1. The Asia-Pacific region continues to outperform the rest of the world while learning to live and prosper without strong external demand.

2. The Asia-Pacific region needs to move beyond the orthodox model of export-led growth, and towards inclusive trade and investment that benefits all.
Over-dependence on external demand from large countries outside and inside the region is not a good path to sustained growth.
Highlights of Part I

• APTIR forecasts that export growth will stay below its historical rates – *just over 5% in 2013 and 6% in 2014*.  
• China absorbs over 30 per cent of intraregional exports from developing Asia-Pacific economies, and remains an important factor in determining these countries exports.  
• The region remains a leading investment destination, with its developing economies absorbing 33% of global FDI inflows and with intraregional FDI playing stronger role.  
• Large gaps in trade facilitation performance and trade costs still undermining developing countries’ benefits from trade.  
• Existence of global production networks, RTAs and WTO rules prevented surge in protectionism.  
• Preferential trade underachieved LDCs.
Trade growth is slowing

A Return of Trade Contraction

• Since 2011, trade growth has been continuously **slowing down**
  – Asia-Pacific export growth was 2% p.a. in Q3/2013, while import growth lingers around 3% p.a.

• **Intraregional** trade is the most important component of trade

Services Trade Losing Pace

• Export/import growth **halved** in 2012

• But developing countries’ exports **relatively resilient**
  – Driven by exports of computer, ICT and travel services

• **Travel services** most dynamic: driven by intraregional demand
The Region is a Leading Investment Destination

- Developing Asia Pacific accounts for 33% of global FDI inflows
- FDI inflows to LDCs up by 10% reached a new peak of $5.5 billion in 2012
- Intraregional FDI are replacing those from developed countries
  - China and ASEAN being the most attractive destinations

Intraregional greenfield FDI
Large Gaps in Trade Facilitation Performance

- TF performance varies a lot: from the world’s top performers to LDCs staying far behind
- Trade between subregions is costlier than trade with countries outside the region
- Trade costs are particularly high for agricultural goods
- New index ISCCI – ranks countries in terms of connectivity to international supply chains
Mixture of Promotion and Protection

• Trade liberalization happened mainly through **tariff reduction**
• **Non-tariff measures** used more frequently even within PTAs
  – Affecting minerals, machinery, vehicles and food items
• Index of **protectionism severity** finds many small developing and LDCs not using trade policy instruments at all
Refocus Regional Integration to Benefit Small Developing and LDCs

- The number of agreements still grow, albeit slower, with overlapping memberships
  - 220 agreements currently involve AP economies (150 are already in force)

- LDCs and LLDCs remain largely excluded or are not sufficiently integrated
- Unilateral tariff concession, e.g. GSP increasingly provided by Asian developing countries
  - improve supply capacity of LDCs (Aid for Trade)
  - Open regional cumulation RoO
PART 2

TURNING THE TIDE

towards inclusive trade and investment

The end of the “trade and invest now, distribute gains later” model.
Different Results for Poverty Reduction and Other Inclusivity Dimensions

- **Absolute poverty** was **reduced** significantly; MDG 1 achieved on a whole
- **However inequality worsened** and weak results with respect to other inclusivity dimensions:
  - Access to economic opportunities
  - Access to education, health
  - Inclusive process

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
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<tbody>
<tr>
<td>Asia</td>
<td>55</td>
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<td>Viet Nam</td>
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<tr>
<td>East Asia and Pacific</td>
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<tr>
<td>South Asia</td>
<td>53.8</td>
<td>31.03</td>
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</table>

Change in Gini index (in Gini points)
Complementary Policies

Can be seen as prerequisites as they refer to the existence of an appropriate regulatory environment; institutions; infrastructure; and transparent social dialogue.

Some examples:

• Improve the inclusion of workers in the formal economy through trade adjustment programmes
• Setting wages based on productivity and principles of collective bargaining
• Increase ICT connectivity as it is an increasingly important factor in increasing productivity
• Increase investment in infrastructure to improve competitiveness
• Provide gender balanced access to education
• Ensure a social dialogue on policy reforms
## Turning the Tide: Moving Towards Inclusive Trade and Investment

<table>
<thead>
<tr>
<th>National Policies</th>
<th>Regional Co-ordination mechanisms</th>
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<tr>
<td>• Trade policy measures</td>
<td>• Secure fair and free market access for LDCs producers</td>
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<tr>
<td>• Trade facilitation measures</td>
<td>• Regional trade finance mechanism for SMEs</td>
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<td>• FDI promotion</td>
<td>• A regional cross-border paperless trade facilitation</td>
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<td>• SME development</td>
<td>• Promote regional Aid-for-Trade projects</td>
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<tr>
<td>• Encourage CSR business practices</td>
<td>• Promote regional/subregional PPPs</td>
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<td>• Consultation and coordination</td>
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ESCAP’s Role

• Regional technology bank already set up by the ESCAP Asian and Pacific Centre for Transfer of Technology (APCTT)

• Regional patent licence pool to be established and ad interim managed by ESCAP secretariat

• ARTNeT and UNNExT continue to support developing local research capacity and promotion of knowledge sharing in the region and between different stakeholder groups
In Conclusion

- The region continues to face the **risks** and uncertainties associated with sluggish economic recovery in developed countries and rebalancing in China and other large emerging economies.
- Jobless growth and worsened inequalities may lead to increased **vulnerability** of the poor and heighten **social instabilities**.
- **The answer is not to abandon trade-and investment-led growth, but to base it on principles of inclusive trade and investment.**
APTIR 2013 is available in full text with country profiles

www.unescap.org/tid/ti_report2013/home.asp

THANK YOU
ASIA-PACIFIC TRADE AND INVESTMENT REPORT 2013

TURNING THE TIDE: TOWARDS INCLUSIVE TRADE AND INVESTMENT