Aid for Trade: How ADB Can Help

Asian Development Bank

Table 1: Exports in Asia and the Pacific ($ million)

	1980	1990	2000	2006
Newly Industrialized Economies People's Republic of China, and India	**122,523**	**403,036**	**1,119,280**	**2,524,337**
China, People's Republic of (PRC)	18,139	62,760	249,208	969,284
Hong Kong, China	19,747	82,272	202,249	316,819
India	8,441	17,813	42,626	120,289
Korea, Republic of	17,439	67,815	172,257	330,442
Malaysia	12,961	29,421	98,154	160,664
Singapore	19,509	52,804	138,046	272,049
Taipei,China	19,786	67,079	147,777	224,007
Thailand	6,501	23,072	68,963	130,783
Least-Developed Countries and Small States	**3,598**	**4,546**	**13,851**	**30,813**
Afghanistan	670	131	142	283
Bangladesh	790	1,671	5,590	12,630
Bhutan	17	70	103	350
Cambodia	...	42	1,123	3,359
Cook Islands	4	5	...	...
Fiji Islands	364	498	684	933
Kiribati	3	3	...	...
Lao People's Democratic Republic	...	64	391	1,073
Maldives	...	52	76	172
Marshall Islands	...	...	...	...
Micronesia, Federated States of	...	...	...	...
Myanmar	415	409	1,979	4,411
Nauru	65	...	...	...
Nepal	...	211	676	704
Palau	...	...	...	...
Papua New Guinea	1,133	1,266	2,814	6,261
Samoa	18	13	69	120
Solomon Islands	75	75	101	251
Timor-Leste	...	...	...	...
Tonga	8	13	18	21
Tuvalu	...	...	...	...
Vanuatu	36	25	86	246
Other Developing Asian Countries	**35,951**	**46,188**	**151,058**	**301,364**
Armenia	...	...	300	769
Azerbaijan	...	...	1,745	8,789
Brunei Darussalam	4,589	2,212	3,161	6,624
Georgia	...	...	326	1,835
Indonesia	21,916	25,683	62,118	113,845
Kazakhstan	...	...	9,878	30,043
Kyrgyz Republic	...	...	504	872
Mongolia	...	91	536	1,521
Pakistan	2,620	5,587	8,876	17,038
Philippines	5,787	8,195	38,216	59,760
Sri Lanka	1,039	1,895	5,459	7,486
Tajikistan	...	...	770	879
Turkmenistan	...	...	2,505	6,390
Uzbekistan	...	...	2,181	4,898
Viet Nam	...	2,525	14,483	40,615
Total Asia and the Pacific	**162,072**	**453,771**	**1,284,190**	**2,856,515**
World	**1,832,830**	**3,382,420**	**6,386,460**	**12,005,200**

Source: International Monetary Fund
.... = data unavailable

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$ in this publication refers to US dollars.

Overview

While dramatic economic progress across a broad section of Asia and the Pacific has lifted millions out of poverty in recent decades, the gains have been uneven. Today, there are two faces of Asia: one of robust growth built on outward-looking policies that encourage trade; the other, where the potential for enhanced trade is still limited, lags behind.

Launched in 2005 at the World Trade Organization's (WTO) ministerial conference in Hong Kong, China, the Aid for Trade (AfT) initiative aims to help close the gap. Its goal is to help developing countries—particularly small and least-developed states—build the infrastructure and capacity required to reap the benefits of expanding world trade.[1]

As the Asia and Pacific region's main development partner, the Asian Development Bank (ADB) can play an important role in AfT, applying its long experience in trade-related development projects to its 45 developing member countries, spanning a vast area from Armenia to Vanuatu.

This booklet offers an overview of the "two faces of Asia," chronicles the emergence of the AfT initiative, and highlights ADB's experience. It also provides examples of ADB's considerable work in trade-related development, including in the Greater Mekong Subregion Economic Cooperation Program (GMS Program), the Central Asia Regional Economic Cooperation Program (CAREC), the South Asia Subregional Economic Cooperation (SASEC) program, and recent efforts to promote regional cooperation under the Pacific Plan.

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[1] Aid for Trade is open to all developing countries, not just the small and least-developed. It is also not limited to Word Trade Organization economies. AfT complements but is not technically a part of the Doha Development

The Two Faces of Trade in Asia and the Pacific

Globalization has been a driving force in helping shape economic development in Asia and the Pacific over the past several decades. International economic integration is a process associated with falling trade barriers, rapid technological progress, spread of transnational corporations, and the decline in costs of communications and logistics. The growth of regional value chains and production networks have allowed enterprises to tap far larger markets in a much more cost-effective manner, leading to greater regional economic integration.

By any standards, the dramatic rise of developing market economies in Asia and the Pacific is remakable. With a productive base increasingly focused on modern manufacturing and high-end services, the region's enterprises are becoming among the most efficient in the world, with their exports rapidly dominating international markets. These economies now account for nearly 24% of world trade—three times their share in 1980. This strong trade performance is also increasingly linked with greater economic prosperity. Developing market economies in Asia and the Pacific comprise 12% of world gross domestic product (GDP) (double that in 1980), and it continues to be the fastest growing developing region in the world.

Nonetheless, there remain two distinct faces in terms of the Asia and Pacific regional trade performance (see Table 1). A small group of Asia and the Pacific economies—specifically East Asia's newly-industrialized economies (NIEs)[2], along with the giant economies of the People's Republic of China (PRC) and India—have seen strong trade performance and rising prosperity. Their share of world exports has trebled from 6.7% in 1980 to 21.0% in 2006. Still, the majority of the region's developing economies—most notably the 22 least-developed economies (LDCs) and small states, plus the region's remaining 15 developing economies—have been only marginally integrated into this dynamic process. These 37 countries—spread across Asia and the Pacific—account for only 2.8% of world exports, up from 2.2% in 1980.

Most noteworthy is that the under performance of these countries is directly correlated with high trade costs. For example, in the NIEs, PRC, and India, it costs an average of $608 to export a 20foot container; compared with $1,029 in the LDCs and small states; and $1,855 in the 15 other developing countries. Furthermore, it takes an average of 16 calendar days to process exports in the NIEs, PRC, and India, while nearly twice as long (31 days) in the LDCs and small states, and 43 days in the other developing countries in Asia and the Pacific. This huge gap in trade efficiency is also evident in logistics, production technology, marketing, and other export-related capabilities.

Table 2: Shares of World Exports and Trade Costs in Asia and the Pacific

	% share of world exports		Ave. cost to export, 2006 ($/20-ft container)	Ave. time to export, 2006 (no. of days)
	1980	2006		
Asian newly industrialized economies, PRC, and India	6.7	21.0	608	16
Least-developed countries and low income small states	0.2	0.3	1,029	31
Rest of Asia	2.0	2.5	1,855	43

Note: see Table 1 for definitions of groups.
Source: ADB staff estimates based on ADB and World Bank data.

[2] Hong Kong, China; Republic of Korea; Malaysia; Singapore; Taipei,China; and Thailand.

What is behind the stark contrast in trade, or development performance between the two (2) economic groups? There is an increasing consensus that the rise of the NIEs, PRC, and India is due to their emphasis on outward-oriented development strategies, macroeconomic management, high levels of education, and investment in infrastructure. A part of this is also geography—linked to Japan's industrialization process as it developed transnational production networks spread throughout the region. These eight economies, for example, account for over one-fifth of world foreign direct investment FDI flows, and interestingly, for nearly three-quarters of FDI flows within Asia. The spillover, or outsourcing, from Asian and international multinational corporations has led to the emergence of competitive small and medium enterprises in the region as well. In the case of PRC and India, the large domestic market and access to cost-competitive labor have made them attractive to export-oriented FDI. Large domestic firms have also taken advantage of outward-oriented trade and investment opportunities. Increases in investment in these economies are closely associated with a growing trend toward private investment in productive capacity.

There are indeed many reasons for the underperformance of LDCs and small states in Asia and the Pacific: some countries are in a post-conflict environment; others remain in transition to market economies; some are landlocked; while still others must traverse huge swathes of ocean to market their goods, or simply have small and fragmented markets. Economically, their small size makes it even more difficult to compete in international markets. Their limited resource base can only produce a narrow and limited range of goods and services; thus, achieving economies of scale is difficult. In addition, their human resource base is sparse and focused on tourism- or agriculture-based industries. Opportunities for diversification are also small; single commodity-based producers are particularly vulnerable to global price fluctuations. Historically, several small economies have been reliant on preferential market access or foreign aid.

The performance of the region's remaining economies is affected by similar issues. Added to this is insufficient progress in policy reform and macroeconomic management. Some economies have residual bias toward import substitution and

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state ownership remains in many sectors. There is also significant under-investment in physical infrastructure and human capital relative to per capita income levels.

However, there is progress among some of these developing economies. For example, there is accelerating change and signs of increased economic activity, particularly trade-related. Over the past 15 years, for example, Cambodia, Lao People's Democratic Republic (Lao PDR), and Viet Nam have accelerated the process of 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. As a result, their share of world exports has increased, albeit slowly, from 0.1% in 1990 to 0.4% in 2006, however further reducing impediments to trade and improving the general business environment remain a challenge.

Another example is the natural-resource rich, yet predominantly landlocked Central Asian Republics, which are seeing a revival of growth. Following transition shock, these economies are re-emerging on international and regional markets. While oil, gas, and other commodities continue to drive industry, manufactured exports are picking up (particularly textiles and garments in Tajikistan, and iron and steel products in Kazakhstan). However, more needs to be done to integrate markets: such as improvement in cross-border connectivity, shorten transit times and customs modernization, policy reform, and speed WTO ascension.

In the rest of South Asia, the move toward labor-intensive exports has started. Some economies have also begun to benefit from India's information technology industry. Improvements in telecommunications, ports, and other transport infrastructure; sustaining domestic policy reforms; and continuing efforts to integrate regional markets remain important.

Similarly, in the Pacific, as in all these developing economies, 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 productive capacity.

As tariff and quantitative restrictions on trade are progressively reduced, other trade costs arise from the regulatory burden, inadequate infrastructure, and generally inefficient customs procedures and logistics. Still, the process has begun across developing Asia and the Pacific, and the effective use of technical assistance and multilateral development assistance has been an important part of that process. There is clearly a precedent for successful AFT activities throughout the region.

Closing the Gap: Aid for Trade

The WTO defines AfT as donor funds channeled to finance trade-related technical assistance and infrastructure, plus aid used to develop new productive (supply-side) capacity.

The AfT work program was launched at the sixth ministerial WTO conference in Hong Kong, China in December 2005, with the major world economies pledging about $15 billion in new funding—Japan announced it would provide $10 billion in development assistance over 3 years for trade, production, and distribution infrastructure; the United States (US) pledged AfT grants of $2.7 billion a year by 2010; and the European Union (EU) announced trade-related development assistance amounting to €2 billion a year by 2010.[3]

In February 2006, a 13-member Task Force was established to produce a series of recommendations on how to put AfT into operation and how it should contribute to the development dimension of the Doha Development Agenda. The Task Force reported in July to the WTO General Council, recommending, among other things, that

[3] World Trade Organization (WTO). Recommendations of the Task Force on Aid for Trade.

- AfT should be guided by the Paris Declaration on Aid Effectiveness, applicable to all parties;

- country approaches were key, including mainstreaming trade in national development strategies;

- donors should integrate trade more into aid programming, strengthen trade expertise, and coordinate better ;

- the role of regional development banks be emphasized, along with assistance for regional integration; and

- monitoring and evaluation of AfT should be a critical component.

The report made clear that building productive capacity and trade-related infrastructure in developing countries should be central to AfT efforts. In addition, assistance should be aimed at helping countries negotiate and comply with trade agreements.

In June 2006, regional development bank presidents strongly endorsed AfT, acknowledging the WTO's call for them to play a key role. (See box).

ADB President Haruhiko Kuroda underscored that support in a speech in September 2006 in Helsinki: "We welcome the Aid for Trade initiative… to build supply side capacity in developing Asia, particularly in the least developed countries."[4]

ADB is a member of the WTO AfT Advisory Group; the Organisation for Economic Cooperation and Development's (OECD) Technical Working Group on global monitoring of AfT flows; and co-host of the 2007 AfT Regional Review in Manila.

The meeting is one of three, with the others in Lima, Peru and Dar Es Salaam, Tanzania. The results will be presented at the WTO's Global Aid for Trade Review in Geneva in November 2007.

Regional Development Banks Endorse Aid for Trade

The presidents of the regional development banks of Africa, Asia, and Latin America and the Caribbean met on 8 June 2006 in Montreal, Canada to discuss their roles in Aid for Trade (AfT).

They acknowledged the fruitful interaction with the WTO AfT Task Force, and endeavored to strengthen inter-institutional coordination to effectively deliver AfT in the spirit of the Paris Declaration on Aid Effectiveness. To this end, they agreed to convene a technical follow-up meeting in July 2006 to explore mechanisms for coordinating support.

The regional development bank presidents highlighted the role of trade as a powerful engine for sustainable economic growth and poverty reduction in least-developed and middle-income countries.

They emphasized that regional cooperation and integration are central to their member countries' global integration efforts and overall development strategies.

Attending were ADB President Haruhiko Kuroda, African Development Bank President Donald Kaberuka, Caribbean Development Bank President Compton Brown, and Inter-American Development Bank President Luis Alberto Moreno.

[4] Trade Policy Trends: Serving the Business Interests 10 September 2006, Asia-Europe Business Forum.

The Manila review meeting aims to foster dialogue among senior government officials private sector representatives, and development partners about what is working in the region and what is not. The result of the discussions will be a series of proposals and recommendations on how AfT should proceed within Asia and the Pacific—to encourage beneficiary countries to make trade a greater priority and to encourage development partners to scale up trade-related official development assistance and to offer expertise. It will also encourage stronger partnerships with the private sector to develop increased private/public financing. The review meeting has the following objectives:

- Identify the main trade needs and priorities for addressing them—both nationally and regionally;
- Encourage recipient countries or subregions to formulate "business plans;"
- Encourage development partners to develop a detailed response and to scale up trade-related development assistance; and
- Create a road map and secure political commitment to follow through on the AfT agenda in the region.

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ADB Experience: Theory in Practice

As Asia's main regional development partner, ADB has, for over 40 years, recognized the benefits of trade in its efforts to reduce poverty. Through its regional, subregional, and other programs fostering cooperation—and its many country-specific projects—ADB acts as catalyst, broker, and financier to help developing member countries DMC gain the skills and build the infrastructure required to boost trade. For many, the next step in trade development will involve increasing the human resources and institutional capacity in government to negotiate complex trade agreements and participate in global trade on equal terms with more developed and skilled trading partners.

"We have worked with member countries to build cross-border infrastructure, facilitate trade, modernize customs procedures, enhance Small and Medium Enterprises trade and finance, and support trade- and investment-promoting regimes," said President Kuroda, at the Helsinki Asia-Europe Business Forum in 2006.

ADB's Regional Cooperation and Integration Strategy, endorsed by the ADB's Board of Directors in July 2006, can complement its long experience and provide a framework for moving forward. Three of its four components are directly related to AfT:[5]

- Cross-border infrastructure and related services (Pillar 1)—trade facilitation and customs modernization;
- Trade and investment (Pillar 2);
- Money and finance (Pillar 3)—mobilizing savings for trade-related infrastructure, investment, and possible trade finance.

ADB's experience suggests the following are crucial for successful trade-related projects:

- Infrastructure is a critical component for changing the supply-side dynamics in a country as it prepares for more trade;
- Participation in strong regional cooperation and integration networks contributes hugely to improving countries' efforts at boosting external trade;
- Close cooperation with regional development partners enables and maximizes ADB's efforts at promoting trade-related development;
- Public-private partnerships greatly enhance the impact and efficiency of trade-related projects;
- Projects must be tailored to meet the specific needs and variables of each region or country; and
- Analytical work and capacity building are integral parts of the process for boosting trade-related development.

Projects, Training, and Research

ADB's trade-related work is multifaceted, extending from its many projects—simple and complex—to a substantial body of trade-related research, complemented by trade-related training for DMC officials.

Projects

East-West Economic Corridor (GMS Program)—Infrastructure, capacity building, trade promotion, supply-side capacity

The East-West Economic Corridor is a 1,500-kilometer (km) road link which—when fully completed, will connect the Indian Ocean (Andaman Sea) and the South China Sea by road for the first time. Its projects are designed to strengthen economic cooperation among Lao PDR, Myanmar, Thailand, and Viet Nam; reduce transport costs and move goods and people more efficiently; and reduce poverty through development of rural and border areas. It makes it far easier for companies, both foreign and domestic, to bring in imports and take out exports.

[5] See www.adb.org/documents/policies/RCI-strategy/final-RCI-strategy-paper.pdf.

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With extensive ADB support, and identifying dozens of projects in the areas of transportation, energy, telecommunications, tourism, trade facilitation, agriculture, and private investment and industrial estates, the corridor's accomplishments are numerous. ADB support comes to about $60 million for projects valued at nearly $600 million. They are exemplified by Savannakhet Province, where the completion and upgrading of Road 9 in mid-2004 and the completion of the Second Mekong International Bridge, from neighboring Thailand, in 2006, have brought big gains:

- In the last 5 years, the province saw the agricultural sector average 7.2% growth (compared with 3.4% nationally) as better roads and more efficient border crossings increase access to technology and cheap inputs;
- Since 2005, the province has become a net rice exporter, exporting 15,000 tons to Viet Nam in 2006;
- The value of imports to the province increased to $124.7 million in 2005 from $31.8 million in 2001; exports were up to $151.8 million from $63.1 million;
- FDI is also up sharply: 2006 approvals reached a level of $421.7 million, compared with $96 million average during 1995–2000; and
- Among companies benefiting, the Australian mining company Oxiana employs large numbers of local people and credits the upgraded road for its ability to boost gold and copper production.

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Pacific Aviation Safety Office—Regional infrastructure, capacity building

Projects in the many remote countries of the Pacific illustrate well ADB's recognition of the importance of helping small and least-developed states gain the skills and infrastructure they need to participate in global trade, and the role of regional cooperation and integration. Under a $1.95-million loan and grant package, ADB helped the Cook Islands, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu establish the Pacific Aviation Office (PASO) in Port Vila, Vanuatu. Nauru recently joined PASO, which aims to improve the quality and extend of air services at a lower total cost than would have to be paid by the industry and member governments by themselves. The office:

- helps the region meet international aviation requirements by providing safety and security inspections, and by giving technical assistance to airlines, airports, and civil aviation authorities; and

- allows governments to rationalize civil aviation administration and to lower public sector costs; benefiting tourism by ensuring airlines continue to offer service and by greatly reducing the chance of accidents.

Nam Theun 2 hydropower project (Lao PDR)—Infrastructure

The benefits of trade-related development and public-private partnerships are well evident in the innovative Nam Theun 2 project. The 1,070 megawatt plant aims to generate revenues for poverty reduction efforts and environmental protection in the country.

The $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 $20-million public sector loan, a private sector loan up to $50 million, and a political risk guarantee up to $50 million.

Considerable progress has been made in the 2 years since approval:

- 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;

- In all project areas, livelihood development programs are beginning to make good progress. These include activities ranging from agriculture to weaving and village forestry;

- NT2 Revenue Management Arrangements have strengthened the government's readiness to man-age income generated by the project;

- The power company continues to strengthen its capacity, and now has more staff to manage environmental and social impact mitigation actions;

- Construction activities are being synchronized with environmental and social mitigation measures; and

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- The Watershed Management Protection Authority has made progress in the management of the Nakai Nam Theun Protected Area.

Southern Road Development Project—Infrastructure

The Southern Yunnan Road Development Project, in Yunnan, PRC (a poor, landlocked province where average GDP and rural income per capita are two-thirds the national average), aimed to support economic and social development by removing a major road transport bottleneck between Yuanjiang and Mohei. The project completed a 147-km expressway through mountainous terrain, and included 32 km of bridges and 13 km of tunnels. In the longer term, the objective was to promote regional economic cooperation in the Greater Mekong Subregion (GMS), by improving a section of the road linking Kunming in the PRC and Chiang Rai in Thailand and improving cross-border trade.

- As part of a road project that involves a direct link between Chiang Rai in northern Thailand and Kunming in Yunnan province, the 147-km Yunnan Yuan Mo expressways part of the 704-km highway between Kunming and Mohan, and is an integral part of the GMS initiative;

- Reduced the distance along the route from 214- km to 147 km and travel times by 60–70%;

- It reduced the travel time for a medium sized truck to 2–2.5 hours, from 8 hours, while freight transport has been deregulated;

- Delivery times for agricultural inputs and production have been reduced by more than 50%;

- The improvement in transportation has allowed markets to become more efficient. The sales volumes of mushrooms and chickens, for instance, increased significantly and prices rose by more than 50%.

Helping Viet Nam improve the quality and safety of agricultural products—Supply-side capacity

ADB is also helping DMCs improve supply-side capacity for international trade, such as through projects that help countries boost the quality and range of products they can offer in the international market. In Viet Nam, which joined the WTO this year, ADB approved a $750,000 grant in July 2007 to help the Government improve the quality and safety of its agricultural products, as the sector is increasingly integrated with domestic and international markets. In the last decade, Viet Nam has turned from a net food importer to a major exporter of agricultural products. Efforts need to be directed at agriculture research, extension, marketing, post-harvest operations, and product grading and certification. The project will

- help the Government prepare an action plan to improve quality and safety standards;

- increase the number of viable small- and medium-scale enterprises in the sector and strengthen the capacity of concerned government agencies; and

- be expected to improve the competitiveness of farm products and enhance links among producers, traders, product processors, and consumers.

The Regional Trade Facilitation and Customs Cooperation Program (Central Asia)—Trade promotion, capacity building

As part of the ADB-supported CAREC program, the project aims to promote concerted customs reforms and modernization among Azerbaijan, PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. It also serves as a regional forum to address issues of common interest. Coordinated by the Customs Cooperation Committee, consisting of the heads of customs administrations of participating countries, expert groups have studied:

- simplification and harmonization of customs procedures (chaired by the PRC);

- development of simplified transit systems (chaired by the Kyrgyz Republic);

- data sharing and Information and Communications Technology for customs modernization (chaired by Uzbekistan);

- risk management and post-entry audit (chaired by the PRC); and

- a task force was created, to initiate pilot-testing of joint customs control chaired by Kazakhstan.

Its achievements include:

- revision of customs codes;

- re-engineering of customs business processes and development of customs modernization plans;

- customs modernization and infrastructure development;

- bilateral customs cooperation; and
- training and regional forums.

Colombo Port Projects—Infrastructure

Colombo, Sri Lanka is one of the few deepwater ports on the Indian subcontinent and strategically placed along the main shipping route connecting East and Southeast Asia with Europe and North and South America, making it a natural transshipment hub for the South Asian region. However, in recent years it has lost its share of the regional transshipment market as the fundamentals changed, yet Colombo Port did not. With increased capacity and more efficiency, the port can become an international shipping hub for South Asia.

In 2001, ADB approved a $10-million loan to Sri Lanka for a project to increase the efficiency and competitiveness of Colombo Port, and to support Governments efforts to attract private sector investment to the port and reform the sector. It also helped prepare an investment project to develop Colombo's south harbor.

Under a $300-million ADB loan, approved in May 2007, the Colombo Port Expansion Project will help Sri Lanka develop its south harbor. It will provide for the dredging and breakwater construction sufficient to accommodate three terminals, which will be constructed sequentially. The project, which will be developed as a public-private partnership, will include a new marine operations center, relocation of a submarine oil pipeline, provision of navigational aids, and construction of shore utilities. The first two terminals will be operational in 2010 and 2015.

South Asian Subregional Economic Cooperation (SASEC)—Capacity building

At SASEC's fourth country advisors' meeting, senior officials from Bangladesh, Bhutan, India, and Nepal met to discuss strategies and future directions for regional cooperation among SASEC participating countries. Officials endorsed projects, including the Information Highway Project, the Tourism Development Project, and the Transport Logistics and Trade Facilitation Project, reiterating the four countries' commitment to foster regional cooperation in South Asia. SASEC was launched in 2001 with assistance to support initiatives in energy and power; environment; information and communication technology; tourism; trade, investment, and private sector cooperation; and transport.

- In July, the SASEC countries held an inception workshop for the SASEC Tourism Development Project. The workshop discussed the inception report and the preliminary findings of the technical assistance grant for the project. The grant helps the countries jointly develop multi-country circuits associated with spiritual tourism and nature- and culture-based ecotourism.

Subregional Transport Facilitation (Nepal)—Infrastructure

As one of the least developed countries in the region, Nepal could benefit greatly from better transport connections to its booming neighbors. The $20-million project, approved in 2004, aims to reduce transportation costs associated with Nepal's imports and exports, and to improve the efficiency and organization of transit trade documentation and data exchange. It will also promote subregional economic cooperation through better trade facilities under the SASEC Program. The project will, among other things, upgrade about 43 km of two lane border access roads from Inland Clearance Depots on the southern border of Nepal at major gateways in Birganj and in Bhairahawa to artery highways.

Training

ADB regularly conducts courses to train officials from its DMCs who are actively involved in the full range of AfT-related issues, from infrastructure through trade, including the design, negotiation, and implementation of free trade agreements (FTAs). Among the courses:

Training Course on Designing, Negotiating, and Implementing Free Trade Agreements—The Office of Regional Economic Integration launched the training course in October 2006. It aims to enhance the capacity of selected Asian DMCs involved in FTAs in various stages. A total of around 100 trade officials from Asia and the Pacific are expected to have been trained after the third batch finishes the course in October 2007. The course covers topics on the economics of FTA, various FTA coverage, and strategies for FTA negotiations and implementation.

Technical Training and Capacity Building for Selected ASEAN+3 Countries on Regional Economic and Financial Monitoring—The 4–5 week, biannual courses have provided training to about 240 people in regional economic and financial monitoring at ADB headquarters. Participants include officers from finance ministries and central banks of selected ASEAN+3 countries,

Websites

Asia Bonds Online—an ASEAN+3 initiative, supported by ADB and funded by the Government of Japan. See www.asianbondsonline.adb.org/regional/regional.php.

Asia Regional Integration Center (ARIC) website—launched in October 2006, the ARIC FTA database (www.aric.adb.org) provides statistical tables on the status of FTAs in Asia; available information on each FTA; and a comparative toolkit enabling comparison of chapters/provisions of concluded Asian FTAs.

Research

ADB has conducted policy and project-related research on AfT issues spanning the countries of the region. These publications can be found at www.adb.org and www.aric.adb.org, including:

ADB's Infrastructure Operations: Responding to Client Needs, which looks at infrastructure needs in the region and how ADB's approach to infrastructure is evolving.

Asia Bond Monitor, which reviews recent developments in East Asian local currency bond markets.

Asia Economic Monitor, which reviews emerging East Asia's growth, financial vulnerability, and emerging policy issues in the ADB DMCs.

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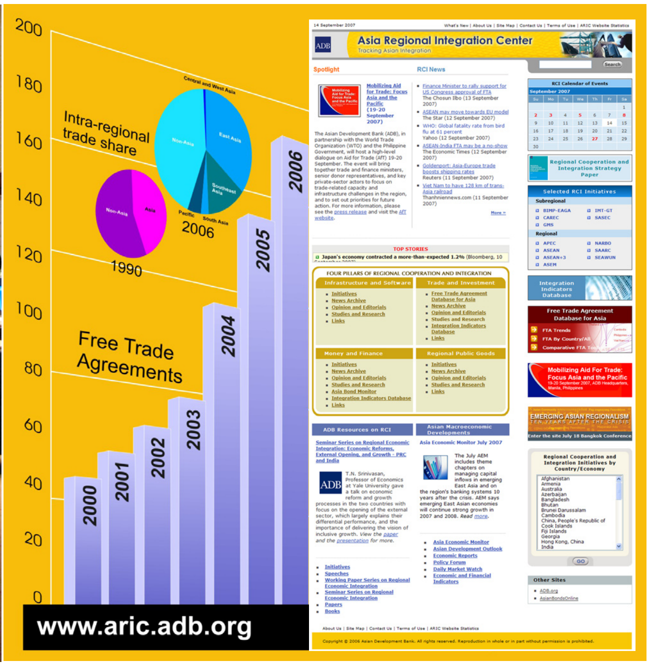

Asian Development Outlook, a comprehensive analysis of macroeconomic and development issues.

ARIC-South Asia Economic Report, a report on economic and development issues in South Asia.

Swimming Against the Tide? An Assessment of the Private Sector in the Pacific, a look at the issues faced in the region's private sector, evaluating them against international experience and best practices.

Measuring Competitiveness in the World's Smallest Economies: Introducing the SSMECI, which maps the manufacturing export performance of small states in Asia and the Pacific, analyzes determinants, and makes policy suggestions.
Impact of Cross-Border Rroad Infrastructure on Trade and Investment in the Greater Mekong Subregion, which investigates the impact of cross-border road infrastructure on trade and, FDI.

Central Asia After Fifteen Years of Transition: Growth, Regional Cooperation, and Policy Choices, which analyzes the collapse and subsequent revival, including trade performance since 1990.

Central Asia: Mapping Future Prospects to 2015, reviewing the recent economic performance, projects, key economic variables to 2015 against a constant global background, maps competitiveness performance, and discusses policy implications for Central Asian economies.

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