
Chapter 2 Effective Approaches for Trade and Investment Promotion

2-1 Goals of Cooperation for Promoting Trade and Investment

The primary actor in trade and investment is the private sector. The role of the government is in creating an environment in which such private sector activities are effectively promoted.

Effective approaches:

- It is important to establish essential foundations for economic development and to address issues linked to individual areas from the perspective of promoting trade and investment.

The private sector is the primary actor in trade and investment, and so the role of the government is to be found in creating an appropriate environment in which such private sector activities are effectively promoted.

Two important elements are needed in fostering private sector activities: first, establishing basic rules and legal systems to enable private businesses to engage in fair and free business activities; and second, establishing physical infrastructure such as transportation and power systems that can enable active production and trading of goods. **The most effective approach for promoting trade and investment is therefore to establish essential foundations for economic development and to address issues linked to individual areas from the perspective of promoting trade and investment. However, many developing countries face issues both in the essential parts of economic development and in areas directly related to trade and investment.**

In addressing such approach, this report clusters the issues faced by the developing countries into two groups: (1) underdeveloped foundations for economic development; and (2) capacity shortage in the area of trade and investment. The development objectives are established accordingly.

(1) Underdeveloped Foundations for Economic Development

1) Underdeveloped Economic and Industrial Foundations

Transportation networks (railways, ports, roads, airports, and so on), communication networks, power facilities, and other physical infrastructure, as well as an established legal system, a consolidated policy system, and human resource development, are all significant elements in fostering viable private sector activities. In the developing countries, however, sustainable and efficient economic activities are constrained by insufficient and low-quality foundations for such economic activities and industry promotion.

The following issues are generally noted in this regard.

- Underdeveloped legal system and consolidated policy system
- Insufficient and under-established economic infrastructure (transportation infrastructure, energy system, financial system, standards and conformity assessment, statistics, and so on).
- Low technical level

Issues for developing countries:

- Underdeveloped foundations for economic development
- Underdeveloped economic and industrial foundation
- Delay in adjusting to international economic environment
- Capacity shortage in promoting trade and receiving investment (Issues for the government)
- Policies based on mid- to long-term perspective yet to be developed.
- Underdeveloped domestic legal system
- Complication and lack of transparency in procedures and implementation (Issues for the private sector)
- Shortage in management resources
- Shortage in market information

- Low educational level

2) Delay in Adjusting to International Economic Environment

It is not an overstatement to say that current international economic activities are conducted on the basis of the WTO regime. **Not just WTO member countries but countries in the process of applying for membership and even non-members need to formulate and implement economic policies, bearing in mind their consistency with the WTO agreements.** (In other words, in recent years, it has become a basic requirement that developing countries properly understand and implement existing international rules such as those of the WTO.) In particular, any change in the international rules would seriously affect these countries. For their stable growth and development, it becomes important to minimize the way they are affected as a result of the change and to translate such change into opportunities for growth. Thus, developing countries must plan their industry development based on understanding of the international framework such as WTO agreements.

Also, better understanding of international rules is important in avoiding a situation in which they unintentionally make commitments at the trade negotiating table that are not in their best interests.

(2) Capacity Shortage in Promoting Trade and Receiving Investment

Once developing countries have begun to address their underdeveloped economic and industrial foundations as mentioned above, they must then turn to the question of how to secure the benefits of trade and investment liberalization for their countries. **Both the government and the private sector face their own issues of how they take pro-active roles in responding to such question.** (For example, the government must address how to provide appropriate support for the private sector.)

1) Issues for the Government to Take Primary Role

The recent international trend in trade-related cooperation shows a **shift in focus from cooperation “at the border”** in the areas such as tariff reduction and improvement in customs administration **to cooperation “behind the border.”** It has been emphasized that developing countries need to formulate their domestic policies and institutions consistent with international rules as represented in the WTO agreements.

Based on such perspectives, this report organizes the issues for the developing countries to address as follows.

- Formulating and implementing policies based on medium – to long-term perspectives.
- Developing a domestic legal system (in consistency with international

rules).

- Simplifying procedures and implementing them appropriately (based on law).

2) Issues for the Private Sector to Take Primary Role

The private sector in developing countries cannot benefit from trade and investment liberalization without improving competitiveness at the level of individual firms and enterprises. The private sector in developing countries must address the following.

- Empowering individual enterprises’ management resources (human resources, management, technical know-how, financial resources, and the like).
- Obtaining sufficient market information.

In many developing countries, however, individual enterprises alone cannot properly address these issues. Therefore, the government has the task of providing support to the private sector to overcome their constraints.

Three Development Objectives:

- “Strengthening responsive capacity for trade and investment promotion within the international framework”
- “Capacity building for trade promotion”
- “Capacity building for investment promotion”

Bearing these factors in mind, this report sets the following Development Objectives. To address the issues of the underdeveloped economic and industrial foundations and the delay in adjusting to international economic environment, we set the Objective to be **“strengthening responsive capacity for trade and investment promotion within the international framework.”** To address the issue of capacity shortage in promoting trade and attracting investment, we deal with trade and investment separately and set the Development Objectives to be **“capacity building for trade promotion”** and **“capacity building for investment promotion,”** respectively. Each of these two Objectives is structured such that we draw a distinction between the issues in which the government must take the primary role and those in which the private sector must take the primary role (while for the latter, the government takes supporting role for the private sector). In regard to trade, we further divide the role of the government into supporting the private sector to improve information provision services and to foster a viable private sector.

2-2 Points for Consideration in Relation to Development Objectives Chart

(1) Coverage Areas

The factors that significantly influence trade and investment include issues such as political conditions, domestic security, macroeconomic conditions, and governance. These issues have significant influence over the business activities of private enterprises.

While recognizing the importance of these factors, this report nonetheless

Points for
Consideration in
Relation to
Development
Objectives Chart:

- (1) Coverage areas
 • Issues such as political conditions, domestic security, macroeconomic conditions, and governance, are assumed to be given and are not explicitly addressed.
- (2) Other Japanese agencies promoting trade and investment
- (Technical cooperation)
 JICA, JETRO, JODC, AOTS, and others
- (Financial cooperation)
 JBIC, NEXI, and others

will not make specific reference to them on the assumption that they are already given and for the reason this report addresses the approach to be taken for trade and investment promotion rather than others.

(2) Other Japanese Agencies Promoting Trade and Investment

As mentioned previously, the primary actor in the area of trade and investment is the private sector. The roles of the government and the donors should be directed toward establishing an appropriate environment in which the private sector can enhance its viable activities.

JICA is not the sole governmental agency in Japan playing such a role. **In the area of technical cooperation, the Japan External Trade Organization (JETRO), the Japan Overseas Development Corporation (JODC), the Association for Overseas Technical Scholarship (AOTS), and other agencies are also conducting various activities.**

The Japan Bank for International Cooperation (JBIC) has been active in the area of financial cooperation in the developing countries. JBIC and the Nippon Export and Investment Insurance (NEXI) are also active in programs that support and facilitate overseas business expansions by Japanese firms, which in turn contribute to developing countries' trade and investment promotion.

The activities of these Japanese governmental agencies in the area of trade and investment promotion in the developing countries are summarized in Table 2-1.⁷ The individual Development Objective Charts discussed later in this chapter list examples of project activities in achieving individual Sub-Targets. For the activity examples in these charts marked with an "X," JICA has no actual project activities, but other agencies may have conducted actual projects for them. (The financial cooperation is not included in the chart for Development Objective 1. In this area, **JBIC and NEXI extend export credits and investment-related financing to support private sector activities in developing countries.**)

⁷ These organizations have web sites that contain more detailed information regarding their activities and how their activities differ from those of JICA. (see p.93)

Table 2-1 Japanese Governmental Agencies Relevant to Trade and Investment Promotion

Modality	Agency	Major Relevant Activities
Technical Cooperation	JETRO	<ul style="list-style-type: none"> Assisting overseas business expansions of Japanese firms Assisting local support industry development
	JODC	<ul style="list-style-type: none"> Dispatching experts to local firms and Japanese firms operating in developing countries
	AOTS	<ul style="list-style-type: none"> Hosting industrial technical trainees from overseas and organizing training activities
Financial Cooperation	JBIC	<ul style="list-style-type: none"> Yen loans (providing long-term development loans to developing countries, governments, and others at a low rate with soft conditions) Export loans (providing loans for the plant exports and technical transfer to developing countries by Japanese firms) Overseas investment finance (providing loans to the Japanese firms investing in developing countries)
	NEXI	<ul style="list-style-type: none"> Providing insurance programs to the firms overseas projects and their exports

Table 2-2 Development Objectives and Mid-term Objectives for Trade and Investment Promotion

Development Objectives	Mid-term Objectives
1. Strengthening Responsive Capacity for Promoting Trade and Investment within the International Framework	1-1 Establishing Basic Conditions for Promoting Trade and Investment
	<p>Existence of description on economic activities in the civil law and availability and contents of commercial law</p> <p>Availability and contents of laws related to real estate registration and corporate registration</p> <p>Availability and contents of laws related to bankruptcy procedure</p> <p>Availability and contents of laws related to ensuring competition in economic activities</p> <p>Availability and contents of laws related to entry and exit of foreign nationals and their residence registration</p> <p>State of development of airports and ports and their road connectivity</p> <p>Electricity supply condition and existence of scheduled and accidental power outages</p> <p>State of development in communication circuits</p> <p>State of development in direct financial market and indirect financial market</p> <p>Banking operation conditions and efficiency in relation to foreign exchange</p> <p>Availability of system related to standards certification, harmonization with international standardization system</p> <p>Availability of basic statistics (system of national accounts, industrial census, movement statistics, etc.)</p> <p>Availability of intellectual property rights protection system and the state of implementation</p> <p>Existence of national and regional industry promotion policies and their contents</p> <p>Level of basic production technology</p> <p>Existence of industrial skills education system and its contents</p> <p>Availability of employee training services by private corporations, their contents, and availability of government support.</p> <p>Contents of higher education</p>
	1-2 Strengthening Capacity to Respond to International Trade and Investment Rules of the WTO and Others
	<p>Status of WTO accession (Acceded / Negotiation-in-process / Non-member)</p> <p>Level of understanding of officers in charge, problems in implementing the WTO agreements</p>

Development Objectives	Mid-term Objectives
<p>2. Capacity Building for Trade Promotion</p>	<p>2-1 Establishing System for Formulating Trade-related Policies and Institutions and their Proper Implementation</p> <p>Existence of industrial and trade policies based on mid to long-term perspective Consistency with international rules such as the WTO agreements Number of cases where the trade-related problems are pointed out by other countries Af governments and industries Survey research of private firms regarding governmental services related to trade and investment Questionnaire for private firms using export processing zones Survey research of private firms on trade and investment climate Research on time requirement for trade procedures State of development in domestic standards Existence of metrological and standards testing and inspecting institutions and performance study Number of seizure cases of imitated articles at the border * , , , , could also be indicators under 3-1.</p> <p>2-2 Strengthening Information Services to the Private Sector</p> <p>Number of inquiries and accesses from private firms Survey research among private firms about services Numbers of courses and participants of the courses provided by trade promotion agencies Number of contracts with overseas firms</p> <p>2-3 Fostering Viable Private Sector</p> <p>Studies on the level of satisfaction and utilization among private firms regarding various support systems Number of courses provided by governmental support agencies and number of course participants Firm diagnostic studies for private firms Trends in value-added and gross production of specific products Trends in sales, export values, and export destinations</p>
<p>3. Capacity Building for Foreign Direct Investment Promotion</p>	<p>3-1 Developing System for Formulating Investment-related Policies and Institutions and their Appropriate Implementation</p> <p>State of development in investment-related legal system, frequency in changes in the system Number of deregulation cases State of application of preferential measures and systems for investment Trends in number of joint ventures between investing and local firms and number of subcontracts with local firms Trends in number and ratio of locally recruited executives and management staff in investing firms Trends in number of in-house training opportunities given by investing firms Trends in local sourcing ratio of parts by investing firms Trends in number of cases where the R&D departments of investing firms relocate to the country Number of investment cases and amount of investment in export processing zones Trends in unemployment rate, income growth rate, and number of firm establishment in the surrounding areas of export processing zones</p> <p>3-2 Strengthening Information Services to the Private Sector</p> <p>Number of inquiries and accesses from private firms Trends in number of investment cases and amount of investment by firms using the services Number of investment seminars, number of firms attended Trends in number of registered firm data</p>

2-3 Effective Approaches for Trade and Investment Promotion

Development Objective 1
Strengthening responsive capacity for promoting trade and investment within the international framework

Mid-term Objective 1-1
Establishing basic conditions for promoting trade and investment

Development of basic legal systems for company incorporation, contracts, immigration of foreign nationals, and other aspects related to economic activities.

Provision of infrastructure in terms of physical infrastructure (e.g., transportation, electricity, and telecommunication) and institutional infrastructure (e.g., financial and intellectual property rights)

Development Objective 1: Strengthening Responsive Capacity for Promoting Trade and Investment within the International Framework

Mid-term Objective 1-1: Establishing Basic Conditions for Promoting Trade and Investment

(1) Legal System Development for Commercial Transactions

Developing a domestic legal system in which individual laws are **consistent** is indisputably a fundamental prerequisite for ensuring stability in a country's economy, its society, and the living conditions of its people. Also, **the establishment of an appropriate legal regime and its sound implementation** will help a country gain recognition and credibility with other countries.

In addition to the established legal system for domestic commercial transactions, business decisions in foreign business transactions (that is, international trade) and foreign direct investment are significantly influenced by **factors such as whether there is a proper legal system in place for business activities by foreign nationals and whether a domestic legal system is harmonized internationally with other countries.**

Thus, in promoting economic development and trade and investment in developing countries, the basic legal system needs to be established in the following areas and consistency needs to be ensured among individual laws:

- Civil law (basic law in governing economic activities)
- Commercial law (law governing commercial transactions in general, corporate accounting, and others)
- Registration law (law related to company incorporation and real estate registration)
- Rehabilitation, reorganization, and bankruptcy law (law related to corporate rehabilitation, reorganization, and bankruptcy)
- Antitrust law
- Immigration law and alien registration law

(2) Provision of Economic Infrastructure

In promoting trade and investment, physical infrastructure and related institutional improvement are critically important factors for improving aggregate efficiency in the process of trading activities and creating a sound investment climate. The following are the types of hard and soft infrastructure that need to be established in this context.

1) Transportation Infrastructure

Transportation infrastructure here refers to **the port and airport infrastructure**, which is necessary for the trade activities, and **the land road infrastructure**, which connects ports and airports with commercial and industrial districts where actual economic activities are taking place. Improvement in the transportation infrastructure is one of the most important policy measures in increasing efficiency in the distribution system. Although large-scale investment is required for such infrastructure, it is essential for trade and investment promotion in specific and for the country's economic development in general.

2) Electricity generation, Transmission and Distribution Infrastructure

In some developing countries, there are frequent scheduled or accidental power outages, which can negatively affect economic activities. The **availability of a stable and high-quality electricity supply** is an important point on which foreign businesses in particular base their decisions regarding foreign investment operations.

3) Telecommunication Infrastructure

The telecommunication infrastructure provides necessary services not only for trade and investment but also for the social livelihood of the general public. The telecommunication infrastructure usually starts with the government establishing state-run telecommunication corporations, followed by privatization of the state-run corporations, and then deregulation of the market by allowing private corporations to operate in the sector. Depending on a country's level of development in telecommunication, policy measures may include **empowerment of management of state-run corporations as a part of establishing a telecommunication base in the country**, followed by **privatization of state-run corporations** and **deregulation of the telecommunication industry**.

4) Financial System

Establishment of a basic legal system in the area of finance is crucial as the globalization of economy progresses. **The legal system covers banking law, stock exchange law, foreign exchange law, and other basic financial laws, all of which need to be harmonized with the international standards.** Financial institutions, which provide financial services, have critical roles as intermediaries for trade and investment activities. Because these institutions are required to maintain a high level of transparency in their services, **the issue of corporate governance is a high priority when they are engaged in**

international financial operations.⁸ For this reason, human resources development in administrating financial supervision in the developing countries is much needed, as is human resources development in the financial institutions themselves.

5) Standards and Conformity Assessment System

For a country's domestically manufactured products to gain certain recognition in the international market, the country **needs to have a proper institutional arrangement and technical improvement in the area of standards and conformity assessment (for example, standards and metrology)**. It is also true that investment priority goes to the countries with established institutions and basic skills. The problem is that there are many countries where the government has only poor recognition of the significance of this issue. Such countries put themselves at a disadvantage because they may import low-quality products from abroad that do not meet the international standards and they cannot improve their attractiveness to foreign investors.

6) Intellectual Property Rights

An overflow of imitated products in a country must be recognized as one of the main factors in weakening international competitiveness of the country. **The protection of international property rights will be increasingly recognized as an important issue within the WTO system.** (Compared with the previous issue of standards and conformity assessment, governments are generally more concerned on this issue.)

7) Statistics

Statistics is one of the most important indicators of the current condition of domestic industries and their inter-industry input-output relations. It provides important reference materials when the foreign investors decide on investment or when the government considers domestic industrial policy. Thus, statistics is also a useful informational resource for domestic industries when trying to attract foreign investment or planning and implementing industrial promotion programs. Under public and private partnership, **a database for industrial statistics needs to be established for specific regions, industries, products, plant sizes, and some other categories.**

Development of policies and institutions which support activities of domestic industries, which are the primary actors in trade and receiving investment

(3) Creation of Sound Business Environment for Domestic Industries

Domestic industries are the primary actors in both promoting trade and receiving foreign direct investment. Their competitive product development, production, and sales are essential for growth in exports and

⁸ The concept of corporate governance refers to the relationship among stakeholders of a corporation, that is, share holders, management, oversight institutions, employees, and creditors of the corporation.

foreign exchange earnings. Also, for foreign investors, the presence of supporting industries that have the capacity to supply credible parts and raw materials is one of the most significant factors in assessing the attractiveness of a country.

There are several key policies for promoting export businesses and supporting industries. **Industries can be strengthened through various forms of deregulation that would promote new entries into the market. Institutional building in support of business activities — for example, industrial promotion through establishing suitable financial institutions — would also be an effective policy.** Other policies include **promoting research and development activities at universities and elsewhere, as well as supporting business services for small and medium enterprises.**

Development of basic industrial human resources which support trade and investment

(4) Human Resources Development

Human resources development is the most important issue not just in trade and investment but also in all other areas of development.

The availability of a capable labor force is essential for promoting industries, trade, and investment. In today's business environment, it is not only technical ability that is demanded but also transparency in corporate activities and related administration. **Corporate activities that abide by laws and proper execution of administrative processes constitute the foundation of the country's investment climate and lead to an improvement in the country's industrial competitiveness.**

From such a perspective, the following are considered especially necessary in developing human resources to support trade and investment.

Training technical experts through strengthening high school education.

Training capable future technicians by strengthening science and mathematical education, as well as information technology education at elementary and intermediate levels of schooling.

Fostering internationally compatible human resources by strengthening English education.

Seeking development of legal judgment ability in the educational process, with a view to improving transparency in corporate activities and government administration.

Institutionalizing licensing and certification systems, such as certified engineers systems, which are designed to provide incentive for the occupation of technical experts.

Facilitating labor market functions through such tools as vocational training and job matching.

Working toward balanced labor relations.

JICA's Activities

(1) Legal System Development for Commercial Transactions

Although JICA has so far conducted only a handful of activities directly targeted at the legal system, there are some cases in three Indochinese countries (Viet Nam, Cambodia, and Laos) in which JICA extends assistance to the development of legal institutions related to economic activities.

1) Viet Nam

JICA has implemented projects that include establishing a policy dialogue with the minister of justice, in the areas such as civil and commercial laws, corporate law, ASEAN investment law, civil procedure (civil arbitration and civil enforcement), maritime law, antitrust law, stock exchange law, and intellectual property rights; holding workshops and seminars; and hosting technical training programs.

2) Cambodia

JICA has implemented projects that include preparing draft codes for civil law and civil procedure, establishing a policy dialogue with the minister of justice, holding seminars and workshops, and hosting technical training programs in legal administration, prosecution-related work, the court system, bar associations, and other legal areas.

3) Laos

JICA has implemented projects that include holding seminars and workshops on civil law and commercial law, and hosting technical training programs.

(2) Provision of Economic Infrastructure

1) Provision of Physical Infrastructure

In many countries, JICA has implemented projects that include policy advising, Development Studies (formulation of master plans, feasibility studies), Technical Cooperation Projects to enhance maintenance management skills, and technical training in such areas as building transportation, power, and telecommunication infrastructure.

2) Financial System

JICA has extended assistance in this area mainly through dispatching experts, advising on policy, and providing technical training programs on foreign exchange and capital market development.

3) Standards and Conformity Assessment, Intellectual Property Rights, and Industrial Statistics

JICA has provided assistance in the area of Technical Barriers to Trade (TBT) and Trade-related Aspects of Intellectual Property Rights (TRIPs) under the WTO capacity-building framework and technical cooperation (in the forms of Technical Cooperation Project, Development Studies, and training programs) for enhancing administrative capacity in intellectual property rights, metrological standards, industrial statistics, and others.

(3) Creation of Sound Business Environment for Domestic Industries

JICA's activities for creating a sound business environment for domestic industries have been conducted mainly in the form of **assisting countries to promote their small and medium enterprises**. The actual activities **include policy advising for recipient countries' cabinet members in economic areas** (in the forms of dispatching experts, providing recommendations for Thailand and Indonesia), Technical Cooperation Projects, Development Studies, and training programs, among others

(4) Human Resources Development

As a basic scheme of assistance to support institutional building and increasing production technologies and skills, human resources empowerment is the most important type of assistance. JICA has been implementing various combinations of activities, such as dispatching experts; providing project-type technical assistance, development studies, grants, and training programs; providing assistance for **trade training centers and administrative capacity enhancement for customs administration; strengthening high school education, science and mathematics education at the elementary and secondary level, and vocational training; and enhancing administrative capacity in labor-related administration.**

**Mid-term
Objective 1-2
Strengthening
capacity to
respond to
international trade
and investment
rules of the WTO
and others**

Mid-term Objective 1-2: Strengthening Capacity to Respond to International Trade and Investment Rules of the WTO and Others

(1) Enhancing Understanding on the Significance of Trade and Investment Liberalization

As the world economy becomes more and more globalized, goods and services are traded more actively than ever before across the borders. Although the positive effects of trade and investment promotion on job creation, private sector development, inflows of new technologies and others are acknowledged, a number of countries still hesitate in liberalizing their trade and investment

Assistance needs to enable developing countries to enhance their understanding of the impacts of trade and investment to their economies as economic globalization progresses.

regimes, primarily for the following reasons:

- They have concerns about a possible sacrifice required of a vulnerable group in their society.
- The benefits of trade and investment liberalization are not visible.
- They lack understanding of the content of trade and investment liberalization agreements, such as various WTO agreements, which have economic implications. They may also distrust the WTO system (complicated agreements, many obligations, etc.).
- They lack negotiation capability in formulating rules.
- They lack capacity in formulating policies in the context of properly accommodating trade and investment liberalization agreements and other rules into their domestic industrial policy framework.
- There are conflicts with domestic industrial policies (particularly protection of domestic industries) or objections from domestic industries.
- There are objections about developed countries' standards being automatically imposed on them (in such areas as trade and investment rules, and accompanying agreements on environmental and labor standards).

Developing countries need to have a **proper understanding of the costs and benefits of trade and investment promotion** and need to **choose policies that contribute to their own economic development**. In the current global trend of trade and investment liberalization, they need to be able to **navigate the global trade and investment systems as represented by the WTO**.

Assistance for accession to the WTO and others should be extended using different approaches depending on the stage of accession preparation of a recipient country.

(2) Assistance for Accession to WTO and Other International Regimes

As of January 15, 2003, there are 145 WTO member economies, with nearly 30 more countries currently in the process of accession. **It is not an overstatement that global economic activities are now conducted on the basis of the WTO regime. Therefore, not only current members but also countries under the accession process, and even non-members need to formulate and implement their economic policies in line with the WTO regime as an initial condition.**

When a developing country considers gaining membership in the WTO, its policymakers face challenges in understanding the possible costs and benefits of WTO accession to their domestic economy and industries and in incorporating WTO accession into the context of their policies.

During the preparation period in acceding to the WTO, officials in relevant governmental agencies must first have a sufficient understanding of the major articles of WTO agreements, the privileges and the obligations of

Table 2-3 WTO Members in Geographical Region

As of January 2003

	Asia	Europe	America	Africa	Oceania	
WTO Members	<ul style="list-style-type: none"> • Bahrain • Bangladesh • Brunei • Hong Kong • India • Indonesia • Japan • Republic of Korea • Kuwait • Macao • Malaysia • Myanmar • Pakistan • Philippines • Singapore • Sri Lanka • Thailand • Turkey • Israel • Maldives • Cyprus • Qatar • United Arab Emirates • Mongolia • Jordan • Oman • China • Taiwan 	<ul style="list-style-type: none"> • Austria • Belgium • Czech Republic • Denmark • European Community • Finland • France • Germany • Greece • Hungary • Iceland • Ireland • Italy • Luxembourg • Malta • Netherlands • Norway • Portugal • Romania • Slovak Republic • Spain • Sweden • United Kingdom • Poland • Switzerland • Slovenia • Liechtenstein • Bulgaria • Kyrgyz Republic • Latvia • Estonia • Georgia • Albania • Croatia • Lithuania • Moldova • Armenia 	<ul style="list-style-type: none"> • Antigua and Barbuda • Barbados • Belize • Canada • Costa Rica • Dominica • Honduras • Mexico • St. Lucia • St. Vincent and the Grenadines • Suriname • United States • Argentina • Brazil • Chile • Guyana • Paraguay • Peru • Uruguay • Venezuela • Trinidad and Tobago • Dominican Republic • Jamaica • Cuba • Colombia • El Salvador • Guatemala • Nicaragua • Bolivia • Ecuador • Haiti • St. Kitts and Nevis • Grenada • Panama 	<ul style="list-style-type: none"> • Cote d'Ivoire • Gabon • Ghana • Kenya • Mauritius • Morocco • Namibia • Nigeria • Senegal • South Africa • Swaziland • Tanzania • Uganda • Zambia • Zimbabwe • Tunisia • Botswana • Central African Republic • Djibouti • Lesotho • Malawi • Mali • Togo • Guinea Bissau • Mauritania • Burkina Faso • Egypt • Burundi • Sierra Leone • Mozambique • Guinea • Madagascar • Cameroon • Benin • Rwanda • Chad • Gambia • Angola • Niger • Democratic Republic of Congo • Republic of Congo 	<ul style="list-style-type: none"> • Australia • New Zealand • Fiji • Papua New Guinea • Solomon Islands 	
	(145)	(28)	(37)	(34)	(41)	(5)
Countries Applied for the WTO membership	<ul style="list-style-type: none"> • Bhutan • Cambodia • Laos • Lebanon • Nepal • Saudi Arabia • Viet Nam • Yemen 	<ul style="list-style-type: none"> • Andorra • Azerbaijan • Belarus • Bosnia and Herzegovina • Kazakhstan • Former Yugoslav Republic of Macedonia • Russia • Ukraine • Uzbekistan • Yugoslavia • Tajikistan 	<ul style="list-style-type: none"> • Bahamas 	<ul style="list-style-type: none"> • Algeria • Seychelles • Sudan • Cape Verde 	<ul style="list-style-type: none"> • Tonga • Vanuatu • Samoa 	
	(27)	(8)	(11)	(1)	(4)	(3)

members, and the accession procedure. They must then analyze possible impacts on the domestic economy and its industries and formulate a strategy to capture the benefits of the WTO accession in their economy. To do this, negotiation officers and administrative officers must be trained in a short run. As the accession negotiation progresses, the country would need to prepare a domestic legal and institutional system consistent with the WTO agreements, in particular ensuring transparency in the legal institutions. Moreover, the general public needs to be well informed of domestic laws that have been newly established or revised as the country accedes to the WTO.

Assistance needs to be considered for developing countries which are already WTO members, which encourages appropriate use and observation of individual rules.

(3) Improving Capacity to Implement the WTO and Other International Rules

The WTO provides the basic framework for the global trade regime. For developing countries to properly capture the benefits from participating in the WTO framework, they **must have sufficient understanding of the content of individual WTO agreements, must implement these agreements through domestic laws, and must correctly execute the privileges and the obligations.**

More specifically, developing countries must:

- Properly reflect the WTO agreements and the principles under the WTO in their domestic economic and industrial policies.
- Conduct negotiations on pending issues with a view to achieving outcomes in line with existing domestic policies.
- Fulfill the current WTO obligations through the domestic laws.
- Ensure appropriate implementation of these domestic laws.

For these to be done, the following measures need to be undertaken in the context of donor's assistance:

- Formulate trade policies and establish domestic legal institutions that are consistent with the WTO and other international rules.
- Provide assistance in implementing and managing WTO-consistent policies and institutions.
- Improve negotiating capability at the WTO and other negotiating tables.
- Develop institutions and human resources in the area of trade and investment promotion, in response to the progress at the WTO (that is, training of administrative officers and negotiators).

JICA's Activities

(1) Enhancing Understanding on the Significance of Trade and Investment Liberalization

Through kick-off seminars for the **“WTO Capacity Building Program for Implementing WTO Agreements,”** JICA has conducted awareness-building programs to promote understanding among various groups in the

society (academia, NGOs, national parliamentarians, and others) regarding the significance of trade and investment liberalization. These activities include providing the basic information on the meaning of trade and investment liberalization, WTO Agreement and the related agreements. By gaining support and understanding from a wide range of groups in the society, the program aims to establish a foundation for formulating and implementing appropriate trade and investment policies.

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Ensuring neutrality
- Providing empirical data

• Ensuring Neutrality

A new round of negotiations is currently taking place under the WTO. Depending on the content of the seminars and lectures, these activities might give an impression to the recipient countries that these activities present Japanese positions on the issues being negotiated. Particularly with regard to the sensitive topics such as investment on which there are still significant differences between the Japanese position and those of developing countries, **the program needs to have careful consideration of its content, in awareness of the current status of negotiations on the relevant topics as well as the recipient countries' positions on these topics, and to take appropriate measures such as selecting lecturers who can speak from a neutral position.**

• Providing Empirical Data

These projects **explain to the recipient countries the effect of trade and investment liberalization by providing empirical data.** Specifically, the projects introduce cases from other developing countries success in achieving economic growth through trade and investment liberalization, analyze linkage between economic growth and specific policies taken by developing countries, compare policies of different developing countries, and provide other empirical data. Such methods help make the content of the projects more convincing and effective.

(2) Assistance for Accession to WTO and Other International Regimes

JICA has **been holding a series of seminars to facilitate transfer of basic knowledge on the WTO agreements to administrative officials** of non-member countries. Such seminars could be formed under country-focused training programs (as in Kazakhstan and Viet Nam) or through dispatch of individual experts (as in Cambodia, Kazakhstan, and Viet Nam). Also as a reference to their policy formulation in pre- and post-accession periods, JICA conducted training courses for China that aimed to introduce **Japanese domestic systems in agriculture and individual service sectors (freelance**

services, shipping and transportation, for example), through such activities as **organizing tours to Japan to observe the current conditions in these areas**. Because gaining access to the international regime is often an immediate issue for individual developing countries, JICA has been providing assistance in response to requests from individual countries.

Points to be considered in formulating projects:
• Timely assistance

The following point must be considered in formulating projects on this issue.

• **Timely Assistance**

Countries in the process of applying for WTO accession often have ongoing bilateral negotiations, facing numerous questions from current WTO members to which they need to respond in a limited time. Therefore, **timely assistance in response to continuously evolving negotiation processes** is highly appreciated.

(3) Improving Capacity to Implement the WTO and Other International Rules

WTO-related assistance is a new area of cooperation for JICA. In the past, only a few notable projects have been implemented such as the **WTO Capacity-Building Program for Implementing WTO Agreements** described earlier, and some **country- and region-focused training programs on several individual WTO agreements (for example, agriculture, sanitary and phytosanitary measures, antidumping, technical barriers to trade, and dispute settlement)**, which were all held during the FY2000.

The WTO Capacity-Building Program for Implementing WTO Agreements was started in FY2000 in Thailand, Indonesia, Malaysia, and the Philippines. This first comprehensive WTO-related cooperation program for JICA includes the following specific activities.⁹

- Organizing seminars and workshops for the purpose of enhancing knowledge on each of the major WTO agreements.
- Building information-sharing systems within the agencies in charge of WTO agreements for the purpose of strengthening the institutional system.
- Producing learning materials for strengthening the system for implementing individual agreements (TRIPS).
- Organizing training of trainers to secure sustainability of the program (TRIPS).
- Conducting studies on the consistency between the WTO agreements and domestic institutions (TBT).
- Conducting comparative analysis of Schedules and related domestic legal codes among major countries (GATS).

⁹ Japan International Cooperation Agency (2002a)

- Conducting a “mock court” or a simulation exercise of a dispute settlement panel (DS).
- Providing recommendations with regard to a country’s future capacity-building strategies.

Furthermore, **the Committee on Cooperation for WTO Capacity Building**, established during the FY2000–2001, has considered effective measures and cooperation activities for strengthening capacity in implementing WTO agreements, primarily targeted at developing countries in the APEC region. The outcome of this work was published in a form of a report.

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Targeting specific beneficiaries in providing assistance on individual agreements
- Ensuring ownership
- Consideration for continuity and sustainability
- Obtaining appropriate resources

Identifying and Targeting Specific Beneficiaries in Providing Assistance on Individual Agreements

The targeted beneficiaries will vary according to the characteristics of individual WTO agreements as well as the characteristics of individual countries. Characteristics of individual countries include the counterpart agencies in charge of individual WTO agreements, the capacity to implement these agreements, and the current conditions of relevant domestic agencies. Therefore, **the content of cooperation must be optimally prescribed based on the present condition of each country and on a thorough understanding and analysis of the current condition prior to the actual cooperation.**

Ensuring Ownership of the Beneficiary Countries and Building Partnerships with Counterpart Agencies¹⁰

This point is not only relevant to the area of trade and investment, but to any area of development assistance. For example, when holding seminars or workshops, the speakers could be chosen from the developing countries or steering committees could be organized by the developing countries. Through such devices, **developing countries would be expected to receive donor assistance not in a passive manner but with a sense of ownership.**

Planning Activities that Ensure Continuity and Sustainability of the Program

Working jointly with counterpart agencies in developing countries to develop training materials, organize training programs for trainers, or forest up steering committees on specific issues is not only effective in avoiding “single-shot” programs but also in enabling the continuous commitment of developing countries. In deciding the content of cooperation, it is beneficial to **incorporate into JICA’s activities some components that would facilitate continuous**

¹⁰ Ownership is defined as the self-help efforts of developing countries.

engagement by the recipient countries.

• Securing Human Resources for Assistance Corresponding to the Areas and the Types of Assistance

Particularly in the areas where the WTO and other multilateral negotiations are in progress, it is useful to **search for collaboration with the experts who belong to neutral organizations such as international organizations**. For example, Japan has rich experience in being subject to anti-dumping duties imposed by other countries but has little experience in imposing them.¹¹ Therefore, it would be useful to utilize the knowledge and experience of lawyers in the third countries in the area of anti-dumping.

In any event, Japan has only limited domestic resources in providing assistance in this area. It is therefore necessary to be innovative in securing appropriate resources for assistance as well as in designing methods of assistance.

Development Objective 1 Strengthening Responsive Capacity for Promoting Trade and Investment within the International Framework

Mid-term Objective 1-1 Establishing Basic Conditions for Promoting Trade and Investment			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Legal System Development for Commercial Transactions	Development of commercial laws and others (advising on codification of individual laws, creating an overview map of existing laws, training and education for the Bar)	10,12,41, 42	• Assistance toward legal development in relation to transition to the market economy
Provision of Economic Infrastructure	Assistance toward development plans of distribution infrastructure such as airports, ports, and roads Policy formulation for electricity sector, assistance toward formulating power sources development plans Policy and institutional development in relation to information technology (IT) Banking sector, capital market development Human resources development in financial sector Capacity and skills improvement for standardization Capacity and skills improvement for metrology and testing Assistance toward development of statistics Assistance toward establishing and developing intellectual property rights	46 44 25,45 45 43 11	• Infrastructure development (Grant Aid, Development Studies) • WTO capacity building (Development Studies)
Creation of Sound Business Environment for Domestic Industries	Formulation of master plans for industry development Formulation of small and medium enterprise and supporting industry development policies Training of the fundamental skills (metallurgical skills, casting skills), basic research, R&D	2, 4, 5,7, 47,48,49	
Human Resources Development	Human resources development in public sector (program to enhance understanding of significance of trade and investment liberalization, improving quality of education on international economy and trade, etc.) Business human resources development in private sector (Japan center, trade training center, etc.) Improvement of labor force quality (strengthening science and mathematics education, occupational training, and industry technology training, etc.)	22,23,34	• WTO capacity building (Development Studies) • Japan center, trade training center (Grant Aid, Technical Cooperation Projects)

¹¹ Anti-dumping duties (AD duties) are imposed against the dumped imports for the rate with the ceiling set at the margin of sales price of imports over their domestic sales price.

Mid-term Objective 1-2 Strengthening Capacity to Respond to International Trade and Investment Rules of the WTO and Others			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Enhancing Understanding on the Significance of Trade and Investment Liberalization	Enhancement of understanding on the WTO agreements in general, and on the significance of trade and investment liberalization Promotion of public-private dialogue	4,5, 34-36, 39,40	<ul style="list-style-type: none"> • WTO capacity-building program (Development Studies) • WTO accession assistance (Dispatch of Experts, Technical Training)
Assistance for Accession to the WTO and Other International Regimes	Development of trade policies and domestic legal system consistent with the WTO, enhancement of understanding on new privileges and obligations (WTO accession assistance program) Enhancement of understanding on impacts to the domestic economy and industries by joining the WTO Enhancement of understanding on the accession procedure Institutional building and human resources development in relation to trade and investment promotion, responding to the developments at the WTO and others (training of negotiators and administrative officials) × Specific and concrete advising on accession negotiations	4,5,9,13, 34-36 4,5 35,36 34	<ul style="list-style-type: none"> • Legal system development assistance (Development Studies) • Introduction of Japanese systems (Technical Training) • Economic policy assistance (Dispatch of Experts) • WTO accession assistance (Dispatch of Experts) • WTO capacity-building program (Development Studies)
Improving Capacity to Implement the WTO and Other International Rules	Development of trade policies and domestic legal system consistent with international rules such as the WTO Assistance toward enforcement and implementation of consistent policies and institutions Enhancement of understanding on individual agreements × Strengthening of negotiation capacity for negotiations at the WTO and others × Specific and concrete advising on negotiations at WTO and others Studies on the state of implementation of the WTO agreements by individual countries Institutional building and human resources development in relation to trade and investment promotion, responding to the developments at the WTO and others (training of negotiators and administrative officials)	4,5,9,13, 37-40 34,37,38 34,37,38 34 34	<ul style="list-style-type: none"> • Legal system development assistance (Development Studies) • Introduction of Japanese systems (Technical Training) • WTO capacity-building program (Development Studies) • Seminars and technical training on individual agreements (Dispatch of Experts, Technical Training)

* Case numbers correspond to the numbers in Project List in Appendix 1.

Examples of Activities: = JICA has considerable experience = JICA has certain experience = JICA has experience as a component of projects × = JICA has little experience
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Development Objective 2
Capacity building for trade promotion

Mid-term Objective 2-1
Establishing system for formulating trade-related policies and institutions and their proper implementation

Issues to be addressed:

- Trade policies based on medium- to long-term perspectives
- Establishing trade-related laws, regulations, and institutions
- Simplification of trade-related procedures

Development Objective 2: Capacity Building for Trade Promotion

Mid-term Objective 2-1: Establishing System for Formulating Trade-related Policies and Institutions and their Proper Implementation

The primary actor in trade is the private sector. **The government's role is therefore to promote trade activities through establishing domestic policies and institutions that facilitate efficient business activities by the private sector.** However, many developing countries are in the situation where the rules are underdeveloped and the presence of excessive regulation and inefficient implementation impede the trade activities of private businesses.

(1) Formulation and Implementation of Industrial and Trade Policies Based on Medium- to Long-term Perspectives

For the developing countries to participate in a liberal trade regime in a way consistent with their own national interests and to continuously benefit from it, it is essential that their **industrial and trade policies are formulated and implemented based on medium- to long-term perspectives.** In formulating medium- to long-term policies, **developing countries must have a solid understanding of the current conditions and the future prospects of their industries' international competitiveness and trade.** Based on such understandings, **they can then formulate and implement their industrial and trade policies and implement WTO agreements with a realistic scope and at a reasonable pace.**

However, many countries lack a sufficient knowledge base to understand international rules such as the WTO agreements and to reflect them in their own trade policies. They also have only weak domestic administrative systems to realize those policies. Therefore, in many cases, they do not have sufficient policy formulation capacity in setting strategies to develop their domestic industries in a way consistent with the international rules, nor do they have the capacity to implement such strategies.

(2) Establishment of Trade-related Laws, Regulations, and Institutions

One of the problems that developing countries face is the presence of high tariff and non-tariff barriers that impedes the active private sector activities. **Delay in establishing domestic laws and regulations consistent with the liberal trade regime as represented by the WTO is the major problem as far as tariff barriers are concerned.** Although it is not the case for non-tariff barriers, for which countries do see progress in establishing WTO-consistent laws and

regulations, they still face **a problem in enforcing and implementing laws and regulations.**

Although the lack of medium- to long-term policies lies at the heart of these problems, an additional problem is that the government **lacks staff resources knowledgeable on WTO agreements and economic laws in general, lacks sufficient knowledge on the appropriate legal contents of rules for implementing policies, and lacks sufficient understanding of domestic laws and regulations.**

Developing countries may face dispute settlement cases (DS) filed by other countries if their domestic laws and regulations are not consistent – or are perceived as not consistent – with the WTO agreements or if their domestic laws are not properly enforced. The possibility of dispute settlement cases heightens the need for assisting developing countries in the area of legal institutions.

In addition, developing countries that are looking for export promotion opportunities have **strong needs for designing laws, regulations, and institutions in relation to setting their export promotion policies.**

(3) Simplification and Appropriate Enforcement of Trade-related Procedures

In addition to the problems in laws, regulations, and institutions themselves, another serious problem in developing countries is **that the transaction costs for the private businesses are significantly high as the result of complicated enforcement of systems and procedures related to imports and exports, and the lack of transparency in such enforcement.**

More specific problems include improper lines of communication regarding information inside and outside of relevant governmental agencies; lack of capability of officials in properly enforcing laws, regulations, and institutions onsite (although these formally exist); arbitrariness of officials in charge and lack of transparency in the handling procedure; and insufficient provision of analytical equipment necessary for the trade-related procedures.

These issues of trade facilitation differ from trade liberalization issues in the sense that international rules do not exist in the area of trade facilitation.¹² Also, developing countries would not have strong objection to promoting trade facilitation, because, unlike trade liberalization, trade facilitation does not potentially conflict with domestic industrial policies. Furthermore, it is an effective means of promoting trade because it reduces transaction costs among businesses.

¹² Readers are advised to refer to p.3 for the definitions of “trade liberalization” and “trade facilitation.”

JICA's activities:

- Recommendations on trade and export promotion policies
- Optimizing and simplifying procedures in the areas related to trade and human resources development

JICA's Activities

In relation to trade promotion, JICA has implemented the following projects with respect to formulation and implementation of industrial and trade policies based on medium- to long-term perspectives and simplification and appropriate enforcement of trade-related procedures, which have been largely conducted in ASEAN countries. These activities are basically categorized as: **recommendations on trade and export promotion policies; and assistance for the capacity building of trade-related agencies, including optimizing and simplifying procedures in the areas related to trade (for example, intellectual property rights, standards and conformity assessment, tests and examinations, customs, quarantines, trade financing, and so on), as well as human resources development in such areas.**

With regard to formulating and implementing industrial and trade policies, the majority of the activities have traditionally been in a form of policy recommendations made by the Japanese consultants. However, in recent years, there are examples of **joint research assistance projects** that bring together Japanese scholars and researchers to provide comprehensive diagnostic analysis for the development strategies of specific countries and to assist them to formulate comprehensive and concrete long-term development strategies based on policy dialogues with the beneficiary countries. Under such a framework, recommendations and advice are provided in relation to trade liberalization and export promotion policies. (Examples include the Study on the Economic Development Policy in Terms of Transition toward Market-Oriented Economy in Viet Nam and the Cooperation for Economic Structural Adjustment in Myanmar.)

As can be judged from Development Objective Chart 2, JICA has relatively rich record of implementation with regard to assistance for trade-related activities, with projects to **build capacity in governmental agencies.**

But JICA has only a limited record of implementation in the area of establishing trade-related laws, regulations, and institutions. **Although it has experience in the projects that promote exports, it has little experience in projects directly dealing with making laws and regulations in relation to trade.** The reason for the limited record in this area may stem from the facts that

the issues on laws and regulations are often sensitive and not likely to lead to technical cooperation projects, which are formulated on basis of the requests from beneficiaries, and the resources for assistance are also limited in Japan. There have, however, been relatively numerous technical training programs that aim to present Japanese experiences to the developing countries. Also, although the number is still small, **there are some cases in recent years in which JICA advised beneficiary countries on their efforts to establish laws, regulations, and institutions in the areas of customs and competition policies.**

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Considering developments in the international economic environment and the relationship with assistance programs by the World Bank and others
- Perspectives of developing countries' medium- to long-term development

• Considering Developments in the International Economic Environment and the Relationship with Assistance Programs by the World Bank and Others

Starting with the recommendations on ASEAN countries' export promotion policies under the New AID Plan in the late 1980s, JICA has been providing policy recommendations as a part of its activities for formulating industry development and export promotion policies, primarily in the ASEAN countries. At the same time, recent discussion at the WTO has shown new developments in the sense that there has been progress in rule-making by incorporating issues largely considered domestic policies in the past (for example, intellectual property rights, subsidies, countervailing duties, rules and regulations related to trade-related investment). A dispute settlement procedure has also been established. With such developments at the WTO, **the formulation of industry development and export promotion policies must take into consideration their consistency with the WTO agreements. More specifically, promotion policies need to be consistent with the WTO agreements in the context of their special and differential treatment clauses (S&D clauses).**^{13,14}

In addition to consistency with WTO agreements, **equal consideration must be given to the relevance of the ongoing discussion on the methodology of assistance programs** around the world. In the area of trade and investment, JICA has mainly provided assistance in the form of providing policy recommendations to develop specific industries or to promote exports by specific industries. The World Bank and some other institutions, however, have some doubts on the effectiveness of such policy financing and the government's direct interventions to promote specific industries. Different arguments as such must be considered when JICA provides assistance for policy formulation in the developing countries.¹⁵ And, at the same time, it is important that JICA clearly presents its own view regarding industry development and export promotion at the early stage of cooperation.

Given these points for consideration, it is nonetheless true that the experiences of Japan, Korea, and ASEAN countries in economic growth, through active penetration to the world market and the policies their governments took in this regard, would become important references for the

¹³ Special and differential treatment clauses allow special and differentiated (different from developed countries) application of WTO agreements to the developing country members with some obligations being exempted or modified and with technical assistance being provided to them.

¹⁴ Kimura (2001) makes such consideration in the case of Viet Nam.

¹⁵ The World Bank (1993) presents its doubt on the effectiveness of policy measures such as government interventions (other than interventions to promote exports) and industrial policies toward specific sectors (mainly in the forms of import protection and low-rate lending) as adopted by many East Asian countries. With the exception of Japan, no clear evidence has been found that these policy measures have generated structural changes in industries or growth in productivity.

developing countries trying to promote their trade and for other donors as well.¹⁶

• Perspectives of Developing Countries' Medium- to Long-term Development

Trade-related capacity building in the developing countries aims to promote building a sound environment for trade and investment activities, to stimulate economic activities of domestic and foreign businesses, and to enhance various types of capacity necessary to achieve development through trade and investment promotion. In particular, **assistance in areas such as institutional capacity building and human resources development would not generate immediate outcomes from the inputs. It is therefore necessary to provide assistance in a medium- to long-term framework.** (Also, it is necessary to conduct dialogue with beneficiary countries on such a basis.)

**Mid-term Objective 2-2
Strengthening information services to the private sector**

Mid-term Objective 2-2: Strengthening Information Services to the Private Sector

Many firms in developing countries face difficulty in developing their international markets by themselves due to lack of sufficient information regarding the markets and lack of sufficient human resources.

Given that perspective, the following types of support become necessary for private businesses in developing countries. First, the government could effectively support the private sector activities through **providing information on the overseas markets as well as on the trading systems, procedures, and commercial practices of foreign countries.** Second, the policy measures provided by the government to promote trade often have not been fully utilized by the private sector. Thus, it is also necessary for the government to **provide information regarding its trade policies in general and information regarding the export promotion policies and financial services it extends to the private sector.**

In addition, **organizing trade shows and exhibitions of products** is also considered a useful type of cooperation to promote trade in developing countries.

JICA's activities:
• Strengthening the functions of the governmental trade agencies

JICA's Activities

JICA has been actively extending cooperation in this area. The actual cooperation has primarily taken the form of assistance toward governmental agencies for trade promotion. Through **strengthening the functions of the governmental trade promotion agencies**, JICA has been making efforts to strengthen the provision of trade-related information to the private sector. The

¹⁶ Appendix 3 summarizes the history of Japanese trade policies since the end of World War II until today.

trade promotion agencies primarily provide information on foreign markets (above). However, in conducting activities in this area, it has to be noted that yet another problem exists in the sense that the information regarding trade policies in general and the government services extended to the private sector is not sufficiently disseminated among private firms and private firms are not taking advantage of the policy measures offered by the government (above). In addition to these types of information provision, JICA also supports trade promotion agencies in their services such as exhibitions of the countries' local products. This is where JICA's activities differ from those of JETRO, which directly organizes exhibitions of developing countries' products.

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Responding to the developing countries' conditions and needs
- Project formulation based on the review of similar activities

• Responding to the Developing Countries' Conditions and Needs

The cooperation in this area has a catalytic role for governments to promote private sector activities that are already active. Thus, the cooperation would be primarily targeted to middle-income countries.

The activities in this area have the potential of overlapping with the commercial activities by the private businesses. In a country where the market for such commercial activities already exists, governmental services providing information might trigger a competition between the government and the private sector. Therefore, **when projects are being formulated, careful consideration must be made of the role of the governmental agencies, the scope of coverage, and the most effective ways of utilizing the private sector in this regard.**

In Japan, there are many support measures related to information provision services toward the private sector. The direct application of such measures in developing countries must be based on its effectiveness and has to be checked against the availability of any complementary measure. Specifically, the measure must be selectively chosen based on a thorough examination and analysis with respect to how these policies are actually used, how the actual users evaluate them and which policies are the most effective. However, **consistency with the WTO agreements will never be questioned for this type of cooperation, which is targeted toward strengthening information services for promoting trade. Such cooperation also contributes to an effective mechanism for trade promotion.**

• Project Formulation Based on the Review of Similar Activities

JICA has conducted a set of technical cooperation projects in four countries including Indonesia and the Philippines focused on their governmental trade promotion agencies, for the purpose of supporting trade activities by private businesses in these countries. Therefore, in addition to various business

support measures taken within Japan, **the results from these similar activities conducted in the past need to be evaluated in an objective manner in considering the necessary substance of and approach for cooperation.**¹⁷

Other bilateral donors and international organizations are also actively providing assistance for improving accessibility to market information. In providing assistance to agencies or organizations (for example, trade promotion centers), they, however, put more emphasis on supporting mechanisms organized under the private sector's initiative and participation than under direct government control. Also, in supporting the agencies and organizations, the core support is provided for realizing their financial independence through fee-based services that the agencies and organizations would provide, as well as for institutional empowerment through the transfer of technologies.

**Mid-term
Objective 2-3
Fostering viable
private sector**

JICA's activities:

- Mainly conducting in the framework of its assistance toward small- and medium-enterprise development and supporting industry development
- Capacity building of governmental agencies
- Clustering approach
- Strengthening countries' competitiveness in primary commodities and conducting technical training on agro-processing techniques from the perspective of export competitiveness under the framework of agricultural development

Mid-term Objective 2-3: Fostering Viable Private Sector

It is often the case for firms in developing countries that they lack sufficient productive capacity because of a shortage in human resources, skills, management knowledge, capital, and equipment. As a result, these firms are often weak in competitiveness (or have no international competitiveness in exports). For the developing countries to be able to receive benefits from the liberal trade regime – and establish an environment for trade liberalization and facilitation – **cooperation must help governments to support the private sector to overcome the above-mentioned problems and strengthen its competitiveness.**

However, it would take long time for such assistance to bear fruit in terms of export growth. The outcome is also dependent on the condition of international market and other external factors. Thus, it is difficult to set a specific goal in export growth. **A more suitable goal is perhaps to place strengthening export competitiveness in the context of small- and medium-enterprises development or supporting industry development, as well as in the context of promoting small-, medium- and micro-scale enterprises as a part of agricultural development.** The majority of JICA projects in this area have been also conducted in such context.

JICA's Activities

Among projects implemented by JICA in this area, **there are many cases of assistance projects that seek to strengthen the export competitiveness of the developing countries as a part of cooperation for the development of small- and medium-enterprise and supporting industry in these countries.**

Rather than directly assisting private firms, JICA's projects for supporting

¹⁷ Box A1-2 in p.79 presents the overview of trade training centers in these four countries.

small- and medium-enterprise development and supporting industry development are usually implemented in the form of capacity building of the governmental agencies that provide guidance services to the private firms (for example, vocational training schools and management skills support agencies), from which the firms' competitiveness could be strengthened.

In recent years, there have been some projects implemented to train Small and Medium Enterprise Management Consultants and build institutions related to the training, for the purpose of better responding to the needs of small and medium enterprises. To improve the quality of consulting services toward the enterprises (including private consulting services), JICA is also involved in building a system of certification for consultants providing services for these enterprises.

In addition to strengthening the management resources of individual firms, there are also approaches for organizing associations among firms of same or different sectors or stimulating industry agglomeration. These approaches would generate a positive external effect that can be used to improve individual firms' management efficiency. JICA has implemented this type of cluster approach in conducting studies for improving management resources of private firms.¹⁸

In the context of agricultural development, JICA provides its assistance from the point of view of strengthening the countries' export competitiveness in primary commodities. For example, it provides training programs for acquiring skills in processing agriculture products with a view to strengthening export capacity of agricultural products.¹⁹

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Project formulation based on the review of similar activities
- Consideration of the developments of the market-access issues at the WTO

• **Project Formulation Based on the Review of Similar Activities**

The primary target of assistance in the developing countries is small and medium enterprises. Many donors, including JICA, have been providing assistance that targets these enterprises. **It is necessary, therefore, that the new assistance is based on the review of similar activities in the past.**

JICA rarely provides assistance directly to private firms. The assistance is mainly given in the form of capacity building of governmental agencies that provide guidance services to the private firms, with which the firms' competitiveness could be strengthened. The World Bank and some other bilateral donor countries recently point out the problem of sustainability when

¹⁸ A cluster is a situation where peripheral supporting industries are "clustered" around a competitive industry in the region. A specific industry agglomerates in a specific region and stimulates industries in the region as a whole.

¹⁹ Prices of primary commodities such as agricultural commodities which are the main exportations for developing countries generally tend to decline and vary widely. With a view to dealing with such risks it is essential to cooperate for strengthening competitiveness of primary commodities and their exports promotion.

the governmental agencies provide services to the private firms, stressing that such services should be provided within the framework of the market economy. There are also approaches such as organizing associations among firms of same or different sectors or stimulating industry agglomeration to generate a positive external effect to improve individual firms' management resources (in addition to strengthening management resources of individual firms).

• Consideration of the Developments of the Market-access Issue at the WTO

One of the issues of greatest concern to the developing countries is the issue of access to developed country markets. However, there is a conflict of interest between the developing countries, which are generally the exporters of agricultural products, and the developed countries, which try to protect their domestic agricultural industry. Particular attention should be drawn to the developments in this issue when JICA formulates projects that enhance agricultural exports.

Development Objective 2 Capacity Building for Trade Promotion

Mid-term Objective 2-1 Establishing System for Formulating Trade-related Policies and Institutions and their Proper Implementation			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Formulation and Implementation of Industrial and Trade Policies Based on Medium- to Long-term Perspectives	Formulation of future visions of industry and trade structure (recommendations on industry and trade promotion policies)	1,2,4,7,8	<ul style="list-style-type: none"> • Economic policy assistance, assistance for transition to market economy (Development Studies) • Manufacturing and industrial sector development promotion plans (Development Studies) • WTO capacity-building program (Development Studies, Technical Training, Dispatch of Experts) • Capacity building of officials in charge of trade policies (Technical Training)
	Advising on trade policy formulation × Strengthening capacity to formulate and implement trade policies Assistance toward implementation of the WTO agreements (improving necessary knowledge for legal development, institutional building for law-making)	1,4,7,34 13,34,37,38	
Establishment of Trade-related Laws, Regulations, and Institutions	× Formulation and development of trade-related laws and regulations (basic law on imports and exports, basic laws on customs, and other import-related laws such as laws on quarantines, plant disease prevention, and medicines) Advising and capacity building for developing trade-related laws and regulations Capacity building for enforcing and implementing trade-related laws and regulations Trade-related institutional building	9-13 9,11,13-19,21,2,8	<ul style="list-style-type: none"> • Advising on existing legal system and its improvement (Technical Training, Dispatch of Experts) • WTO capacity (Eevelopment Studies, Technical training, Dispatch of Experts) • Advising on tariff policies and customs administration, capacity building of officials in charge (Dispatch of Experts, Technical Training) • Advising on intellecutal property policies and administration, capacity building of officials in charge (Dispatch of Experts, Technical Training) • Advising on quarantines policies and administration, capacity building of officials in charge (Dispatch of Experts, Technical Training) • Manufacturing and industrial sector development promotion plans (Development Studies) • Assistance toward formulating export promotion strategies (Development Studies)

Approaches for Systematic Planning of Development Projects / Trade and Investment Promotion

Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
	Assistance toward formulating export promotion plans (selecting strategic export industries and products, setting targets for exports and selection of strategic export markets, formulation of specific support measures) Assistance toward formulating plans on export processing zones Establishment and development of trade-related financial system (trade insurance, export credits, etc.) Establishment of export (trade) promotion agencies	2,8 24 2,8 2,8	<ul style="list-style-type: none"> • Assistance toward formulating export promotion strategies (Development Studies, Dispatch of Experts) • Studies and advising on establishing export processing zones (Development Studies, Dispatch of Experts)
Simplification and Appropriate Enforcement of Trade-related Procedures	<ul style="list-style-type: none"> × Information technology improvement in official procedures and operations related to trade (permissions and authorizations, customs clearance, ports, quarantines, port entry, and exit procedures, etc.) × Information technology improvement in private procedures and operations (procedures for transferring legal claims among shippers, carriers, banks, and others, shipping contracts, insurance contracts, etc.) 		<ul style="list-style-type: none"> • Assistance toward computerization (Development Studies)
	Optimization of customs operation Establishment and strengthening of public technical support organizations (quality improvement) Capacity building in examinations and tests Capacity building in metrology and standards Capacity building in quarantines Capacity building in enforcing and implementing intellectual property right system Capacity building in implementing trade-related financial system (trade insurance, export credits, etc.)	9,13 29,31 26 25 17 16 18,19,21	<ul style="list-style-type: none"> • Capacity building of customs officials (Dispatch of Experts, Technical Training) • Analytical capacity building at customs (Dispatch of Experts) • Strengthening of public technical support organizations (Technical Cooperation Projects) • Capacity building of testing and examination agencies (Technical Cooperation projects) • Capacity building of metrological and standardizing agencies (Technical Cooperation projects) • Capacity building of quarantines officials (Dispatch of Experts) • Assistance toward information disclosure for administration on intellectual property rights (Development Studies, Technical Cooperation Projects) • Capacity building of officials in charge of trade-related financial institutions (Technical Training)

Mid-term Objective 2-2 Strengthening Information Services to the Private Sector			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Information Provision on Overseas Trade-related Procedures and Domestic Procedures and Preferential Measures	Studies on and introduction to trade regimes, procedures, business practices of other countries Information provision on individual preferential policies and institutions Functional empowerment of trade promotion agencies	20,22,23, 17 22,23 22,23	<ul style="list-style-type: none"> • Functional empowerment of trade promotion agencies (Technical Cooperation Projects, Dispatch of Senior Volunteers)
Overseas Market Development	Overseas market information gathering and provision Organizing market seminars Organizing product exhibitions, conventions × Organizing trade fairs × Developing IT infrastructure	20,22,23, 27 27 22,23	<ul style="list-style-type: none"> • Functional empowerment of trade promotion agencies (Technical Cooperation Projects, Dispatch of Senior Volunteers) • Advising on overseas market development (Dispatch of Experts and Senior Volunteers) • Knowledge enhancement on marketing (Technical Training, Dispatch of Senior Volunteers) • Functional empowerment of trade promotion agencies (Technical Cooperation Projects, Dispatch of Experts and Senior Volunteers)

Mid-term Objective 2-3 Fostering Viable Private Sector			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Fostering Viable Private Sector	Management and technical guidance toward public support agencies Management capacity building Product development and agro-processing technical training	29,31,32 28 30,33	<ul style="list-style-type: none"> • Establishment and empowerment of management and technical support agencies (Technical Cooperation Projects, Dispatch of Experts) • Knowledge enhancement on management strategies, marketing, etc. (Technical Training) • Establishment and empowerment of management and technical support agencies (Technical Cooperation Projects, Dispatch of Experts) • Agro-processing technical enhancement (Dispatch of Experts and Senior Volunteers) • Development and quality improvement of export products (Technical Training, Dispatch of Experts and Senior Volunteers)
	Strengthening of cluster functions Promotion of enterprise diagnostic services × Promotion of management skills services for small and medium enterprises on the private basis (business development services, BDS)		<ul style="list-style-type: none"> • Promotion of clustering, functional empowerment of clusters (Technical Training, Development Studies) • Building small and medium enterprise diagnosis institutions (Development Studies, Dispatch of Experts) • One-village one-product initiative (Technical Training) • Designing capacity building (Development Studies, Dispatch of Experts) • Export product development (Dispatch of Experts and Senior Volunteers, Technical Training)

* Case numbers correspond to the numbers in Project List in Appendix 1.

Examples of Activities:
 = JICA has considerable experience
 = JICA has certain experience
 = JICA has experience as a component of projects
 × = JICA has little experience
 JICA's Activities:
 = Few examples of implementation, but projects could be used as models for the future activities

Development Objective 3
 Capacity building for foreign direct investment promotion

Development Objective 3: Capacity Building for Foreign Direct Investment Promotion

Mid-term Objective 3-1: Developing System for Formulating Investment-related Policies and Institutions and their Appropriate Implementation

Mid-term Objective 3-1
 Developing system for formulating investment-related policies and institutions and their appropriate implementation

Just as the case of trade, investment is also an area where the private sector is the primary actor. However, a developing country government has a significant role to play in promoting investment activities because it can provide an appropriate environment in which firms investing in the country can operate freely and smoothly.

Although many developing countries have policies to attract foreign direct investment, they often lack sufficient administrative knowledge and human

Necessary to establish an environment in which investing firms conduct their activities freely and smoothly

resources to formulate policies that are appropriate. There are also many cases where the countries cannot attract investment on a continuous basis because of frequent changes in tax and other policies. Stable and consistent policies are required to achieve sustainable investment promotion, including promoting movement of long-term capital. To promote investment and link it to the development process of a country, **it is necessary to formulate a comprehensive investment promotion policy that is consistent with the domestic industrial policies and export promotion policies, followed by developing relevant legal institutions and their necessary adjustments.** With regard to institutional building, any policies and institutions that restrict competition and investment activities need to be reformed, **and the legal system for promoting investment liberalization needs to be established.** In the current international trend of investment liberalization, it is particularly important to pay attention to the issue of market access, while ensuring national treatments and MFN status. Equally necessary is maintaining some level of consistency in policies and legal institutions by avoiding sudden changes and improving transparency and gaining credibility in the market by establishing dispute settlement mechanism and coping with the corruption problems during the implementation stage. In addition to investment liberalization, it is also necessary to formulate policies and institutions that encourage local business activities and market competition. More specifically, **an institution that smoothes the process of production [that is, location decision > raw materials sourcing (domestically or internationally) > processing and production > transport and export the products] for foreign investors is particularly necessary.**

In this area, JICA has conducted activities including group technical training programs for knowledge transfer, Development Studies for assisting in the formulation of investment promotion policies, and formulation of master plans and feasibility studies for establishing export processing zones. It has also conducted a few projects related to standards and conformity assessment.

Moreover, measures such as **establishing export processing zones with proper support of policies** or extending preferences to foreign investment that package together both hardware and software components not only make it possible for the country to efficiently provide an attractive investment climate for foreign investors but also serve as effective tools for domestic regional development.

JICA's Activities

JICA has mainly conducted projects in the area of investment promotion in ASEAN countries in conjunction with cooperation for trade promotion, in forms such as **recommendations on establishing investment promotion policies and institutions, assistance for establishing investment-related legal institutions, and facilitating sourcing of raw and intermediate materials for investing firms in their support (trading procedures, standards and conformity assessment, and so on).**

With regard to developing policies and institutions for investment promotion, JICA has conducted activities such as organizing **group technical**

training programs for knowledge transfer, assisting in the formulation of investment promotion policies appropriate for individual countries' conditions (mainly Asian and East European countries) by using the Development Study programs, and dispatching advisors on investment promotion. **In establishing export processing zones, JICA has also implemented Development Studies for formulating master plans and conducting feasibility studies and has dispatched experts for policy support.**

Cooperation related to developing investment-related laws, rules, and regulations has been conducted through group technical training programs for general knowledge transfer as well as expert advising. For example, JICA has organized a group training program, Training Course for Establishing Legal Institutions for Investment Climate.

Cooperation related to facilitating sourcing raw and intermediate materials has been conducted specifically in such forms as providing support for establishing a necessary export and import system that facilitates the purchase of raw materials and exporting products or for policies to simplify related work and procedures and make them more efficient. (See Mid-term Objective 2-1 in p.31). Lastly, JICA has dispatched experts to assist in the establishment of an industrial products certification system as a part of assistance to establish industrial standards and examination system.

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Paying attention to the various issues
- Policy formulation based on individual country's condition
- Consistency with industrial and fiscal policies
- Establishment of export processing zones based on needs

• **Paying Attention to the Various Issues Related to Investment Promotion**

Investment requires continuous transactions by the investing firms for certain duration of time. In this sense, investment differs from trade activities, which are short-term transactions of product distribution, and has different implications in terms of duration of commitment as well as the size of the risk the firms have to cover. Therefore, in addition to the issues directly related to investment, the issues raised in Mid-term Objective 1-1 – such as economic infrastructure provision (for facilitating business activities), human resources development (for supplying quality labor force), and smooth labor relations – are particularly significant factors in promoting investment. Although not particularly focused on in this report, various types of country risk, such as political conditions, domestic security, macroeconomic conditions, and governance, are critically important for the firms making investment decisions. Thus, **the cooperation in relation to the investment promotion in developing countries should be provided on the basis of consideration**, not only in the areas directly linked to attracting investment in manufacturing and mining sectors but also **in areas such as governance, educational standards, and infrastructure provision**. For this reason, cooperation needs to be extended

with proper consideration of the points of view of individual firms.

- **Formulating Individualized Policies for Each Country Based on its Strength and Weakness**

When a country tries to attract foreign investment, it is important to differentiate its approach from other countries because investment promotion is essentially an effort to draw foreign businesses' management resources to the country out of many others. So **the policies should be formulated on the basis of the country's strengths and weaknesses (for example, availability of natural resources, geographical condition, languages, relative position in the economic areas in the world, among others).**

- **Consistency with Industrial Policies and Fiscal Policies**

To make sure that investment promotion benefits development of a country, it is important to **strengthen the linkage between investment promotion and domestic industrial development policies**, such as a policy to support the technical improvement of local small and medium enterprises up to a standard capable of providing parts and raw materials to investing foreign firms. In particular, strengthening the international competitiveness of domestic industries on aspects such as diversification, technological upgrading, value-added, and productivity growth has to be made through transferring technical and management skills out of foreign investment. And although some Asian countries have undertaken policies to protect and promote certain specific industries or to impose some performance requirements such as domestic production on investors, these **interventionist policies need to be approached cautiously in the current international trend of investment liberalization**. Rather, assistance should be directed to policies that make use of the benefits of liberalization.

Also, in the formulation and implementation of preferential fiscal policies toward investors, **the government's fiscal authority, such as the treasury department, must be on board together with trade- and investment-related agencies** because such policies may have fiscal implications at the national level.

- **Cautious Consideration is Essential for Establishing Export Processing Zones**

It should be noted that unless they sufficiently meet with conditions based on global market needs, export processing zones (EPZs), which are often considered as effective measures to promote investment, would not attract businesses in their location decisions and may result in simply building physical structure without effective use. Also, as pointed out in Southeast Asian countries, EPZs may lead to the creation of an "enclave economy" unless there

are economic linkages with local businesses. Thus, the planning of EPZs has to be based on the overall national development plan.

Mid-term Objective 3-2
Strengthening information services to the private sector

Important to develop information responding to the market needs and disseminate it appropriately and in an attractive manner

Mid-term Objective 3-2: Strengthening Information Services to the Private Sector

Because direct investment is associated with the transfer of management resources and long-term business development, investing firms are required to be careful in making management decisions, more so than in the case of trade. Therefore, it is important for developing country governments not to stop at the level of simply establishing policies and institutions and building human resources, but to go beyond to incorporate activities to **properly and effectively inform potential investors of their countries' investment climate in an attractive manner**. To create an investment climate in response to market needs, **governments need to have a firm grip on global market trends as well as developments in the economy and industries of the countries where the foreign investors reside**. However, many developing countries lack not only sufficient information regarding their own investment climate (for example, lack of industrial statistics), but also, more fundamentally, lack understanding of what type of information is necessary in facilitating investment promotion for the countries. Moreover, these countries often do not possess sufficient information on the market trends and situations of other countries. Such a lack of information hinders countries from approaching potential investors abroad. The domestic information, even if it exists, has not been organized in a way friendly to the users (that is, potential investors) and has not been made easily accessible to them.

The above aspect signifies the effectiveness of providing investment-related information and other services to the potential investors. Here the quality of information provides also matters. So, **credible statistical databases and a system for their maintenance need to be in place**. Actual tools for providing information include setting up investment focal points, creating brochures, and using information technologies such as the Internet. Related to these tools, effective supports could also be found in transferring skills and knowledge on how to make content attractive to users, sending in investment missions for the purpose of exploring potential investors and conducting business negotiations with them, planning and organizing investment seminars, and other supports both within and outside of the country.

In this area, JICA has dispatched experts as advisors in many projects.

JICA's Activities

JICA has been **dispatching experts who are working as advisors on investment promotion** to countries in Asia as well as Poland, Egypt, and many others. As a part of their work, the experts provide advice with regard to

organizing investment seminars and planning and managing investment missions. Also, in terms of **setting up industrial statistics**, JICA has provided assistance to Thailand, Philippines, and other countries through conducting Development Studies and dispatching experts to help develop production statistics. As a part of their tasks, the investment advisors provide their **advices on planning and management in relation to organizing investment seminars and to dispatching investment missions.**

The following points must be considered in formulating projects on this issue.

Points to be considered in formulating projects:

- Investment advisors should put emphasis on capacity-building.
- Emphasis on promoting investment by small and medium enterprises
- Promoting investment from various countries
- Creating attractive contents

• Investment Advisors Should put Emphasis on Capacity Building of Developing Countries.

To date, experts working as investment advisors in many cases have supported the focal points in investment promotion in the developing countries, primarily on the basis of promoting investment of Japanese firms in the countries. Such activities by Japanese experts are what have been expected by the developing countries as well. This leads to a concern that the scope of cooperation through the experts would be limited to the mere provision of operational services such as the experts directly serving as the focal points for investment promotion. For ensuring sustainable investment promotion, it is important to transfer know-how and focus on capacity building in the work of investment advisors.

• Putting Emphasis on Attracting Investment from Small- and Medium-scale Enterprises

To ensure that investment promotion benefits a country's development, it is necessary to concentrate on attracting not only large-scale multilateral enterprises but also **small and medium enterprises that have useful skills** that can be transferred to the developing countries. For example, together with promoting investment from large-scale enterprises, **investment from related subcontracting firms serving under large-scale enterprises in their home countries could also be promoted** in such a context. In addition, **investment seminars for small and medium enterprises could be organized.** Small and medium enterprises face difficulty in investing in developing countries on their own because of higher risks expected with the investment or the less-than-sufficient information with regard to such risks. Thus, countries with a certain number of multinational corporations and more predictable risks (for example, ASEAN countries and China) could take more effective measures in attracting investment from small and medium enterprises. Through organizing seminars or other formats, the risk-related information in respective countries needs to be disclosed.

• **Attracting Investment from a Variety of Countries**

As mentioned above, many of JICA's assistance projects have been conducted on the basis of attracting investment from Japanese firms, which has also been what the developing countries have requested. However, it is expected that cooperation is to be extended to **promoting investment** not only from Japanese firms but also **from a variety of countries** to help develop these countries — which is the ultimate goal — and to build globally integrated economic relations and stable economies that would not be affected by the economic fluctuations of a single country. JICA needs to provide **advice that appropriately responds to the changing external environment surrounding the developing countries, such as the frameworks of regional economic trade areas.**

• **In Providing Information, Consideration has to be Made to Design the Contents and the Methods of Dissemination to be Attractive to the Eyes of Users.**

If we compare the investment-related information in the brochures and the Internet web sites published by trade and investment promotion agencies of different countries, materials from least developed countries (LDCs) are particularly poor in terms of the amount of information, the quality of the content, and the dissemination methods — all of which makes it difficult for firms to access to the posted information. There is strong need for cooperation in the area of building an information system, which will take sizable amount of time and money. However, a large improvement can be expected simply by creating more innovative content and by reorganizing the existing information into more user-friendly formats. Moreover, essential information could be identified in the process of considering the content. **It is also important to start from comparing cases of various countries and note effective content and dissemination methods.**

Development Objective 3 Capacity Building for Foreign Direct Investment Promotion

Mid-term Objective 3-1 Developing System for Formulating Investment-related Policies and Institutions and their Appropriate Implementation			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Investment Promotion Policy Development	Assistance toward investment policy formulation Policy advising on attracting foreign direct investment	4,5,7 1-3,7	<ul style="list-style-type: none"> • Economic policy assistance, assistance for transition to market economy (Development Studies) • Manufacturing and industrial sector development promotion plans (Development Studies) • Assistance toward investment promotion policies (Dispatch of Experts) • Investment promotion seminars (Technical Training) • Capacity building for trade and investment promotion operations (Technical Training)
Establishment of Investment-related Laws and Institutions	Development of laws, agreements, rules, etc. (investment law, competition law, investment protection agreement, foreign national employment rules, local employment rules Development and establishment of intellectual property rights Institutional and legal system development on export processing zones	10,12 11 8,24	<ul style="list-style-type: none"> • Assistance toward developing and formulating laws related to investment climate and competition (Technical Cooperation and Dispatch of Experts) • Advising on intellectual property policies and administration and capacity building of officials in charge (Dispatch of Experts, Technical Training, Technical Cooperation Project) • Feasibility studies for industrial parks (Development Studies) • Assistance toward attracting businesses (Dispatch of Experts)
Facilitation for Sourcing Production Materials	<ul style="list-style-type: none"> × Institutional development for exports and imports, simplification and efficiency improvement in procedures and operations such as permissions and authorization, customs clearance, ports, quarantines, port entry and exit procedures, etc. (one-stop service and use of IT) × Simplification and efficiency improvement in private procedures and operations (procedures for transferring legal claims among shippers, carriers, banks, and others, shipping contracts, insurance contracts, etc.) Technical enhancement for international standards (standards, conformity assessment) Policy advising toward tariff reduction (customs administration and policies)	25,26 9,16	<ul style="list-style-type: none"> • Capacity building of testing and examination agencies (Technical Cooperation Projects) • Capacity building of metrological and standardizing agencies (Technical Cooperation Projects) • Assistance toward tariff policy formulation (Dispatch of Experts) • Capacity building of customs officials (Dispatch of Experts, Technical Training) • Analytical capacity building at customs (Dispatch of Experts)

Mid-term Objective 3-2 Strengthening Information Services to the Private Sector			
Sub-targets of Mid-term Objectives	Examples of Activities	Case No.	JICA's Main Activities
Development of Information and Services on Investment Climate	Functional empowerment of investment focal-points	3	<ul style="list-style-type: none"> · Dispatch of investment advisors (Dispatch of Experts) · Assistance toward manufacturing and industry statistics development (Development Studies, Dispatch of Experts, Technical Training)
	Establishment and management of Japan desk	3	
	introduction of foreign enterprise attraction policies	3	
	Creating company database × Enterprise consulting services Manufacturing and industry statistics development × Feasibility studies for potential investment projects	43	
Promotion of Mutual Exchanges of Investment	× Assistance toward regional economic zone policies (policy advising on implementation of agreed items)	3	<ul style="list-style-type: none"> · Functional empowerment of trade promotion agencies (Technical Cooperation Projects) · Dispatch of investment advisors (Dispatch of Experts) · Assistance toward manufacturing and industry statistics development (Development Studies, Dispatch of Experts, Technical Training)
	Organizing investment seminars, dispatching investment missions Creating company database	3,22,23	

* Case numbers correspond to the numbers in Project List in Appendix 1.

Examples of Activities:
 = JICA has considerable experience
 = JICA has certain experience
 = JICA has experience as a component of projects
 × = JICA has little experience

