

Please check against delivery



16 October 2009

**UNITED NATIONS
ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC**

Committee on Trade and Investment

First Session
4-6 November 2009
Bangkok

**OPENING ADDRESS
TRADE-LED RECOVERY & BEYOND¹**

**DR. NOELEEN HEYZER
UNDER-SECRETARY GENERAL OF THE UNITED NATIONS AND EXECUTIVE
SECRETARY OF THE ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND
THE PACIFIC**

Excellencies, distinguished delegates, ladies and gentlemen,

It is with great pleasure that I extend a warm welcome to all delegations and participants in the first session of the Committee on Trade and Investment. Our region has been hit hard by the economic crisis. While financial indicators are showing early signs of recovery, and regional exports are poised to grow by over 6% in 2010, other indicators are not so promising. Unemployment figures continue to rise. Incomes continue to plummet. Foreign direct investment inflows to key countries of the region fell by rates ranging from 20% to 60% in the first quarter of 2009². The value of exports contracted by 40% year-on-year in early 2009, which is twice the contraction rate experienced during the Asian financial crisis.

The first session of this Committee will examine the role of trade and investment in promoting economic recovery and achieving long-term development. Particular emphasis will be given to the formulation and use of trade policy tools to promote inclusive and sustainable development. I would like to make a few observations on the potential role of trade in this regard and ESCAP's work with Member States.

¹ Note to ES: the term "beyond" refers to the period after the crisis.

² Note to ES: FDI figures for the ESCAP region as a whole are not available. According to ADB, China's FDI inflows in the first quarter of 2009 were down 26% year-on-year, Viet Nam's FDI inflows dropped by 60% in this period, while FDI inflows to the Republic of Korea dropped by 38% in the same period.

Trade generates jobs and incomes. Many countries in the region have been successful in using trade as an engine of growth for the past several decades; lifting millions of people out of poverty. We have achieved spectacular economic growth, social progress and poverty reduction over the past thirty years. During this period East-Asia and South-East Asia have already halved absolute poverty. ESCAP research has shown that removal of all tariff restrictions intra-regionally, could potentially lift a further 40 million people out of poverty.

Despite our region's economic success, most developing countries as well as our region's poor, have not benefited from trade to the extent they could have - even prior to the current economic crisis. The recent climate change talks here in Bangkok have also highlighted the fact that past economic growth has come at a cost. The ecological footprints of some of our cities are already 3 to 5 times higher than the global per capita average. Our cities already account for 75 percent of all our energy use, produce 80 percent of all our green house gases and generate 300 million tons of waste per year. It is clear that our current development path is unsustainable. So how can we use trade and investment to address these two challenges?

- (i) Firstly, many developing countries, in particular the least developed countries, in our region have insufficient market access or competitiveness to fully use trade as a tool for poverty reduction. For these countries effective integration with regional and global trading systems will potentially provide important additional sources of growth. At the global level, an early conclusion of the Doha Round of multilateral trade negotiations that adequately addresses the concerns of developing countries would provide a major boost to global and regional trade and strengthen the multilateral trading system. In this regard, the Technical Assistance Programme jointly implemented by WTO and ESCAP has received wide acclaim for its contributions to strengthen developing countries' capacity to effectively negotiate in the Round and derive benefits from the multilateral trading system.
- (ii) Secondly, trade policies have traditionally lacked sufficient links with poverty reduction objectives. Trade measures need to be specifically designed to target those sectors of the economy linked with small business, the poor and particularly women. This would ensure that future trade-led economic growth is pro-poor and benefits people who need it the most. Climate change and other environmental challenges compel us to make trade and investment green. We need to invest in green technologies and services that help countries mitigate and adapt to the impacts of climate change and use resources in a sustainable manner. Simultaneously addressing these two challenges requires appropriate decision making frameworks be established with the necessary indicators to measure performance. Earlier this week, the Asia-Pacific Trade Economists Conference, celebrating the fifth anniversary of the Asia-Pacific Research and Training Network on Trade, or ARTNeT, brought together governments with academia, civil society and experts to discuss adjustments in the trade-led development paradigm. We will hear at this Session the outcome of their deliberations.

The current economic crisis has also provided us with an important opportunity to re-think trade. Countries in our region need to better balance their current sources of economic growth - if they are to become more resilient to future economic shocks.

- Many developing countries in our region have relied on exports as a primary source of economic growth. From 2005 until 2007, their share of exports in GDP averaged 38 percent - making them two and a half times as export-dependent as the developed economies in the region. Exports will continue to be an important source of growth. However, developing countries need to promote a

healthy balance between domestic and external sources of growth makes it possible for them to become more resilient to future economic shocks.

Our traditional reliance on trade with Europe and America needs to be better balanced with intraregional trade if our region is to emerge stronger and more resilient post crisis. Asia-Pacific is more economically integrated with the rest of the world than with itself. Intraregional trade accounts for only 37 per cent of exports in our region in comparison with NAFTA at 51 per cent and the E.U at 68 per cent. There are enormous opportunities for growth in South-South trade and investment but existing trade barriers, tariff and non-tariff, need to be removed.

In this regard, governments have a responsibility to ensure that a conducive environment exists for intraregional trade and investment transactions. In particular, we have to improve connectivity in Asia and the Pacific to support the expansion of intraregional trade. ESCAP is pursuing a three-pronged strategy in this regard comprising of (a) the development of sustainable transport infrastructure; (b) improvements in information and communication technology (ICT) infrastructure; and (c) strengthening the foundations for social protection.

- One way of reducing trade barriers is through the implementation of regional trade agreements. When properly formulated they encourage deeper levels of regional economic integration and can become building blocs of the multilateral trading system. However the proliferation of regional trade agreements can also fracture the international trading system. ESCAP is therefore designing common frameworks which would help strengthen and consolidate these agreements. In particular, the Asia-Pacific Trade Agreement, or APTA, of which ESCAP is the secretariat, has emerged as an attractive cost-efficient and complementary track towards regional integration, especially for less developed countries. I wish to take this opportunity to congratulate Mongolia for having submitted its formal application for membership in this Agreement.
- In some cases the hidden costs of the red tape associated with trade add as much as 15 percent of the value of goods being exported. Fulfilling export or import procedures in most developing countries of the region still takes at least 50 per cent more time than it does in developed economies. Added to this are the additional costs of moving goods across borders. For instance, different road standards sometimes require shippers to transfer goods between different types of trucks at border crossings. Additional red tape at these transfer points add to the cost and time it takes to ship goods between countries in our region. Research has indicated that average gains from improved trade facilitation in the Asia-Pacific region far exceed those that might be achieved through further tariff liberalization. The adoption of “paperless trading systems” and the strengthening of regional cooperation in trade finance could go a long way in overcoming these obstacles. ESCAP is supporting the creation of national Single Window (SW) environments in the region and, together with the Economic Commission for Europe, launched the United Nations Network of Experts for Paperless Trade in Asia and the Pacific in March 2009

Ultimately, if trade is to promote sustainable, inclusive development we need to focus on the actual products and services business produce. How they operate and what they produce determines whether or not they are pro-poor or environmentally friendly. In particular, climate change poses challenges that will have to be met by new technologies and infrastructure that mitigate greenhouse gas emissions while helping the poor and vulnerable adapt the inevitable impacts. Businesses are now beginning to realize that their future competitive advantage rests on their overall reputation and the level of implementation of principles of corporate social

responsibility, or CSR.³ In order to enhance the contribution of business to inclusive and sustainable development, ESCAP launched the Investors for Development project (I4D) in August 2007.⁴ The project helps companies gain sustainable competitiveness from applying the ten principles of the United Nations Global Compact – a world wide standard-setting CSR initiative. Last Monday some 80 business, government and NGO representatives met to discuss how a Community of Practice can help them to implement the Global Compact effectively.

Also, as part of the Trade and Investment Week, the OECD/ESCAP Regional Conference on Corporate Responsibility: “Why Responsible Business Conduct Matters?” concluded yesterday and a briefing of the proceedings will be given to the Committee. Governments and business need to continue such dialogues and forge partnerships that address the many challenges facing the region. ESCAP is actively promoting this type of collaboration and dialogue through the Asia-Pacific Business Forum.

Excellencies, distinguished participants, ladies and gentlemen,

The Asia Pacific region is facing multiple threats – food insecurity, rising energy prices, and climate change – to name a few. The resulting challenges are simply too large for any country to tackle alone. Trade and investment, while not sufficient by themselves, can make great contributions to address these threats. In particular, trade and investment activities not only have significant potential to help revive our economies but also to help ensure that future economic growth is both inclusive and sustainable.

I look forward to these deliberations and your valuable guidance to the future work of the Secretariat and our Member States in trade and investment.

I Thank You.

³ Note to ES: corporate social responsibility is a well-established term and includes environmental or ecological responsibilities. The qualification of “ecological” is not normally used in the context of CSR.

⁴ Note to ES: for more information on this project, reference is made to: <http://www.unescap.org/tid/projects/i4d.asp>