

*East Asia Integrates: A Trade Policy Agenda for Shared Growth*

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Good afternoon. Thank you very much. I'll keep my remarks very brief, then turn it over to Homi.

Many thanks to Professor Tommy Koh, and to IPS for hosting this lunch today. As you know, I have an enormous respect for you, for IPS, and value your friendship immensely. Given your strong presence and activities in trade issues, I think it is highly appropriate that we are in fact launching this report today here in Singapore – and with you, so thank you, for that support.

And thank you, Minister Tharman, for coming and joining us today. As Tharman said, we have become very good friends in recent years, and I too would like to congratulate you on your promotion, effective August 1, to Acting Minister for Education . I'm not surprised given the quality of the dialogue we have had in recent years.

And all of you should know, like Tommy, Tharman is a person who gives us his personal time to help. Both have shown a very strong interest in the work of the World Bank and we really appreciate that.

We also appreciate your being here, Tharman, because of your own deep knowledge of trade and competitiveness issues. You may be aware that last year we launched a report on Competitiveness in East Asia, and Tharman had actually kindly agreed to be part of a Steering Committee on that, over a period of 18 months. I chaired that committee, and he was very helpful and supportive in that. And as you demonstrated today in your remarks, you have a balanced view of the substance, and that is very much appreciated.

Let me also pick up one theme that Tharman raised on the question of SARS.

The fact is, I personally and we in the institution, at the Bank, do in fact have an enormous regard, and high respect for the way in which Singapore dealt with this crisis. I think it has demonstrated Singapore's leadership once again in this region, and its capacity to deal with very serious issues in a systematic and coordinated way. And it commands enormous international respect.

Fortunately, SARS does seem to have been contained, even though I do feel that continued vigilance is needed. We haven't yet got to the end of the disease itself, in understanding it – so we have to be vigilant. But the speed and control with which Singapore has responded to SARS is very much appreciated. And also, Singapore is leading the way with helping neighboring countries – and we are assisting in a conference this week to share some of that experience in the way they handled things.

..... Now to the trade agenda. Let me begin with a look at the global scheme of things.

Cancun is only a few short months away. For those of you who have been following this, it's not very good news. Practically every deadline that should have been met has been missed, including the agricultural framework that was supposed to have been agreed in March.

The benefits to the global community – but particularly to the developing world – of a successful Doha round, are enormous. But it is sometimes troubling to see how difficult it is to deal with these issues – and some of these issues are between the developed countries themselves.

But we did feel this would be a good moment, when this global agenda is so topical, to express some views about how we see the trade agenda playing out – at a global, regional, and country level.

The fact of the matter is the stakes are very high. If the Doha round is successful, one calculation is that global poverty could be reduced by 13% by 2015. Beyond Cancun, there is in the meantime some strong forces within the Region focusing on trade and development.

As these negotiating positions are being developed for the Doha development agenda – and alongside, an array of regional and bilateral agreements – we think it is extremely important, now, that all countries in East Asia have the capacity to undertake detailed analysis because there is an urgency today to the policymaking process.

By some estimates, if the policies discussed in this volume of research – especially on agriculture, services, logistics, and trade facilitation – were implemented, benefits amounting to \$300 billion in benefits or 10 percent of GDP could be realized.

This would translate into nearly 21 million fewer poor people (at \$1 day) and nearly 54 million fewer poor (at \$2/day).

So we must move from debate and academic discussions to the real world of negotiations and concrete policies.

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There are three key aspects which we see as driving the regional agenda in this area. And I think it's important to focus on this, because whether or not Doha succeeds, we feel there are dimensions that can be addressed now.

Now the three forces:

*First, a force for a kind of policy integration and coordination within the region, which I think was born out of the Asian financial crisis – a kind of new regionalism in Asia is emerging in East Asia. We recently ran a survey of opinion leaders to see how they felt*

about this. And there was a strong sense of wanting to concentrate on stability and growth, a strong sense of feeling a togetherness with the Region. And a strong sense, as Tharman had mentioned, practically under any scenario of world growth, as region that is fast growing with a lot of potential for future economic strength and stability. So I think there is a sense of regionalism that can be used to take policy initiative further – for bolstering growth and stability across the region.

*Second, for trade policy itself, it's been a natural topic for a number of years.* Regional trade has been one of the main dynamos of growth, and intra-regional trade has also become a growing dynamo of regional growth. You may know that last year, intra regional trade accounted for 90 percent of East Asian export growth. And of course it's very largely driven by China, as Tharman mentioned. And here, what we're seeing is that as China adjusts to its new commitments under the WTO, the need for other countries in the region to also adapt and adjust becomes more urgent.

Some are further along than others. But unless one adjusts, one can neither take advantage of the opportunities China offers as a huge engine of growth and import market for the region, but also will find it much harder to compete in third markets.

I think the China factor is not only here to stay, but also means that there is not much more time to get going on the kinds of policies that are needed to respond to these challenges. And the kind of policies that work not only affect trade, but also other affect other sectors – Homi will get to this in a moment, but it is clear that an integrated approach is needed, in order to achieve the greatest benefits.

*And the third point I must mention: this gap between the rich and the poor* is something that is very real at the global and the regional level. It's a gap that not only occurs between countries but within countries. And we feel that unless one takes specific steps to link up trade and growth strategies with poverty reduction and social development strategies, one cannot derive the necessary links to social stability that in fact is at the

core of the region's development strategy – stability and growth. One has to address these gaps in some kind of effective way.

I don't often quote NGOs, but this was too attractive to resist. Oxfam has pointed out that, "*when trade is harnessed to effective economic policies and positive poverty reduction strategies, it can act as a powerful force for change*". So I think linkage, integration, is what will make a difference between realizing the full opportunities in this area or being a bystander.

Let me now turn to Homi, and he will see a few more words about the substance of our report, then we'll open it up to questions and comment.

Thank you.

*(Homi Kharas to speak next)*