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**EMERGING ISSUES AND DEVELOPMENTS AT THE REGIONAL LEVEL:  
REGIONAL ECONOMIC COOPERATION**

(Item 6 (a) of the provisional agenda)

**REPORT OF THE COMMITTEE FOR REGIONAL ECONOMIC  
COOPERATION ON ITS SIXTH SESSION**

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## **I. MATTERS CALLING FOR ACTION BY THE COMMISSION OR BROUGHT TO ITS ATTENTION**

### **A. Recommendations for consideration and adoption**

1. The Committee for Regional Economic Cooperation endorsed the report of the Steering Group of the Committee for Regional Economic Cooperation on its ninth meeting, as contained in secretariat document E/ESCAP/REC(6)/1, and recommended that the Commission consider and adopt the report of the Committee on its sixth session.
2. The secretariat should develop discussion papers dealing with the various aspects of trade efficiency, describing best practices and establishing benchmarks for assessing the effectiveness of existing procedures.
3. The secretariat should render assistance in evolving national strategies for human resources development in the area of information technology, in providing computer education and training to youth in the least developed and island economies, and in promoting the use of information technology by small and medium-sized industries.
4. The secretariat should conduct in-depth studies on the potential and requirements of cross-border trade, with special reference to physical and non-physical infrastructure facilities.
5. In implementing the recommendations of the Steering Group, the secretariat should maintain coordination with other organizations active in information technology and trade efficiency, particularly with the Economic Commission for Europe (ECE), the World Bank, the International Civil Aviation Organization (ICAO), the International Telecommunication Union (ITU) and the World Customs Organization (WCO).
6. The secretariat should take the necessary steps to promote greater awareness of the importance of regional linkages in trade and finance among senior policy makers and managers from both the public and the private sectors through studies, and the provision of advisory and training services, including under technical cooperation among developing countries (TCDC) arrangements.
7. The Committee, recalling the discussion at fifty-second session of the Commission in respect of the establishment of the informal regional forum for the promotion of industrial restructuring in the Asian and Pacific region, felt that the forum should be serviced by the ESCAP secretariat only within the existing resources, and that the funding of substantive activities would be carried out subject to the availability of extrabudgetary resources. The Committee felt that the terms of reference as contained in document E/ESCAP/REC(6)/3 were too broad, and therefore requested the secretariat to revise them, providing a better focus, and submit them to the senior officials segment of the fifty-third session of the Commission for consideration and approval.

8. The secretariat should accord priority to activities relating to the promotion of technology flows to developing countries, the improvement of developing country access to new and advanced technologies, technological partnering, and the use of technology as one of the vehicles for poverty alleviation.
9. The secretariat, in cooperation with the Asian and Pacific Centre for Transfer of Technology (APCTT), should prepare an inventory of environmentally sound technologies, as stipulated in Commission resolution 52/7 of 24 April 1996, and take the necessary measures for early implementation of the recommendations of the Seminar on Poverty Alleviation through Technological Capacity-building, held in Beijing in June 1996.
10. In the aftermath of the first World Trade Organization (WTO) Ministerial Conference, the secretariat should, in collaboration with the relevant international organizations, provide technical assistance to developing countries as required, to (a) accede to WTO; (b) share its achievements; and (c) comply with the various WTO obligations. Studies, seminars, workshops and utilization of the TCDC modality were suggested.
11. The secretariat should assist developing countries, where possible, to evolve a shared proactive agenda for further trade liberalization, which could be jointly advocated in the context of the second WTO Ministerial Conference.
12. The secretariat should undertake an inventory of existing literature which would analyse from a development perspective the relationship between trade and investment and trade and competition policy.
13. The secretariat should undertake analytical studies of the implications for developing countries of the WTO agreements on information technology and on basic telecommunications services.
14. A product-specific study should be undertaken on the implications of the commitments made under the WTO Agreement on Agriculture from the differing perspectives of net food-importing countries and net food-exporting countries, as well as countries with a large population seeking to achieve self-sufficiency in food production and become net food exporters in due course.

#### **B. Major conclusions and decisions to be noted**

15. The Committee stressed the importance of a differentiated approach to implementing the Steering Group's recommendations on trade efficiency and information technology, with due regard to the level of economic and social development and the special conditions of individual countries, and recognized human resources development as a priority area for the secretariat's activities.

16. Given the variety of conditions in ESCAP member countries, the Committee expressed the view that in addition to the studies recommended by the Steering Group on the subject of trade efficiency in air cargo movement, there was a need to address issues relating to ground infrastructure development, including ground-handling services, air cargo hubs, sea transport and multimodal transport facilities, as well as the liberalization of air cargo movement.

17. The Committee recognized the importance of secretariat assistance in carrying out national reviews of customs procedures for their simplification and harmonization and in order to facilitate air cargo movement.

18. The Committee accorded high priority to the sharing of data, information and experience relating to information technology, assessment of the implications of information technology diffusion for economic and social development, and analysis of obstacles to information technology transfer and standardization.

19. The Committee held the view that the completion of missing overland transport links, as well as the improvement of existing infrastructure facilities under the Asian land transport infrastructure development (ALTID) project, were necessary to facilitate the expansion of cross-border trade.

20. It recognized the need for supporting trade liberalization with market information services. It concluded that various existing regional trade and investment networks should be strengthened to improve access to information for all countries in the region.

21. The Committee recognized the important role played by other agencies in the promotion of industrial restructuring in the region and emphasized the need for coordination to avoid any duplication of effort. It also decided that the activities of the proposed informal regional forum for the promotion of industrial restructuring in the Asian and Pacific region should not duplicate other ESCAP initiatives, such as the Regional Network of Boards of Investment and the Regional Investment Information and Promotion Service (RIIPS).

22. The Committee recommended that the potential of export-oriented small and medium-sized industries in promoting industrial restructuring and technological development should be exploited through greater exchange of information and experience among policy makers, private sector representatives and experts.

23. While expressing satisfaction with the contribution made by APCTT, the Regional Coordination Centre for Research and Development of Coarse Grains, Pulses, Roots and Tuber Crops in the Humid Tropics of Asia and the Pacific (CGPRT Centre) and the Regional Network for Agricultural Machinery (RNAM) to the implementation of the Action Programme for Regional Economic

Cooperation in Investment-related Technology Transfer, the Committee emphasized the need to strengthen their activities relating to the transfer of clean and agricultural technology, information exchange, human resources development and poverty alleviation through science and technology applications. In this connection, it stressed that the above-mentioned regional institutions and projects required the strong support of the governments to enable them to carry out their activities effectively, and that there was a need for diversifying funding sources to ensure their sustainability.

24. The Committee welcomed the interest expressed by the Government of China in cooperating with the secretariat and APCTT in the organization of a technology showcase in China.

25. The Committee felt that the relationship between multilateral environmental agreements, especially those requiring the transfer of environmentally sound technologies to developing countries on fair and favourable terms, and the WTO agreements, particularly the trade-related aspects of intellectual property rights (TRIPs) agreement, needed to be studied further.

26. The Committee accorded high priority to addressing the special needs of the least developed countries and stressed that increased technical and financial assistance should be provided to least developed countries in meeting notification obligations of WTO, in bringing about the necessary adjustments to domestic legislation and in implementing the TRIPs agreement, among other WTO agreements.

27. The Committee stressed the need for universal WTO membership, and urged that the current membership drive should be maintained.

28. While noting the setting up of the WTO working groups to study the interrelationship between trade and investment, and trade and competition policy, as well as transparency in government procurement practices, the Committee stressed that the work of those groups should be development-oriented and take into account the interests of countries at different levels of development.

29. The Committee shared the view that the International Labour Organization (ILO) was the competent body to deal with core labour standards and that the comparative advantage of developing countries, particularly the low-wage ones, should not be called into question by any attempts at linking labour standards with trade.

## **II. PROCEEDINGS OF THE SESSION**

### **A. Report of the Steering Group of the Committee for Regional Economic Cooperation on its ninth meeting**

30. The Committee had before it the report of the Steering Group on its ninth meeting, held in

Chitose City, Japan, from 4 to 6 February 1997 (E/ESCAP/REC(6)/1).

31. In introducing the report, the secretariat drew the Committee's attention to the recommendations relating to the three issues discussed at the meeting, namely, trade efficiency in the context of air cargo movement and the spread of electronic commerce, new advances in information technology for industrial and technological applications, and cross-border trade and transactions, and suggested some concrete follow-up action for the Committee's consideration.

32. With regard to trade efficiency in the context of air cargo movement and the spread of electronic commerce, the secretariat proposed that a discussion paper should be developed to examine issues requiring policy decisions, to review best practices, and to establish benchmarks in order to assess the effectiveness of current practices and procedures.

33. Since the recommendations contained in paragraph 23 of the report involved action at the national level, the secretariat invited the delegations to share their views as to how those measures could be adopted and, if necessary, adapted to their particular circumstances, and what kind of technical assistance might be required in that process. It was also suggested that after governments had had an opportunity to reflect on those matters, a decision could be taken as to whether a regional meeting at the policy or operational level should be held to facilitate the exchange of country experiences.

34. With respect to the issue of new advances in information technology for industrial and technological applications, the secretariat proposed the following three areas in which action could be taken on a priority basis: the assessment of national strategies, policies and needs in human resources development, with an option to prepare a manual which could serve as a reference for governments; the promotion of computer education for youth in the least developed and island developing countries; and the use of information technology by small and medium-sized industries.

35. With regard to the issue of cross-border trade and transactions, the secretariat stated that that was a relatively new subject in economic studies, but an old phenomenon, with important implications for bilateral trade and subregional cooperation, and beneficial for creating a congenial environment for economic cooperation. The secretariat expressed the wish to be guided in its further studies of the subject by the countries with considerable experience in cross-border trade and transactions.

36. The Committee expressed its appreciation of the high quality of the deliberations during the Steering Group meeting, as well as the generous financial support and excellent meeting arrangements on the part of the Government of Japan, the Chitose authorities and the secretariat.

37. The Committee endorsed the report of the Steering Group and recognized that it had been able to perform its role as a think-tank and set a new benchmark in selecting and addressing topical issues

which had not been discussed previously in any regional forums.

**B. Prospects for enhanced regional linkages among the economies of the ESCAP region**

38. In introducing document E/ESCAP/REC(6)/2, the secretariat stated that parallel to the integration of the region with the global economy, intraregional trade and investment linkages had strengthened over the past 15 years. However, inadequate financial linkages could be a hindrance and it pointed to the need for research on how to enhance the linkages.

39. The Committee noted that the document contained a useful analysis of trends, prospects and policy measures at the national and regional levels.

40. It stressed the importance of continuous liberalization of the trading and investment environment as a means to achieve greater regional integration. In that regard, mention was made of the subregional trading arrangements, including recent developments in the South Asian Preferential Trading Arrangement. It was observed that the emergence of several growth triangles reflected efforts to exploit geographic proximity and market complementarity.

41. The Committee identified the lack of adequate infrastructure, particularly transport and communication facilities, as a major obstacle to economic cooperation and stressed the importance of the projects identified in the New Delhi Action Plan on Infrastructure Development in Asia and the Pacific. The need for promoting cooperation among member economies of ESCAP in sea transport was also noted.

42. The Committee held the view that the development of trade-related financial services should go hand in hand with trade liberalization. In that context, it was noted that there were very few financial institutions with significant intraregional branch or correspondent networks.

43. One delegation expressed the view that the document presented by the secretariat could have benefited more from up-to-date data, greater use of analytical tools, a more comprehensive discussion of existing regional cooperation arrangements and practical recommendations on issues such as market information, trade finance and trade facilitation. The secretariat responded to some of those comments and assured the Committee that it would take due note of them, insofar as they were relevant, in its future work.

**C. Institutional framework and policy dialogue for the promotion of industrial restructuring in the Asian and Pacific region**

44. The Committee had before it document E/ESCAP/REC(6)/3 on an institutional framework and policy dialogue for the promotion of industrial restructuring in the Asian and Pacific region. In introducing the item, the secretariat explained that the main purpose of the document was to obtain the

endorsement of the Committee of the terms of reference for the regional forum for the promotion of industrial restructuring in the Asian and Pacific region. The question of the establishment of a regional forum, as recommended in the Seoul Plan of Action for Promoting Industrial Restructuring in Asia and the Pacific, was further discussed by the Commission at its fifty-second session in 1996. The terms of reference had been formulated by keeping in view the emerging issues and concerns for industrial restructuring in the region with particular emphasis on the need for integrating the least developed countries, the Pacific island economies and the economies in transition more fully into the regional flows of trade and investment. An informal regional forum could play an important role in promoting the process by bringing together policy makers, private sector representatives and experts.

45. The Committee observed that, despite its dynamic economic performance and increased interdependence, the region was facing major challenges, such as structural imbalances in trade, uneven growth among economies, and unbalanced pattern and degree of structural change. In particular, some of the less dynamic countries of the region lacked the essential information and expertise to respond effectively to those challenges. The integrating global trade system and the growing resort to outward-oriented and market-based development strategies had made it necessary to develop cooperative and coordinated responses to those challenges.

46. The Committee observed that rapid changes towards globalization of the world economy during the past few years had brought great opportunities and enormous challenges for all the countries of the region. Furthermore, the challenges in industrial restructuring and development were becoming particularly pressing in a world of increasing competitiveness. The adoption of appropriate industrial restructuring policies and programmes in various countries had allowed greater rationalization and effective adjustment in industrial structure. Under those circumstances, the Committee observed that there was greater need for regional cooperation and the sharing of experiences.

47. The Committee noted that the specific modalities of or strategies for promoting industrial restructuring could be divided into two categories, policy-led measures and market-led restructuring. The successful implementation of those modalities required integrated management vision, clear-cut understanding of business practices as well as strengthening of coordination among network partners. In achieving the goals of industrial restructuring, continuous cooperation between the private sector and the public sector would remain vitally important.

48. The Committee felt that relocation of industries, which was both a cause and an effect of the industrial restructuring process, would have to be effected on an environmentally sound basis. It urged the secretariat to provide assistance in assessing the environmental effects of industrial relocation and minimizing those effects.

49. The Committee urged the secretariat to extend its assistance in promoting industrial investment, especially in the less dynamic economies of the region. It should also extend its efforts to develop small and medium-sized industries with export capabilities, and continue to encourage policy makers, businessmen and experts to exchange views on and experiences in the development of industrial technology.

50. The Committee noted that the segmentation of production processes had brightened the prospects for charting a new pattern of specialization in the region. However, industrial restructuring should also promote exchange of information, so that countries losing their comparative advantage in specific industries did not try to maintain those industries artificially.

51. The Committee observed that privatization, deregulation and enterprise reforms could be useful means to make resources available, reduce pressure on government budgets and improve the operational efficiency of public sector enterprises to produce quality outputs with the ability to compete internationally. It felt that improved information on how to undertake successful privatization and liberalization would be important for many least developed countries of the region.

52. The discussions on the proposed informal regional forum for the promotion of industrial restructuring in the Asian and Pacific region elicited wide-ranging views. Many delegations recalled the views expressed at the fifty-second session of the Commission on the establishment of such a forum; however, some delegations questioned the need for it at the present stage.

53. Several views were expressed on the proposed terms of reference of the informal regional forum as contained in document E/ESCAP/REC(6)/3. Some delegations felt that the proposed terms of reference were too broad and could be classified into action to be taken at the regional level by the regional forum and action that could be undertaken by national forums. It was suggested that the relationship between the national and regional forums should be clearly defined. It was further suggested that subparagraphs 48 (h) and (k) of the document could be combined and subparagraphs (l) and (o) dropped, to avoid duplication with other ESCAP initiatives. Some other delegations, however, felt that the forum could serve a very useful purpose by taking up certain specific tasks at the outset. Initially, the forum could concentrate on two issues, related to policy measures and market-led strategy in promoting industrial and technological restructuring and development, with the objective of achieving concrete cooperation among the parties concerned. It was observed that the forum could be a useful coordinating mechanism in those respects. Some delegations suggested the addition of the following under the terms of reference:

"In promoting industrial restructuring, the regional forum should identify, through each national forum, areas where technical assistance is needed and areas where such assistance is already available.

The regional forum should then set up a database of this information to link efficiently the demand for and supply of technical assistance for industrial restructuring."

"The regional forum should recommend effective methods for the privatization of public sector enterprises and propose effective ways to improve their operational efficiency."

"The regional forum should ensure that information and analysis undertaken by other organizations, such as the World Bank, the International Monetary Fund, the Asian Development Bank and Asia-Pacific Economic Cooperation involved in a dialogue at the national, regional and multilateral levels on industrial restructuring is disseminated to all ESCAP members."

**D. Progress in the implementation of the Action Programme for Regional  
Economic Cooperation in Investment-related  
Technology Transfer**

54. The Committee took note of document E/ESCAP/REC(6)/4 and emphasized the importance of science and technology for economic growth and development, reaffirmed the need for regional cooperation in that area as recommended in the Action Programme, and requested donor agencies and countries to increase their support.

55. The Committee expressed appreciation of the activities undertaken by the secretariat and its regional institutions and projects, namely, APCTT, the CGPRT Centre and RNAM in the course of implementation of the Action Programme.

56. The Committee noted with satisfaction that nine studies covering different regional subgroupings and countries had been prepared with the generous financial assistance of the Government of Japan. It also noted that the two regional studies envisaged in the Action Programme were in progress and reiterated the usefulness of those studies for evolving policies for, and building up technological capability in, technology transfer. The secretariat was requested to disseminate the studies as widely as possible.

57. The Committee noted that a number of activities had been undertaken with generous financial assistance provided by the Government of China, for example, the seminar on technological options with regard to selected issues related to river dam construction, held in Wuhan, China, in November 1996; the seminar on poverty alleviation through technological capacity-building, held in Beijing in June 1996; and the Nanjing Forum'96 on Technology Cooperation for Rural Small and Medium-sized Industries, held in Nanjing, China, in November 1996. It also noted the establishment of the National Cleaner Production Centre in India, which functioned as a clearing house for information on clean technologies.

58. The Committee pointed out that, owing to limited financial resources, the secretariat should set priorities and continue to work closely with other international and regional organizations.

**E. Review of the outcome of the first World Trade Organization Ministerial Conference: policy implications for, and technical assistance requirements of, developing ESCAP member countries**

59. In introducing document E/ESCAP/REC(6)/5 under the above agenda item, the secretariat stated that notwithstanding the complex process that had led up to the first WTO Ministerial Conference, the overall outcome of the Conference could be regarded as positive for the multilateral trading system.

60. The Committee noted with appreciation the presentations made by the four panellists representing a cross-section of developing countries. The panellists from Bangladesh, India, the Republic of Korea and Thailand gave their country perspectives on the outcome of the first WTO Ministerial Conference, with special reference to the issues of common concern to the region.

61. The Committee recognized that the commitment to address the problems of marginalization of the least developed countries expressed in the Draft Comprehensive and Integrated WTO Plan of Action for the Least Developed Countries, as well as the reaffirmation of full and faithful implementation of all WTO agreements, in particular those concerning the textile and agricultural sectors, were particularly positive aspects of the WTO Conference.

62. The Committee expressed support for the principle of transparency in government procurement practices. It also expressed the need for the tightening of rules on anti-dumping and countervailing duties.

63. The Committee recognized the satisfactory working of the dispute settlement mechanism and expressed the hope that it would continue to function in a fair and consistent manner, which would reinforce the confidence of all WTO members in its institutional mechanism.

64. The recommendations and conclusions of the Committee are reflected in section I of the present report.

**F. Date and venue of the seventh session of the Committee**

65. The Committee noted the ongoing review of the existing intergovernmental structure subsidiary to the Commission and decided that the secretariat should finalize, as appropriate, the dates as well as the provisional agenda for the seventh session in consultation with the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission.

#### **G. Other matters**

66. No subject-matter was discussed under this agenda item.

### **III. ORGANIZATION OF THE SESSION**

#### **A. Opening of the session**

67. The Committee for Regional Economic Cooperation held its sixth session at Bangkok from 12 to 14 March 1997.
68. The Executive Secretary of ESCAP opened the session and addressed the Committee.

#### **B. Attendance**

69. The session was attended by representatives of the following members and associate members of the Commission: Australia, Bangladesh, Cambodia, China, Democratic People's Republic of Korea, France, India, Indonesia, Iran (Islamic Republic of), Japan, Lao People's Democratic Republic, Macau, Malaysia, Mongolia, Nepal, Netherlands, Pakistan, Philippines, Republic of Korea, Russian Federation, Singapore, Thailand, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America, Uzbekistan and Viet Nam.
70. The representative of Romania attended as an observer.
71. Representatives of the following United Nations body and specialized agencies also attended: United Nations Conference on Trade and Development, Food and Agriculture Organization of the United Nations, International Telecommunication Union and United Nations Industrial Development Organization.

#### **C. Election of officers**

72. The Committee elected the following officers: Mr V.S. Seshadri (India) Chairperson; Mr Michael Regan (United Kingdom of Great Britain and Northern Ireland) and Mr Charmroon Malaigrong (Thailand) Vice-Chairpersons; and Ms Viengsavanh Sipraseuth (Lao People's Democratic Republic) Rapporteur.

#### **D. Agenda and organization of work**

73. The Committee considered the provisional agenda and annotated provisional agenda (E/ESCAP/REC(6)/L.1 and E/ESCAP/REC(6)/L.2) and adopted the following agenda:

1. Opening of the session.

2. Election of officers.
3. Adoption of the agenda.
4. Report of the Steering Group of the Committee for Regional Economic Cooperation on its ninth meeting.
5. Prospects for enhanced regional linkages among the economies of the ESCAP region.
6. Institutional framework and policy dialogue for the promotion of industrial restructuring in the Asian and Pacific region.
7. Progress in the implementation of the Action Programme for Regional Economic Cooperation in Investment-related Technology Transfer.
8. Review of the outcome of the first World Trade Organization Ministerial Conference: policy implications for, and technical assistance requirements of, developing ESCAP member countries.
9. Date and venue of the seventh session of the Committee.
10. Other matters.
11. Adoption of the report.

#### **E. Adoption of the report**

74. The Committee adopted the report on its sixth session on 14 March 1997.