

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Sixty-third session
17-23 May 2007
Almaty, Kazakhstan

**CONSIDERATION OF LEGISLATIVE BODY AND INTERGOVERNMENTAL MEETING
REPORTS AND IMPLEMENTATION OF SELECTED COMMISSION RESOLUTIONS,
INCLUDING RESOLUTION 60/1 ON THE SHANGHAI DECLARATION:
MANAGING GLOBALIZATION**

(Item 4 (c) of the provisional agenda)

REGIONAL PERSPECTIVES ON KEY TRADE AND INVESTMENT DEVELOPMENTS

Note by the secretariat

SUMMARY

The present document reviews key developments in the areas of trade and investment of relevance to members and associate members of ESCAP as those developments have evolved since the sixty-second session of the Commission. It notes the buoyancy in trade and investment flows and identifies a series of challenges facing the region. The difficult stop-go process of multilateral negotiations juxtaposed against the unrelenting proliferation of bilateral trade agreements has given rise to major policy challenges for the region. The document also makes the case that efforts to liberalize trade and investment should be complemented by enhanced measures at the national and regional levels to facilitate trade and to create a regulatory environment that is conducive to business. The rationalization of multiple agreements into a common integration framework would facilitate trade and investment while strengthening regional and global supply chains. The analysis is drawn from the issues identified in Commission resolution 62/6 of 12 April 2006.

The Commission is invited to provide further guidance to the secretariat on these issues and on its future work.

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Introduction | 1 |
| I. KEY DEVELOPMENTS IN THE REGION | 1 |
| A. ESCAP region increases integration in global production, trade and investment | 1 |
| II. CHALLENGES FACING THE REGION..... | 3 |
| A. Doha Development Agenda: moving multilateralism forward through a stronger global partnership..... | 3 |
| B. Extending preferential trade for South-South cooperation | 6 |
| C. Rationalizing regional economic integration through a process of consolidation | 13 |
| D. Enhancing trade competitiveness through enhanced efficiency | 14 |
| E. Building and expanding regional supply chains throughout the region..... | 16 |
| III. RESPONSES OF THE SECRETARIAT AND MATTERS CALLING FOR THE ATTENTION OF THE COMMISSION..... | 19 |
| Annex. Summary of feedback received from 18 members and associate members of ESCAP on implementation of the Commission resolution 62/6 | 21 |
| Table 1. Regional trade agreements: comparative overview of main features | 10 |

LIST OF FIGURES

| | |
|--|---|
| 1. Growth in the number of trade agreements in Asia and the Pacific..... | 7 |
| 2. Regional trade agreements: how long to implementation? | 7 |

Introduction

1. Trade and investment continued to play an important role in promoting peace and development in the ESCAP region. The present document briefly reviews key developments in trade and investment that have taken place recently in the ESCAP region. It notes the buoyancy that has occurred in trade and investment flows, and identifies a series of challenges facing the region. It argues that trade liberalization – be it multilateral, regional, bilateral or unilateral – is a process that should evolve progressively, so that developing countries would be able to generate the resources required to reduce poverty and achieve the Millennium Development Goals. The difficult stop-go process of multilateral negotiations juxtaposed against the unrelenting proliferation of bilateral trade agreements has given rise to major policy challenges for the region. It also makes the case that efforts to liberalize trade and investment should be complemented by enhanced measures at the national and regional levels to facilitate trade and to create a regulatory environment that is conducive to business. The rationalization of multiple agreements into a common integration framework would facilitate trade and investment while strengthening regional and global supply chains. The analysis is drawn from the issues identified in Commission resolution 62/6 of 12 April 2006. Based on the analysis, it concludes by highlighting proposed responses that the secretariat could take in further implementation of the resolution. The co-sponsors of this resolution held consultations on its implementation and the results of which are contained in the annex. The Commission is invited to provide further guidance on these matters.

I. KEY DEVELOPMENTS IN THE REGION

A. ESCAP region increases integration in global production, trade and investment

2. With the rapid expansion of gross domestic product (GDP) in almost all subregions of ESCAP in 2005 and 2006, despite high oil prices, a series of natural disasters and political turmoil, there is increasing confidence in the region's capacity to turn the trade, development and peace nexus into a virtuous circle that will usher in an Asia-Pacific century of prosperity.

3. While China continued along its now familiar double-digit growth path (topping 10 per cent GDP growth for the fourth year in a row), India also kept growing strongly, by more than 8 per cent annually. These economies were joined by many smaller but dynamic economies, for example Cambodia, the Lao People's Democratic Republic, Mongolia and Viet Nam, which strengthened the "factory of Asia" phenomenon across the development spectrum.

4. The region currently contributes 27 per cent of merchandise exports globally compared with 22 per cent in 1990. At the centrepiece of this dynamism lies China, which leapt spectacularly from tenth to third largest trading nation in the world, surpassing the economies of the Association of Southeast Asian Nations (ASEAN) as a whole. In terms of commercial services, the story is no less impressive. The region accounts for about one fourth of global trade, with India having risen dramatically over the past five years from twenty-sixth to eleventh position in global export rankings.

That country's share of exports of commercial services as a percentage of total exports is almost 36 per cent.

5. An increasing share of this trade is intraregional, accounting for 51 per cent of total intraregional trade compared with 47 per cent in 2000. However, a distinguishing feature is that intraregional trade accounts for less than that of Europe and North America, which stands at 73 and 56 per cent of the total respectively. The Asian and Pacific region thus remains outward-oriented, with an important stake in extraregional markets. This increases the stakes with regard to negotiations under the Doha Development Agenda, because a successful and development-oriented outcome would see further extraregional market access opportunities emerge for the region.

6. Notwithstanding the importance of those negotiations, 2006 proved to be a year in which the multilateral process of trade liberalization, sputtered, stalled and stopped. Nevertheless, with the full resumption of negotiations across a wide spectrum having been declared by the Chairman of the Trade Negotiations Committee and Director-General of the World Trade Organization (WTO) on 7 February 2007, the round may be entering its final stages, with a definite convergence between the various negotiating positions now within sight. Having said this, the difficulties inherent in the process cannot be underestimated. Consequently, the region, true to its spirit of pragmatism, has embarked with enthusiasm on a parallel track, with more than 20 new trade agreements having come into effect in 2005 and 2006. More than half of them were bilateral, according to the Asia-Pacific Trade and Investment Agreements Database.

7. During the period 2005-2006, trade facilitation continued to gain in prominence due to factors such as the WTO trade facilitation negotiations, as well as the growing international attention being paid to trade security.¹ In the environment created after 11 September 2001, it became acutely obvious that globalizing economies were highly just interdependent. The potential vulnerabilities inherent in a global supply chain, in which firms outsource stages of production to geographically dispersed locations, were manifested in a spate of new measures intended to secure the global supply chain. The aim has been to provide a safe, legal and efficient exchange of goods and services and production factors. Secure trade thus has become as important as free trade and, in an outward-oriented globalized region such as Asia and the Pacific, the need for the two to be mutually inclusive gained prominence. Related to this development has been an increase in competitive pressures that have raised the need for intra-industry trade to flow along the global supply chain in a rapid and efficient way, with just-in-time operations underlining the need for trade facilitation reforms. These reforms would need to proceed at national, subregional and regional levels and the initiatives should be in consonance with global initiatives. These developments, together with ongoing trade facilitation

¹ See for example, an excerpt from the Hanoi Declaration, adopted at the 14th APEC Economic Leaders' Meeting in Hanoi on 18 and 19 November 2006: "Acknowledging the significance of counter-terrorism efforts to realizing APEC's core goals of free trade and investment, we reiterated the importance of counter-terrorism work in APEC. We emphasized total supply chain security as a priority for 2007 and welcomed a study by APEC economies to look at ways to facilitate the recovery of trade in the event of major disruptions to the global supply chain caused by terrorist attack or other calamities" (*Key APEC Documents 2006*, Singapore, APEC secretariat, 2006, p. 7).

initiatives undertaken by ESCAP in collaboration with other organizations, notably the World Customs Organization (WCO), ASEAN and the Asian Development Bank, will make trade facilitation an important item on the development agenda in coming years.

8. During this period, foreign direct investment (FDI) continued to act as a primary engine of economic growth and social development. In 2005, the region attracted inflows of foreign direct investment worth US\$ 165 billion, about one fifth of the total such flows.

9. About two thirds of that amount went to China (US\$ 72 billion) and Hong Kong, China (US\$ 36 billion). The South-East Asian subregion received US\$ 37 billion, led by Singapore (US\$ 20 billion) and followed by Indonesia (US\$ 5 billion), and Malaysia and Thailand (US\$ 4 billion each). Traditionally, inflows into South Asia have been smaller, with that subregion attracting foreign direct investment inflows in 2005 of US\$ 10 billion, 70 per cent of which went to India. West Asia experienced the highest rate of growth in inward FDI. It is noteworthy that more than half the inflows to the region came from developing home economies, led by Hong Kong, China (US\$ 33 billion). Indeed, the role of developing and transition economies as sources of FDI is increasing globally, particularly from Asia. Although negligible or small until the mid-1980s, outflows from these economies totaled US\$ 133 billion in 2005, corresponding to about 17 per cent of the global total. In 2005, total sales of transnational corporations in developing countries reached an estimated US\$ 1.9 trillion; developing countries employed some 6 million workers. Moreover, in 2004, five companies headquartered in Asia (three of them State-owned) in developing economies were listed among the top 100 globally: Hutchison Whampoa Ltd. (Hong Kong, China), Petroliaam Nasional Berhad (PETRONAS) (Malaysia), the Singtel Group (Singapore), Samsung Electronics (Republic of Korea) and China International Trust and Investment Company (CITIC Group) (China), topped the list of the largest 100 transnational corporations from developing economies. Altogether, 77 of the top 100 transnational corporations had their headquarters in Asia.

10. Foreign reserves also received increasing attention as a potential source of finance for development, particularly since some of the economies in the region have accumulated unprecedented levels of reserves. Hong Kong, China; India; and Singapore each have foreign reserves of more than US\$ 100 billion; the Russian Federation and the Republic of Korea, about US\$ 200 billion each; Japan, more than US\$ 800 billion. China recently passed the US\$ 1 trillion mark in terms of its foreign reserves. In some of these economies these levels of foreign reserves are significantly higher than what is generally deemed necessary by some economists.

II. CHALLENGES FACING THE REGION

A. Doha Development Agenda: moving multilateralism forward through a stronger global partnership

11. As argued previously, the Asian and Pacific region remains the most outward-oriented compared with other developing regions of the world. Concluding the Doha round negotiations thus

continues to remain the ESCAP region's top trade policy priority. Since the adoption of the WTO July 2004 Framework Agreement, progress has remained limited, culminating in a suspension of talks in July 2006. As matters stand now, it is unlikely that the talks will be concluded before the expiry of the trade promotion authority granted to the President of the United States of America. Nevertheless, a generally more favourable political climate has enabled full resumption of the Doha negotiations, and the increased prospects for a positive outcome to the talks may provide impetus for a renewal of the trade promotion authority, a condition without which the conclusion, ratification and implementation of the round's results would be difficult, if not impossible.

12. The July 2006 suspension of negotiations appears to have had also some beneficial effects. It provided time out, a period of reflection in which the costs of failure became an acute reality. Both for developed and developing countries, any systemic departure from the primacy of the multilateral trading system would be costly, but for developing countries these costs would be disproportionately heavy. The smaller and poorer a country, the more likely it is that further marginalization would take place under all other configurations of liberalization, be they bilateral, plurilateral or regional. Discriminatory arrangements give preferential treatment to some countries over and above others, thus leading to trade distortions. When such preferential treatment results in augmented trade, these agreements evolve as a complementary building block of the multilateral process; however, an effective multilateral trading system is a necessary condition, without which these configurations are more likely to divert trade away from most efficient sources of supply, rather than create trade.

13. Consequently, there has been a greater willingness to regroup quietly and reformulate proposals with more constructive "numbers" aimed at unlocking the conundrum in agriculture and manufactures among, principally, the United States, the European Union and groups of developing countries. For some WTO members, improved market access for services also comprises an integral part of the conundrum. An ambitious outcome of the services negotiations is considered to be a "standstill agreement", with developed and developing countries committing to binding the autonomous liberalization in services undertaken in the past 10 years.

14. On the other hand the trade facilitation negotiations have followed a less factitious path; to some they have led to a curious outcome given that it took almost a decade to start negotiations on the issue. A number of like-minded groups emerged, which were jointly co-sponsoring clusters of submissions, some consisting of alliances of developed and developing countries. Through these submissions, transition periods for the assumption of new trade facilitation commitments have been agreed, with these commitments being subject to the provision of sufficient technical assistance that would enhance the countries' implementation capacity. The special and differential (S and D) treatment accorded to developing countries thus envisages going beyond the classical granting of transitional periods (being exercised under current WTO agreements) with the extent and timing of entering into commitments closely related to the implementation capacities of developing countries.

15. Trade facilitation negotiations have centred on the principle of building a stronger global partnership, which implies that the weaker partners are brought up to speed vis-à-vis the capacity of others. In this sense, the trade facilitation negotiations have been hailed as win-win negotiations, in which a truly bottoms-up or member-driven approach has promoted consensus. In fact, at the time of suspension of the Doha round negotiations, the text of the draft agreement on trade facilitation had advanced to such an extent in terms of its general acceptance that some suggested this could be an “early harvest” agreement of the round. However, the consensus was that it could not progress outside the “single undertaking” of the Doha round negotiations. The significant progress made in this area of work, as compared with other areas, is one important reason why the successful conclusion of the round is an imperative.

16. There is today, perhaps more so than ever before, a greater recognition that advances in the multilateral trading system will benefit all, provided the results are fair and equitable, and take into consideration the development concerns of developing countries. The future of WTO, and by implication multilateralism in trade, is linked to this recognition. As observed in the ESCAP region, the benefits emanating from freer trade and the guardian of freer trade – the rules embodied in the multilateral trading system – in the past have served well the economies subscribing to them. However, this does not mean that they will, or can do so, in the future. The policy environment in which this system operates is changing. While a new economic and political balance is being sought, the system will be in a state of flux that will be associated with an increase in regionalism as well as nationalism. How the system accommodates these phenomena while maintaining intact its core principles and focus on market access will determine its future. New trade rules will have to evolve that are apt for modern day globalization with its costs and benefits, and in which developing countries will become increasingly influential trading partners.

17. Furthermore, the achievement of a truly development-friendly round will require a set of additional measures broadly visualized as “aid for trade” as agreed at the Sixth WTO Ministerial Conference, held in Hong Kong, China, from 13 to 18 December 2005. A broad consensus exists that aid-for-trade measures, apart from supply-side capacity-building in trade-related infrastructure, should work towards increasing a country’s capacity to: (a) formulate a home-grown and -owned trade policy; (b) participate effectively in trade negotiations; and (c) implement trade agreements successfully. At the same time, the Ministerial Declaration adopted by that Conference is emphatic that aid for trade cannot be a substitute for the development benefits that will result from a successful conclusion to the Doha Development Agenda, particularly on gaining new market access opportunities, as has been argued previously. However, it can be a valuable complement to the Agenda, particularly for least developed countries and other developing countries with supply-side constraints.

18. Finally, the ESCAP region accounts for the largest share of countries that are in the process of WTO accession. In 2007, the first country to join WTO was Viet Nam. This is an important event in

the history of WTO that will strengthen the system in view of the growing size and dynamism of that country's economy. Of equal importance is the credibility that Viet Nam gains, a demonstration of the long way it has come as a globalizing economy from the ravages of war just three decades previously. Earlier, when Cambodia and Nepal had joined WTO, they were the first least developed countries to do so, thus paving the way for more least developed countries to join. Tonga and Vanuatu concluded accession earlier, but domestic ratification is pending. Bhutan is expected to join WTO in the near future. After the accession to WTO of Armenia, Georgia and Kyrgyzstan, other Central Asian and Caucasian economies in transition have also made great progress towards WTO membership. With the imminent accession of the Russian Federation, more Central Asian economies will follow suit.

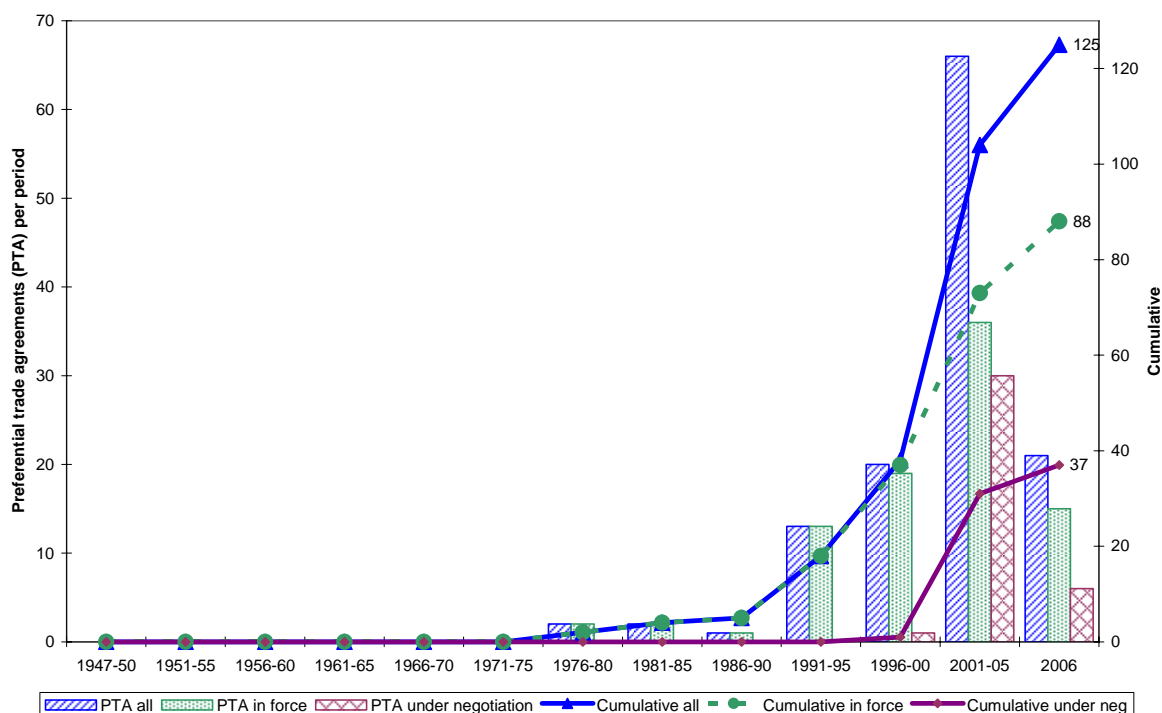
19. Countries acceding to WTO have all dedicated significant political, administrative and financial resources to joining the Organization over a period that typically lasts a decade. Similarly, developing WTO members have also invested substantially in developing their trade capacities. All have pinned their hopes on trading their way out of poverty. Given that development is central to the Doha round in name and in spirit, the larger trading partners in particular have a huge responsibility to conclude the round successfully with an adequate development package. The achievement of a stronger global partnership through mutual accountability, as foreseen by Millennium Development Goal No. 8, is critical to maintain credibility in multilateralism and in WTO, in particular.

B. Extending preferential trade for South-South cooperation

20. The Asian and Pacific region has joined others in nurturing the preferential track to trade liberalization. Currently, ESCAP economies are implementing more than 80 trade agreements among themselves and with other economies around the world. Figure 1 shows these trends over the past 50 years or so. While the switch towards preferentialism started as a complementary liberalization track in tandem with multilateral trade liberalization, increasingly it appears to be serving as a replacement for multilateralism. The number of preferential trade agreements (that include both regional and bilateral agreements) involving an ESCAP member or associate member economy in force or under negotiation amounts to 125 as of February 2007, according to the Asia-Pacific Trade and Investment Agreements Database, the ESCAP secretariat's tool for tracking these agreements. A closer examination of these agreements also reveals that they vary greatly in terms of depth and coverage regarding liberalization commitments and other characteristics. Only a small number use the negative list, with many agreements backloading comprehensive liberalization to the end period, typically 10 years in the future. Only about a third of them contain trade facilitation provisions, while in many other cases trade facilitation measures are dealt with marginally. Similarly, only a handful have been signed and ratified, and are under implementation. Increasingly, these agreements spend long periods of time in "gestation", with uncertainties concerning their implementability (see figure 2). The reasons, usually domestic, vary: the reasons may be of a technical nature, for example industry-specific concerns with regard to the rules of origin; political such as a change in government

administration and policy direction; and economic such as the effect that liberalization will have on labour-intensive sectors.

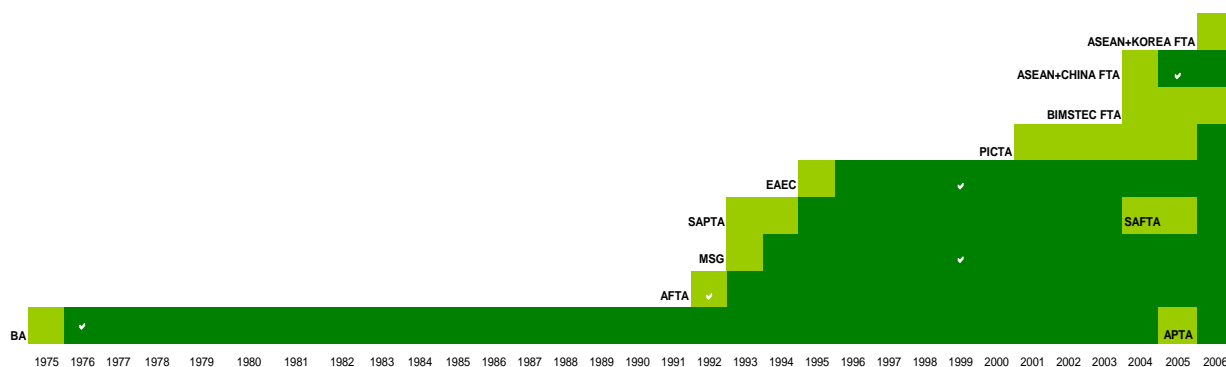
Figure 1. Growth in the number of trade agreements in Asia and the Pacific



Source: Asia-Pacific Trade and Investment Agreements Database, February 2007

Note: PTA means preferential trade agreements and “neg” stands for negotiation.

Figure 2. Regional trade agreements: how long to implementation?



Legend

| | | |
|-------------------------|----------|-----------------|
| Signed but not in force | In force | Notified to WTO |
| | | ✓ |

Source: Asia-Pacific Trade and Investment Agreements Database, January 2007

Acronyms:

AFTA - ASEAN Free Trade Agreement (Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam)
 APTA - Asia-Pacific Trade Agreement (Bangladesh, China, India, Republic of Korea, the Lao People's Democratic Republic and Sri Lanka)
 BA - Bangkok Agreement (Bangladesh, India, the Lao People's Democratic Republic, the Republic of Korea and Sri Lanka)
 BIMSTEC FTA - Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand)
 EAEC - Eurasian Economic Community (Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan and Uzbekistan)
 MSG - Melanesian Spearhead Group (Fiji, Papua New Guinea, Solomon Islands and Vanuatu)
 PICTA - Pacific Island Countries Trade Agreement (Cook Island, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu)
 SAFTA - South Asia Free Trade Area (Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka and Bangladesh)
 SAPTA - SAARC Preferential Trading Arrangement (same members as SAFTA)

21. The main feature of preferentialism in the ESCAP region is that it is driven by bilateralism (about 70 per cent of the agreements tracked in the Asia-Pacific Trade and Investment Agreements Database). Among the regional trade agreements, a few stand out. The Association of Southeast Asian Nations Free Trade Area is now operational. At the 12th ASEAN Summit, held in Cebu, the Philippines, from 12 to 15 January 2007 ASEAN leaders moved the date forward for the adoption of an ASEAN economic community from 2020 to 2015. ASEAN is pursuing trade facilitation reforms actively, since the lessons of other regional trade agreements made it clear that the hoped-for benefits from liberalization will not be realized unless trade facilitation measures are vigorously implemented. One of the key projects of ASEAN is the establishment of the ASEAN Single Window, a system which is aimed at expediting the clearance of imports. It enables the single submission of data and information; the single and synchronous processing of data and information; and single decision-making for customs release and clearance of goods. The ASEAN Harmonized Tariff Nomenclature is another example of standardizing customs tariff nomenclature at the 8-digit level.

22. Also of interest is the restart of the ASEAN+3² regional bloc talks. Meanwhile, the ASEAN-China Framework Agreement on Comprehensive Economic Cooperation has graduated to become a free trade agreement, which when fully implemented by 2015 will be by far the most comprehensive and largest such agreement ever realized in the Asian and Pacific region. In addition, ASEAN signed an agreement on trade in services with China in early January 2007. Progress was also made on an India-ASEAN free trade agreement; the signing of that agreement is scheduled for the near future. In 2006, the ASEAN members, with the exception of Thailand, signed a free trade agreement with the Republic of Korea. An ASEAN-Japan free trade agreement is under negotiation, as is the ASEAN-Australia-New Zealand closer economic relations trade agreement. ASEAN has also been negotiating with the United States and more recently the European Union, which makes it one of the most attractive groupings in the world. Nevertheless, underlying all these “ASEAN+X+X+X” activities is a series of bilateral trade agreements that are already under implementation, or at various stages of negotiation, with Japan featuring prominently (for example the Thailand-Japan, Philippines-Japan, Singapore-Japan, Malaysia-Japan and Indonesia-Japan agreements), but not exclusively (the United States-Thailand, United States-Singapore, and Thailand-China agreements on fruits and vegetables, and the Australia-Thailand agreement). Questions remain about how these bilateral agreements, with their stylized provisions specific to the two partners of the bilateral agreement, will be made multilateral at the ASEAN level, since such a process will invariably erode bilateral benefits. Is it possible to evolve common rules of origin given that they are specific to the economic relations underlying the two partners in the bilateral agreement?

23. South Asia follows East Asia closely in the total number of preferential trade agreements negotiated and signed, but many of these agreements are shallower and may not be under full

² ASEAN+3 comprises 10 members of ASEAN plus China, Japan and the Republic of Korea.

implementation. In addition to a bilateral trade agreement between India and Sri Lanka, the South Asian Free Trade Area (SAFTA) Agreement came into effect on 1 January 2006, although there are delays in some aspects of its implementation. With regard to trade facilitation, Article 3 of the SAFTA Agreement contains the commitments of the contracting States to trade facilitation reform. This includes extensive plans to integrate more closely transport systems and harmonize standards in the region, among other steps. Member countries of the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC) still have to agree on the text of a free trade agreement and a common set of preferential rules of origin. Nevertheless, the liberalization foreseen in the draft free trade agreement is extensive, covering goods, services and investments, with completion expected by 2017. Furthermore, under Article 6 the text looks into the much broader scope the agreement will provide for enhancing trade facilitation than it does in considering customs issues, including mutual recognition agreements; conformity assessment and technical standards; trade finance; e-commerce; and business visa and travel facilitation. Problems in finalizing the text have raised questions concerning its implementability.

24. The Pacific small island States have initiated the Regional Trade Facilitation Programme, which is aimed at improving the capacities of those States in the areas of customs, quarantine, standards and conformity. With the Pacific Island Countries Trade Agreement having entered into force in 2006, the combination of market-opening and trade facilitation measures could provide a greater impetus to intra-Pacific trade and investment growth.

25. In contrast, the Asia-Pacific Trade Agreement (APTA), previously known as the Bangkok Agreement, which is the oldest regional trade agreement in the region, distinguishes itself from many other trade agreements in various ways. First, it has a common set of relatively simple and flexible common rules of origin. Second, it is fully operational despite its as yet limited depth and coverage of liberalization commitments (see table 1 and figure 2). Third, its membership cuts across various subregions and includes, apart from India, economic giants, such as China and the Republic of Korea, as well as least developed countries, such as Bangladesh and the Lao People's Democratic Republic. The value of trade among APTA members in 2005 rose to US\$ 274 billion, which demonstrates its huge potential, especially when compared with other regional groupings (see table 1). It is in fact the only regional trade agreement that links East and South Asia, two of the fastest growing subregional economies in the world. Fourth, it has special and differential treatment provisions in place for least developed countries in the form of special concessions, that is, larger margins of preference, and additional products on which these concessions are offered. Participating States in the Asia-Pacific Trade Agreement have concurred on starting negotiations on verification and certification procedures for certificates of origin and for exchanging statistical information on trade. The second session of the Ministerial Council of the Asia-Pacific Trade Agreement will be hosted by the Government of India in late 2007.

Table 1. Regional trade agreements: comparative overview of main features

| | APTA | AFTA | BIMSTEC FTA | SAFTA | ASEAN+China FTA | ASEAN+ Republic of Korea FTA | ASEAN -India Framework Agreement | ASEAN+Japan Framework Agreement |
|--|---|--|---|--|---|---|---|---|
| Number of members | 6 | 10 | 7 | 7 | 11 | 10 | 11 | 11 |
| Membership | Bangladesh, China, India, Lao People's Democratic Republic, Republic of Korea and Sri Lanka | Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam | Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand | Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka | Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam and China | Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Viet Nam and Republic of Korea | Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam and India | Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam and Japan |
| Signed | 1975 | 1992 | 2004 draft not signed | 2004 | 2004 | 2006 | 2003 | 2003 |
| In force since | 1976 | 1993 | - | 2006 | 2005 | Pending | 2004 | 2004 |
| Members trade in goods in 2005 (billions of US dollars) | 273.8 | 286 | 16.9 | 10.6 | 130.4 (excluding intra-AFTA) | 53.5 (excluding intra-AFTA and Thailand) | 21.4 (excluding intra-AFTA) | 148 (excluding intra-AFTA) |
| WTO notification | 1976, enabling clause, report adopted | 1992, enabling clause No examination | No notification | No notification | 2005, enabling clause Under examination | No notification | No notification | No notification |
| Category assigned by WTO | Preferential arrangement | Preferential arrangement | n.a. | n.a. | Free trade agreement | n.a. | n.a. | n.a. |
| Type of agreement from text | Preferential trade agreement | Free trade agreement | Free trade area | Free trade area | Free trade agreement | Free trade agreement | Framework agreement | Framework agreement |
| Tariff elimination scheduling | Positive list | Mixture of positive and negative list | Negative list | Negative list | Positive list | Negative list | Positive list | Negative list* |

| | APTA | AFTA | BIMSTEC FTA | SAFTA | ASEAN+China FTA | ASEAN+ Republic of Korea FTA | ASEAN -India Framework Agreement | ASEAN+Japan Framework Agreement |
|---|---|--|---|--|--|--|---|--|
| Speed of liberalization | | | | | | | | |
| Target date for free trade | Not mentioned | 2010 for ASEAN-6 and 2015 for Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam | 2012 and 2017 for least developed countries | 2012 and 2018 | 2010 for ASEAN-6 (not later than 2012) 2015 (not later than 2018) for Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam | 2010, 2016 and 2018 for normal track and 2016-2024 for sensitive track | 2011-2016 | 2012 and later for new members, but driven by bilateral economic partnership agreement |
| Coverage of immediate liberalization and/or margin of preference | 4,270 (plus 587 for least developed countries), Margin of preference 26.8% (58.8% for least developed countries). | Except for highly sensitive products, tariff reduction (to 0-5% level) implemented in ASEAN-6, under way in Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam | None | To 20% within 2 years (30% for least developed countries) | Normal track – rates between 5 and 12% with ASEAN-6 by 1 January 2007 and 5-40% for new members | Normal track – rates between 5 and 13% with ASEAN-6 by 1 January 2007 and 5-50% for new members | 105 products in early harvest programme from 2004 to 2007 for ASEAN-6, and 111 for which India extends concessions to new members | None |
| Planned reduction of tariffs | None | For Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam | None | From 20 to 0-5% in another 5 years, and from 30% in another 8 years for least developed countries, at least a 15% (10% for least | Sensitive track, with ceiling to 400 tariff lines (10% of imports in 2001) and 500 lines for new members; reduction not later than 2012/2018 | Sensitive track – elimination not later than 2016 for ASEAN-6, 2021 for Viet Nam and 2014 for Cambodia, Lao People's Democratic Republic and | Normal track – 2006 to 2011 or 2016 depending on member. Sensitive track – no time schedule | None |

| | APTA | AFTA | BIMSTEC FTA | SAFTA | ASEAN+China FTA | ASEAN+ Republic of Korea FTA | ASEAN -India Framework Agreement | ASEAN+Japan Framework Agreement |
|---|--|--|----------------|--|---|---|--|---------------------------------------|
| | | | | developed countries) reduction in tariffs on an annual basis | | Myanmar | | |
| Rules of origin | | | | | | | | |
| Origin of product – by value | Local value content no less 45% f.o.b. (35% for least developed countries). | Local value content no less 40% f.o.b. | - | Local value content no less than 40% f.o.b. (30% for least developed countries and 35% for Sri Lanka) | Local value content no less than 40%. | Local value content no less than 40% f.o.b. | - | - |
| Tariff change heading necessary for origin | No | No | - | Yes | No | No | - | - |
| Product specific rules | No | Under negotiation | - | No | Under negotiation | No | - | - |
| Cumulation | Regional | Regional | - | Regional | Regional | Regional | - | - |

Source: Asia-Pacific Trade and Investment Agreements Database, February 2007. Trade values are calculated from the United Nations Commodity Trade Statistics Database <<http://comtrade.un.org/db/default.aspx>>, and refer to the export and import of goods among the members for 2005 (COMTRADE was accessed on 19 February 2007).

Abbreviations: AFTA - ASEAN Free Trade Agreement (Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam)

APTA - Asia-Pacific Trade Agreement (Bangladesh, China, India, Republic of Korea, the Lao People's Democratic Republic and Sri Lanka)

BA - Bangkok Agreement (Bangladesh, India, the Lao People's Democratic Republic, the Republic of Korea and Sri Lanka)

BIMSTEC FTA - Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand)

EAEC - Euroasian Economic Community (Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan and Uzbekistan)

FA - framework agreement

FTA - free trade agreement

MSG - Melanesian Spearhead Group (Fiji, Papua New Guinea, Solomon Islands and Vanuatu)

PICTA - Pacific Island Countries Trade Agreement (Cook Island, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu)

SAFTA - South Asia Free Trade Area (Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka and Bangladesh)

SAPTA - SAARC Preferential Trading Arrangement (same members as SAFTA)

26. The proliferation of preferential trade agreements, at least partly, is affected by the quality of the multilateral talks in terms of speed and substance. The slower the progress and the narrower the results, the more likely it is that trading countries, especially large ones, will use other avenues to obtain so-called WTO++ conditions: higher labour and environmental standards, access to government procurement, investment and intellectual property protection being among the issues that feature prominently. However, meaningful liberalization in some sectors, notably agriculture, often remains conspicuously absent. Not surprisingly, therefore, bilateral trade agreements have come under more rigorous academic analysis and increased public scrutiny. Subsequently, in a number of cases, negotiations have run aground, despite having reached an advanced stage. A conclusion of the Doha round with sufficient depth and scope may result in a reverse process: instead of preferentialism diluting the relevance of WTO agreements, the Doha round when concluded could erode the preferential benefits that bilateral agreements were meant to provide, while providing more predictability and implementability, thereby obviating the need for preferential alternatives. The key once again is a timely and sufficiently ambitious conclusion to the round – a goal that remains elusive.

C. Rationalizing regional economic integration through a process of consolidation

27. Therefore, in parallel a regional consensus is emerging on the need to bring order to the “noodle bowl”, through a truly pan-Asian integration process, with the ASEAN-“plus” process featuring as the axis of integration. Views differ on how widely the axis should spread, specifically on whether Australia and New Zealand should be included in an East Asian free trade area. Similar arguments prevail on how far west such an East Asian community should extend. In the meantime, APTA, with its unique membership cutting across East, South-East and South Asia, forms the foundation for what might be possible in a regionwide integration process. In all likelihood, the various processes previously mentioned will move simultaneously, in parallel with each other, and will converge at some point. At the same time, while the promotion of regional economic cooperation is generally accepted as being desirable, in addition to being a core ESCAP mandate, the use of the term “regional economic integration” raises some concerns for various countries in so far as deep integration necessitates policy harmonization across countries; such a development thus may be premature. It may also be inefficient when economic development is uneven; it limits policy space and could undermine a country’s political sovereignty. On the other hand, regional economic integration can be understood as a process which has many levels, varying from a preferential trade agreement, such as APTA, to full economic union, such as the European Union. The challenge is to find a proper balance between countries’ sovereignty and political cohesiveness, while optimizing the economic benefits to be obtained from lowering the barriers to trade and from harmonizing economic policies. For that purpose and as a first step, the secretariat has launched work on designing common frameworks, which would help consolidate and harmonize the many regional trade agreements in Asia and the Pacific, with a view to achieving a level of regional economic integration that would optimize economic welfare without unduly compromising sovereignty and political unity.

28. Some progress could be made by starting the consolidation process in areas for which there is clear evidence of the costs imposed as a result of unconsolidated status, such as rules of origin, investment, or standards. Most recently, measures for harmonizing rules, with a view to reducing transaction costs for business, were discussed at the APEC Economic Leaders' Meeting, held in Hanoi, on 18 and 19 November 2006. The Leaders committed to complete comprehensive model measures as useful references for trade negotiating teams by 2008. The ESCAP secretariat could build on these approaches for the rest of its membership that is not part of the Asia-Pacific Economic Cooperation initiative. This "mega" building-block approach would facilitate a fast-track approach towards WTO consistency and multilateral liberalization. The least developed countries proposal on simplifying rules of origin submitted to the WTO Negotiating Group on Market Access, among other WTO committees (TN/CTD/W/30, TN/MA/W/74, TN/AG/GEN/20), represents another interesting building block for further work to be undertaken. The Asia-Pacific Trade Agreement and its provisions, particularly its common rules of origin, could provide a useful reference point for this evolving architecture. The Agreement could indeed promote a coalescence of the currently fragmented approach into a more cohesive regionwide whole, given that it is one of the few trade agreements that are open to all developing economies of the region, that is the only regional trade agreement, the members of which represent the full development spectrum and that cuts across all the subregions of Asia.

29. An interesting example for the Commission to study further is the new Central European Free Trade Agreement. It is the world's first example of the consolidation of bilateral free trade agreements into a single regional trade agreement (32 bilateral trade agreements rescinded in this case). That Agreement consolidates and modernizes the European region's "rule book" on trade and includes modern trade provisions on competition, government procurement and protection of intellectual property. It facilitates the convergence of relevant trade-related rules, notably with regard to industrial and sanitary-phytosanitary standards, while a simplified single system of rules of origin (and other rules) makes trade within the region easier.

D. Enhancing trade competitiveness through enhanced efficiency

30. As has been argued above, in today's modern global supply chains, with just-in-time operations, the movement of goods and services throughout the entire supply chain is often hampered by inefficient customs and other administrative procedures as well as excessive paperwork. Such procedures cause serious delays in the delivery of goods, increased transaction costs and eventually the loss of competitiveness.

31. It is important to note that most manufactured exports contain a considerable amount of imported components. This is particularly the case in manufacturing industries characterized by international production-sharing. For instance, electronics and clothing typically have elaborate international production networks for which timely delivery is of the utmost importance. In China, in

2001, the imported content was 32 per cent of the value of exports in the electronics sector. The import content was 55 per cent in Thailand and 72 per cent in the Philippines in that year. In the clothing sector, the import content of exports was 43 per cent in Sri Lanka, 40 per cent in Viet Nam and 38 per cent in the Philippines, to mention but a few countries. This means that the lead time for imports is as important as it is for exports. Therefore, minimizing delivery time is particularly important in modern commerce in view of the trend towards just-in-time production systems that enable firms to outsource stages of production to geographically dispersed locations.

32. For example, in a January 2006 study,³ the World Bank surveyed 345 freight forwarders, port and customs officials operating in 126 countries, assessing four stages of export procedures: pre-shipment activities and inspections; inland carriage and handling; port handling; and customs procedures. The study revealed that the time needed to move an export container to the nearest port, fulfilling all the customs, administrative and port requirements, was 25.8 days on average in East Asia and the Pacific, 31.6 days in Europe and Central Asia, 33.6 days in the Middle East and Northern Africa and 33.7 days in South Asia. In taking a closer look at some selected economies in the ESCAP region, the report found that it took 93 days in Kazakhstan, 66 days in the Lao People's Democratic Republic, 45 days in the Islamic Republic of Iran, 44 days in Nepal, 43 days in Cambodia, 39 days in Bhutan, 36 days in India, 35 days in Bangladesh, 33 days in Pakistan, 20 days in China and Malaysia, 13 days in Hong Kong, China, and 6 days in Singapore.

33. Based on the survey, several countries in Asia and the Pacific which have implemented modern trade methods based on a rapid flow of data and information and simplified procedures using IT solutions throughout the whole international supply chain succeeded in reducing time delays. Such methods include paperless environments, ICT-enabled Single Window facilities or Internet-based systems, which enable a swift exchange of data and information electronically. The success stories in the Asian and Pacific region arising from the use of such systems are, for example, the Dagang Net in Malaysia, TradeNet of Singapore and TradeLink and the Digital Trade and Transportation Network in Hong Kong, China. These could serve as pacesetters in the region, helping neighbouring countries to implement similar systems.

34. A new challenge for the region is the trade environment that has evolved subsequently to the events of 11 September 2001, in which new security measures especially designed to secure the global supply chain have been initiated and implemented. The overall international concern about security has spawned a number of initiatives at the global, regional and national levels to secure the global supply chain. New security measures, such as the Customs-Trade Partnership against Terrorism, the 24-hour Advance Cargo Manifest Rule and the WCO Framework of Standards to Secure and Facilitate Global Trade, the Container Security Initiative, and the International Ship and Port Facility Security Code, are currently being implemented. At the regional level, the Asia-Pacific

³ Simeon Djankov, Caroline Freund and Cong S. Pham (2006). *Trading on Time*, World Bank, available at <http://psdblog.worldbank.org/psdblog/2006/01/trading_on_time.html>.

Economic Cooperation in 2005 developed and endorsed the APEC Framework for the Security and Facilitation of Global Trade. A European Commission regulation is aimed at providing increased security for shipments entering or leaving the European Union and providing greater facilitation for compliant operators. It introduces a framework for better risk analysis of goods crossing the borders of the European Union. From 1 January 2008, reliable traders (authorized economic operators) respecting determined criteria will benefit from trade facilitation measures. From 1 January 2009, the electronic exchange of advance information between traders and customs authorities on all goods entering or leaving the European Union will be introduced. The regulation also requires customs authorities to exchange information electronically on exports in order to speed up export procedures. By 1 July 2009, it will become mandatory for traders to provide customs authorities with advance information on goods brought into, or sent out of, the European customs territory.

35. While implementing and complying with the new trade security measures will mean additional costs, there is a very close link between trade security, trade facilitation and export competitiveness, and these aspects can be mutually reinforcing. If trade security is intended to provide safe trade, then trade facilitation is intended to provide a simple, transparent trade that centres on the principles of an open trading system and includes transparency, predictability, due process, non-discrimination and avoidance of unnecessary restrictions to trade. Measures that add security to trade can add certainty and stability to the global economy, raise investors' confidence and thus facilitate trade.

36. In this new trading environment, advanced transmission of accurate trade information is required. Poor documentation could lead to incorrect reporting of information and subsequent difficulty in checking the accuracy of information. In addition, this might create opportunities for fraud. Standardized and aligned documents and their data content, together with streamlined documentation submission procedures, could help overcome this problem. Moreover, under the current trade security measures, the need for rapid availability of information in advance of shipping, combined with the increasing application of risk management techniques by customs agencies, have greatly increased the use of modern information and communication technology. Automation leads not only to gains in efficiency and reduced transaction costs, but also to fewer opportunities for illegal transactions. Concern over the security of the global supply chain has served as a catalyst and has resulted in more attention being paid to trade facilitation reforms.

E. Building and expanding regional supply chains throughout the region

37. Despite the positive FDI trends outlined above, not all countries succeed in attracting substantial amounts of FDI. Even for successful countries, the FDI inflow may not be sufficient to meet the demand for the huge amounts of finance needed for development. Therefore, there is a need to seek other potential sources for development requirements in addition to FDI. As previously mentioned, some economies in the region have recently amassed huge foreign reserves. This has been a cause of growing concern regarding imbalances in the international economy. At a time when there

is a need for an increase in developmental financing within the region, there is a continuous and rising outflow of reserves to developed countries, more specifically to the United States. The tendency of monetary authorities in some economies in the region to maintain their reserves in low-yielding government bonds needs to be reassessed in the context of the growing need for developmental finance. Current management approaches may not provide optimum returns or benefits that could accrue from the prudent management of such huge reserves. The choice of management is, however, constrained by several factors, most importantly the impact of policy change on the value of reserves and on the monetary, economic and political stability of the region and the rest of the world.

38. However, there are signs that efforts are being made to seek alternative ways to make more productive use of reserves, as suggested by the formation of the Government Investment Corporation in Singapore and the Korean Investment Corporation in the Republic of Korea and the possible formation of similar institutions in Malaysia and China. These institutions will be responsible for the more prudent management of foreign reserves and for ensuring higher returns while avoiding increased risks.

39. The ESCAP secretariat is currently conducting a study on foreign reserves, reviewing management issues in the context of some Asian economies and suggesting possible options. The preliminary findings point to a surge in levels of foreign reserves and a possible continuation of this trend, at least in the short term. As mentioned previously, current management approaches may not provide optimum results in terms of returns or benefits that could accrue from the prudent management of such huge reserves. The study will offer some introductory thoughts on searching for possible solutions. It is envisioned that the second phase of the study will take a closer look at active management of the reserves. It will contain case studies on the approaches adopted by the designated institutions for better management of foreign reserves. Reference will be made to the initiatives of international organizations involved in this area.

40. Another important source of new investments is from developing countries. Traditionally, FDI was from developed countries to developing countries. However, as economic growth continues to increase, the acquisition of strategic resources, particularly natural resources, access to new markets, or perhaps better management of accumulated reserves have all led to substantial increases in South-South investments.

41. Nevertheless, further analysis is needed to determine the real causes of these phenomena and the opportunities these investments provide to host developing countries. The secretariat has completed a draft study on South-South investment in South, East and South-East Asia. Since a significant part of the outward FDI from Asia stays within the region, it is worth examining what contribution regional cooperation could make to maximizing the benefits of this type of FDI. The suggested follow-up activity is to study in more detail the reasons why South-South investments are more intraregional than other FDI flows and to identify ways in which regional cooperation could strengthen the benefits accruing from FDI for host developing countries.

42. The greater integration of the economies in the region and around the world has added several new elements to the debate about international investment and trade, such as environmental concerns, human rights issues, health-related development issues and anti-corruption issues. As an instrument to address these issues, the concept of corporate social responsibility has received greater attention globally in recent years. For countries and enterprises alike, it may be easier to benefit from the regional and global integration process when principles such as those embodied in the United Nations Global Compact are effectively implemented.

43. All of the developments outlined in the present document have a significant impact on the private sector in general, and small and medium-sized enterprises in particular, in all economies of the region. For enhanced competitiveness, the economies of the region need to consider the supply-side capacities of small and medium-sized enterprises and raise the capacity of small and medium-sized enterprises to compete in regional and global markets. How successful these small and medium-sized enterprises will be in terms of meeting the demands of the market will depend very much on their ability to adapt to the dynamics of the market.

44. A subnational innovation system is an important tool for strengthening the global competitiveness of small and medium-sized enterprises. A project focusing on the design of a subnational innovation system policy framework to assist in the development of indigenous technology and innovation is expected to be completed in April 2007. The formulation of a new project aimed at strengthening the role of science and technology in the promotion of export competitiveness has been suggested.

45. The United Nations Asian and Pacific Centre for Agricultural Engineering and Machinery in Beijing has undertaken various projects and networking activities for the purpose of improving agricultural productivity and mechanization, and value added post-harvest management, as well as strengthening the development of agro-based small and medium-sized enterprises and trade. The Centre's Technical Committee unanimously supported the initiative of establishing an Asian network for testing of agricultural machinery in order to assist members and associate members in promoting the manufacture and distribution of agricultural machinery.

46. A host of issues is determining international competitiveness in today's globalized world. For example, are enterprises able to produce environmentally friendly products, processes and services? Similarly, human rights and labour issues will gain importance and enterprises will need to analyse how they are best able to address these issues, for instance by implementing corporate social responsibility principles. This may be even more challenging for small and medium-sized enterprises that have to cope with many challenges even though they have only limited resources. A project on increasing the contribution of business to sustainable development through more effective implementation of the Global Compact in Asia and the Pacific is being planned; it will involve stakeholder consultations and the drafting of a strategy to strengthen national networks. This would

be followed by analytical work, including a review of the existing United Nations Global Compact knowledge base and research on the case for corporate social responsibility. It would then go on with supporting the effective implementation of the norms contained in the United Nations Global Compact across countries and various sectors.

47. A study, entitled “Reforming business climates: What role for regional cooperation?” was commissioned by ESCAP to investigate how government and private sector policy formulation, implementation, monitoring and evaluation processes could be developed and merged, and regional cooperation strengthened. The preliminary findings suggest that there is a role for regional cooperation in support of pro-business regulatory reform and to some extent this is already occurring. However, more intensified efforts and adaptation of appropriate mechanisms could ensure efficiencies and tangible gains for policymakers and developing countries. To further examine the possibilities of regional cooperation and more specifically to identify possible mechanisms, an analytical study is proposed on reforming the business climate, and the modalities for regional cooperation. These two studies would provide a clearer picture of the possibilities for regional cooperation in attracting foreign direct investment for the benefit of all the economies involved. The study findings would help determine what follow-up activities would be essential and how they could be achieved.

III. RESPONSES OF THE SECRETARIAT AND MATTERS CALLING FOR THE ATTENTION OF THE COMMISSION

48. In the light of the previous discussion and the follow-up consultations conducted by the Minister of Commerce of Bangladesh for the implementation of Commission resolution 62/6 of 12 April 2006 on managing globalization through strengthened regional cooperation in trade and investment, the secretariat proposes the following responses in trade and investment and the Commission is invited to provide further guidance to the secretariat on these matters:

(a) Promote regionalism as a building block of multilateralism through the expansion, deepening and widening of the Asia-Pacific Trade Agreement as a mechanism for promoting intraregional trade and economic integration. On the resumed Doha round negotiations, promote home-grown regional research and policy analysis and increased understanding of the implications arising from future commitments, through the organization of training courses and multi-stakeholder policy dialogues;

(b) Increase trade competitiveness through enhanced trade facilitation and other efficiencies, as well as enterprise development. Promote the establishment of a regional and subregional network of national trade facilitation committees and bodies to strengthen both collaboration and the role of science and technology in the promotion of export competitiveness. Increase the contribution of business to sustainable development through more effective implementation of the United Nations Global Compact;

(c) Facilitate the integration of small and medium-sized enterprises into regional and global value chains by building on the secretariat's work aimed at facilitating the entry of local agricultural produce into the chains. This work has been found to be very useful and viable also for poverty reduction and economic development by the participating member countries. It could be expanded to include other produce beyond the potato as the starting point, and other subregions beyond the current Greater Mekong Subregion economies;

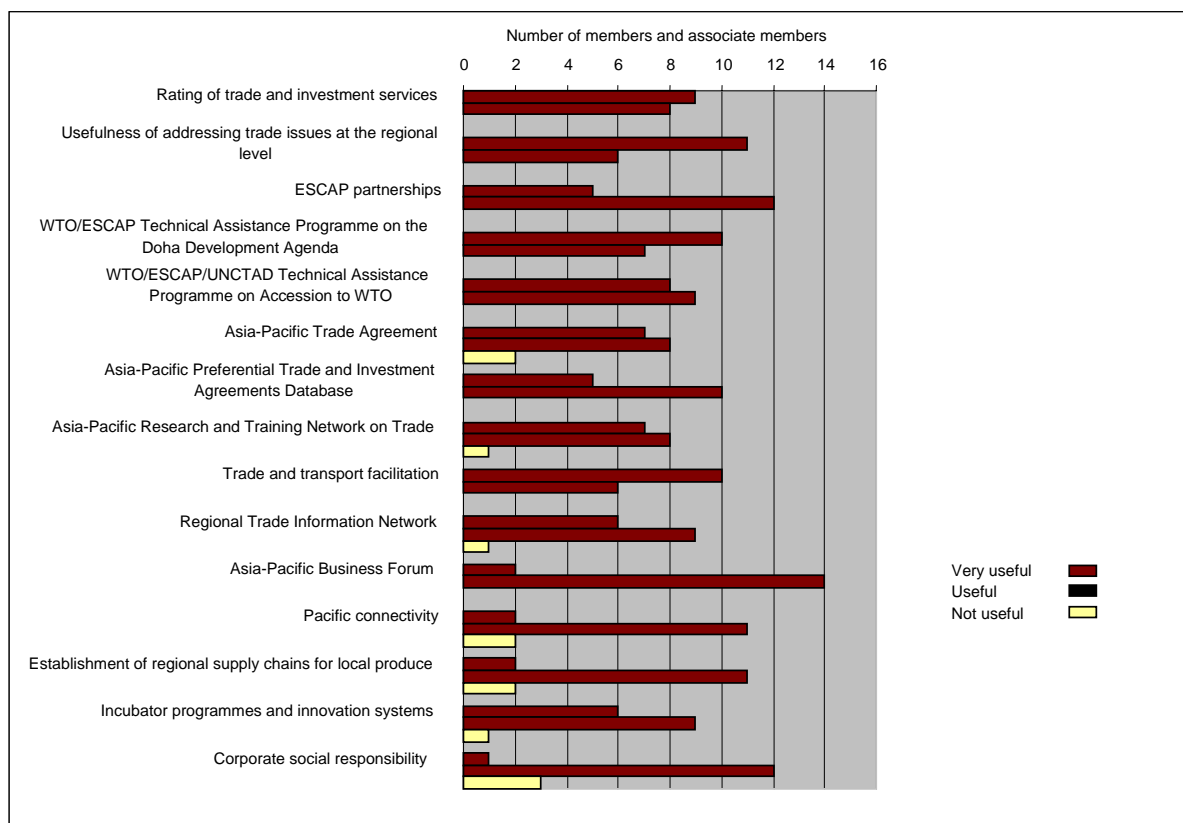
(d) Use the ESCAP Business Advisory Council and the Asia-Pacific Business Forum to promote cooperation between the private sector and the United Nations in support of the purposes, policies and activities of the United Nations in Asia and the Pacific, and to provide an annual forum for regionwide business-networking, partnership-building and dialogue among the business community, Governments and civil society;

(e) Undertake analytical and normative work by:

- (i) Developing analytical tools, or more precisely, performance indicators, for tracking, analysing and measuring the performance of preferential trade agreements/arrangements with a view to obtaining a more precise understanding of their contribution to trade and development. This includes calculating regional shares for trade indicators, as well as developing alternative and additional indicators for Millennium Development Goal No. 8;
- (ii) Conducting trade facilitation policy research and analysis, including subregional and country-level feasibility studies on trade facilitation costs, benefits and needs, leading to a set of recommendations for trade facilitation reforms;
- (iii) Seeking viable model-based analyses to quantify the benefits of trade facilitation measures and their impact on cost reduction and competitiveness;
- (iv) Increasing understanding, sharing best practices and suggesting policy options on various topics in the field of investment and enterprise development, such as modalities for regional cooperation in reforming the business climate; options for the management of foreign reserves; South-South investment; and the case for corporate social responsibility.

Annex

**Summary of feedback received from 18 members and associate members
of ESCAP on implementation of the Commission resolution 62/6**



In 2006, the secretariat received specific requests on a range of issues that were very useful in guiding the implementation of its future work: for example, the need to coordinate trade-related technical assistance through a multilateral framework, such as that under discussion under the World Trade Organization-led Aid for Trade Task Force; focus on the integration of least developed countries into the global economy; new export opportunities emerging in the services sector; trade and investment facilitation; innovation; and the role of parliamentarians in trade negotiations.

.