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**TRADE AND DEVELOPMENT BOARD
(62nd session)**

Geneva, 14-25 September 2015

Item 6: Evolution of the international trading system and its trends from a development perspective

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Trade and Investment Division, UNESCAP

UNCTAD's Trade and Development Board sixty-second session

*Evolution of the International Trading System and its trends from a
Development Perspective: a 2030 Sustainable Development Agenda*

Geneva, 22 September 2015



ASIA-PACIFIC
TRADE & INVESTMENT
WEEK



Trade-led sustainable development

- Features of contemporary trade
 - global value chains and trade in intermediate goods
 - role of services
 - From resource-use to knowledge and innovation based
- ✓ integrated across dimensions
- ✓ while maintaining / increasing competitiveness

2000-2015



8 MDGs were for **South**



Post-2015

SDGs comprise **17 goals** and **169 targets**.
SDGs are **universal**. There are **24 targets** with specific reference to LDCs, most of which derived from the MDGs, and other previous initiatives in favour of LDCs.



What is sustainable development?

- ESCAP 2015: the allocation of resources and investments that maximizes synergies and minimizes trade-offs among the objectives of economic growth, social justice and environmental protection for all stakeholders - current and future.
- ***Integration of 3 dimensions: economic, social and environmental***

Means of implementation

- The means of implementation outlined in the outcome document match its ambitious goals and focus on trade, investment, finance and technology.
- In addition to a stand-alone goal on the means of implementation for the new agenda, specific means are tailored to each of the sustainable development goals.
- Emphasis through Addis Ababa Action Agenda on financing for development.

Drivers

- Trade liberalization and integration
- Lowering trade costs
- Developing supply capacity
- Developing supportive policy environment
- Innovation

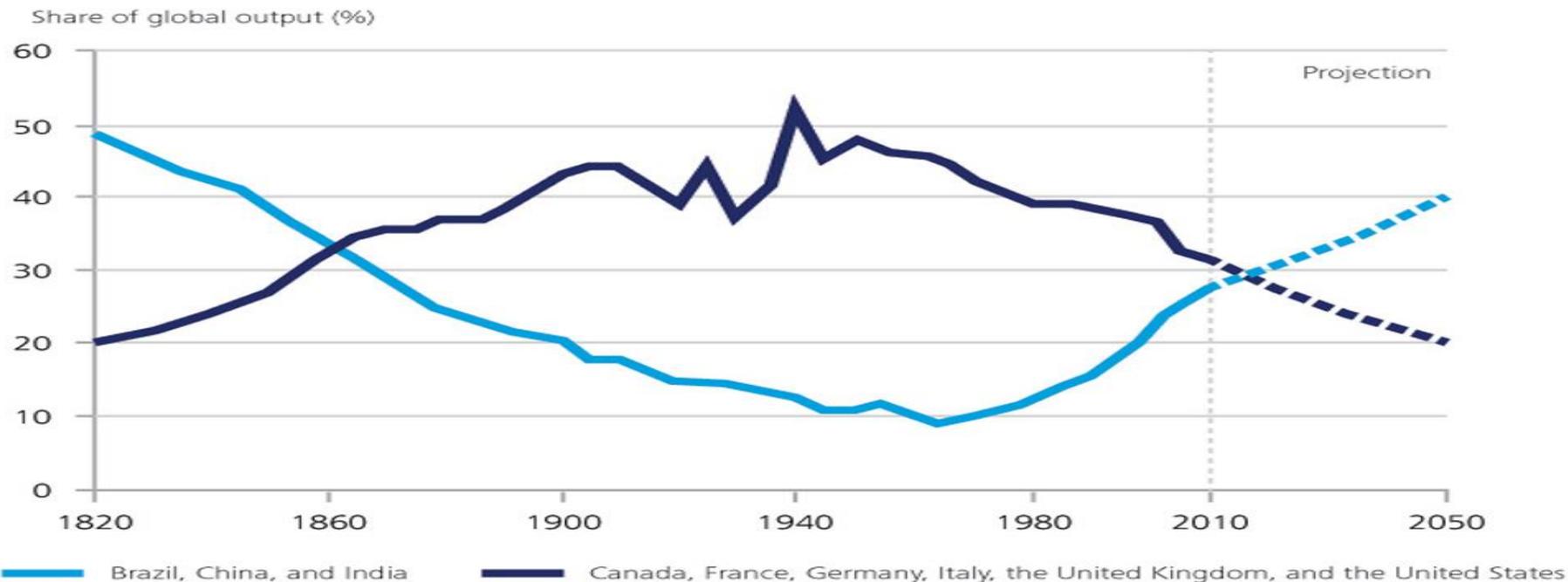
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Trade Trends in the Asia-Pacific

- Importance of South-South Trade

Figure 7. Brazil, China, and India combined are projected to account for 40 percent of global output by 2050, up from 10 percent in 1950



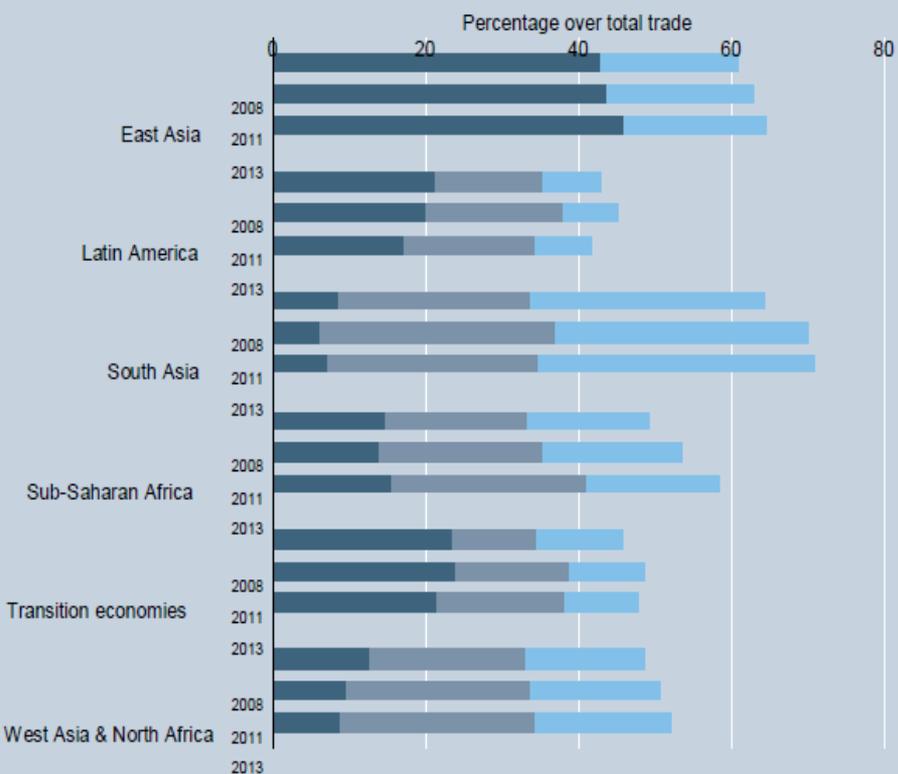
Note: Output is measured in 1990 purchasing power parity dollars.

Source: UNDP, *Human development report 2013: The rise of the south: Human progress in a diverse*

South-South Trade

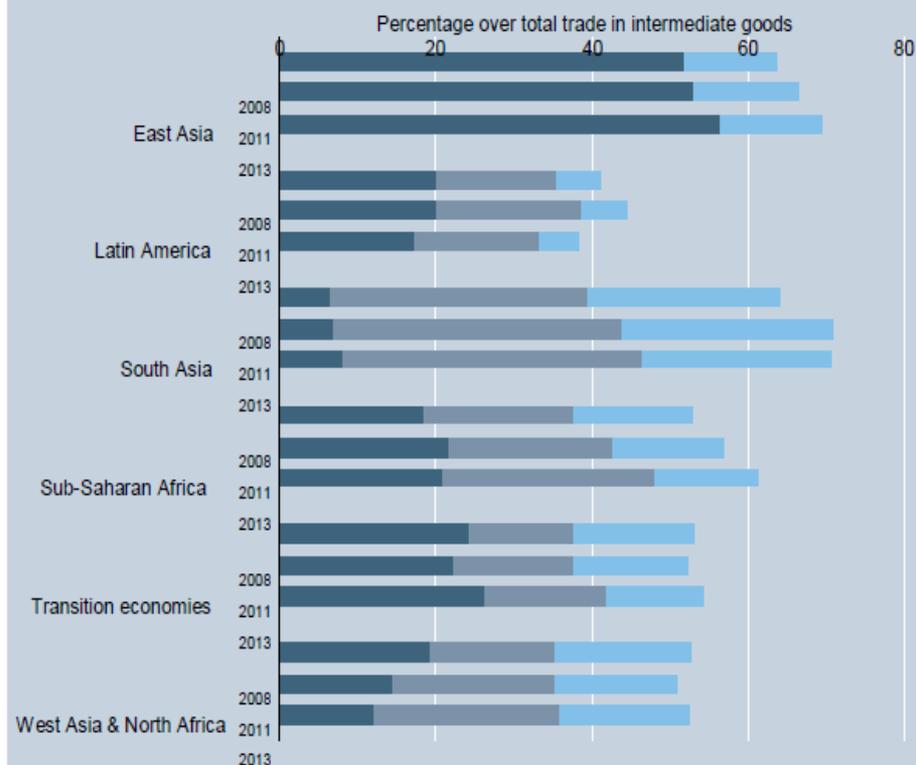
South-South trade

Intra-regional
 With East Asia
 Other South-South

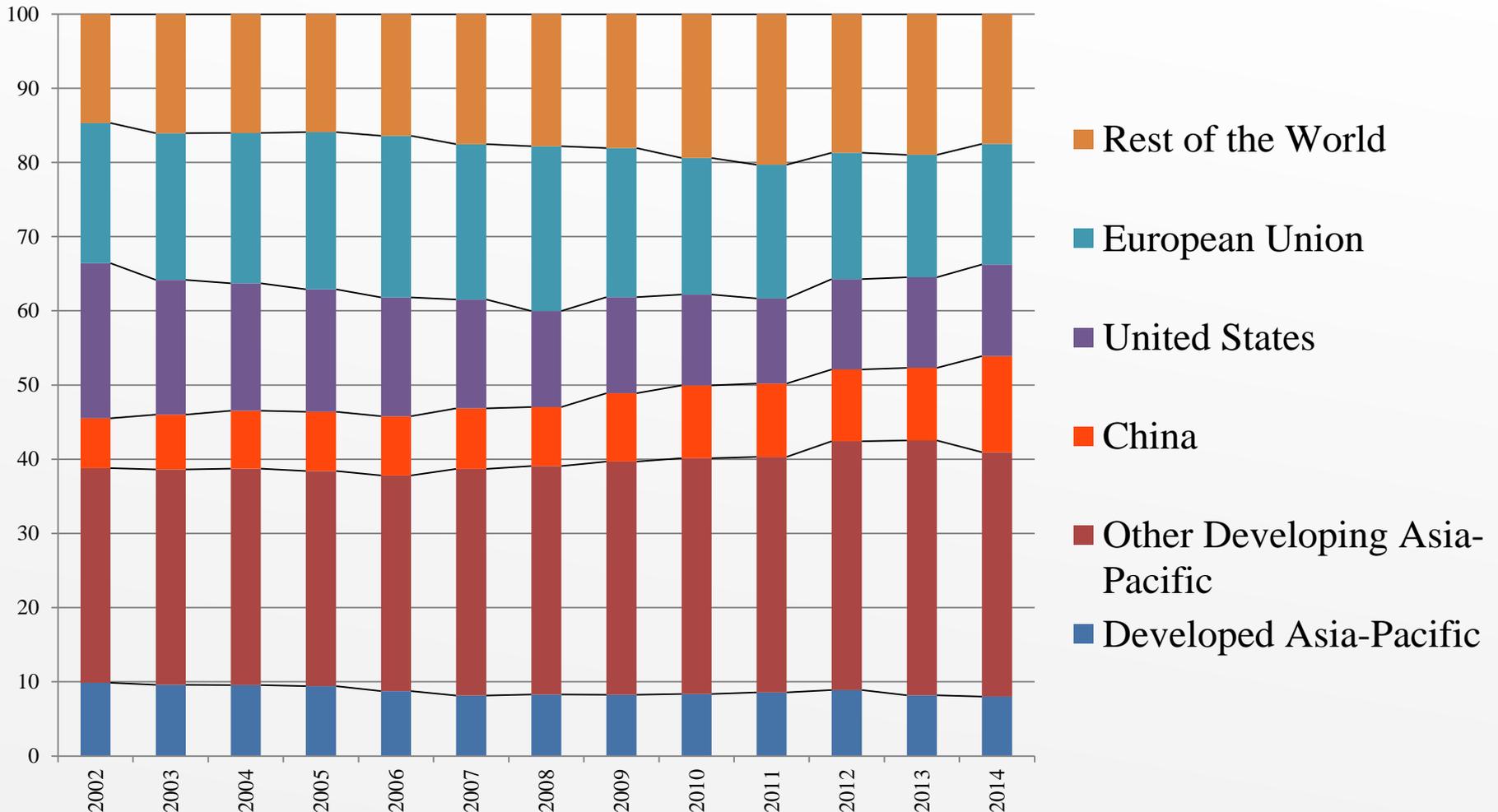


South-South trade (intermediates)

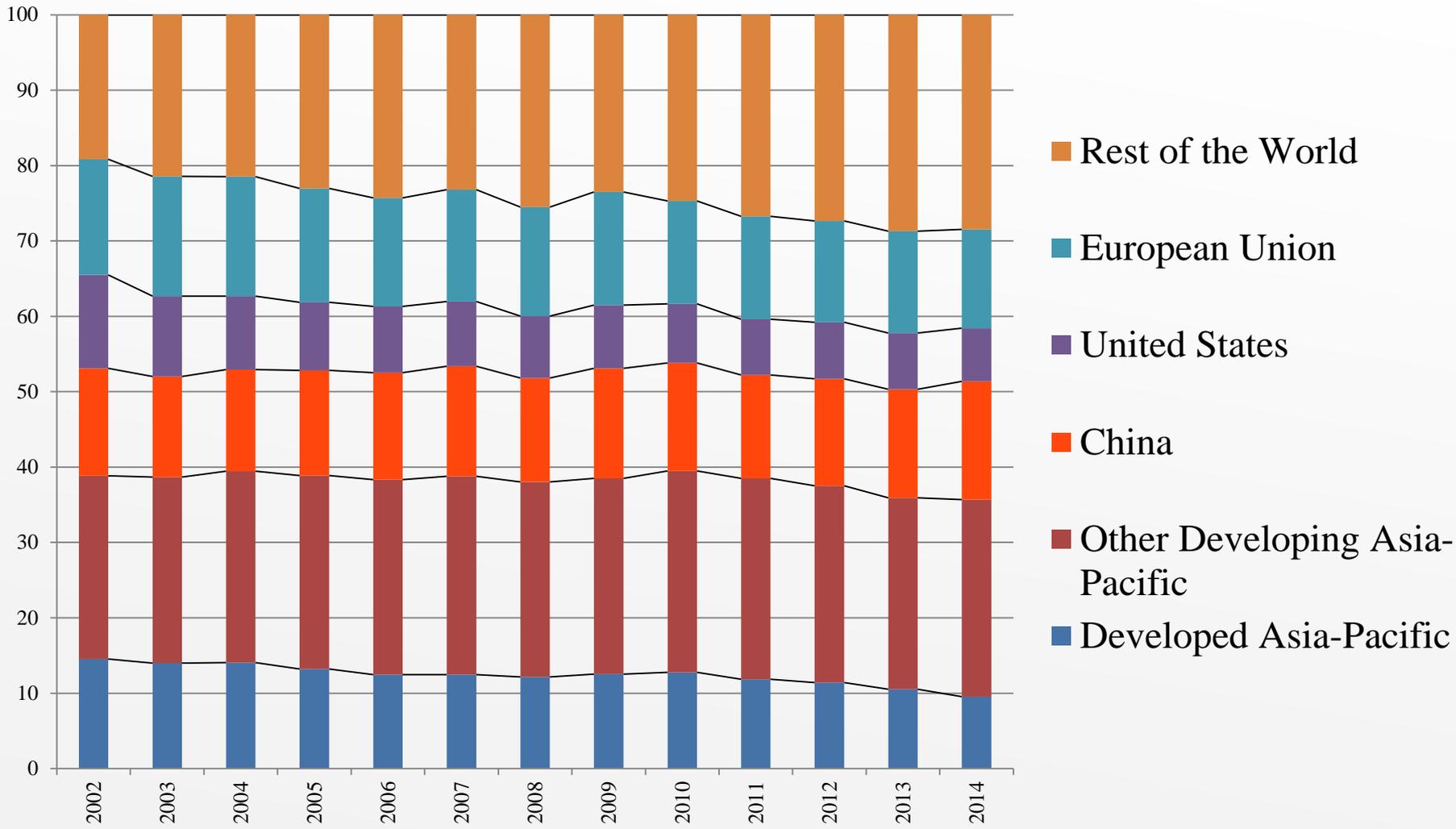
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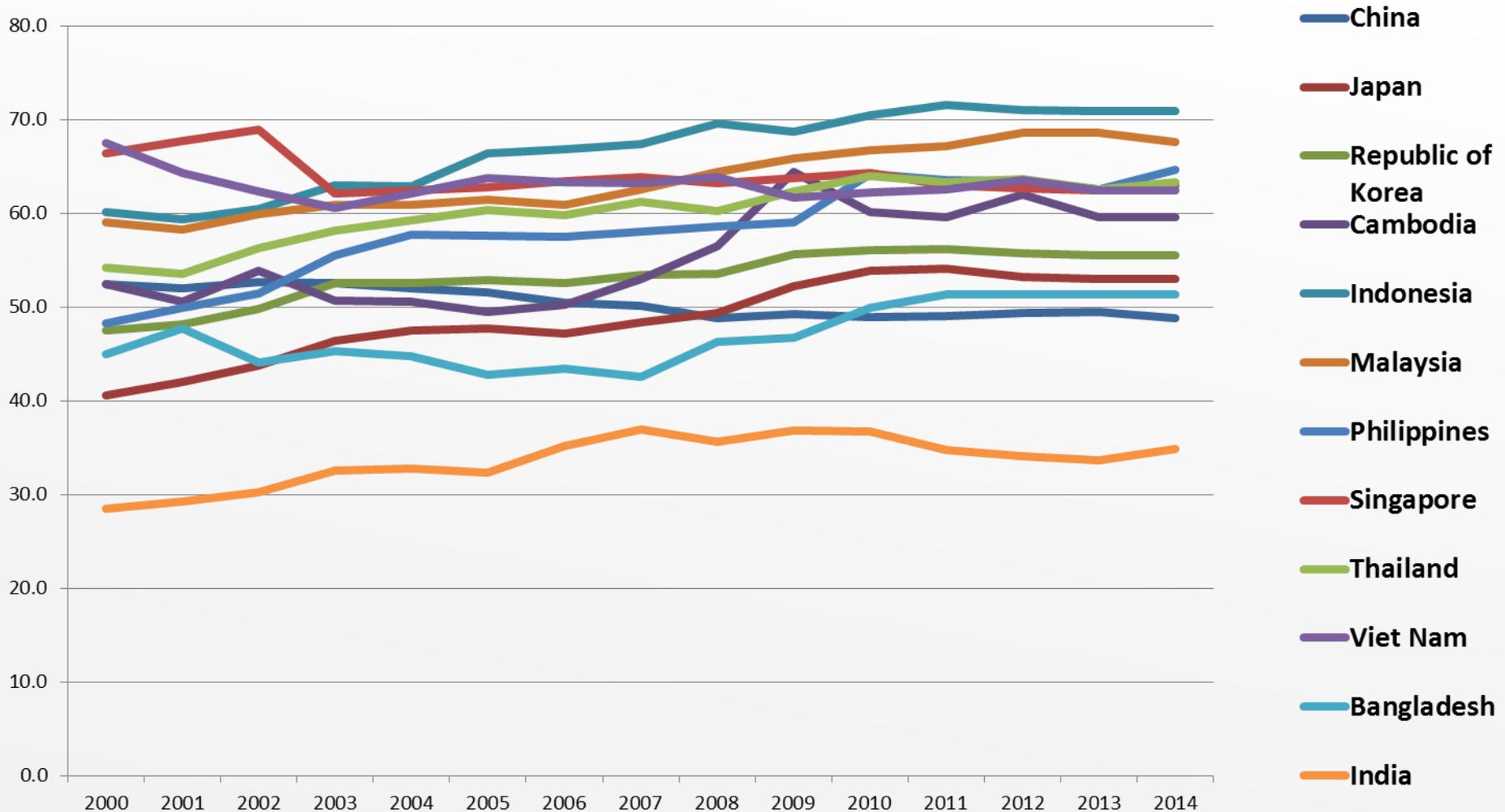
Export Destination for Asia Pacific



Import Source for Asia Pacific



Share of Intra-regional trade



ESCAP Trade Process Analysis Database (TPAD)

- As the lead Agency, ESCAP, along with other international organizations (such as ECE and ADB) and relevant organizations and agencies in individual member states, have mapped over 50 import and export processes in Asia and the Pacific.
- ESCAP has begun to consolidate the information from these various studies into a Trade Process Analysis Database (TPAD), providing data on the time and cost of various procedures as well as standardized maps of the flow of documents and sequencing of activities of the various stakeholders involved.

International Investment Agreements in Asia

- The WIR2015 calls for the streamlining of the international investment landscape.
- This is particularly true in Asia.
- According to UNCTAD's database, there are currently 837 International Investment Agreements, in various stages covering the whole of the Asian region, with 616 BITS currently in force.

IIAs in ASEAN

- ASEAN countries are signatory to 352 BITs, 309 DTTs and 198 other IIAs.
- 26 BITs signed between ASEAN members, 16 of which have entered into force.
 - Viet Nam has the most (except with Brunei); Singapore the least.
 - Brunei has no BIT with any other ASEAN member.

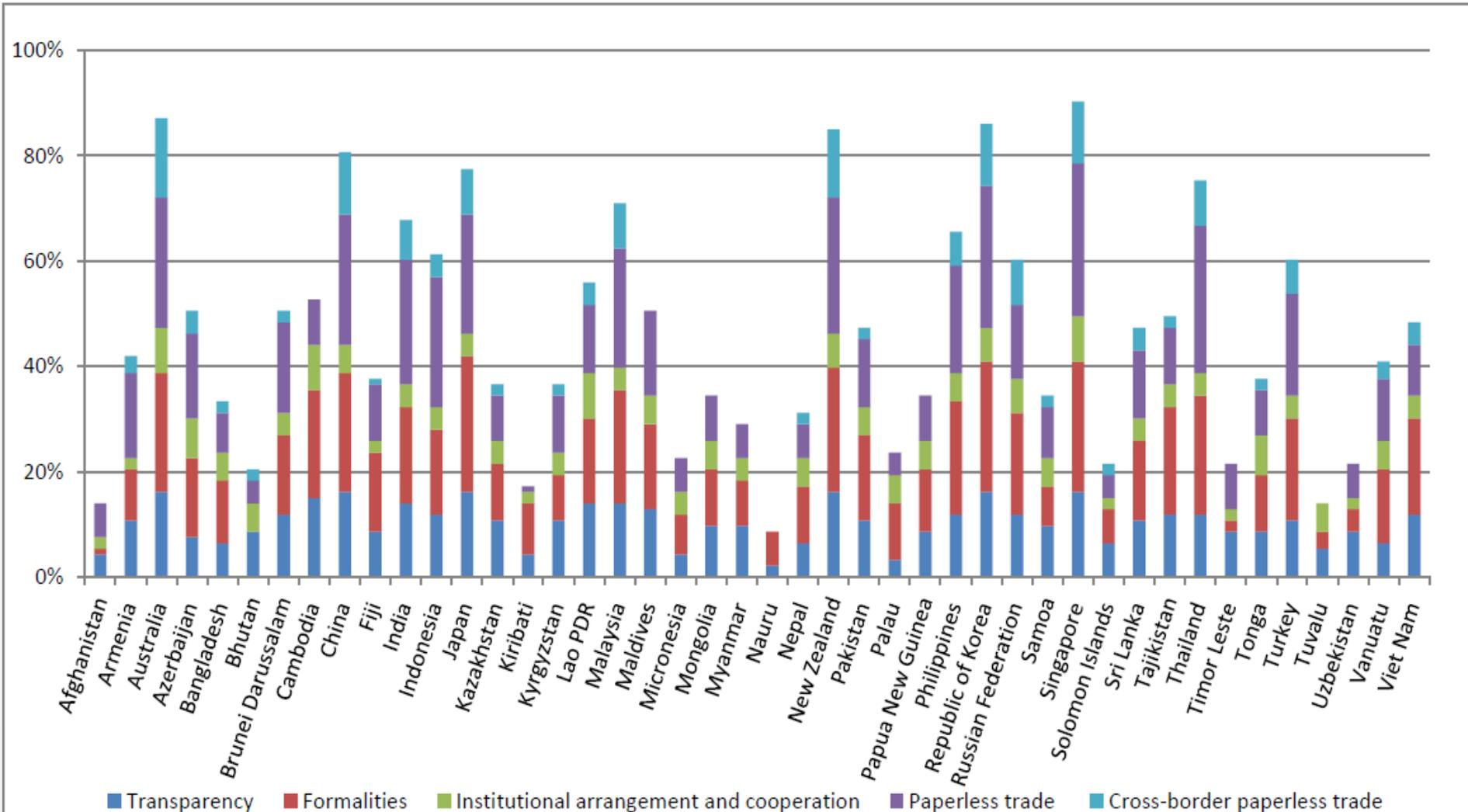
Distribution of ASEAN BITs

	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Brunei Darussalam										
Cambodia			signed (not in force)	signed (not in force)	signed (not in force)		signed (not in force)	in force	in force	signed (not in force)
Indonesia		signed (not in force)		in force	in force		signed (not in force)	terminated	in force	in force
Lao PDR		signed (not in force)	in force		signed (not in force)	signed (not in force)		in force	in force	in force
Malaysia		signed (not in force)	in force	signed (not in force)						in force
Myanmar				signed (not in force)			in force		in force	signed (not in force)
Philippines		signed (not in force)	signed (not in force)			in force			in force	in force
Singapore		in force	terminated	in force						in force
Thailand		in force	in force	in force		in force	in force			in force
Viet Nam		signed (not in force)	in force	in force	in force	signed (not in force)	in force	in force	in force	

Drivers

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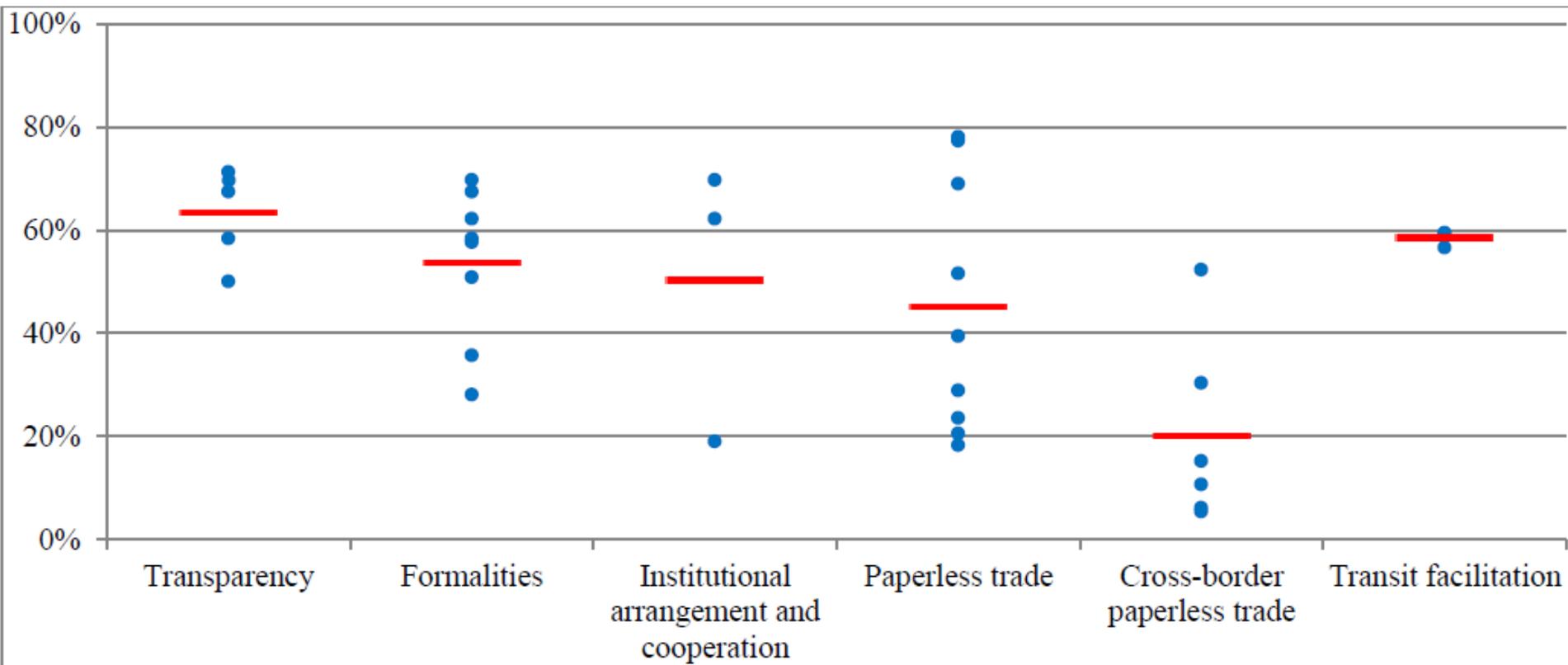
TF implementation very heterogeneous across the region



TF 2015 Survey Highlights

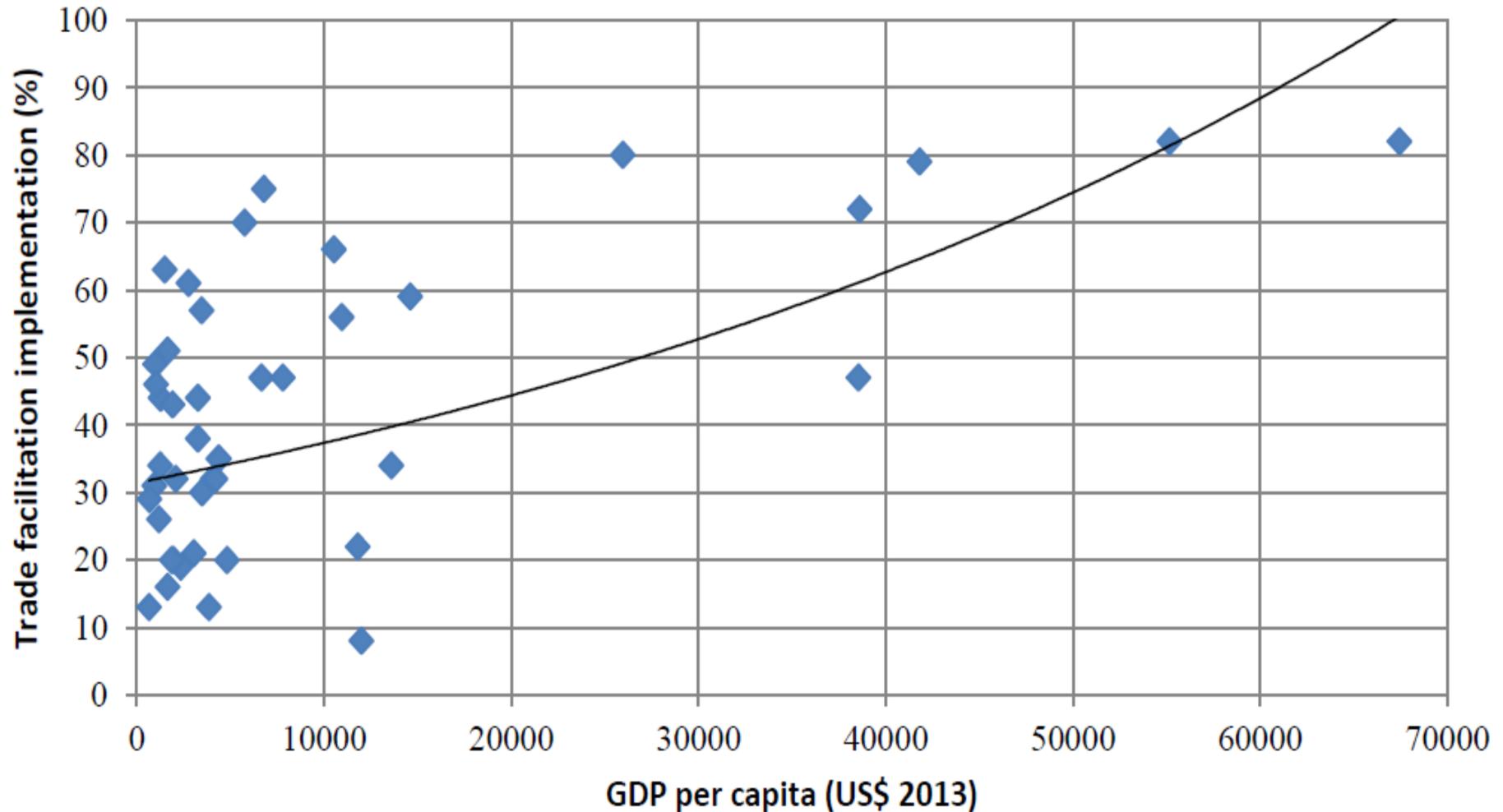
Transparency measures most implemented;

Cross-border paperless trade measures least implemented



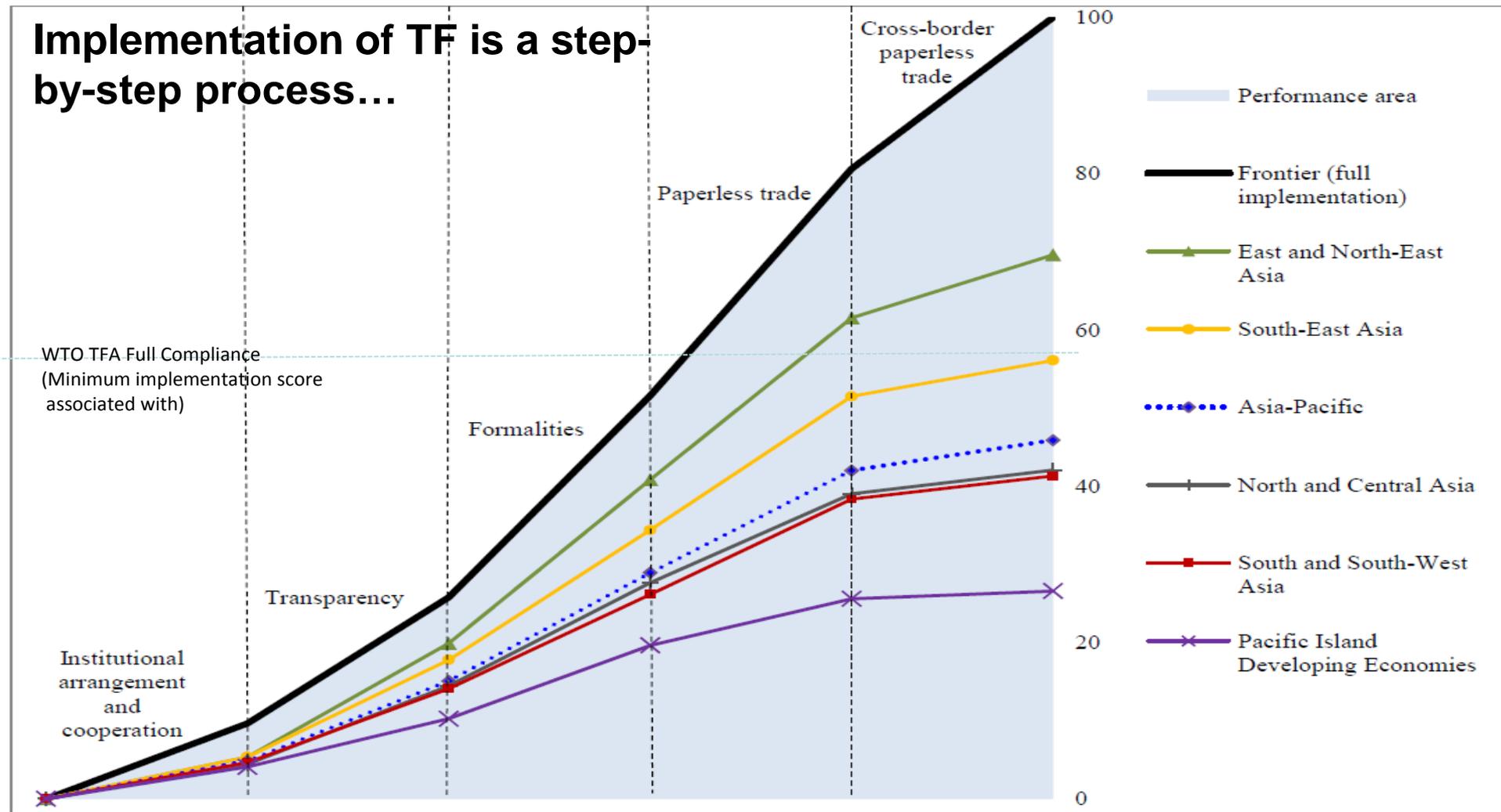
Note: Blue dots show regional average implementation level of individual measures within each group.
— Average regional implementation level by groups of measures.

TF implementation high in some low-income countries



Towards “Next Generation” TF in Asia-Pacific

Figure 20: Moving up the trade facilitation ladder towards seamless international supply chains



Note: the figure shows cumulative trade facilitation implementation scores of Asia-Pacific sub-regions for five groups of trade facilitation measures included in the survey. Full implementation of all measures = 100.

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Issues facing the Asia-Pacific region: Supporting integration beyond Global Value Chains

Using trade, investment and regional integration to support sustainable development.

LDCs

- Lower trade costs to support expansion of D & GVCs
- Building supply capacity, especially for SMEs

Middle-income countries

- Enhance trade-facilitation efforts
- Support innovation and diversification to support upgrading within D&GVCs

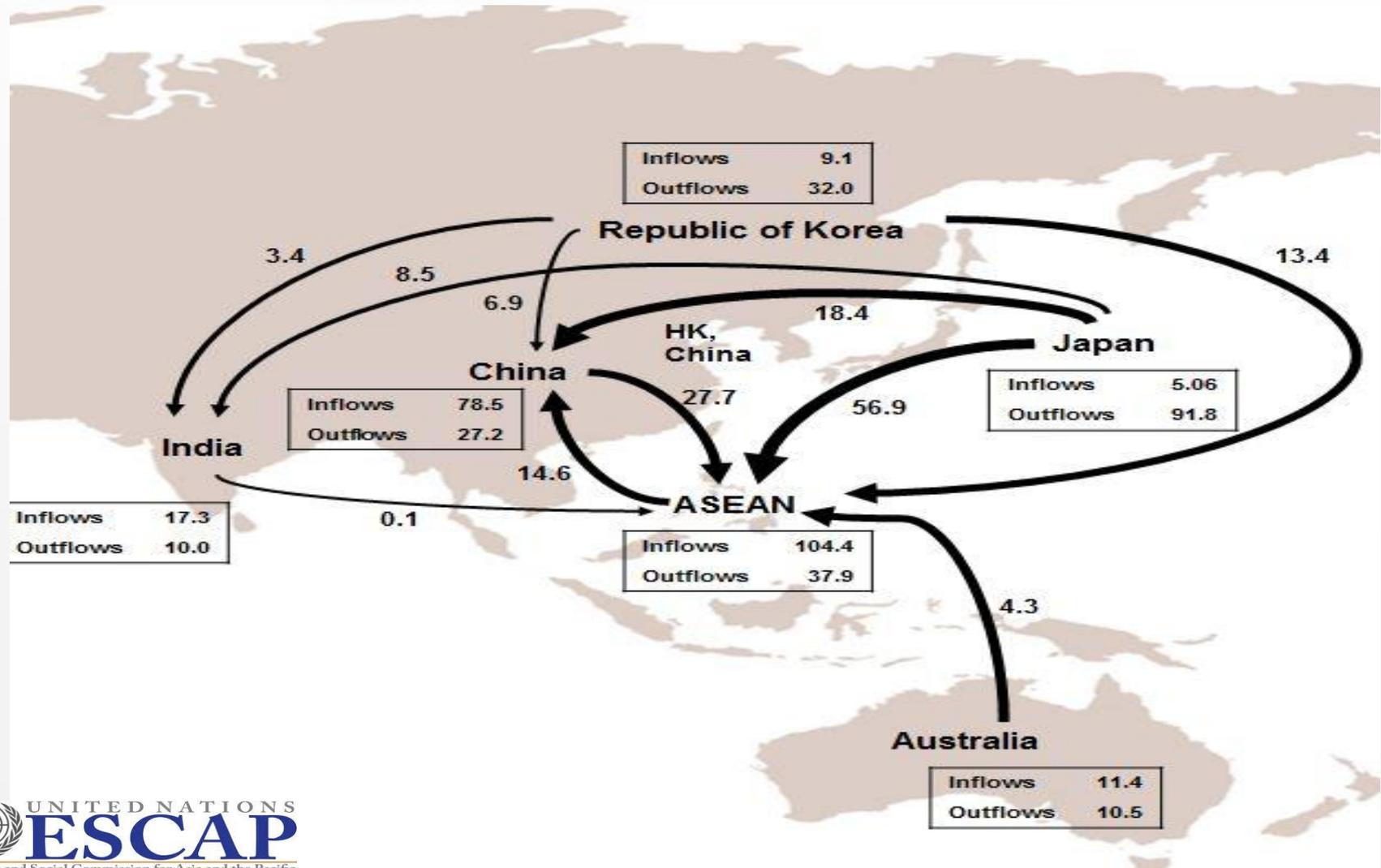
Developed Economies

- Develop and promote sustainable business practices across D&GVCs
- Provide capacity building and market access for CSN

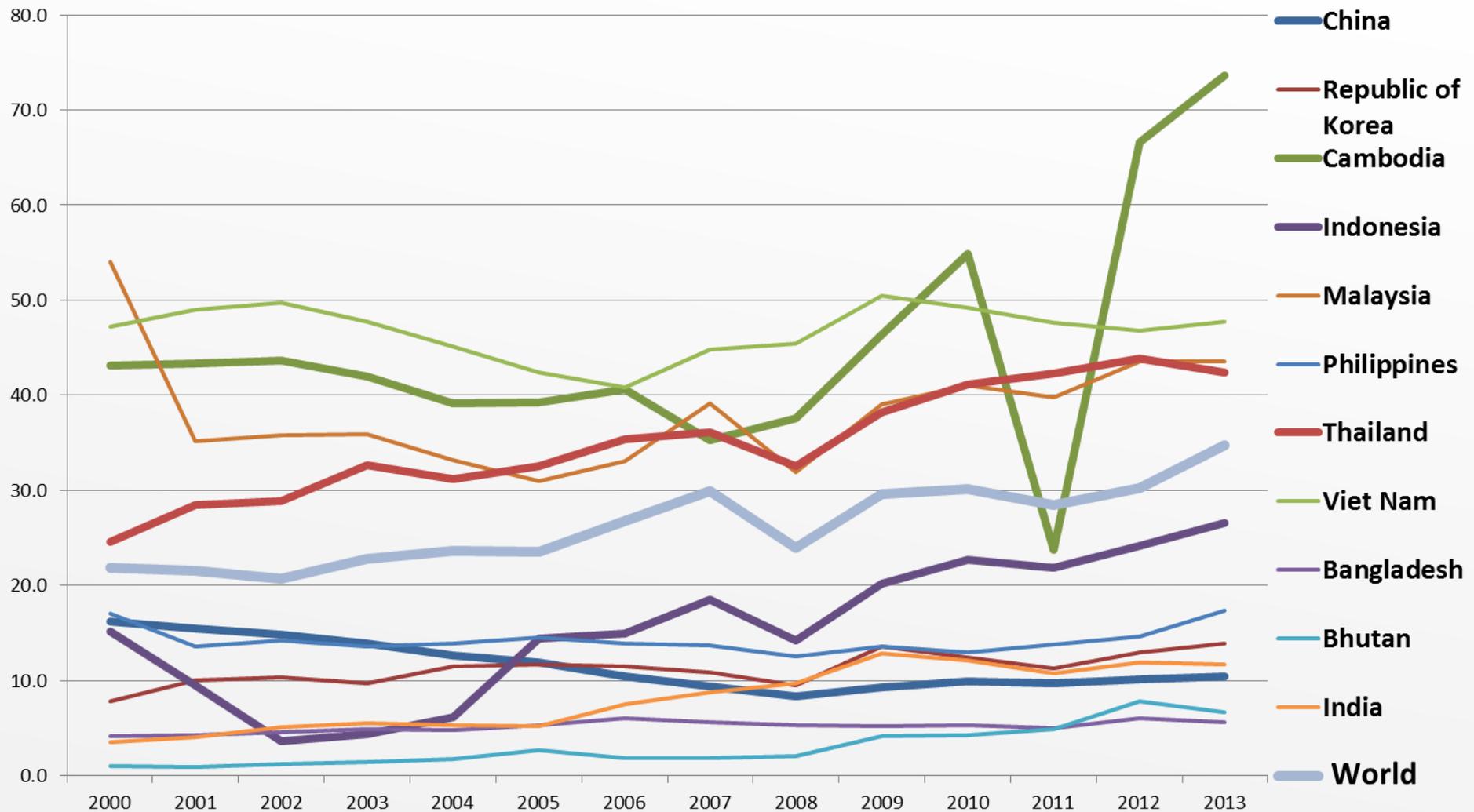
FDI as a means to expand capacity

- While global FDI flows have declined, the Asia-Pacific region continues to experience strong growth.
- Much of this growth has come from within Asia itself.
 - Developing Asia's FDI outflows were 1.1 times the dollar value of North American outflows and 1.4 times that of Europe.
 - East Asia alone accounted for 43% of all Developing-economy FDI.
- Trade Costs are an important factor in relation to attracting FDI.

Intraregional greenfield FDI flows in the Asia-Pacific region, 2012-2014



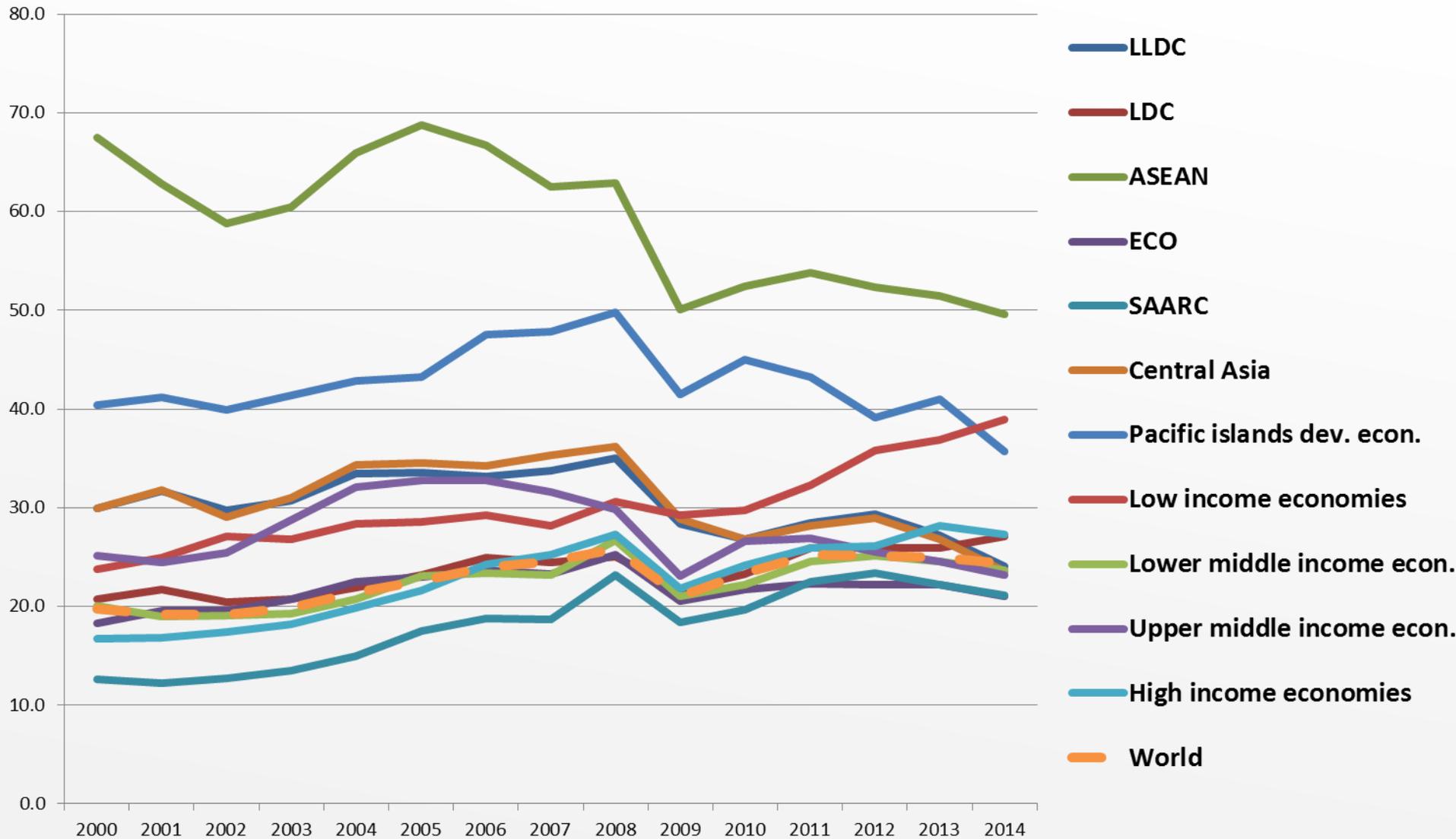
Inward FDI as a % of GDP, selected economies



Trade Costs and FDI

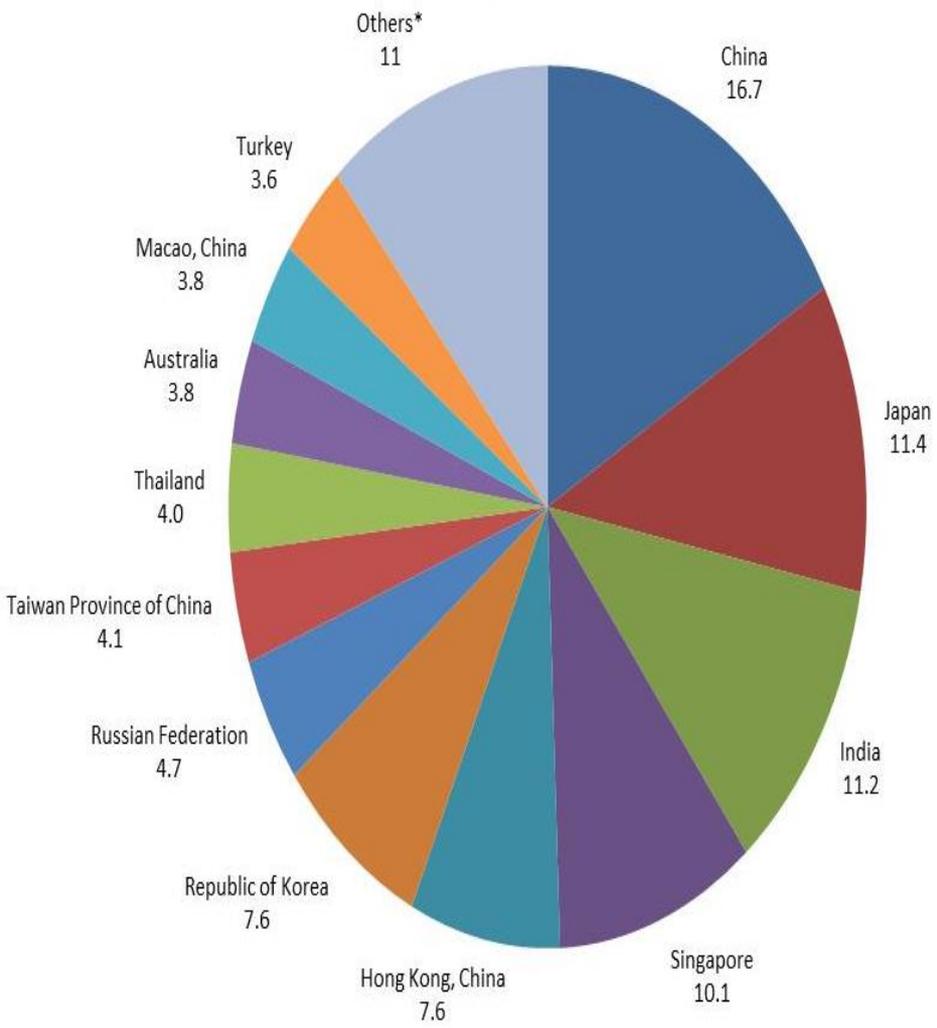
- ESCAP analysis indicate that the quality of the business regulatory environment is generally the key determining factor in attracting FDI.
 - An improvement in the quality of the domestic business environment by just 10% on average across the Asia-Pacific region would increase FDI flows by over 60%.
- A one percent reduction in comprehensive international trade costs (excluding tariff) between source and host country leads to a 0.8 percent increase in FDI inflows on average.
- Import tariffs of the host country are also found to have a significant but small negative impact on FDI inflows.
- <http://www.unescap.org/resources/reducing-trade-costs-impact-foreign-direct-investment>

Import penetration

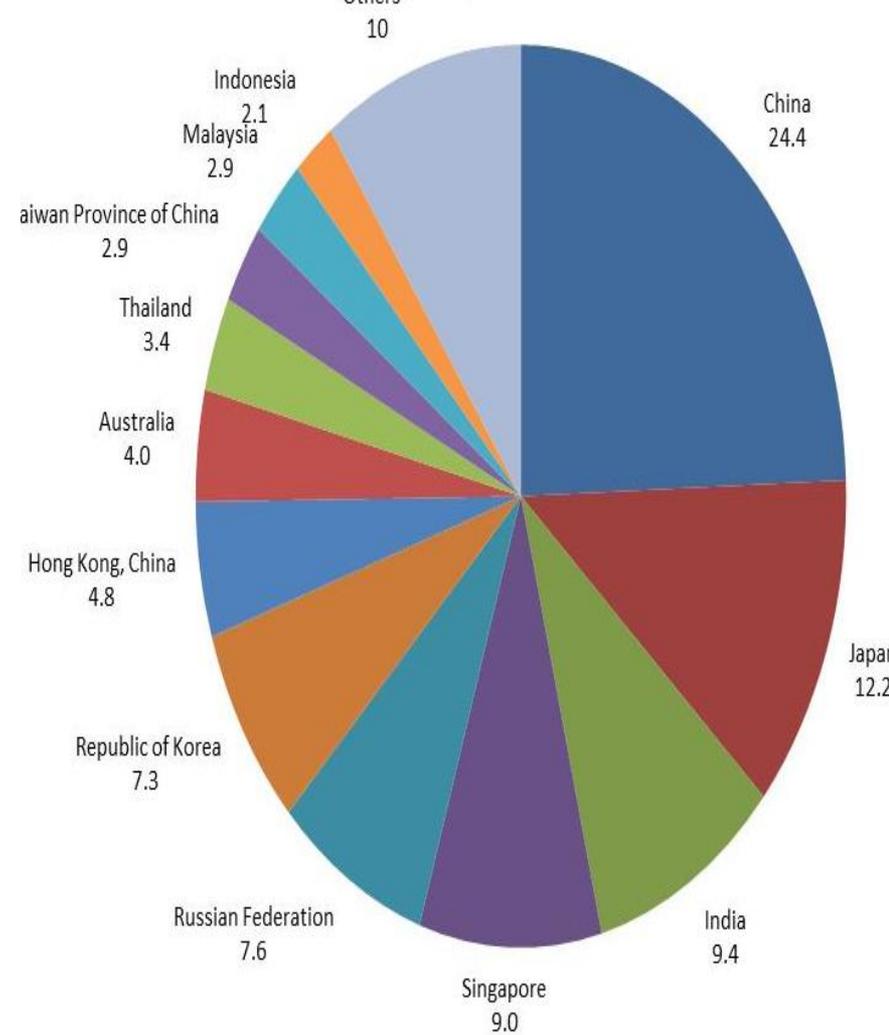


Importance of Services not shared by all

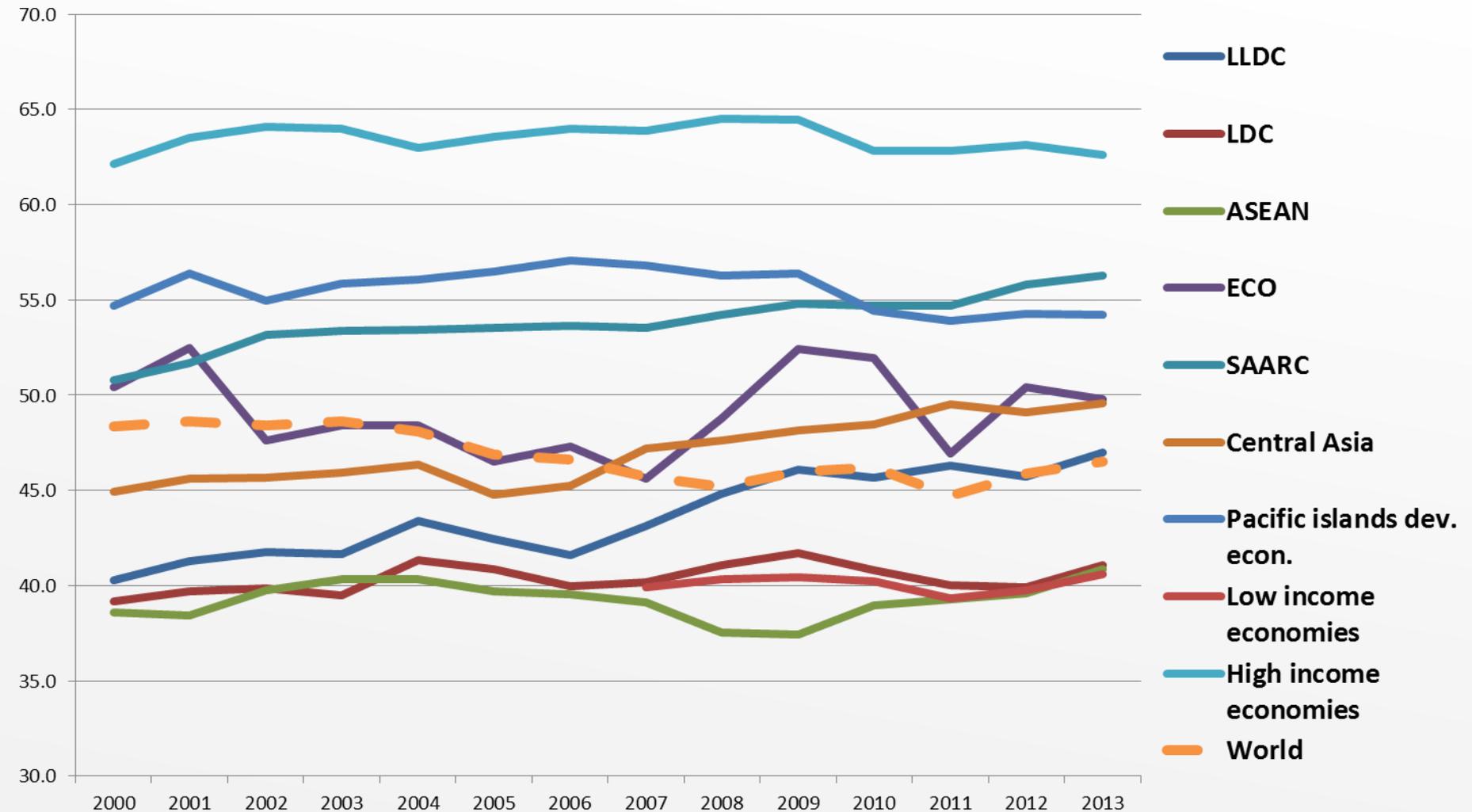
Export share



Import share



Services share of Value Added

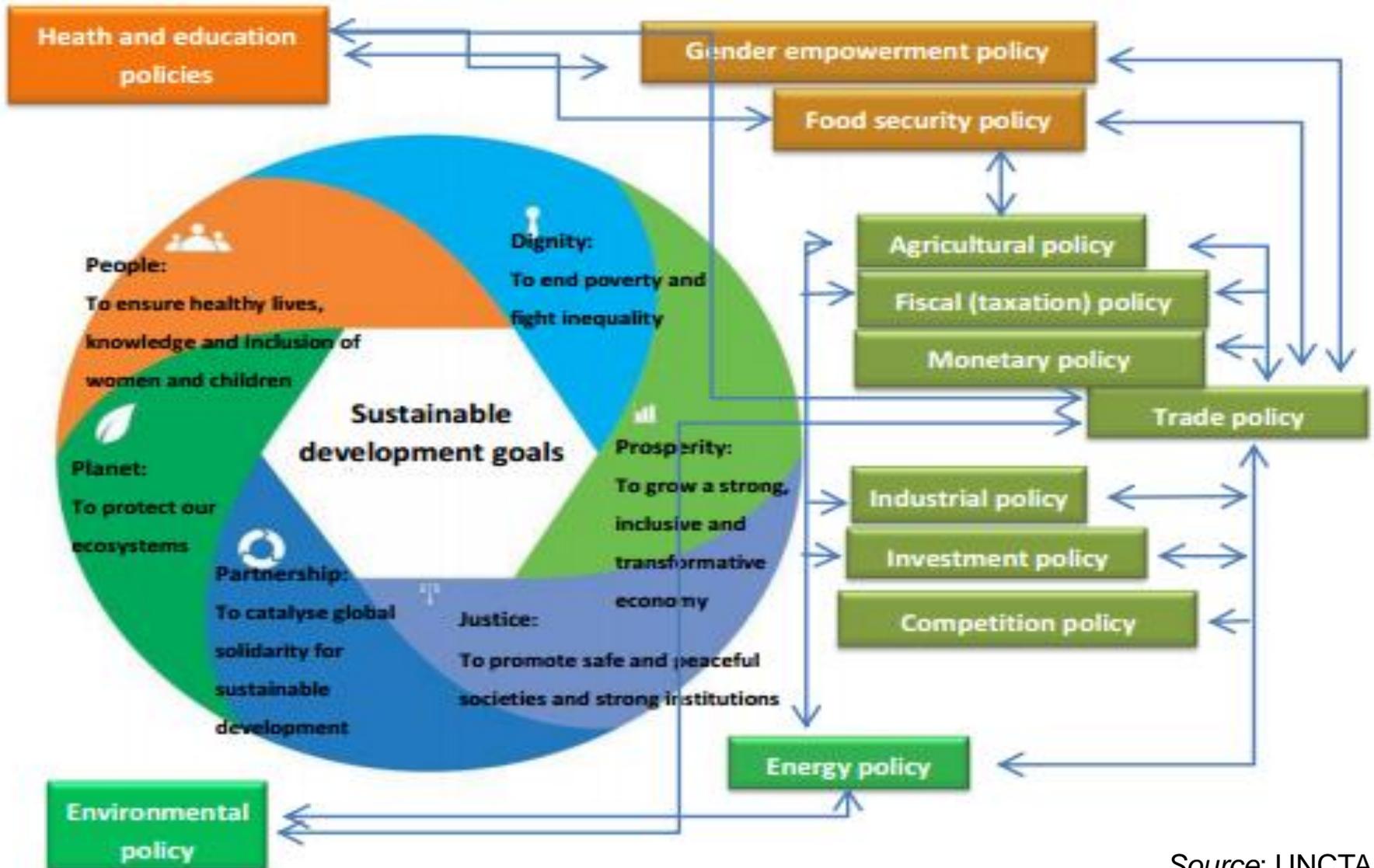


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National level- policy mix

An illustrative policy mix mapped against six essential elements for delivering on the sustainable development goals



Sustainable development policies- how far to push?

- Trade can be affected (in both directions, + and -) by sustainable development policies.
- Issues of WTO compatibility of some sustainable development policies.
- Are there conflicts between regional trade agenda and SDGs?
- The alarm about rising protectionism.

Where are restrictions implemented?

Chart 1 Ratio between newly implemented trade-restrictive measures and newly implemented trade-liberalising measures

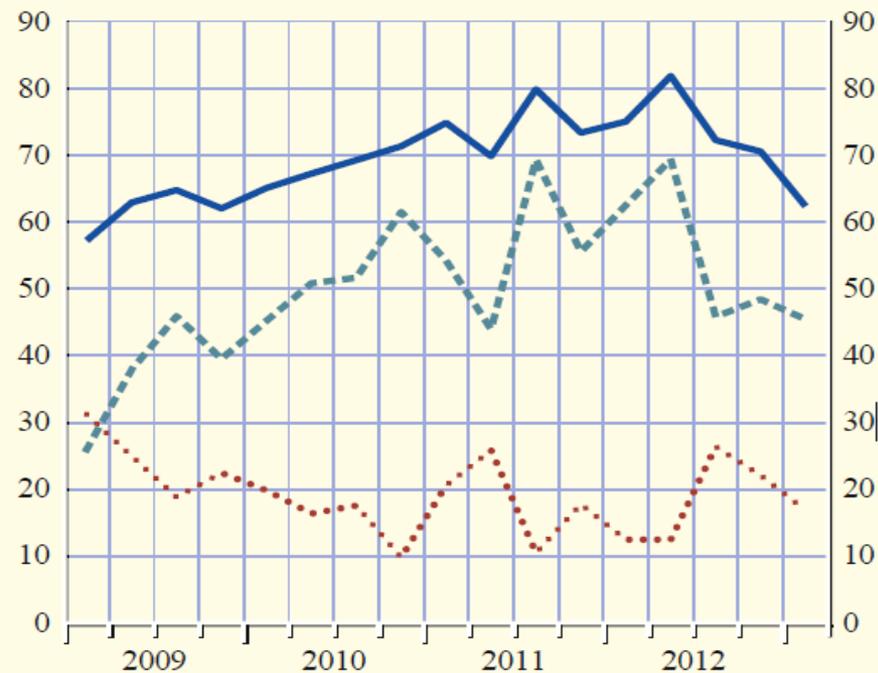


Sources: Global Trade Alert and ECB staff calculations.

Chart 2 Proportion of total trade-restrictive measures implemented by G20 economies

(percentages)

- G20
- ... G20 advanced economies
- - - G20 emerging market economies



Sources: Global Trade Alert and ECB staff calculations.

Going Forward

- Role of the ‘mega’ trade agreements.
- The region’s growing role as both a source and destination of FDI:
 - Coordinated efforts to ensure IIAs consistent and support sustainable development goals.
 - Avoiding competitive policies – especially incentive policies.
 - Coordinated efforts to tackle tax avoidance.
- Necessity for supportive policies for innovation in achieving SDGs.
- ESCAP stands ready to provide the regional platform necessary to achieve regional objectives.

Thank You for YOUR Attention.

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<http://www.unescap.org/events/asia-pacific-trade-and-investment-week-2015>



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