and administrative management, as well as trade facilitation. The overall objective was to support Lao PDR's institutional development through the Trade Development Fund in contributing to the eradication of poverty by promoting sustainable economic development and supporting a smooth and gradual integration into world markets.

At the regional level, development through cooperation to achieve accelerated economic growth and poverty reduction is embodied in the Central Asia Regional Economic Cooperation (CAREC) Program. CAREC is a partnership of eight countries and six multilateral institutions, including ADB, aiming to promote and facilitate regional cooperation. In 2009, the program mobilized US$3.9 billion in support of projects in the priority sectors of transport, trade, and energy (see Appendix Box 4-16).

The Aid for Trade Work Plan also aims to place greater emphasis on complementary approaches, such as South–South or triangular forms of cooperation. In Asia and the Pacific, emerging donors such as the People's Republic of China and India have expanded their Aid for Trade contributions. South–South cooperation programs have often been implemented under larger regional/sub-regional frameworks. The achievements of such programs and projects contribute not only to the advancement of beneficiary countries in specific areas of cooperation, but also promote broader regional cooperation and solidarity among member countries.

The Initiative for ASEAN Integration (IAI) demonstrates a good example of both triangular and South–South cooperation (see Appendix Box 4-17 on regional and bilateral support to the IAI). The IAI aims to bridge and narrow the development gap among its members particularly to assist the newer members Cambodia, Lao PDR, Myanmar,

26 For more information, see http://www.wto.org/english/tratop_e/devel_e/a4t_e/enhance_if_e.htm.

and Viet Nam (CLMV countries) benefit from ASEAN regional integration.

Overall, the key lessons of donor–donor coordination and south–south cooperation revolve around comparative advantages that ensure effective partnerships and cost effective Aid for Trade, including the sharing of country experiences, technical capacities, and practical know-how.

(iv) Monitoring and Evaluation of Aid for Trade at Regional, Subregional, and National Levels

Monitoring and evaluation are necessary ingredients for the successful implementation of Aid for Trade programs. The aim of the monitoring framework in the Aid for Trade initiative is to promote dialogue and encourage key actors to honor commitments, meet local needs, improve effectiveness, and reinforce mutual accountability. This, in turn, creates incentives for partners through enhanced transparency, scrutiny, and dialogue. In order to fully analyze a program's impact, it should have clear evaluation principles and indicators, and be characterized by an active review process.

Monitoring and evaluation is the operational process at the project level that underpins assessments of aid effectiveness. The WTO Aid for Trade Task Force recommends accountability mechanisms for monitoring and evaluation at the local and global level. These mechanisms comprise three levels of analysis:

i. global analysis of flows, using OECD's CRS, to assess where resources are being delivered and to identify gaps in pledges and disbursements;
ii. evaluations of national, regional, and multilateral donors' Aid for Trade initiatives through self-assessments; and,
iii. country-based monitoring and evaluation through self-assessments to determine whether trade is being mainstreamed into national development policies and that trade needs are met and aligned with the Paris Declaration and Accra Agenda.

In addition, performance indicators can be further defined based on aid effectiveness principles, such as alignment, harmonization, and specialization against which donor and partner countries can be ranked.

An example of effective monitoring and evaluation at the project level is the Japan–Viet Nam Joint Initiative, which aims to improve the business environment with a view to strengthening Viet Nam's competitiveness. In particular, the experience of the Japan–Viet Nam Joint Initiative stressed the importance of holding dialogues; making action plans; and executing monitoring mechanisms between government agencies—including commerce, trade, and other agencies involved in overall development strategies—and the private sector (see Appendix Box 4-18).

Tonga's experience also offers several good practices in terms of monitoring and evaluation. In projects in Tonga, donor coordination and alignment with national development objectives are conducted jointly throughout the project life cycle—from the process of needs assessment through monitoring and evaluation. An example of this coordination is the AusAID Interim Programme of assistance to Tonga, which provides regular reports on the utilization of cash grants and implementation of work programs and their respective budgets. Joint evaluations are also conducted in the Hub and Spokes Project between the Commonwealth Secretariat and the Ministry of Labor, Commerce, and Industries; and in the Pacific Agreement on Closer Economic Relations (PACER) Regional Trade Facilitation Program: Joint Evaluation by Pacific Island Forum Secretariat and Tongan government.

Monitoring at the regional and subregional levels in Asia and the Pacific remains limited because of the inherent challenges in measuring the benefits of regional/subregional programs across borders. The political, economic, demographic, and geographic diversity of Asia and the Pacific makes it difficult to draw comparisons or contrasts between beneficiaries of Aid for Trade flows residing in different countries. Expanding the capability of

regional and subregional institutions to successfully conduct cross-border monitoring and evaluation should be a priority of Aid for Trade programs.

According to Aid for Trade At a Glance: Maintaining Momentum (OECD and WTO 2009), developing country partners noted that progress has been made globally in the effectiveness of Aid for Trade, while highlighting areas that still need greater attention: (i) stronger donor focus on capacity building, (ii) greater say in the design of Aid for Trade interventions; (iii) better predictability of funding; and (iv) more extensive use of budget support (or trade sector-wide approaches). On binding constraints, the global consensus among partner countries identified (i) network infrastructure; (ii) competitiveness; (iii) export diversification; and (iv) trade policy analysis, negotiation, and implementation.

In Asia and the Pacific, a formal assessment of the quality of Aid for Trade at the regional level is not yet available although there is a reorientation toward developing domestic demand, through infrastructure and regional integration, as a complementary process to the traditional channels of export-oriented growth and outward orientation. These regional perspectives create new opportunities for the evaluation for Aid for Trade in Asia and the Pacific. Donors and partners alike in Asia and the Pacific have recognized the importance of regional integration and report a rising demand for regional Aid for Trade and a willingness to provide additional support for corresponding activities.

5. Way Forward

- *The Regional Technical Group on Aid for Trade for Asia and the Pacific seeks to formulate an integrated approach to operationalize Aid for Trade in the medium-term in line with the Paris Declaration on Aid Effectiveness.*
- *Depending upon the level of commitment exhibited by members, the Regional Technical Group is poised to evolve from its initial conception as a pilot project with limited funding to a more self-sustaining entity with a focused mission of developing and implementing an operational approach to Aid for Trade flows in Asia and the Pacific.*

The Regional Technical Group on Aid for Trade for Asia and the Pacific: An Update

Supporting the discussions at the WTO in Geneva on Aid for Trade in Asia and the Pacific is an informal regional forum—the Regional Technical Group (RTG) for Asia and the Pacific. This update sets out the origins of the RTG, outlines membership and terms of reference, and discusses the RTG's activities and the way forward.

Origins of the RTG

The formation of an RTG on Aid for Trade for Asia and the Pacific was a key recommendation to emerge from the Aid for Trade Regional Review Meeting at ADB headquarters in Manila in September 2007 and the First WTO Global Aid for Trade Review Meeting at the WTO in Geneva in November 2007.[27] The RTG represents the culmination of a region-wide dialogue on moving Aid for Trade forward in Asia and the Pacific.

The origin of region-wide dialogues on Aid for Trade can be traced to a decision made in July 2006 by heads of regional development banks, including the Asian Development Bank (ADB), to partner with the WTO to implement the Aid for Trade Initiative in their respective regions. At the Second Global Aid for Trade Review Meeting in Geneva in July 2009, the ADB President stated that supporting the RTG process is a key ADB deliverable for carrying forward the WTO Aid for Trade initiative in Asia and the Pacific, in addition to increasing trade-related lending and disseminating best practices.

Membership and Terms of Reference

Reflecting the principles of country ownership of Aid for Trade, the RTG operates under the stewardship of RTG co-chairs, representatives of Cambodia and Japan. The RTG comprises members from the WTO; recipient and donor countries involved in formulating and implementing Aid for Trade policies; and development agencies in the region. ADB is a member and serves as the Secretariat to the RTG.[28]

The RTG started as a pilot project to provide an informal regional forum for discussing Aid for Trade issues and proposals, sharing good practices, taking stock of available analytical work on Aid for Trade in the region, and building partnerships among actors and stakeholders. The RTG seeks to formulate an integrated approach to operationalize Aid for Trade in the medium-term in line with the Paris Declaration on Aid Effectiveness.

Specifically, the RTG has been tasked with the following:

- Review Aid for Trade flows and assess the outlook for these flows and activities particularly in LDCs and small states.
- Discuss ways of mainstreaming trade into national and regional development strategies.
- Take stock of available analytical work on Aid for Trade in the region, including the programs

27 This was a key recommendation of the joint ADB-WTO report of the Manila meeting. See ADB and WTO (2007) Mobilizing Aid for Trade: Focus Asia and the Pacific Report and Recommendations, November, Manila and Geneva which is available at http://www.aric.adb.org/Aid for Trade-asia.

28 ADB maintains a website with RTG Aid for Trade related resources, projects and events (http://www.aric.adb.org/Aid for Trade-asia/).

of donors and other activities funded by regional resources.

- Consult with development agencies in recipient countries and the private sector on how to improve Aid for Trade performance at the country, subregional, and regional levels.
- Provide a forum for Aid for Trade proposals not identified in existing processes of donors to identify Aid for Trade objectives, stakeholders, needs, costs, and benefits.
- Conduct a review of the RTG work plan several times a year (at least once in Manila).
- Periodically report on the RTG's work at WTO Global Aid for Trade Review Meetings and regional forums as appropriate.
- Consider future WTO Aid for Trade initiatives in the RTG work plan.

Activities and the Way Forward

The RTG held its first meeting on 3 March 2009 at ADB in Manila. The meeting underscored the increasing relevance of the Aid for Trade Initiative in light of the negative effects of the global economic downturn and emerging signs of protectionism. RTG members agreed that developing countries, particularly LDCs and small states, required Aid for Trade to weather the unfolding crisis and prepare their economies for long-term development and structural adjustment. Discussions focused on preparing a diagnostic report on Aid for Trade flows in Asia and the Pacific.

A second RTG meeting was held at UN ESCAP in Bangkok on 12–13 November 2009 where members discussed the strategy and work plan for moving the Aid for Trade initiative forward in the region, including operationalizing a regional approach to Aid for Trade based on country-level strategies. The meeting emphasized that while Asia was set for an upturn, the region's LDCs and small states were most at risk of being left behind in the recovery. Aid for Trade as a part of a coherent strategy could help narrow the intra-regional gap in trading-related infrastructure and capacity.

The RTG members convened for a third meeting at Ministry of Foreign Affairs (MOFA), Japan in Tokyo on 10–11 May 2010. The members deliberated on the draft RTG report, which recommended an integrated regional approach backed by national development strategies as the optimal means to operationalize Aid for Trade. The members also discussed the RTG work plan for 2010–2011. An expansion of partnerships could allow for both increased funding and a more harmonized approach to Aid for Trade in Asia and the Pacific.

The fourth RTG meeting was once again held at ADB in Manila on 28 April 2011. From the last RTG meeting in Manila, broadly shared directions for the RTG's future work program include (i) closer dialogue and experience sharing between Asia and other developing regions, and (ii) greater engagement of private sector in Aid for Trade initiatives and South-South cooperation. At the meeting, the RTG members agreed to produce studies on the relationship of Aid for Trade with (i) Free Trade Agreements, (ii) trade facilitation, (iii) public-private partnerships for infrastructure, and (iv) innovation and export diversification.

Periodic reporting of the RTG's activities is made to the WTO's Committee on Trade and Development (CTD). A briefing was also provided to Asia and the Pacific Economic Cooperation (APEC) senior officials in early 2010. The RTG has been expanding links with the WTO process leading up to the Third Global Aid for Trade Review in Geneva in 18-19 July 2011, including presentations of the co-chairs report at the WTO's CTD and a briefing to Asia and the Pacific WTO members in late 2010. A presentation of the RTG Co-Chairs report was made at the Regional Review Meeting on Aid for Trade in Jakarta on 14 June 2011. It will also be presented at the July 2011 Global Review in Geneva and it is envisaged that further experience sharing activities with other regions will be conducted in 2011-2012 (including presentations of the co-chairs report to facilitate cross-regional dialogue).

Way Forward

Furthermore, depending upon the level of commitment exhibited by members, the RTG is poised to evolve from its initial conception as a pilot project with limited funding to a more self-sustaining entity with a focused mission of developing and implementing an operational approach to Aid for Trade flows in Asia and the Pacific.

APPENDIX 1: Two Faces Country Classification

FIRST FACE (total = 8)

People's Republic of China, People's Rep. of
India
Newly Industrialized Economies
Hong Kong, China
Korea, Rep. of
Malaysia
Singapore
Taipei,China
Thailand

SECOND FACE (total = 37)

Resource Rich (7)
Armenia
Azerbaijan
Brunei Darussalam
Georgia
Indonesia
Kazakhstan
Turkmenistan
Other Low Income (8)
Kyrgyz Republic
Mongolia
Pakistan
Philippines
Sri Lanka
Tajikistan
Uzbekistan
Viet Nam
LDCs and Small States (22)
Afghanistan
Bangladesh
Bhutan
Cambodia
Cook Islands
Fiji, Rep. of
Kiribati
Lao People's Dem. Rep.
Maldives
Marshall Islands, Rep. of
Micronesia, Fed. States of
Myanmar
Nauru
Nepal
Palau, Rep. of
Papua New Guinea
Samoa
Solomon Islands
Timor-Leste, Dem. Rep. of
Tonga
Tuvalu
Vanuatu

APPENDIX 2: Aid for Trade Strategies

Appendix Box 2-1: Australia's Approach to Aid for Trade

Australia considers Aid for Trade as development assistance provided to enable developing countries to:

1. better engage in the multilateral trading system and regional trade initiatives;
2. boost their trade flows;
3. diversify their trade activities; and
4. improve economic integration on a regional and global basis.

Australia pursues Aid for Trade through multilateral, regional and bilateral arrangements. Australian support for Aid for Trade activities represent about 15% of its total aid program (around US$400 million in 2009–10). In addition, since 2003, Australia has taken the lead in unconditionally eliminating duties and quotas on imports from Least Developed Countries.

The Government released Australia's Trade and Development Statement on 30 November 2009. The Statement explains the critical role trade liberalization has to play in reducing poverty. But it recognizes that developing countries require assistance to take full advantage of the benefits of trade liberalization. It outlines the two pillars of Australia's 'Aid for Trade' efforts: (i) improving market access and (ii) building competitive economies:

- Improving market access: The international trading system must be equitable and should allow developing countries to pursue their interests in an informed manner.
- Building competitive economies: There are substantial opportunities in regional and global markets. But countries must be competitive enough and productive enough to take advantage of these opportunities. Many developing countries need assistance to realize the benefits of trade.

Source: AusAID staff (2010).

Appendix Box 2-2: European Union's Aid for Trade Strategy

In December 2005 the EU made an overall commitment to increase its collective annual spending on trade-related assistance TRA (1 component of the overall Aid for Trade budget) to €2 billion every year by 2010 (€1 billion from EU + €1 billion from EU Member States).

In October 2007 the Commission and EU governments adopted an EU Aid for Trade strategy to help developing countries better integrate into the rules-based world trading system and more effectively use trade to reduce poverty. The strategy commits the EU to channel more resources to Aid for Trade and to do more to improve delivery of results. The additional funding will come from the substantial increases in total overseas development assistance (overseas development assistance) to which the EU is already committed. The strategy has five strands: (i) Aid for Trade volumes; (ii) Aid quality and pro-poor focus; (iii) Capacity; (iv) ACP specifics; (vi) Reporting.

EU Aid for Trade monitoring reports: As part of the Strategy, the EU produces an annual monitoring report on EU A4T spending and effectiveness. The latest EU joint monitoring report on AfT 2010 is available:http://ec.europa.eu/development/icenter/repository/SEC_2010_0419_COM_2010_0159_EN.PDF

According to this report the EU is now very active in implementing its A4T Strategy and have hit their target on TRA well in advance of the deadline. In fact, support for TRA from the EU and its Member States totaled € 2.15 billion in 2008 : € 1.143 billion from Member States and € 1.007 billion from the EU. The most substantial increases have been reported in wider A4T - including transport and energy, productive sectors and trade-related adjustment. Total A4T from the EU and its Member States reached an all-time high of € 10.4 billion in 2008, an increase of € 3.4 billion (48 %) since 2007. This includes € 7.2 billion from the Member States and € 3.2 billion from the EU, up from € 4.6 billion and € 2.4 billion, respectively.

Cont: APPENDIX 2: Aid for Trade Strategies

Africa remains the developing country region receiving most A4T: € 4.6 billion in 2008, accounting for 46 % of total EU and Member States A4T. The main share of this, € 2.9 billion, went to Sub Saharan Africa. This is followed by Asia (€ 2.2 billion), Europe (€ 1.3 billion), America (€ 0.7 billion) and Oceania (€ 0.01 billion).

Source: EC staff (2010).

Appendix Box 2-3: Japan's Aid for Trade Strategy

Japan's ODA Charter emphasizes the role of trade and investment for developing countries' economic growth. One of the leading donors, Japan's important contributions to economic sectors ranges from technical and financial assistance in production sector, economic infrastructure and service sector. Prior to the WTO Hong Kong Ministerial Conference held in December 2005, Japan announced the "Development Initiative for Trade" which formed the basis of its Aid for Trade Strategy.

In July 2009, a new Aid for Trade Strategy "Development Initiative for Trade 2009". Japan pledged US$12 billion for bilateral assistance for trade-related projects from 2009 to 2011, which includes providing technical assistance for 40 thousand persons in total in the field of trade-related activities. Japan channels its aid at bilateral, regional and multilateral levels. It views that one of the key elements for successful AfT is public–private sector dialogue through ODA process since trade is essentially private activity.

Source: Ministry of Foreign Affairs staff (2010)

Appendix Box 2-4: USAID's Aid for Trade Strategy

The US Aid for Trade strategy is integrated within its overall development assistance framework. In the Strategic Framework for Foreign Assistance, economic growth is one of five pillars, and support for trade – or Aid for Trade/trade capacity building (TCB) – is one of the economic growth priority objectives. Alongside the Strategic Framework, USAID developed a strategy—Economic Growth Strategy, Securing the Future: A Strategy for Economic Growth (April 2008)—to guide the agency's work to help developing countries achieve rapid, sustained and broad-based economic growth.

USAID strategy is pro-poor in focus, as trade expansion is essential for the smallest and poorest developing countries. TCB assistance focuses on country-based bilateral and regional programs, thereby ensuring that programs are flexible and can respond in a timely way to local needs and opportunities. U.S. multilateral contributions to international financial institutions are not earmarked for Aid for Trade.

The Millennium Challenge Corporation (MCC) relies upon countries that are eligible for its assistance to put forward their own proposals for "reducing poverty through growth."
Domestically, Aid for Trade programs are referred to as trade capacity building programs, including trade-related infrastructure projects. In 2008, U.S. Aid for Trade (TCB) spending reached US$2.24 billion, a 59% increase over 2007. U.S. Aid for Trade spending reached US$1.4 billion in 2007 and 2006.

Source: USAID response to OECD questionnaire (2009).

Cont: APPENDIX 2: Aid for Trade Strategies

Appendix Box 2-5: UN ESCAP's Aid for Trade Strategy

UN ESCAP's AfT strategy is of "pro-poor" nature and consists of two parts:

- To assist to more effectively negotiate, conclude and implement multilateral, regional and bilateral trade agreements (including accession to WTO) and benefit from such agreements by improved trade policy formulation, management and implementation.
- To assist in utilizing increased market access through the development of their capacity to trade with focus on improving business and investment climates, and assistance to SMEs and trade facilitation.

Utilizing regional approach to improve the policy coordination and coherence in pursuing inclusive and sustainable development and enhancing supply-side capacity. Successful programmes include: UN ESCAP/WTO Technical Assistance Programme; ARTNeT; United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT); secretariat of Asia and the Pacific Trade Agreement; APTIAD; Trade Information Service; Asia and the Pacific Business Forum.

Source: UN ESCAP staff (2010).

Appendix Box 2-6: World Trade Organization's Aid for Trade Strategy

In February 2006, the WTO established a Task Force, with the aim of "operationalizing" Aid for Trade. The WTO works in cooperation with an Advisory Group that the Director-General established in 2007 following the recommendations of the 2006 Aid for Trade Task Force. The role of the WTO is to:

- Encourage additional flows of Aid for Trade from bilateral, regional and multilateral donors to support requests for trade-related capacity building from beneficiary countries;
- Support improved ways of monitoring and evaluating the initiative; and
- Encourage mainstreaming of trade into national development strategies by partner countries
- Aid for Trade Work Programme 2010–2011 issued on 27 Nov 2009, to keep an on-going focus on Aid for Trade, a "spotlight effect", which will generate continued impetus to resource mobilization, mainstreaming, operationalization and implementation.

Source: WTO website (2010).

Appendix Box 2-7: Asian Development Bank's Approach to Aid for Trade

ADB is a member of the WTO Aid for Trade Advisory Group; and the OECD Technical Working Group on global monitoring of AfT flows. ADB President participates at the Global Aid for Trade review and co-hosts regional meetings. ADB supports Aid for Trade in three ways:

- Through increased lending for trade-related infrastructure at regional, subregional and national levels.
- By helping to coordinate the many participants in Aid for Trade as secretariat for the Regional Technical Group on Aid for Trade for Asia and the Pacific, co-chaired by Japan and Cambodia.
- By sharing cross-border experience and technical expertise on Aid for Trade activities through policy dialogues and studies.

Source: ADB (2009) and ADB President's Speech at the Second Global Aid for Trade Review, in July 2009 (Geneva).

APPENDIX 3: Trade, Development and Aid Indicators

Appendix 3-1: Trade Indicators for Asia and the Pacific

	Export Value (US$, million)			Annual Average Growth Rate, %	Share of World Exports, %			Share of Manufactured Exports to Total Export Value, %
	1980	2008	2009	1980-2008	1980	2008	2009	2008
First Face (total/ave.)	122,683.0	3,385,179.7	2,384,968.2	12.6	6.7	21.1	14.9	75.4
People's Republic of China	18,139.2	1,429,340.0	1,333,300.0	16.9	1.0	8.9	8.4	93.0
Hong Kong, China	19,773.8	362,985.0	-	11.0	1.1	2.3	-	82.8
India	8,441.1	198,304.0	269,732.2	11.9	0.5	1.2	1.7	62.8
Republic of Korea	17,439.4	426,763.0	415,426.5	12.1	1.0	2.7	2.6	-
Malaysia	12,961.1	199,510.0	186,175.0	10.3	0.7	1.2	1.2	54.4
Singapore	19,641.1	339,414.0	-	10.7	1.1	2.1	-	70.4
Taipei,China	19,786.0	255,628.7	-	9.6	1.1	1.6	-	-
Thailand	6,501.3	173,235.0	180,334.5	12.4	0.4	1.1	1.1	73.9
Second Face (total/ave.)	39,491.7	454,113.3	413,245.7	9.1	2.2	2.8	2.6	46.2
Resource Rich (total/ave.)	26,511.0	259,635.2	220,662.3	8.5	1.4	1.6	1.4	32.2
Armenia	-	1,069.1	1,045.2	-	-	-	-	51.0
Azerbaijan	-	47,755.8	22,583.0	-	-	0.3	0.1	1.5
Brunei Darussalam	4,588.6	10,187.7	-	2.9	0.3	0.1	-	-
Georgia	-	1,496.1	3,172.5	-	-	-	-	55.4
Indonesia	21,922.4	137,022.0	130,338.9	-	1.2	0.9	0.8	38.8
Kazakhstan	-	52,184.7	48,443.8	-	-	0.3	0.3	14.5
Turkmenistan	-	9,919.8	15,079.0	-	-	0.1	0.1	-
Other Low Income (total/ave.)	9,447.5	154,746.1	159,322.4	10.5	0.5	1.0	1.0	74.6
Kyrgyz Republic	-	1,617.6	2,283.2	-	-	-	-	-
Mongolia	-	2,534.5	2,346.5	-	-	-	-	-
Pakistan	2,621.3	21,615.1	20,805.4	7.8	0.1	0.1	0.1	73.5
Philippines	5,787.0	49,148.4	51,039.4	7.9	0.3	0.3	0.3	83.3
Sri Lanka	1,039.1	8,725.2	8,968.7	7.9	0.1	0.1	0.1	67.1
Tajikistan	-	1,443.8	667.6	-	-	-	-	-
Uzbekistan	-	6,976.6	11,679.1	-	-	-	0.1	-
Viet Nam	-	62,685.1	61,532.5	-	-	0.4	0.4	-

Cont: Appendix 3-1: Trade Indicators for Asia and the Pacific

	Export Value (US$, million)			Annual Average Growth Rate, %	Share of World Exports, %			Share of Manufactured Exports to Total Export Value, %
	1980	2008	2009	1980-2008	1980	2008	2009	2008
LDCs and Small States (total/ave.)	3,533.2	39,731.9	33,260.9	9.0	0.2	0.2	0.2	31.6
Afghanistan, Islamic Rep. of.	670.5	459.8	-	(1.3)	-	-	-	41.5
Bangladesh	790.2	13,911.2	17,360.5	10.8	-	0.1	0.1	-
Bhutan	17.0	350.0	730.0	11.4	-	-	-	1.4
Cambodia	-	4,251.1	5,885.1	-	-	-	-	-
Cook Islands	-	-		-	-	-	-	-
Republic of Fiji	369.1	1,178.3	1,330.0	4.2	-	-	-	-
Kiribati	-	-	-	-	-	-	-	-
Lao People's Dem. Rep.	-	1,603.9	-	-	-	-	-	-
Maldives	-	188.4	987.5	-	-	-	-	0.0
Marshall Islands, Rep. of	-	-	-	-	-	-	-	-
Micronesia, Fed. States of	-	-	-	-	-	-	-	-
Myanmar	415.0	6,649.6	-	10.4	-	-	-	-
Nauru	-	-	-	-	-	-	-	-
Nepal	-	959.9	1,967.9	-	-	-	-	-
Palau, Rep. of	-	-	-	-	-	-	-	-
Papua New Guinea	1,133.2	9,096.2	4,572.3	7.7	0.1	0.1	-	-
Samoa	18.4	153.9	166.2	7.9	-	-	-	83.6
Solomon Islands	75.8	409.1	220.3	6.2	-	-	-	-
Timor-Leste, Dem. Rep. of	-	-	-	-	-	-	-	-
Tonga	8.2	18.1	40.9	2.9	-	-	-	-
Tuvalu	-	-	-	-	-	-	-	-
Vanuatu	35.9	502.6	-	9.9	-	-	-	-
Asia and the Pacific (total/ave.)	162,174.7	3,838,943.0	2,798,213.9	12.0	8.8	23.9	17.5	52.7

LDCs = least developed countries
Sources: ADB (2010), IMF (2009), and World Bank (2011)

Appendix 3-2: Growth Indicators for Asia and the Pacific

	GDP Per Capita (Current US$)				GDP Per Capita Growth (Annual %)		
	1980	2008	2009		1980	2008	2009
First Face (ave.)	2,217.9	15,291.7		***First Face***			
People's Republic of China	313	3,260	3,744	People's Republic of China	6.5	9.0	8.5
Hong Kong, China	5,695	30,726	-	Hong Kong, China	7.4	1.6	-
India	254	1,017	1,134	India	4.4	3.7	6.2
Republic of Korea	1,746	19,136	17,078	Republic of Korea	-3.0	2.0	-0.1
Malaysia	1,812	8,118	7,030	Malaysia	4.9	2.9	-3.3
Singapore	4,860	38,972	36,537	Singapore	8.3	-3.5	-4.2
Taipei,China	2,367	16,988	-	Taipei,China	-	-	-
Thailand	696	4,116	3,893	Thailand	2.9	1.8	-2.8
Second face (ave.)	567.0	3,311.7		***Second face***			
Resource Rich (ave.)	644.25	9,082.03		*Resource Rich*			
Armenia	-	3,685	2,826	Armenia	-	6.6	-14.6
Azerbaijan	-	5,349	4,899	Azerbaijan	-	9.5	8.0
Brunei Darussalam	-	48,851	48,194	Brunei Darussalam	-10.0	-	-
Georgia	-	2,924	2,449	Georgia	-	2.4	-4.0
Indonesia	644	2,239	2,349	Indonesia	6.4	4.8	3.4
Kazakhstan	-	8,719	7,257	Kazakhstan	-	2.0	-0.2
Turkmenistan	-	3,606	3,904	Turkmenistan	-	9.0	6.6
Other Low Income (ave.)	458	1,329		Other Low Income			
Kyrgyz Republic	-	951	860	Kyrgyz Republic	-	7.5	1.5
Mongolia	-	1,975	1,573	Mongolia	-	7.6	-2.7
Pakistan	347	1,022	955	Pakistan	7.1	-0.6	1.4
Philippines	672	1,845	1,753	Philippines	2.3	1.9	-0.7
Sri Lanka	301	1,972	2,068	Sri Lanka	4.2	5.2	2.8
Tajikistan	-	795	716	Tajikistan	-	6.2	1.7
Uzbekistan	-	1,027	1,156	Uzbekistan	-	7.2	6.3
Viet Nam	514	1,042	1,032	Viet Nam	-	5.0	4.0
LDCs and Small States (ave.)	595	2,021		LDCs and Small States			
Afghanistan, Islamic Rep. of.	-	416	-	Afghanistan, Islamic Rep. of.	-	-0.4	37.1
Bangladesh	220	521	551	Bangladesh	-1.8	4.7	4.3

Cont: Appendix 3-2: Growth Indicators for Asia and the Pacific

	GDP Per Capita (Current US$)			GDP Per Capita Growth (Annual %)			
	1980	2008	2009		1980	2008	2009
Bhutan	283	2,114	1,805	Bhutan	-	3.3	5.8
Cambodia	-	823	667	Cambodia	-	4.9	-3.5
Cook Islands	-	-	-	Cook Islands	-	-	-
Republic of Fiji	1,898	4,094	3,326	Republic of Fiji	-3.7	-0.4	-3.6
Kiribati	466	1,373	1,306	Kiribati	-45.6	-2.6	-2.2
Lao People's Dem. Rep.	302	859	940	Lao People's Dem. Rep.	-	5.3	4.5
Maldives	319	3,654	4,760	Maldives	-	4.8	-4.4
Marshall Islands, Rep. of	-	2,548	2,504	Marshall Islands, Rep. of	-	-4.2	-2.2
Micronesia, Fed. States of	-	2,334	2,476	Micronesia, Fed. States of	-	-3.1	-1.8
Myanmar	186	446	-	Myanmar	5.5	-	-
Nauru	-	-	-	Nauru	-	-	-
Nepal	131	444	427	Nepal	-4.6	3.4	2.8
Palau, Rep. of	-	8,205	8,074	Palau, Rep. of	-	-5.4	-2.7
Papua New Guinea	935	1,306	1,172	Papua New Guinea	-4.5	4.2	2.1
Samoa	673	2,608	2,776	Samoa	-	5.0	-5.5
Solomon Islands	770	1,228	1,256	Solomon Islands	-	4.7	-4.5
Timor-Leste, Dem. Rep. of	-	469	492	Timor-Leste, Dem. Rep. of	-	9.6	-1.3
Tonga	606	2,510	2,991	Tonga	-	1.5	-0.8
Tuvalu	-	-	-	Tuvalu	-	-	-
Vanuatu	940	2,442	2,702	Vanuatu	-13.8	3.7	1.4
Asia and the Pacific (ave.)	1,074.98	5,688.31	4,990.36				

LDCs = least developed countries.
Sources: ADB (2010) and World Bank (2011).

Appendix 3-3: Foreign Direct Investment and Official Development Assistance in Asia and the Pacific

	Official Development Assistance		Foreign Direct Investment		ODA to FDI ratio	
	Total received (Current US$, million) 2008	Cumulative (Current US$, million) 1980-2008	Total flows (Current US$, million) 2008	Cumulative (Current US$, million) 1980-2008	(%) 2008	(%) 1980-2008
First Face (total)	3,134.2	116,129.5	266,772.1	2,086,456.1	1.2	5.6
People's Republic of China	1,488.9	50,072.0	108,312.0	898,037.4	1.4	5.6
Hong Kong, China	-	295.2	63,003.0	450,736.6	-	-
India	2,107.7	50,042.2	41,554.0	135,614.2	5.1	36.9
Republic of Korea	-	109.3	7,603.2	80,021.6	-	-
Malaysia	158.2	4,015.3	8,052.9	99,025.4	2.0	4.1
Singapore	-	384.8	22,724.5	269,974.6	-	-
Taipei,China	-	53.7	5,432.0	54,391.0	-	-
Thailand	-620.5	11,156.9	10,090.5	98,655.3	-6.1	11.3
Second face (total)	19,802.5	281,540.4	47,339.6	272,789.6	41.8	103.2
Resource Rich (total)	3,001.3	52,934.6	26,229.0	135,865.0	11.4	39.0
Armenia	302.6	3,678.3	1,132.4	3,589.3	26.7	102.5
Azerbaijan	235.1	3,033.7	11.0	7,799.0	2,137.3	38.9
Brunei Darussalam	-	45.5	239.2	10,322.4	-	-
Georgia	887.7	4,762.7	1,564.0	6,823.9	56.8	69.8
Indonesia	1,225.2	37,989.9	7,919.0	47,629.7	15.5	79.8
Kazakhstan	332.6	2,936.1	14,543.4	54,952.6	2.3	5.3
Turkmenistan	18.1	488.3	820.0	4,748.0	2.2	10.3
Other Low Income (total)	5,966.7	109,765.8	17,969.1	108,199.2	33.2	101.4
Kyrgyz Republic	359.9	3,849.7	232.7	1,321.3	154.7	291.4
Mongolia	246.5	3,686.3	682.5	1,945.7	36.1	189.5
Pakistan	1,539.4	34,642.4	5,438.0	26,337.2	28.3	131.5
Philippines	60.9	20,621.7	1,520.0	29,483.0	4.0	69.9
Sri Lanka	730.4	15,844.7	752.2	5,085.0	97.1	311.6
Tajikistan	290.6	2,500.5	375.8	1,614.2	77.3	154.9
Uzbekistan	187.3	2,422.5	918.0	3,043.4	20.4	79.6
Viet Nam	2,551.8	26,198.2	8,050.0	39,369.6	31.7	66.5
LDCs and Small States (total)	10,834.5	118,840.0	3,141.5	28,725.3	344.9	413.7
Afghanistan, Islamic Rep. of.	4,865.1	22,898.3	300.0	1,362.5	1,621.7	1,680.6
Bangladesh	2,061.4	40,556.3	1,086.3	7,302.6	189.8	555.4
Bhutan	86.5	1,568.2	29.7	130.2	291.2	1,204.5

Cont: Appendix 3-3: Foreign Direct Investment and Official Development Assistance in Asia and the Pacific

	Official Development Assistance		Foreign Direct Investment		ODA to FDI ratio	
	Total received (Current US$, million)	Cumulative (Current US$, million)	Total flows (Current US$, million)	Cumulative (Current US$, million)	(%)	(%)
	2008	1980-2008	2008	1980-2008	2008	1980-2008
Cambodia	742.8	8,219.3	815.2	4,449.8	91.1	184.7
Cook Islands	5.6	320.9	1.2	39.1	466.7	820.7
Republic of Fiji	45.3	1,271.2	274.2	2,265.3	16.5	56.1
Kiribati	26.9	530.8	1.9	141.2	1,415.8	375.9
Lao People's Dem. Rep.	495.6	5,902.5	227.7	1,405.4	217.7	420.0
Maldives	54.3	797.3	15.4	219.5	352.6	363.2
Marshall Islands, Rep. of	53.2	896.5	5.5	182.5	967.3	491.2
Micronesia, Fed. States of	94.1	1,631.5	5.8	-49.0	1,622.4	-3,329.6
Myanmar	533.5	5,907.5	283.5	5,994.5	188.2	98.5
Nauru	31.2	166.8	0.5	4.1	6,240.0	4,068.3
Nepal	716.3	11,074.0	1.0	103.0	71,630.0	10,751.5
Palau, Rep. of	42.9	840.5	1.7	128.3	2,523.5	655.1
Papua New Guinea	304.4	9,075.3	-30.4	4,011.1	-1,001.3	226.3
Samoa	39.5	1,011.2	5.6	72.8	705.4	1,389.0
Solomon Islands	224.3	2,020.4	75.5	310.1	297.1	651.5
Timor-Leste, Dem. Rep. of	277.5	2,089.0	0.3	8.8	92,500.0	23,738.6
Tonga	25.7	680.2	5.7	83.8	450.9	811.7
Tuvalu	16.6	242.8	1.7	31.5	976.5	770.8
Vanuatu	91.7	1,139.6	33.5	528.2	273.7	215.8
Asia and the Pacific (total)	22,936.8	397,669.8	314,111.8	2,359,245.7	7.3	16.9

LDCs = least developed countries
Sources: UNCTAD (2009), OECD (2010a, 2010b)

Appendix 3-4: WTO Accession Date [a] and Free Trade Agreements (FTAs) activity in Asia and the Pacific

	WTO Accession Date	Signed [b] (no. of FTAs)	In the pipeline [c] (no. of FTAs)	Total (no. of FTAs)
First Face				
People's Republic of China	11-Dec-2001	12	5	17
Hong Kong, China	1-Jan-1995	2	1	3
India	1-Jan-1995	12	12	24
Republic of Korea	1-Jan-1995	9	7	16
Malaysia	1-Jan-1995	11	8	19
Singapore	1-Jan-1995	21	10	31
Taipei,China	1-Jan-2002	5	2	7
Thailand	1-Jan-1995	11	7	18
Second face				
Resource Rich				
Armenia	5-Feb-2003	9	0	9
Azerbaijan	pending	9	0	9
Brunei Darussalam	1-Jan-1995	8	2	10
Georgia	14-Jun-2000	10	0	10
Indonesia	1-Jan-1995	8	3	11
Kazakhstan	pending	8	1	9
Turkmenistan	n.a.	3	0	3
Other Low Income				
Kyrgyz Republic	20-Dec-1998	9	0	9
Mongolia	29-Jan-1997	0	0	0
Pakistan	1-Jan-1995	8	8	16
Philippines	1-Jan-1995	7	1	8
Sri Lanka	1-Jan-1995	5	1	6
Tajikistan	pending	9	0	9
Uzbekistan	pending	10	0	10
Viet Nam	11-Jan-2007	7	3	10
LDCs and Small States				
Afghanistan, Islamic Rep. of.	pending	3	0	3
Bangladesh	1-Jan-1995	3	3	6
Bhutan	pending	2	1	3
Cambodia	13-Oct-2004	6	1	7
Cook Islands	n.a.	2	2	4
Republic of Fiji	14-Jan-1996	3	2	5
Kiribati	n.a.	2	2	4

Cont: Appendix 3-4: WTO Accession Date [a] and Free Trade Agreements (FTAs) activity in Asia and the Pacific

	WTO Accession Date	Signed [b] (no. of FTAs)	In the pipeline [c] (no. of FTAs)	Total (no. of FTAs)
Lao People's Dem. Rep.	pending	8	1	9
Maldives	31-May-1995	1	1	2
Marshall Islands, Rep. of	n.a.	2	2	4
Micronesia, Fed. States of	n.a.	2	2	4
Myanmar	1-Jan-1995	6	2	8
Nauru	n.a.	2	2	4
Nepal	23-Apr-2004	2	1	3
Palau, Rep. of	n.a.	2	2	4
Papua New Guinea	9-Jun-1996	4	2	6
Samoa	pending	2	2	4
Solomon Islands	26-Jul-1996	3	2	5
Timor-Leste, Dem. Rep. of	n.a.	-	-	-
Tonga	27-Jul-2007	2	2	4
Tuvalu	n.a.	2	2	4
Vanuatu	pending	3	2	5

WTO = World Trade Organization
LDCs = least developed countries
n.a. = not applicable

Note: The World Trade Organization (WTO) was formed in 1995 and GATT members automatically became WTO members.
[a] Accession date refers to date of WTO membership. Pending status means the government is an "observer government" and is not yet a WTO member. (WTO 2011)
[b] Signed = includes FTAs that have been signed, whether or not they are in effect
[c] In the pipeline = includes FTAs that are under negotiation or Framework Agreements that are being negotiated or have been signed

Sources: WTO (2011); data as of 22 March 2011. ADB (2011a); data as of 1 January 2011.

Appendix 3-5: Poverty in Asia and the Pacific (people living under US$1.25 and US$2.00 per day)

	Magnitude of Poor, $1.25/day (in Millions)		% of population, living under $1.25/day		Magnitude of Poor, $2/day (in Millions)	% of population, living under $2/ day
	1990	2005	1990	2005	2005	2005
First Face	1,124.1	663.9			1,250.6	
People's Republic of China	683.1	207.7	60.2	15.9	413.7	36.3
Hong Kong, China	-	-	-	-	-	-
India	435.5	455.8	51.3	41.6	827.7	75.6
Republic of Korea	-	-	-	-	-	-
Malaysia	0.3	0.1	1.9	0.5	2.0	7.8
Singapore	-	-	-	-	-	-
Taipei,China	-	-	-	-	-	-
Thailand	5.1	0.3	9.4	0.4	7.3	11.5
Second face	291.9	239.5			491.8	
Resource Rich	99.6	48.8	19.1	8.8	124.0	
Armenia	0.2	0.1	6.3	4.7	0.9	29.2
Azerbaijan	1.2	-	16.1	-	0.0	0.3
Brunei Darussalam	-	-	-	-	-	-
Georgia	0.2	0.6	2.9	13.4	1.4	30.4
Indonesia	96.7	47.3	54.3	21.4	118.7	53.8
Kazakhstan	0.1	0.2	0.5	1.2	1.6	10.4
Turkmenistan	1.3	0.6	34.2	11.7	1.5	31.5
Other Low Income	108.5	88.6			206.2	
Kyrgyz Republic	0.2	1.1	4.8	21.8	2.7	51.9
Mongolia	0.7	0.6	34.9	22.4	1.3	49.1
Pakistan	63.1	35.2	58.5	22.6	93.9	60.3
Philippines	18.2	19.1	29.7	22.6	38.0	45.0
Sri Lanka	2.6	2	15	10.3	6.8	34.4
Tajikistan	0.1	1.4	1.5	21.5	3.3	50.9
Uzbekistan	1	10.2	4.9	38.8	18.2	69.7
Viet Nam	22.6	19	34.2	22.8	41.9	50.5
LDCs and Small States	83.8	102.2			161.6	
Afghanistan, Islamic Rep. of.	-	-	-	-	-	-
Bangladesh	56.4	77.4	49.9	50.5	123.1	80.3
Bhutan	0.3	0.2	51	26.8	0.3	50.1
Cambodia	7.5	5.6	77.3	40.2	9.5	68.2

Cont: Appendix 3-5: Poverty in Asia and the Pacific (people living under US$1.25 and US$2.00 per day)

	Magnitude of Poor, $1.25/day (in Millions)		% of population, living under $1.25/day		Magnitude of Poor, $2/day (in Millions)	% of population, living under $2/day
	1990	2005	1990	2005	2005	2005
Cook Islands	-	-	-	-	-	-
Republic of Fiji	-	-	-	-	-	-
Kiribati	-	-	-	-	-	-
Lao People's Dem. Rep.	2.7	2	65.9	35.7	4.0	70.4
Maldives	-	-	-	-	-	-
Marshall Islands, Rep. of	-	-	-	-	-	-
Micronesia, Fed. States of	-	-	-	-	-	-
Myanmar	-	-	-	-	-	-
Nauru	-	-	-	-	-	-
Nepal	14.7	14.8	77	54.7	20.9	77.3
Palau, Rep. of	-	-	-	-	-	-
Papua New Guinea	1.8	1.8	43	29.7	3.1	51.0
Samoa	-	-	-	-	-	-
Solomon Islands	-	-	-	-	-	-
Timor-Leste, Dem. Rep. of	0.5	0.4	71.3	43.6	0.7	70.3
Tonga	-	-	-	-	-	-
Tuvalu	-	-	-	-	-	-
Vanuatu	-	-	-	-	-	-
Asia and the Pacific (total) [a]	1,416.0	903.4			1,802.6	
World (total)		1,400.0			2,600.0	
Asia and the Pacific's share of total poor (%)		64.5			69.3	

LDCs = least developed countries
a Asia and the Pacific total covers only 25 countries.
Source: World Bank (2005)

Appendix 3-6: Aid for Trade Flows for Asia and the Pacific

	Total (Constant 2007 US$, Millions)				Per Capita (Constant 2007 US$, million)		
	Pre AfT (2002–05)	AfT Initiative Period (2006–08)	% change		Pre AfT (2002–05)	AfT Initiative Period (2006–08)	% change
First Face (total)	2,617.8	3,052.0	16.6%	***First Face (ave.)***	1.7	1.5	–13.3%
People's Republic of China	730.0	551.6	–24.4%	People's Republic of China	0.6	0.4	–26.0%
Hong Kong, China	-	-	-	Hong Kong, China	-	-	-
India	1,524.1	2,230.7	46.4%	India	1.4	2.0	39.1%
Republic of Korea	31.7	8.1	–74.6%	Republic of Korea	1.4	0.3	–75.0%
Malaysia	11.2	42.2	278.8%	Malaysia	0.4	1.6	252.4%
Singapore	-	-	-	Singapore	-	-	-
Taipei,China	-	-	-	Taipei,China	-	-	-
Thailand	320.9	219.4	–31.6%	Thailand	4.9	3.3	–34.1%
Second face (total)	6,902.0	8,203.0	18.9%	***Second face (ave.)***	31.7	42.9	35.4%
Resource Rich (total)	1,381.9	1,460.3	5.7%	Resource Rich (ave.)	13.2	23.5	78.3%
Armenia	103.8	203.4	95.9%	Armenia	33.9	66.2	95.2%
Azerbaijan	132.2	97.7	–26.0%	Azerbaijan	16.0	11.4	–28.7%
Brunei Darussalam	-	-	-	Brunei Darussalam	-	-	-
Georgia	97.9	230.5	135.5%	Georgia	21.6	52.3	142.8%
Indonesia	1,010.7	820.0	–18.9%	Indonesia	4.7	3.6	–22.3%
Kazakhstan	34.9	107.0	206.7%	Kazakhstan	2.3	6.9	196.3%
Turkmenistan	2.4	1.7	–31.4%	Turkmenistan	0.5	0.3	–35.0%
Other Low Income (total)	3,191.5	3,456.9	8.3%	Other Low Income (ave.)	12.6	20.9	65.6%
Kyrgyz Republic	49.6	78.5	58.2%	Kyrgyz Republic	9.8	15.0	53.2%
Mongolia	55.4	235.4	325.0%	Mongolia	22.2	89.8	305.3%
Pakistan	617.6	711.4	15.2%	Pakistan	4.1	4.3	5.8%
Philippines	309.2	194.7	–37.0%	Philippines	3.7	2.2	–41.4%
Sri Lanka	467.2	344.4	–26.3%	Sri Lanka	24.1	17.2	–28.8%
Tajikistan	89.1	111.6	25.2%	Tajikistan	13.9	16.5	19.2%
Uzbekistan	133.3	52.4	–60.7%	Uzbekistan	5.2	1.9	–62.5%
Viet Nam	1,470.1	1,728.5	17.6%	Viet Nam	18.1	20.3	12.3%
LDCs and Small States (total)	2,328.5	3,285.8	41.1%	LDCs and Small States (ave.)	43.7	56.3	28.7%
Afghanistan, Islamic Rep. of.	730.1	1,445.0	97.9%	Afghanistan, Islamic Rep. of.	25.1	45.2	80.5%
Bangladesh	822.2	913.2	11.1%	Bangladesh	5.5	5.8	4.9%
Bhutan	40.0	38.9	–2.7%	Bhutan	64.1	57.6	–10.3%

Cont: Appendix 3-6: Aid for Trade Flows for Asia and the Pacific

	Total (Constant 2007 US$, Millions)				Per Capita (Constant 2007 US$, million)		
	Pre AfT (2002–05)	AfT Initiative Period (2006–08)	% change		Pre AfT (2002–05)	AfT Initiative Period (2006–08)	% change
Cambodia	181.6	213.6	17.7%	Cambodia	13.3	14.8	10.6%
Cook Islands	1.3	0.5	–65.3%	Cook Islands	0.0	0.0	0.0%
Republic of Fiji	6.9	10.7	54.1%	Republic of Fiji	8.5	12.8	50.9%
Kiribati	6.6	6.7	1.0%	Kiribati	73.8	70.0	–5.1%
Lao People's Dem. Rep.	151.1	120.6	–20.2%	Lao People's Dem. Rep.	26.3	19.8	–24.8%
Maldives	8.4	15.1	80.6%	Maldives	29.1	49.4	69.9%
Marshall Islands, Rep. of	4.8	1.1	–76.3%	Marshall Islands, Rep. of	89.5	19.7	-78.0%
Micronesia, Fed. States of	12.7	15.4	21.3%	Micronesia, Fed. States of	116.7	138.9	19.0%
Myanmar	9.8	15.2	54.6%	Myanmar	0.2	0.3	50.0%
Nauru	2.0	8.9	340.0%	Nauru	0.0	0.0	0.0%
Nepal	163.3	224.0	37.1%	Nepal	6.2	8.0	28.1%
Palau, Rep. of	5.8	5.6	-4.0%	Palau, Rep. of	294.4	278.4	–5.4%
Papua New Guinea	113.8	118.1	3.7%	Papua New Guinea	19.4	18.7	–3.6%
Samoa	13.6	24.5	80.0%	Samoa	76.7	135.0	75.9%
Solomon Islands	11.5	22.4	95.7%	Solomon Islands	25.2	45.7	81.6%
Timor-Leste, Dem. Rep. of	30.4	31.0	2.1%	Timor-Leste, Dem. Rep. of	32.7	29.0	–11.3%
Tonga	2.5	12.3	400.1%	Tonga	24.4	118.9	388.1%
Tuvalu	3.7	4.9	32.9%	Tuvalu	0.0	0.0	0.0%
Vanuatu	6.3	38.1	503.1%	Vanuatu	30.5	170.0	457.9%
Asia and the Pacific (total)	9,519.7	11,255.0	18.2%	Asia and the Pacific (ave.)	28.1	37.9	35.1%

LDCs = least developed countries
Source: WTO Secretariat and OECD (2010a)

APPENDIX 4: Aid for Trade Case Studies

Appendix Box 4-1: ASEAN Connectivity Plan

Description: With its location, the Association of Southeast Asian Nations (ASEAN) has the potential to physically anchor itself as the transportation, information and communications technology (ICT) and tourism hub of the region. This means infrastructure development and transport linkages that would open up remote inland and less developed regions and thus help narrow the development gap within ASEAN. The deepening and widening of connectivity in the region would reinforce ASEAN's position as the hub of the East Asian region, which could further be strengthened through realizing the potentials of a broader connectivity in the longer term with its partners in East Asia.

ASEAN Connectivity was high on the agenda of the 16th ASEAN Summit in April 2010 and the Leaders took note of the ongoing efforts in developing a Master Plan on ASEAN Connectivity to be ready by October 2010.
Expected outcome/outputs:

- Completion of missing air, sea and land transportation links in Mekong and other subregions of ASEAN, building on achievements of existing frameworks.
- Priority would be given to transport, ICT, energy and cross border facilitation for the smooth movement of people, goods and services.
- Development of infrastructure and multi-modal transport projects such as ASEAN Highway Network and the Singapore–Kunming Rail Link are to be expedited, addressing software related issues within relevant existing work plans of the ASEAN.
- Linkages that would intensify and strengthen ASEAN community building efforts to complement ongoing regional efforts to realize the ASEAN Community by 2015.
- Establishment of an infrastructure development fund for ASEAN
- Development of an ASEAN Master Plan on regional connectivity that include, among others, innovative infrastructure financing mechanisms in coordination with ASEAN external or dialogue partners, international and donor agencies.

Project approach: triangular cooperation

Source: ASEAN Secretariat (2010).

Appendix Box 4-2: ASEAN–EU Program for Regional Integration Support (APRIS II)

Description: APRIS II is a three-year €8.4 million program of technical assistance co-financed by the ASEAN Secretariat and European Commission Co-operation Office, Europe Aid. The program aims to further the process of ASEAN integration, with specific focus on supporting the realization of the ASEAN Economic Community (AEC), and strengthen EU–ASEAN relations as a whole, including through the Trans-Regional EU–ASEAN Trade Initiative (TREATI) and Regional EU–ASEAN Dialogue Instrument (READI). APRIS II runs from November 2006 to November 2009 (but has been extended until December 2010) and follows the successful implementation of a first three-year program which ended in September 2006

Outputs and outcomes: The Technical Assistance provided under APRIS II is broken down into five components:

- Standards and conformance
- Customs and trade facilitation
- Investment
- Capacity building (including to the Agreements and Compliance Unit of the ASEAN Secretariat)
- Support to the Trans-Regional EU–ASEAN Trade Initiative (TREATI) and the Regional EU–ASEAN Dialogue Instrument (READI).

Lessons learned: Mid-term evaluation conducted in 2008 and Results Oriented Monitoring missions (in 2008 and 2009) demonstrated that APRIS II has proven to be highly relevant and highly efficient, effective and with good prospects for impacts and sustainability.

A direct engagement with ASEAN sectoral bodies (where all ASEAN Member States are represented) has proven instrumental in responding to Member States' concerns and enhancing ownership of results. The present program will further build on and strengthen such engagement with Member State bodies in design and implementation of program activities.

The implementation of APRIS II has been constrained by effective capacity in the ASEAN Secretariat and AMS working groups. Despite a decision to increase overall resources in the ASEAN Secretariat in 2009, the capacity of the ASEAN Secretariat is still considered inadequate for supporting the ambitious integration agenda.

ASEAN Member States faces also difficulties in transposing and implementing their regional commitments at the national level. Additional support at national level— on a demand driven basis— would facilitate the effective implementation of activities in the countries.

Lastly, there is a need to develop results indicators at program and regional level. This will be developed further at the beginning of the program, in consultation with the ASEAN Member States in the ASEAN sectoral bodies. The coordination between regional and national initiatives remains generally weak. A continued effort shall be adopted to make a more consistent multilevel approach.

Project approach: triangular cooperation

Sources: European Commission, EU Delegation to Indonesia (2010).

Appendix Box 4-3: Delhi Mass Rapid Transport System Project in India

Description: The population of the Delhi metropolitan area, which was 6.2 million in 1981, had ballooned to over 16.3 million by 2006. This in turn led to a surge in the number of buses and private vehicles in the city. Railways in India, on the other hand, have traditionally been focused on long-distance passenger and freight transport. Even in Delhi, the short-distance railway network connecting the suburbs with the central area, and the inner-city railway network, had been underdeveloped. This led to an escalation in traffic congestion on roads and air pollution problems. To address this situation, the Government of India launched plans to construct an efficient and reliable high-speed mass transport system (the Delhi Metro) to alleviate traffic congestion and reduce traffic pollution.

Outputs and outcomes: The Japanese Government has provided a total of approximately 162.7 billion Yen in loan aid over six installments beginning in FY1996 for Phase I (covering 59 km of the 65 km of line) of this project. At present, plans are moving forward for the Phase II extension of the project in order to cope with rising demand for public transport and to establish a more convenient transportation network. Japan has also supported Phase II since 2005 by providing ODA loans covering 83 km of the 125 km of line under construction. By the completion of Phase II in 2010, Delhi Metro will extend its operations across six lines with a total track length of 193 km. It is expected to become a core transportation mode in Delhi City and contribute to regional economic development.

- Opened in November 2006, it currently carries an average of 800,000 passengers daily.
- Delhi Metro is providing a boost to the regional economy as many metro passengers tend to take cycle rickshaws as a means of transport between stations and their destinations.
- Japanese time management of construction, safety-first principle in operation and technologies have been introduced.
- Delhi Metro 11km subway section is estimated to reduce carbon dioxide emission by 38,000 tons of carbon dioxide/year, which is equivalent to the amount absorbed by natural forest with the size of 11,515 ha or reforestation of 5,855 ha.

In addition to the Delhi metropolitan area, there are many other metropolitan areas with large populations in India. Based on its positive experience with Delhi Metro, Japan is currently supporting other projects in Bangalore, Kolkata and Chennai, which are also expected to promote regional economic development through the alleviation of traffic congestion and the reduction of traffic pollution.

Lessons learned: JICA has implemented Technical Cooperation in safety operations of Delhi Metro and maintenance and management of passenger cars by sending experts additionally. JICA is pleased to see its provision of ODA loans be further supported by Technical Assistance to realize an altogether enriched foundation of support.

Project approach: economic corridors and other elements

Source: JICA staff (2010).

Appendix Box 4-4: Astana Airport Reconstruction Project

Description: Airport Reconstruction Project was executed in Kazakhstan for ensuring navigational safety and improving and expanding the Astana Airport in order to cope with growing air transport demand. This project was implemented after the transport sector was positioned as one of the key sectors for national development in the Public Investment Program (1996–1998) announced by the Kazakhstan government in November 1996 and the National Development Plan (1997–2030) announced in October 1997. Through these efforts Japan has contributed to the revitalization and economic development of the transport sec¬tor by developing Kazakhstan's aviation industry.

Financed by Japanese ODA loan approved in 1998 with a combined amount of 22,122million, Airport Reconstruction Project in Kazakhstan involved the extension of airport runways (from 2,511m to 3,500m), the expansion of taxiways and aprons, the upgrade of paving, improvement in perimeter roads and car parks, and construction and renovation of new passenger and freight terminals and a new air traffic control tower.
Expected outputs and outcomes:

- The number of passengers who use Astana Airport will increase by about 46 times between 1995 and 2020.
- The amount of freight which use Astana Airport will increase by about 5 times between 1995 and 2020.

Lessons learned: Kazakhstan is an inland country and is long distance from oversea markets such as Europe and Asia. However, transport routes in Kazakhstan which has been developed as radial networks that were basically centered on Moscow was inefficient despite extremely high freight transport demand. Development of air transportation system is necessary to promote trade and investment.

Project approach: economic corridors and other elements, mainstreaming into national development strategies

Source: JICA staff (2010).

Appendix Box 4-5: Economic Corridors by Land:

GMS East West Transport Corridor

Description: The economic corridor approach to development was adopted by the GMS countries during the 8th GMS Ministerial Meeting held in Manila in 1998 in order to step up the pace of subregional economic cooperation. The goal of economic corridor development is to develop a highly efficient transport system that allows goods and people to move around the subregion without excessive cost or delay. In turn, such an improvement in the transportation network is seen to promote further economic growth and regional development, thus contributing to reducing poverty. Over the years, notable achievements have been made in physical connectivity in terms of road, rail, water and air transport linkages along NSEC, EWEC and SEC.

Output and outcomes:

- Links Da Nang in Viet Nam with Tak in Myanmar, thereby expanding the market for transit and bilateral trade among three countries—Thailand, Viet Nam, and Lao PDR.
- The project's objectives include: i) reconstructing an 83 km highway link between the Thailand and Lao PDR border, and Dong Ha (National Highway 9); (ii) rehabilitating a 105.8 km stretch of highway between Dansavanh (Lao PDR) and the Lao Bao (Viet Nam) border crossing (Route National 9); and (iii) mitigating nonphysical barriers to the movement of goods and people across borders.
- Average travel time between Kaysone Phomvihane and Dansavanh has dropped from 10–12 hours to four hours. Travel time between Dong Ha and Lao Bao was cut from four hours to two hours.
- Average trade value through Lao Bao has escalated and cross-border trade value peaked at US$148.5 million in 2007.
- Expansion of the tourism and services sectors, which account for a major part of increased traffic between Thailand and Lao PDR, increasing significantly from around 95,000 people in 2000–2001 to almost 274,000 in 2007.
- Feeder road component connect once-isolated communities from Lao PDR to the hinterlands of Kaysone Phomvihane Province, and alleviate poverty along the corridor. Reaches 101 villages with a population of about 45,513.
- In June 2009, the Cross Border Transport Agreement (CBTA) among GMS member countries was implemented in the East–West corridor. The agreement allows Viet Nam, Lao PDR and Thailand to issue licenses to 500 trucks to operate cross border transport of goods along the corridor without transshipment costs.

Lessons learned: The development of economic corridors is a holistic strategy that strengthens subregional and individual economies by improving the quality and reach of intraregional infrastructure (i.e. transport, energy, and telecommunications) and taking full advantage of the ancillary benefits from these investments.

Project approach: economic corridors and other elements; public–private partnership

Sources: ADB (2009) and JICA staff (2010).

Appendix Box 4-6: ADB Support to Trade Finance Facilitation Program

Description: The Trade Finance Facilitation Program (TFFP) was launched in 2004 to provide finance and guarantees in conjunction with international and developing member country banks to support trade transactions in developing nations. The TFFP helps Asian countries maintain, re-establish and enhance trade finance lines by:

- providing guarantees to confirming banks and revolving credits to issuing banks located in DMCs;
- enhancing banks' abilities to offer importers and exporters access to financial services; and
- working in partnership with the private sector to provide capacity, liquidity and stability to the trade finance system.

Under the TFFP, ADB provides guarantees to participating regional and international banks (Confirming Banks) against the payment of trade credits issued by approved Issuing Banks. ADB also provides loans to Issuing Banks for on-lending to private sector exporters and importers, many of which SMEs, to finance trade-related transactions. A third product called the Risk Participation Agreement (RPA) was launched under the TFFP in 2007. This product is similar to the Credit Guarantee product in that it shares risks with the private sector in support of trade. It differs from the CG in its structure, which is designed to facilitate the rapid expansion of the TFFP into new markets through a closer partnership with international banks. The RPA provides its partners with a new and efficient vehicle for trade portfolio management in less-developed markets.

Outcomes and outputs:

- ADB's investment in trade finance facilitation has helped Asian countries through the 2009 global financial crisis, and into recovery. In 2008, the program had supported nearly 1,200 international trade transactions in nine Asian countries. In 2009, the program supported US$1.9 billion of trade by companies—more than four times the US$460.5 million supported in 2008. This figure represents the value of trade, including the risk taken by the private sector, in the 443 transactions that the program made possible in 2009.
- The program allowed exporters to sell products as varied as agricultural commodities, medicines and medical equipment, electrical goods, oil, and a drilling rig.
- ADB has expanded the TFFP to US$1 billion exposure unit. Through leveraging with partner banks, this move is expected to generate up to US$15 billion in much-needed trade support by the end of 2013.

Lessons learned: Access to trade finance is vital to cushioning the shock of the global economic downturn on international trade. The TFFP not only provides the finance for trade but also links local banks and companies into international business and finance networks. The resulting regional and global cooperation helps build business relationships that support longer-term growth.

Project approach: economic corridors and other elements, public–private partnership

Source: ADB staff (2010).

Appendix Box 4-7: USAID's ASEAN Competitive Enhancement Project

Description: The ASEAN Competitiveness Enhancement (ACE) project aims to enhance the competitiveness of selected ASEAN Priority Integration Sectors, in particular in the area of tourism and textile and apparel sectors.
Outcomes and outputs:

- USAID in collaboration with the ASEAN Federation of Textile Industries (AFTEX), developed leading-edge supply chain integration, quality standards, and human resource development to promote the "Source ASEAN" brand.
- The Source ASEAN Full Service Alliance (SAFSA) program united textile mills and garment factories to form virtual vertical factories that add value for global apparel buyers. Ensuring that these customers receive the quality services and products they expect, SAFSA developed quality service standards that will be professionally certified.
- ASEAN's garment workforce also benefited from the ASEAN Common Competencies Program, developed by the program, under which AFTEX will certify garment workers qualifications.
- For 2010, the ACE project aims to further promote "Southeast Asia" as a desirable tourism destination. Responding to tourism industry calls to improve the branding and marketing of the ASEAN region, the ACE Project developed a new marketing strategy in partnership with the ASEAN Tourism Association and Southeast Asia: Feel the Warmth brand, (www.SoutheastAsia.org) website, and a web-based marketing campaign was formally launched at the ASEAN Tourism Ministers' meeting in Brunei Darussalam in January 2010. This marketing strategy will be an integral part of the broader ASEAN Tourism Strategic Plan (ATSP) 2011–2015, which USAID supported ACE program is coordinating at the formal request of the ASEAN National Tourism Organizations.

Lessons learned: Enhancing competiveness helps the private sector broadly, including SMEs, facilitates competitiveness, and helps countries take advantage of trade and growth opportunities by integrating them into dynamic regional supply chains.

Project approach: economic corridors and other elements

Source: USAID staff (2010).

Appendix Box 4-8: AusAID's Support to Pacific Island Countries

Description: Supporting effective participation and integration into the global and regional trading systems is one of AusAID's twin pillar approach to Aid for Trade. This includes: trade negotiations training, trade policy, courses, support for regional integration and increased South–South trade.

1 Australian Leadership Awards Trade Fellowships	Fellowships provide training for an additional trade official from each Forum Island country.
2 Trade Research Initiative	Funding of up to A$65,000 for each Pacific country to conduct independent country-specific trade analysis to feed into their negotiation preparations.
3 Negotiations	Funding for informal PACER Plus consultations over the next twelve months.
4 Trade Facilitation Needs Assessment workshops	As part of preparations for negotiations, workshops are conducted in the four WTO member countries (PNG, Solomon Islands, Fiji and Tonga) and two accession countries (Samoa and Vanuatu).
5 Trade policy papers	Development and dissemination of five trade policy papers to support the discussion of Pacific Island Countries in discussions. The papers provide a background to key meeting discussions
6 The pros and cons of PACER Plus	Preparation of comprehensive report on the benefits and challenges of PACER Plus for Pacific Island countries.

Outcomes and outputs: To ensure that the Pacific Island Countries are able to fully participate in PACER Plus, it has provided a number of technical assistance in the form of:

Lessons learned: Supporting effective participation and integration into the global and regional trading systems is an important capacity-building area.

Project approach: economic corridors and other elements

Source: AUSAID staff presentation (2009).

Appendix Box 4-9: USAID Support to Trade Acceleration (STAR) in Viet Nam

Description: Supporting the implementation of the US–Viet Nam Bilateral Trade Agreement (BTA), the Support for Trade Acceleration (STAR) program was initiated in September 2001. USAID/STAR supported one of the most massive legal and economic reform efforts ever achieved by a developing country.

Outcomes and outputs: The STAR program—with US$13.6 million funding over 5 years and 5 months— was completed in February 2007. It provided the following:

- A tailored mix of legal analysis and comments on draft legislation, support for policy seminars and training workshops, development of research reports, dissemination of reference materials, development of websites, and strategically targeted local and international study missions.
- Strengthened Viet Nam's legal framework for domestic market activity— a critical requirement for facilitating the development of a more robust private sector.
- Mainstreamed trade into Viet Nam's development strategy by supporting not only trade and investment reform in Viet Nam, but also fundamental improvements in the nation's overall rule of law, capacity and independence of the courts, economic governance, and legal framework for private sector development. It was aligned with international treaty commitments and broad-based legal development in Viet Nam.

Lessons learned: Capacity-building projects should be domestic-driven with crosscutting impacts on the private sector.

Project approach: economic corridors and other elements

Source: USAID staff (2010).

Appendix Box 4-10: ADB's Regional Trade Capacity Building Program

Description: ADB, Asian Development Bank Institute (ADBI) and other partner institutions provide institutional and technical capacity building from trade policy training courses to research on regional economic integration issues and trade policy analytical tools.
Outcome and outputs:

- Regional, subregional and in-country courses and seminars on trade policy, FTAs, rules of origin, sanitary and phytosanitary measures, and trade facilitation and logistics. Around 700 middle- to high-level officials and private sector representatives across Asia and the Pacific have been trained since 2006.
- Training manuals in various areas of trade, which draw upon ADB's experience in regional trade policy capacity building for Asia and the Pacific region. Examples include: (i) How to Design, Negotiate, and Implement FTA in Asia; (ii) Designing and Implementing Trade Facilitation in Asia and the Pacific (jointly with the UNESCAP); (iii) Risk Management Guide (jointly with the World Customs Organization (WCO)); and GMS Cross-Border Trade Agreement Operations Manual.
- Research in several areas of trade and investment in Asia and the Pacific including Doha round, FTAs, infrastructure and trade costs, and regional and sub-regional integration. There are also online working paper series that disseminate information and generate debate on the many facets of trade including: ADB Economics Working Paper (www.adb.org/economics/erd-working-papers.asp); ADB Working Paper Series on Regional Economic integration (www.aric.adb.org); and ADBI Working Paper Series (www.adbi.org).
- Asia Regional Information Center (ARIC) (www.aric.adb.org), which offers a host of online resources on regional cooperation and integration such as up-to-date economic news, editorials and research categorized according to the four pillars of RCI—infrastructure and software, trade and investment, money and finance, and regional public goods. The ARIC website also houses two online analytical tools:
- Integration indicators database (http://www.aric.adb.org/integration_indicators), which shows set of indicators to monitor progress on regional cooperation and integration. It provides headline indicators for Asia, covering the 47 regional member countries of ADB and 11 trade indicators, 4 FDI indicators, and 16 money and finance indicators.
- FTA database, which provides three types of information (i) statistical tables on the status of FTAs in Asia (http://www.aric.adb.org/ftatrends.php); (ii) available resources on each FTA (i.e. legal documents, official summaries, studies, news, opinions, FTA membership and an external link to the UN ESCAP database) (http://www.aric.adb.org/FTAbyCountryAll.php); and (iii) a comparative FTA toolkit which enables comparison of chapters/provisions of concluded Asian FTAs (http://www.aric.adb.org/comparisonftacontent.php).
- The Asian International Economists Network (http://aienetwork.org) is an open-ended, internet-based network of international economic policy experts from government, academia, research institutes, and the private sector.

Lessons learned: Institutional and technical capacity building is critical in light of the changing trade policy landscape and the proliferation of free trade agreements (FTAs) in Asia.

Project approach: economic corridors and other elements

Source: ADB staff (2010).

Appendix Box 4-11: Nam Theun II Hydropower Project

Description: The US$1.45-billion project is being implemented by the Nam Theun 2 Power Company Ltd, which is owned by a consortium comprising European Development Fund International of France (35%); the Government of Lao PDR (25%); the Electricity Generating Public Company Ltd of Thailand (25%); and the Italian–Thai Development Public Company Ltd, also of Thailand (15%). ADB's support includes a US$20-million public sector loan, a private sector loan up to US$50 million, and a political risk guarantee up to US$50 million. The 1,070 megawatt plant aims to generate revenues for poverty reduction efforts and environmental protection in the country.
Outcomes and outputs:

- In the Nakai Plateau, 742 of the 1,216 affected households have moved to permanent resettlement sites where they benefit from better roads, drinking water, schools, regular health checkups, and such transitional benefits as a rice allowance, protein supplements, and payment for work on the site.
- Livelihood development programs have been implemented, including activities ranging from agriculture to weaving and village forestry. Nam Theun 2 Revenue Management Arrangements have strengthened the government's readiness to manage income generated by the project.
- Better resourcing and staff.
- Construction activities synchronized with environmental and social mitigation measures. The Watershed Management Protection Authority has made progress in the management of the Nakai Nam Theun Protected Area.

Lessons learned: Public–private partnerships in trade-related initiatives facilitate an active role for business in expanding regional and global trade.

Project approach: public– private sector partnerships

Source: ADB (2007).

Appendix Box 4-12: JICA's Visionary Leaders for Manufacturing Program

Description: Recognizing the crucial roles that the manufacturing sector can play in creating employment, "Visionary Leaders for Manufacturing (VLFM)" Programme has been developed by National Manufacturing Competitiveness Council (NMCC) and JICA in collaboration with Ministry of Human Resource Development (MHRD), two Indian Institutes of Technology (IITs), an Indian Institute of Management (IIM) and Confederation of Indian Industry (CII). This program invites Indian management executives to learn about the management practices of Japanese manufacturers in Japan, with the ultimate goal of developing future leaders capable of promoting reform initiatives in India. In order to meet this goal, emphasis is placed on learning about Japanese product development processes from the creation to after-sale service stages. The VLFM consists of four courses:
Opportunity 'A': Programme for Senior Managers from manufacturing sector
Opportunity 'B': Programme for Middle Management Level from manufacturing sector
Opportunity 'C': Programme for CEOs of community members and new companies
Opportunity 'D': Programme for SMEs – vendors of OEMs and Tier 1 companies
Outputs and outcomes:

- Since June 2010, a total of 303 visionary leaders have completed the program. These graduates will influence industry, government and the academic institutes and facilitate breakthroughs in manufacturing.
- All VLFM participants were assigned more challenging jobs and/or senior positions after the program.
- 91 of the Opportunity B students have been placed. Most of them were assigned for higher position than before and their salary increased to almost double.
- 60% of participants of Opportunity A were given more challenging assignments and were given higher responsibilities in their organizations on completion of the program.
- 81 success stories were introduced through the Learning Convention, Annual Session and Publications. These success stories have generated tangible result in their companies in a very short period. 62 live projects have been undertaken by students of Opportunity B and submitted to the respective industries.



Lessons learned: Training is important to create a mindset for change in Indian manufacturing. In order to make the program more effective, government, industry and academia should collaborate and exchange information.

Project approach: public–private partnerships, mainstreaming into national development strategies

Source: JICA staff (2010).

Appendix Box 4-13: Cambodia's Trade Sector Wide Approach (Trade SWAp)

Description: Cambodia's Trade Sector Wide Approach (Trade SWAp) mechanism is a unique model of coherent mechanism of trade development. Trade SWAp aims to coordinate and plan resources of the Cambodian Government, under the Ministry of Commerce's leadership and various stakeholders to promote Cambodia's trade sector. It also unites all activities funded by development partners to assist the Government to enhance the country's trade potential. As a vehicle to implement the Cambodia's Trade Integrated Strategy 2007 (CTIS 2007), the Trade SWAp seeks to bring together activities in the trade area around a common monitoring framework addressing issues under 3 strategic "pillars": (i) Reforms and cross-cutting issues for trade development (legal reforms, trade facilitation, technical barriers to trade, improving sanitary and phyto-sanitary regulation and practice); (ii) Product and service sector export development (sector-specific reforms on the products identified in the CTIS 2007); and (iii) Capacity building for trade development and for the management of trade development (building competencies, institutional functionality, and information and accountability systems).

The Department of International Cooperation under the Ministry of Commerce and selected departments from other key ministries will identify one-year and three-year work plans to support achievement of each main sub-objectives. The three-year work plans will be consolidated into a Trade SWAp three-year rolling plan.

Outcomes and outputs: As of April 2011, the Sub-steering Committee on Trade Development and Trade Related Investment, has completed three rounds of proposals, attracting almost one hundred proposals for Trade Related Technical Assistance (TRTA) funding, of which approximately US$5 million is expected to be allocated in 2011, just two years after the Trade Development Support Programme (TDSP) was launched. These projects include as many areas as enhancing the capacity of the Ministry of Commerce and the special economic zones to effectively administer rules of origin, custom valuation, Strengthening Institutional Risk Management Capacities, product information for trade promotion, drafting sanitary and phytosanitary standards, regulation on e-commerce or support to dialogue on a study on the Impact of the Garment Sector on the Cambodian Economy.

Lessons learned: Strengthening national growth and socioeconomic development will depend on mainstreaming trade activities into overall development strategies. Mainstreaming has helps developing partner countries take greater ownership of trade-related foreign assistance.

Project approach: Mainstreaming trade into development strategies

Sources: Cambodia Ministry of Commerce staff (2010) and Trade SWAp website (www.moc.gov.kh/tradeswap).

Appendix Box 4-14: Pakistan's Strategic Trade Policy Framework

Description: Pakistan, a founding member of the WTO, has followed the principles of liberalization, de-regulation and de-nationalization for its trade policies. Trade and a rapid export growth strategy is an official development policy. The government of Pakistan is pursuing a five point's agenda to mainstream trade into its development strategy— a clear national competitiveness strategy; improvement of general business climate; upgrading Pakistan's technological capacity; promoting skills development; and reducing anti-export bias.

In 2009, Pakistan announced a holistic and comprehensive Strategic Trade Policy Framework (STPF). The STPF has six pillars including: supportive macro policies and services; enhancing product sophistication level in Pakistan's exports; enhancing competitiveness of firms; domestic commerce reform and development; product and market diversification; and making trade work for the sustainable development in Pakistan.

Outcomes and outputs: A key project that has been identified is the construction and development of road and rail linkages of Gwadar deep sea port with other parts of the country, which is expected to significantly reduce the trade logistics costs in the medium-term.

Lessons learned: While the macroeconomic and structural reforms over the past 25 years have opened up Pakistan's economy further and induced greater foreign direct investment, the War on Terror however has seriously impacted upon Pakistan's trade competitiveness. Due to a massive diversion of resources, Pakistan has not been able to invest adequately in physical infrastructure. Being in an early phase of recovery, Pakistan needs much bigger Aid for Trade to invest in physical infrastructure to restore its export competitiveness.

Project approach: Mainstreaming trade into development strategies

Source: Pakistan Ministry of Commerce staff (2010).

Appendix Box 4-15: EU Multilateral Trade Policy Assistance Project Viet Nam II (MUTRAP)

Description: The overall objective of this program is to assist Viet Nam in improving and putting in place conditions for sustainable development through stronger integration into the global trading system. In particular, it is focused on strengthening the capacity of the government of Viet Nam and Viet Namese stakeholders for understanding and managing WTO accession and meeting commitments and challenges from other international and regional trade agreements.
Outputs and outcomes:

- Successful accession of Viet Nam to the WTO.
- Better integration in the regional processes in ASEM and ASEAN.
- Development of a coherent socially and environmentally sustainable trade and economic integration strategy through enhanced local institutional and human capacity in trade issues, as well as legal advice and training.
- Passage of new legislation on trade.
- Capacity of trade negotiators increased.
- In 2006 alone, more than 1000 stakeholders were involved in the project networking activities including seminars, workshops and roundtables.
- Enquiry points created to inform about barriers to trade (standards and legislation).
- New trade policy concepts such as transparency, predictability and broad-based consultation are easily accepted by different agencies.

Lessons learned: The flexibility of the MUTRAP Project Task Force facilitated the involvement of beneficiaries in each activity. Country ownership was also vital: the Government selected competent and high level people to direct and implement MUTRAP and were readily accessible for consultation.

Project approach: mainstreaming into national development strategies

Sources: European Commission, EU delegation to Viet Nam (2010).

Appendix Box 4-16: CAREC – Development through Cooperation

Description: The Central Asia Regional Economic Cooperation (CAREC) program aims to help Central Asian and neighboring countries realize their immense potential in an increasingly integrated Eurasia. The eight CAREC countries are Afghanistan, Azerbaijan, People's Republic of People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. The Program's six multilateral institution partners are the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP), and the World Bank. The Program is a proactive facilitator of practical, results-based regional projects and policy initiatives critical to trade expansion and sustainable development.

Outcomes and outputs:

- As of 2009, 901 km of the roads sections were built or improved, some 5,470 km of the road sections are being constructed, of which 1,669 km will be completed in 2010; 781 km railway lines were completed and some 310 km are being constructed, of which 227 km will be completed in 2010; five aviation, three ports, and seven logistics centers projects are ongoing.
- Various institutional mechanisms to successfully implement the Transport and Trade Facilitation Strategy and Action Plan.
- Expected outcomes and outputs:
- Per capita incomes doubling in the CAREC region within a decade.
- Reduction of poverty from 40% to 25% or less by 2015.
- Significant improvement in the subregion's physical infrastructure such as roads and rail systems.
- Better management of shared resources to support efficient and rational use of energy and water.
- Progress toward harmonizing, automating, and modernizing its customs administrations.
- Streamlined rules and procedures that govern countries' international trade relationships.

Lessons learned: Donor–donor coordination brings multiple stakeholders together and streamlines and harmonizes different resource streams and development objectives. Monitoring and evaluation of progress is key to effective implementation. A recent progress report suggests that weak institutional capacity, insufficient funds, and countries' weak ownership, limited coordination among donors, inadequate border infrastructure and facilitates, and complicated border-crossing procedures significantly undermine the potential impact of transport improvements on trade.

Project approach: Donor–donor coordination; monitoring and evaluation

Source: CAREC website (http://www.carecinstitute.org).

Appendix Box 4-17: The Initiative for ASEAN Integration (IAI)

Description: The IAI Work Plan is a 6-year Plan (July 2002–June 2008) in four areas, namely, infrastructure, human resource development, information and communications technology and regional economic integration.

Outcomes and outputs:

- Total contribution from ASEAN 6 countries to IAI (for CMLV countries) amounted to US$159 million covering 221 projects on a bilateral basis from 1992–2008 related to the development of legal, institutional and regulatory frameworks and the building of technical capabilities and capacities of CLMV countries.
- Several bilateral programs have also been adopted:
  - Singapore Cooperation Enterprise has provided public finance modernization and governance program for the Ministry of Finance, Lao PDR and training programs and study visits on urban planning for Viet Nam's government agencies.
  - PRC has supported the project for strengthening of customs reform and modernization in CLMV. In 2009, PRC announced setting up a US$10 billion PRC–ASEAN Investment Cooperation Fund to finance ASEAN–PRC infrastructure and inter-connectivity projects in infrastructure, energy and resources, information and communication technology and other fields. PRC is also expected to host an ASEAN–People's Republic of China FTA Forum in 2010 and establish a commercial portal website to publish laws and regulations on the FTA and give professional training of human resources and encourage enterprise use of the FTA.
  - 17 dialogue partners and development agencies are providing funding assistance to 84 projects totaling US$21.92 million.
  - Government of Japan and several Japanese agencies has contributed to 47 projects amounting to US$8 million.
  - European Union has contributed to 5 projects amounting to US$1.1 million and €23,000.
  - Australia with 3 projects amounting to almost US$1 million.
  - Republic of Korea and India have also contributed to US$5 million and US$3 million worth of projects, respectively.
- ADB supports the ASEAN integration process through a number of regional economic integration activities. Two research studies were prepared (i.e., exploratory study on free trade agreements with dialogue partners" and "enhancing the dispute settlement mechanism of ASEAN". Consultants were deployed at the ASEAN Secretariat to provide technical support in preparing policy and issue papers, briefing notes and economic surveillance reports used at various meetings and high-level dialogues. To support the ASEAN regional trade integration process, ADB has so far provided two regional technical assistance projects to ASEAN Secretariat, the first amounting to US$600,000 and the second, US$1.2 million. Technical assistance to the CLV countries amounted to US$500,000.

Lessons learned: South–South cooperation offer new means of resource mobilization and experience sharing.

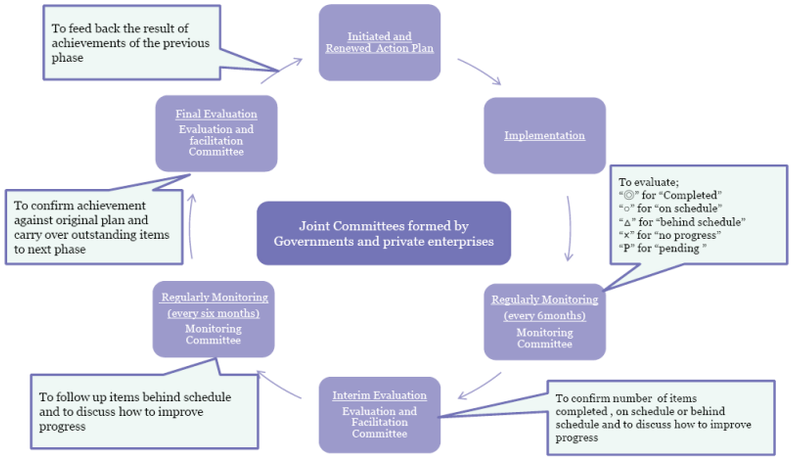
Project approach: South–South/triangular cooperation

Sources: ASEAN Status Update IAI Work Plan (2009); ADB staff (2010).

Appendix Box 4-18: Japan–Viet Nam Joint Initiatives

Description: The objective of the Japan–Viet Nam Joint Initiative is to improve the business environments with a view to strengthening Viet Nam's competitiveness. The dialogue with the private sector aims to identify investment-related problems faced by investing enterprises; facilitate common recognition and understanding of problems; and carry out the best solution to the problems at the policy level.

Outcomes and outputs: The initiative has been implemented in three phases each involving setting up an action plan and subjected to an evaluation and facilitation committee. Monitoring is conducted regularly every six months. There is also the interim and final evaluation to confirm the achievement against the original plan.



Lessons learned: Donors and partners are accountable for development results. Monitoring and evaluation enable better management of resources and improved decision making with a focus on results.

Project approach: Monitoring and evaluation

Source: MOFA, Japan staff presentation (2009).

Appendix Box 4-19: Australian Support for Cocoa Farmers in Indonesia

Description: Indonesia is the third largest global producer and exporter of cocoa. However, lengthy and fragmented supply chains have (i) meant that cocoa farmers have not been able to gain their fair share of income, (ii) led to significant inefficiencies in production and distribution, and (iii) contributed to diminishing quality. To help address these issues, AusAID has provided assistance through its Smallholder Agricultural Development Initiative (SADI). Between 2006 and 2010, AUD34.8 million of funding was provided through SADI to increase rural growth and farmer incomes by improving farm productivity and facilitating links between producers, processors, and buyers.

Outcomes and outputs: Through the SADI intervention, a major cocoa buying and processing company, Armajaro, worked directly with 32 cocoa farmer groups, each consisting of 25 farmers. Between 2007 and 2010, farmers received technical assistance and advice through 17 buying centers. Transport and logistics assistance, as well as storage, were also provided. In addition, SADI provided support for research into improving seedlings, in partnership with Mars, another major processor and buyer.

Early outcomes from SADI cocoa sector activities include:

- Higher farm-gate prices. Direct access by the buyer to the producer and increased demand have translated into significantly lower costs (mainly from cuts in distribution costs) and allowed higher prices than under previous arrangements (about 20% more) to be paid directly to farmers.
- Improved product quality and market responsiveness. Closer links between producers and farmers has allowed for better market signaling and improved monitoring of production for standards and quality certification.
- More predictable incomes and better future planning. With improved product quality and direct dealing with the buyer, farmers have seen improvements in certainty and reduced timeframes in receiving payments. With predictable incomes, farmers are better able to access finance for future investments.
- Expanded market opportunities. Early adopters had the opportunity to establish cocoa nurseries producing grafted, cloned seedlings for sale to other farmers. Over 300 farmers established such nurseries in three provinces. Farmers are also able to take-up value-adding opportunities in the production chain (e.g., involvement in fermentation of beans could translate to an increase in the sale price from IDR18,000 per kilogram (kg) to IDR26,000 per kg).

Lessons learned: To achieve more sustainable market-based solutions, there is a need to deliver complementary capacity-building assistance to farmers in the area of (i) supply chain and logistics management, (ii) financial business planning, and (iii) entrepreneurship and marketing. It is critical to work closely and involve key private sector players. In terms of program lessons, the importance of adequate monitoring systems, particularly at the outcome level, was highlighted. Ongoing monitoring and evaluation systems are also critical to assess longer-term impacts.

Project approach: public-private partnerships and mainstreaming into national development strategies.

Source: AusAID staff (2010).

Appendix Box 4-20: ESCAP Trade Capacity Building Programme

Description: The UN Economic and Social Commission for Asia and the Pacific (ESCAP) Trade Capacity Building Programme and other partner institutions provide knowledge and capacity building tools to the region's institutions and governments. This is done through a "pro-poor" and sustainable approach aimed at improving policy formation and coherence in the region and assisting in the development of more effective trade negotiation, and management and implementation strategies, in order to achieve the overall goal of allowing for more inclusive and sustainable development.

Outcome and outputs:
Several programmes and activity areas have been established as a result of ESCAP's Trade Capacity Building Programme, they include, among others:

- ESCAP/WTO Technical Assistance Programme: Established in 1999, this programme offers trade policy courses and specific courses on WTO-related topics. Through the programmes continuous expansion, it also offers courses on topics related to the Doha Development Agenda negotiations and as a whole the programme improves the trade-policy making capacity of ESCAP's members and associate members.
- Asia Research and Training Network on Trade (ARTNeT): ARTNeT was established in 2004 and works to increase the knowledge of institutions and policy makers through research and providing training in the area of trade and trade policies. ARTNeT also uses multi-stakeholder dialogues to bring researchers and policy makers together to ensure that research is policy oriented and meets the needs of policy makers.
- United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT): UNNExT is a regional platform to develop trade facilitation tools and provide capacity building activities to support the implementation of trade facilitation measures, in particular to develop paperless trading and Single Window environment.
- Asia and the Pacific Trade and Investment Agreements Database (APTIAD): With the goal of promoting regional trade liberalization and integration, this database serves as a starting point for a comparative analysis of regional trade agreements in ESCAP and the design of common frameworks towards their consolidation.
- Global Compact: ESCAP seeks to stimulate business to produce and trade in a sustainable manner by promoting more effective implementation of the Global Compact principles.
- Asia and the Pacific Business Forum (APBF): This is an annual event which has been held since 2004. It fosters regional dialogues with traders and investors to promote public-private strategies.

Lessons Learned: There is a great demand for training and research grants in the area of trade and investment in Asia and the Pacific. Networks contribute to increasing the connections made among researchers, technical experts, and policy makers from different countries to promote increased learning and knowledge sharing and regional integration.

Project Approach: economic corridors and other elements

Source: UN ESCAP staff (2011).

Appendix 5: Member List for the Regional Technical Group

Co-Chairs	
Sopheak, Sok	Director General for International Trade, Ministry of Commerce, Kingdom of Cambodia
Uyama, Tomochika	Minister of Economic Affairs, Embassy of Japan in the Republic of Korea
Members (past and present)	
Archibald, Edward	Acting Director, Economics Section, Australian Agency for International Development (AusAID)
Beed, John	Counselor for International Development, United States Agency for International Development (USAID), US Embassy Tokyo
Bryan, Elena	Deputy Assistant, Trade and Development, United States Trade Representative (USTR)
Butterfield, William	Program Economist, Regional Development Mission for Asia, United States Agency for International Development (USAID)
Farbman, Michael	Senior Regional Coordinator, Regional Development Mission for Asia, United States Agency for International Development (USAID)
Gafoor, Asaf	Director General Pakistan Institute of Trade and Development (PITAD)
Harding, Matthew	Economic Adviser, Economics and Public Finance Section, Australian Agency for International Development (AusAID)
Homma, Toru	Senior Advisor, Private Sector Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA)
Iida, Manabu	Advisor, Private Sector Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA)
Iijima, Toshiro	Director, International Trade Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Japan
Koke, Andra	Head, Head of Trade and Development Unit, Directorate General for Trade, European Commission
Mikic, Mia	Economic Affairs Officer, Trade and Investment Division, UN Economic and Social Commission for Asia and the Pacific (UN ESCAP)
Minasyan–Pekovits, Charlotte	Attaché, European Commission, Manila
Naeem, Khawaja Muhammad	Additional Secretary, Ministry of Commerce, Pakistan
Nakamura, Masatsugu	Researcher, International Trade Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Japan

Ngo , Chung Khanh	Director, WTO Division, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam
Nguyen, Tat Thanh	Deputy Director-General, Dept. of Multilateral Economic Cooperation, Ministry of Foreign Affairs, Viet Nam
Nilsson, Bjorn	Policy Officer, Trade and Development Unit, Directorate General for Trade, European Commission
Priyadarshi, Shishir	Director, Development Division, World Trade Organization (WTO)
Ratnayake, Ravi	Director, Trade and Investment Division, UN Economic and Social Commission for Asia and the Pacific (UN ESCAP)
Ryu, Mina	2nd Secretary, Regional Cooperation Division Ministry of Foreign Affairs and Trade, Republic of Korea
Sastry, Shubha	Director, Trade and Development, Office of the US Trade Representative (USTR)
Shimada, Go	Director, Private Sector Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA)
Sirimanne, Shamika	Chief, Trade Facilitation Section, Trade and Investment Division, UN Economic and Social Commission for Asia and the Pacific (UN ESCAP)
Suon, Prasith	Deputy Director, Department of International Cooperation, Trade SWAp, EIF and TDSP Secretariat, Ministry of Commerce, Kingdom of Cambodia
Tavo, Aloisio Alipate	Principal Trade Officer, Ministry of Labor, Commerce and Industries, Tonga
Ueda, Takafumi	Senior Advisor, Private Sector Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA)
Wignaraja, Ganeshan	Principal Economist, Office of Regional Economic Integration, Asian Development Bank (ADB)
Wilson, Matthew	Economic Affairs Officer, Aid for Trade Unit, Development Division, World Trade Organization (WTO)

Secretariat

Wignaraja, Ganeshan	Principal Economist, Office of Regional Economic Integration, Asian Development Bank (ADB)
Chia, Siow Yue	Consultant, Office of Regional Economic Integration, Asian Development Bank (ADB)
Tuazon, Anna Mae	Consultant, Office of Regional Economic Integration, Asian Development Bank (ADB)
Cruz, Ma. Liza	Operations Assistant, Office of Regional Economic Integration, Asian Development Bank (ADB)
Lumba, Ma. Criselda	Operations Assistant, Office of Regional Economic Integration, Asian Development Bank (ADB)

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About the Regional Technical Group (RTG)

The formation of a Regional Technical Group (RTG) on Aid for Trade for Asia and the Pacific was a key recommendation to that emerged from the Aid for Trade Regional Review Meeting at ADB headquarters in Manila in 2007 and the Global Aid for Trade Review Meetings at the WTO in Geneva in 2007 and 2009. Reflecting the principles of country ownership of Aid for Trade, the RTG operates under the stewardship of RTG co-chairs, representatives of Cambodia and Japan. The RTG comprises members from recipient and donor countries involved in formulating and implementing Aid for Trade policies and development agencies in the region. ADB is a member and serves as the Secretariat to the RTG. The RTG started as a pilot project to provide an informal regional forum for discussing Aid for Trade issues and proposals, sharing good practices, taking stock of available analytical work on Aid for Trade in the region, and building partnerships among actors and stakeholders. It seeks to formulate an integrated approach to operationalize Aid for Trade in the medium-term.

You may reach the RTG Secretariat at: http://aric.adb.org/aid-for-trade-asia/feedback.php

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