Enabling trade and investment for sustainable development in challenging times

Rupa Chanda
Director
Trade, Investment and Innovation Division
ESCAP
Outline

• Implications of shocks for trade and investment
• Role of regional cooperation
• Issues for consideration
Countries in Asia and the Pacific have faced a series of shocks.

Complex trade and investment environment has made trade recovery fragile and uneven.

- Risks of new COVID-19 waves, lockdowns, supply-chain disruptions
- Growing uncertainty about global growth along with strong inflationary pressures, especially in commodity and energy prices, and food security challenges
- Growing climate change risks threaten various regions and industries
- New trade restrictions in response to health- and food security concerns

Source: ESCAP
With pressing economic conditions, the fight against climate change and commitment to greener trade has become more difficult.

- While the region is among the most vulnerable, its production for exports contribute significantly to global warming.
- Fossil fuel subsidies and trade barriers on environmental goods are generally high in this region.
- Stressed balance of payments and fear of fuel shortages could worsen the trend.

![Graph showing average applied tariffs on environmental goods compared to carbon-intensive fossil fuels. Source: ESCAP](image)
Shocks have disrupted intraregional FDI Flows

- On average intraregional FDI accounted for more than half of all FDI flows into Asia-Pacific between 2009-2019
- But the pandemic, geopolitical challenges, and climate change have caused intraregional FDI to dip below 40% since 2020, and they continue to slide
- Obstacles to intraregional FDI include:
  - overlapping international investment agreements
  - poor business environments
  - lack of investment cooperation
  - lack of transparency
  - various barriers to trade and investment
- RCEP, along with the ASEAN Investment Facilitation Framework, and APEC’s investment work could boost intraregional flows
- Regional investment cooperation platform could strengthen FDI flows
Stronger regional cooperation is key for navigating challenges

• Trade and Investment integration can be used to more effectively promote sustainable development

• There is growing awareness of the importance of regionally coordinated actions to address cross-border challenges

• Scope to leverage regional initiatives to address cross-border challenges

Source: ESCAP’s DigiSRII 2.0, available at riva.negotiatetrade.org
Issues for Consideration

(a) Liberalize trade in essential health products and climate-smart and other environmental goods and services, on a unilateral basis or as part of regional or multilateral initiatives

(b) Include provisions in regional trade agreements to address crises in a coordinated manner and to keep markets open

(c) Take advantage of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific and the regional Paperless Trade Council to streamline trade procedures, enhance interoperability to reduce trade costs, expedite cross-border flows of critical goods during a crisis

(d) Create an enabling environment for a sustainable transition toward digitalization (cross-border paperless trade)

(e) Encourage private sector to sign on to ESBN Green New Deal

(f) Enable the ESCAP Asia-Pacific Foreign Direct Investment Network to become a regional investment cooperation platform to support the promotion and facilitation of sustainable FDI

(g) Consolidate International Investment Agreements (IIAs), review them and include sustainable development provisions

(h) Support low-income countries and LDCs to narrow gaps in productive and negotiation capacities, reduce the regulatory divide and improve their readiness for digital transformation
THANK YOU

Follow us

www.unescap.org
unescap
unitednationsescap
united-nations-escap
unescap
unescap
unescap