

Post-Disaster Economic Rehabilitation and Reconstruction through Trade and Investment

A Briefing Note for UNESCAP Member States*

While aid can and does provide immediate disaster relief, the long-term rehabilitation needs of the affected areas can probably be addressed more effectively through sustained trade and investment growth as trade and investment create jobs and provide sources of income for the thousands of people displaced as a result of the disaster, in particular in sectors most affected such as fisheries, tourism and agriculture.

Trade and investment are principal instruments for the mobilization of capital necessary for reconstruction and rehabilitation. They were recognized as essential sources of finance for development by the Monterrey Consensus of the International Conference on Finance for Development. As trade and investment are by definition cross-border phenomena, global and regional cooperation mechanisms play an important role in their promotion. In this respect, the tsunami, while an isolated event by itself, can act as a catalyst for more targeted and rapid global and regional trade and investment liberalization which would act as an engine of economic growth. The region has witnessed several natural and man-made disasters over the past few years and this trend is likely to continue. It is therefore argued that global and regional mechanisms could be set up in trade and investment which would offer a medium to long-term approach to providing assistance to private sector enterprises, in particular the small and medium enterprises (SMEs) which are the principal agents of trade and investment.

A. Global Level

- Advancing the multilateral trade negotiations within the framework of the Doha Development Agenda (DDA), with due consideration of prevailing trade barriers to sectors in which developing countries have a competitive advantage, e.g. in particular agriculture and textiles and clothing.
- An immediate suspension and/or termination of all special trade-restraining measures, such as anti-dumping actions, against products originating in the affected countries, such as seafood and processed agricultural products;
- Temporary provision of duty-free treatment to imports from the affected countries, in line with World Trade Organization (WTO) rules and disciplines *OR* establishment of special GSP

* This note was prepared by the Trade and Investment Division of UNESCAP.

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schemes for disaster-affected countries could be considered on a priority basis. The European Union has already accelerated its revised GSP scheme for tsunami-affected countries. Similar initiatives could be taken by other developed, and possibly, advanced developing countries.

- Immediate measures to strengthen the capacities of the affected developing countries and their businesses to restore the infrastructure needed to conform with sanitary and phytosanitary standards for their exports;
- Relaxation of market access for services providers of the affected countries, so as to help generate additional foreign exchange;
- Special measures to revive the tourism industry and infrastructure, including a more supportive approach to travel advisories and improved access to information and distribution channels
- Acceleration of trade facilitation measures and actions to support the rebuilding of trade logistics and other related services infrastructure;
- Investment guarantee schemes set up by home countries of transnational corporations as incentive to invest in tsunami and disaster-affected countries and areas.

B. Regional Level

- Special trade concessions could also be granted by neighbouring countries of the tsunami-affected countries, preferably within the context of existing RTAs such as BIMSTEC and ASEAN
- In the meantime, regional economic integration should be advanced through consolidation, expanding and deepening existing regional trading arrangements
- The establishment of regional special economic zones (along a similar format as “growth triangles”) for disaster-affected areas could be considered which would grant duty-free imports of capital equipment and raw materials for production within the zone. Companies investing in the zone would receive incentives under special investment regimes, while their exports would receive special GSP status. Land ownership and land usage restrictions would be removed for such companies. Such zones could encompass various affected areas in different countries and be subject to a common set of laws and regulations.

C. National Level

- Establishment of national special economic zones
- Special attention should be given to the financing needs of small and medium enterprises (SMEs) operating in the zones, in particular small entrepreneurs who lost their businesses as a

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result of the disaster.

- Acceleration of measures to facilitate trade and investment in developing countries, and particularly in disaster-affected areas. Special attention should be given to reducing red tape for setting up a business and acquiring a loan.
- Establish and/or strengthen modalities for public/private sector partnerships
- Governments could identify and create a special category of companies tasked with supporting redevelopment efforts and producing short to medium term relief products and services. Such companies should be granted special company status and be subject to special privileges such as duty-free imports, etc.

D. Role of Private Sector

- The private sector has proved to be very efficient in providing relief to the tsunami-affected countries. Many TNCs have already established Corporate Social Responsibility programmes and many have contributed significant resources in terms of services and products to tsunami-affected countries. Both TNCs and smaller enterprises have a stake to be closely involved in disaster relief as this is in their own long-term interest. The role of private sector in this regard should therefore be actively promoted.
- The corporate sector could develop its own special Tsunami Rehabilitation Programme to invest and trade within the tsunami-affected countries. However, any relief efforts from their part should be closely coordinated with official government programmes.
- Companies operating in disaster areas could also undertake further community programmes to support the rebuilding of community infrastructure and assisting in training of affected unskilled workers.

E. Role of UNESCAP

- Among various international and regional organizations, UNESCAP as the largest United Nations organization in the region, could play a fundamental role in striving towards a consolidated regional economic integration process through research and development of common formats and frameworks for regional economic integration and mechanisms for long-term rehabilitation and reconstruction through trade and investment for disaster-affected countries and areas.
- UNESCAP's technical assistance work in training and policy dialogues in trade and investment could be further strengthened with special attention to the needs of tsunami-affected countries and disaster-affected countries in general.

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- ESCAP could also assist in coordinating technical assistance in the region in trade and investment.
- UNESCAP could conduct a feasibility study to ascertain the costs and benefits of special economic zones for disaster-affected countries
- UNESCAP could establish channels for private sector involvement in disaster relief, e.g. through its Asia Pacific Business Forum (APBF), and establish a system for monitoring trade and investment development in tsunami-affected areas.
- In all its technical assistance activities in trade and investment in disaster-affected countries, UNESCAP would actively cooperate with its global and regional partners while paying due attention to the most vulnerable countries, e.g. small island developing countries, and most vulnerable sectors within countries, e.g. the SME sector.