

*This newsletter marks the end of Phase I of the ARTNeT initiative. We are pleased to see progress was made towards the ARTNeT long-term goal of increasing policymakers ability to make decisions based on “homegrown” quality policy research on trade and investment issues for development, particularly in LDCs. The comprehensive external review of Phase I yielded valuable insights that will guide us during the second phase. We look forward to the successful implementation of that new phase, with the continuous support of ARTNeT members (now more than 20 research institutions in the region), core partners (IDRC, UNDP, WTO, and UNCTAD), as well as LDC and other developing country governments and policymakers.*

The ARTNeT Secretariat, TID, UNESCAP

### **Two ARTNeT Linked Projects Approved**

The Government of France and the Swiss Agency for Development and Cooperation (SDC) have approved two projects that will support ARTNeT activities in the Greater Mekong Subregion. While the French funded project will focus on enhancing trade research capacity in selected GMS countries, SDC is expected to support subregional research on the institutional drivers of GMS integration and the development of key trade facilitating service sectors.

### **ARTNeT Consultative Meeting on Trade and Investment Policy Coordination**

On 16-17 July 2007, the ARTNeT Consultative Meeting on Trade and Investment Policy Coordination was held in Bangkok, Thailand. The purpose of the ARTNeT Consultative meeting was to provide a regional forum for discussion of the need for more coordination between trade, investment and other policies based on draft research papers and preliminary findings from the implementation of the ARTNeT Research Programme 2007 [continued on page 2].

### **External Review of ARTNeT Phase I: Full Report Now Available**

The external review report submitted by Mr. Supperamaniam, former Ambassador of Malaysia to the WTO (2000-2003) concludes, based on extensive surveys and interviews of ARTNeT beneficiaries (research institutions, policymakers and individual researchers), that ARTNeT has made significant progress toward its three



**Participants in the Regional Consultation on ARTNeT Phase II, during which the report was presented**

objectives of (1) producing new high quality and demand driven studies on trade issues, (2) improving communication and dissemination of research study results of research institutions to policy makers, and (3) increasing capacity of LDC research institutions to conduct trade-related policy research, generally exceeding the targets set out in the initial project documents. The network has grown quickly and steadily and its work appears to be gaining recognition – A particularly striking, albeit very imperfect, indicator of this achievement is the number of online visits to the ARTNeT publication directory, which grew by 360% between April 2006 and April 2007 [ continued on page 3].

### **New Publications**

The ARTNeT regional study on agricultural trade liberalization, one policy brief and eight working papers were published this semester [for details, see page 4].

## ***ARTNeT Consultative Meeting on Trade and Investment Policy Coordination***

[Continued from page 1] In the first session, Mr. Santi Chaisriwatsuk, CIEDS<sup>1</sup>, NIDA<sup>2</sup>, Thailand gave an introduction to the theory and literature on trade and investment linkages, as well as provided an overview of foreign investment flows in the region. In session 2, Ms. Rashmi Banga, UNCTAD India, discussed the impact of trade liberalization on FDI in Indian industries, finding that trade liberalization indeed had a positive impact on FDI, with FDI attracted to firms with relatively newer assets and already involved in import-export. Ms. Siew Yean Tham, IKMAS<sup>3</sup>, National University of Malaysia focused on trade and investment linkages in services and presented the main barriers to trade and investment in higher education services, identified through a survey of service providers in Malaysia. Mr. Tulus Tambunan, CISMES<sup>4</sup>, Universitas Trisatki, Indonesia focused on trade and investment policy reforms and their effect on the development of small and medium sized enterprises (SMEs), arguing, based on an extensive review of the literature and a case study of the development of a manufacturing cluster of SMEs in Indonesia, that liberalization should be accompanied by specially designed SME development schemes to support long-term capacity building of these enterprises.

In session 3, findings from three country case studies of trade and investment policy coordination undertaken by Mr. Dili Raj Khanal, IPRAD, Nepal, Mr. Debapriya Bhattacharya, CPD<sup>5</sup>, Bangladesh and Mr. Deshal De Mel, IPS<sup>6</sup>, Sri Lanka were discussed, in particular results of exploratory private sector surveys on the need for trade and investment policy coherence. This was followed, in session 4, by a presentation and discussion of a study by Mr. Nagesh Kumar, RIS<sup>7</sup>, India on investment provisions in regional and other preferential trade agreements in Asia and the Pacific, finding that an increasing proportion of Asian RTAs included investment liberalization provisions.

In session 5, Mr. Michael Gestrin, OECD<sup>8</sup>, presented the OECD Policy Framework for Investment (PFI) to the meeting, highlighting its wide scope and focus on overall policy coherence. Ms. Hien Thi Minh Nguyen,

Ministry of Planning and Investment, Foreign Investment Agency, Viet Nam then discussed how Viet Nam was implementing some of the core principles proposed in the PFI. Mr. Roy Nixon, Manager, Investment and Compliance Unit, Foreign Investment and Trade Policy Division, the Treasury, Australia concluded the session with a presentation on how the PFI could be used to develop a better understanding of why reform may be needed in this area and the various actors that needed to be involved to make progress.

In session 6, Mr. Seong-Bong Lee, KIEP<sup>9</sup>, presented a number of initiatives launched by the Republic of Korea to facilitate Korean SMEs' presence in regional and global markets. Ms. Rashmi Banga then provided an overview of the outward foreign direct investment (OFDI) activities of Asian countries, attributing the increase in OFDI to increased market access, FDI inflows, access to technology, higher levels of education, but also to the lack of infrastructure and unpractical labour policies at home. Jay Menon, ADBI<sup>10</sup>, concluded the session with a presentation on whether China's FDI was affecting the flows going to ASEAN.

In the last session, Mr. Pierre Sauve, WTI<sup>11</sup>, Switzerland, and ARTNeT Advisor on Investment presented his analysis of the various factors affecting the prospects for a multilateral framework on investment, concluding that it was likely that investment rules would continue to be made through PTAs and Bilateral Investment Treaties. Mr. Aaron Cosbey, Senior Project Advisor, IISD<sup>12</sup> then presented the IISD Model International Agreement on Investment for Sustainable Development, focusing on balancing the rights and obligations of both the foreign investors, the host state, and the home state. Mr. Supperamaniam Manickam, Former Malaysian Ambassador to the WTO, then facilitated a discussion on the research gaps and questions that needed to be tackled in order to facilitate the development of more coherent and holistic trade and investment policy frameworks. A list of research questions emerged, to be tackled by ARTNeT and other relevant organization during the coming years. A more detailed summary and highlights of the meeting, including country briefs on policy coordination prepared by participating government representatives from thirteen countries in the region, is available on the ARTNeT website or directly at:

<http://www.unescap.org/tid/artnet/mtg/tipc.asp>

<sup>1</sup>Centre for International Economics and Development Studies;

<sup>2</sup>National Institute of Development Administration, Philippines; <sup>3</sup>

Institute of Malaysia and International Studies; <sup>4</sup>Centre for

Industry and Small and Medium Enterprise Studies; <sup>5</sup> Centre for

Policy Dialogue; <sup>6</sup>Institute for Policy Dialogue; <sup>7</sup> Research and

Information System for the Non-Aligned and Other Developing

Countries; <sup>8</sup>Organization of Economic Co-operation and

Development; <sup>9</sup>Korea Institute for International Economic Policy;

<sup>10</sup>Asian Development Bank Institute; <sup>11</sup>World Trade Institute<sup>12</sup>

International Institute for Sustainable Development.

## **ARTNeT External Review Report**

[Continued from page 1] The initial project design was found to have been particularly successful in the area of research capacity building and in the implementation of a policy relevant demand-driven research programme.

The report found that the success of the Phase I may generally be attributed to the clear commitment of ESCAP ( and its membership), the enthusiastic and self-less contribution of selected ARTNeT members, advisors and individual researchers and the fact that ARTNeT was able to attract a number of strategic core partners (WTO, UNDP and UNCTAD) shortly after it was launched. Continuous Commitment from the various ARTNeT actors will remain crucial in Phase II.

The initial project design was found successful in making progress towards objectives, particularly in the area of research capacity building and in the implementation of a policy relevant demand-driven research programme. Therefore, no dramatic changes or overhaul was proposed in the report. Recommendations included the following:

- Make a clearer distinction between capacity-building activities and high-quality research generation and dissemination activities.
- Involve stakeholders other than research/academic institutions and policymakers in ARTNeT. Include civil society, private sector and the media in ARTNeT activities, particularly in dissemination activities.
- More explicitly distinguish between institutions in LDC or low-income developing countries and institutions in other developing countries, particularly if the financial resources of the net-work remain limited.
- Expand linkages with regional institutions and initiatives, following the model of ARTNeT collaboration with WTO and the UNDP Regional Centre in Phase I.
- Ensure the research programme remains demand driven.
- Sharpen focus and regional scope of research efforts, i.e., identify no more than three thematic areas in which multi-year regional studies (of larger scale than in Phase I) will be conducted.
- Increase efforts to systematically transform ARTNeT research outputs, not only into inputs for policy makers (e.g., policy briefs), but also into inputs for technical assistance and training programmes targeting government officials and policy makers.

## *Welcome to our new members*

**China Centre for Economic Research (CCER), Peking University** is a leading institution in teaching research, training and policy advising in China. CCER ARTNeT focal point is Mr. Shunli Yao.

**Institute of Malaysia and International Studies (IKMAS), National University of Malaysia** was established in April 1995. It is a leading centre for research in the social sciences in Malaysia. The Institute, which adopts a multidisciplinary perspective, conducts research, post-graduate teaching and other academic activities. Ms. Siew Yean Tham is IKMAS focal point to ARTNeT.

The full set of recommendations, as well as the full text of the report are available on the ARTNeT website ([www.artnetontrade.org](http://www.artnetontrade.org)). They were presented at a regional consultation session in preparation of ARTNeT Phase II (see below).

### ***Regional Consultation in Preparation for ARTNeT Phase II***

This consultation was held on 16 July 2007, in conjunction with the ARTNeT Consultative Meeting on Trade and Investment Policy Coordination. The first part of the consultation focused on the external review report of Mr. Supperamaniam Manickam. His report was widely acknowledged as a quality and comprehensive report by the participants, which included both government and research institution representatives.

The second half of the consultation provided an opportunity for participants to provide informal feedback on an initial draft of the ARTNeT Phase II project document circulated to participants before the meeting. This resulted in valuable recommendations and insights for ESCAP, as the ARTNeT Secretariat, to design and implement a new phase that will respond to the sometime competing needs of the various ARTNeT stakeholders. Highlights of the Consultation are available on the ARTNeT website at: <http://www.unescap.org/tid/artnet/mtg/tipc.asp>



## New ARTNeT Policy Brief released

ARTNeT Policy Brief No. 12, "**Non-Tariff Barriers in Agricultural Trade: Issues and Implications for Least Developed Countries**" in the brief, the author, Uttam Kumar Deb (CPD, Bangladesh) assesses

various types of NTBs faced by agricultural exports from two LDCs (Bangladesh and Cambodia) to the markets of three developed countries (EU, USA and Japan).

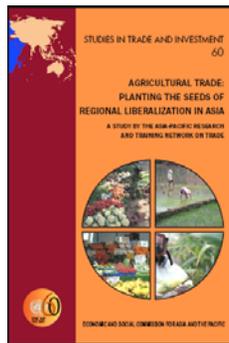
This and other policy briefs are available online at [www.artnetontrade.org](http://www.artnetontrade.org).

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## ARTNeT Regional Agricultural Trade Liberalization Research published by ESCAP

ESCAP (2007) , Agricultural Trade: Planting the seeds of Regional Liberalization in Asia, *Study in Trade and Investment Series, No. 60, United Nations*.

This study explores the potential for agricultural trade opportunities at the regional level through preferential trade agreements (PTAs), at a time when the number of PTAs globally and in the ESCAP region has been increasing sharply. This book also contains a review of agricultural reform in the largest Developing Asian economy, China, with implications for its positioning in multilateral and preferential trade liberalization. Available online at <http://unescap.org/tid/publication/tipub2451.pdf>



## Upcoming Events

ARTNeT Phase II will be officially launched during a lunch hosted by the UNESCAP Secretariat on 12 September 2007 for the participants to the 4th Session of the ESCAP Committee on Managing Globalization

The first ARTNeT Steering Committee Meeting as well as a Research Workshop, organized in cooperation with WTO and Macao University of Science and Technology, Macao, China, will be held tentatively on 7-9 November 2007 in Macao, China.

## Eight New Issues in the ARTNeT Working Paper (AWP) Series

- Ajitava Raychaudhuri and Prabir De, **Assessing Barriers to Trade in Education Services in Developing Asia-Pacific Countries: An Empirical Exercise**, AWP No. 34, May 2007
- T.K. Jayaraman and Balijeet Singh, **Foreign Direct Investment and Employment Creation in Pacific Island Countries: An Empirical Study of Fiji**, AWP No. 35, May 2007
- Bishwanath Goldar and Rashmi Banga, **Impact of Trade Liberalization on Foreign Direct Investment in Indian Industries**, AWP No. 36, June 2007
- Biswajit Nag, Saikat Banerjee and Rittwik Chatterjee, **Changing Features of the Automobile Industry in Asia: Comparison of Production, Trade and Market Structure in Selected Countries**, AWP No. 37, July 2007
- Salahuddin Ahmad and Dilli Raj Khanal, **Services Trade in Developing Asia: A case study of the Banking and Insurance Sector in Bangladesh**, AWP No. 37, July 2007
- Dilli Raj Khanal, **Services Trade in Developing Asia: A case study of the Banking and Insurance in Nepal**, AWP No. 39, July 2007
- Muthi Samudram, **Services Trade in Developing Asia: A case study of the Banking and Insurance Sector in Malaysia**, AWP No. 40, July 2007
- Dilli Raj Khanal, **Banking and Insurance Services Liberalization and Development in Bangladesh, Nepal and Malaysia: A Comparative Analysis**, AWP No. 41, July 2007

*These working papers are available online at [www.artnetontrade.org](http://www.artnetontrade.org). If you wish to contribute an ARTNeT working paper or a policy brief, please contact the ARTNeT Secretariat and email your drafts for consideration to [artnetontrade@un.org](mailto:artnetontrade@un.org)*