

Regional Workshop on EIF Phase Two:
Enhancing Value for Money
UNCC, Bangkok, 8-11 Nov 2016



Session 5: Cross-cutting themes for the EIF Phase Two

(a) Trade and poverty reduction



Outline

- ‘Trade and growth’ vs. ‘trade and poverty reduction’
- Agenda 2030- are trade related goals focused on poverty reduction?
- Policy implications for LDCs





Trade and growth

Reasons for trade to affect growth?

- Static effects related to improved efficiency (allocative, technological, etc)
- Dynamic effects related to increased productivity and technological progress
- The derived policy prescription: liberal trade policy (open markets for both trade and FDI, movement of people as well)



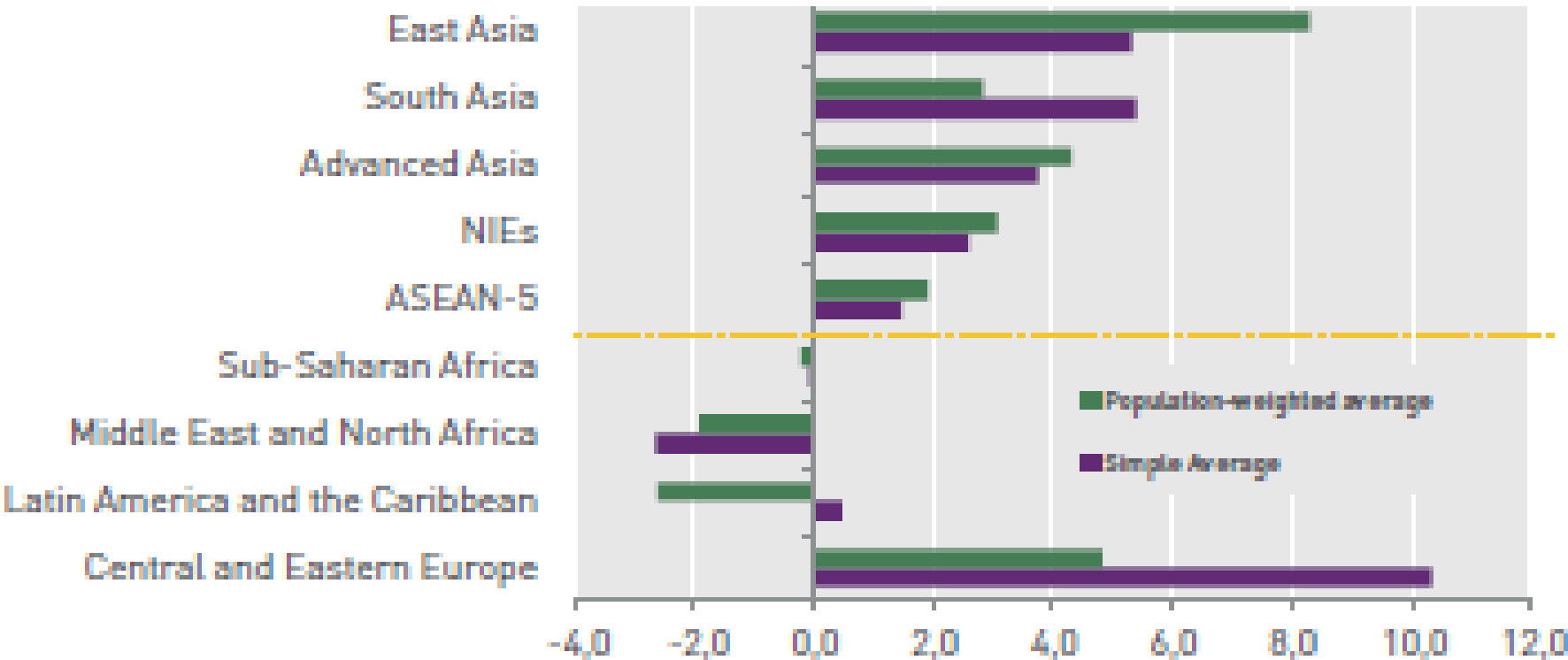
Poverty Reduction and Other Inclusivity Dimensions

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

People living on less than \$1.25 (% of population) in

	1990	2010
Asia	55	20.80
Bangladesh	70.2	43.2
China	60	11.6
India	47	32.7
Indonesia	54.3	18.1
Nepal	68	24.8
Philippines	30.7	18.4
Viet Nam	40.1	14
East Asia and Pacific	56.2	12.48
South Asia	53.8	31.03

Change in Gini index (in Gini points)



APTIR 2013 calling for:

The end of the “trade now, distribute gains later” model.

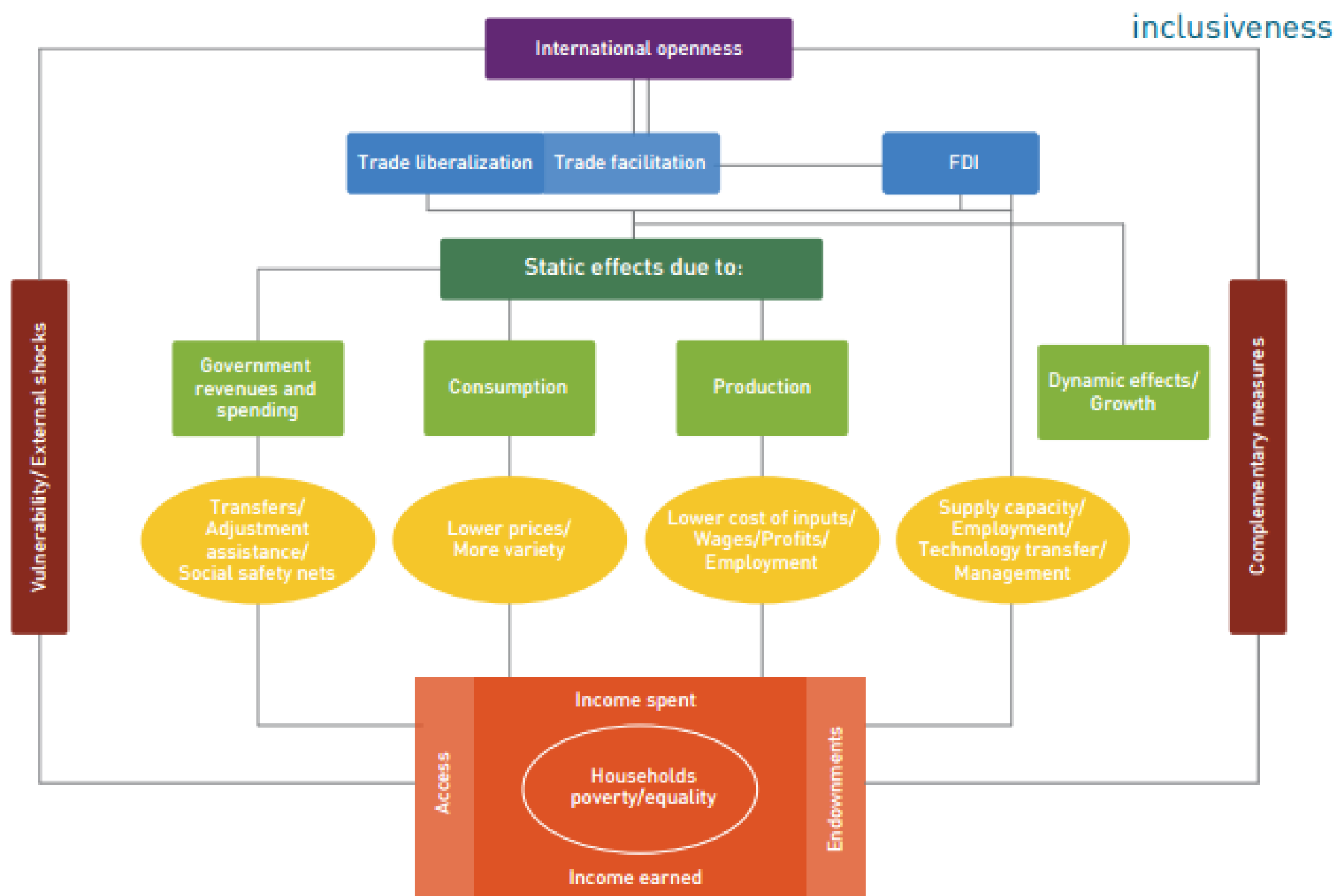
CHANNELS	RELATIVE OUTCOMES
•Creating economic opportunities	•Lower poverty
•Ensuring access to created opportunities (jobs, education, finance, information, property rights)	•Reduced inequalities
•Preserving social cohesion	•Improved quality of life



Transmission channels

FIGURE 8.2

Direct and indirect impacts of international openness policies on



Source: ESCAP, based on Winters (2000).

Turning the Tide: Moving Towards Inclusive Trade and Investment

Report identifies three major areas of policy actions:

1. Availability of **complementary policies** which are necessary for enabling inclusive trade and investment
2. **National** inclusive trade and investment policies
3. **Regional** cooperation and role of ESCAP



Inclusive trade and investment imply that all people can participate in, and benefit from those activities.



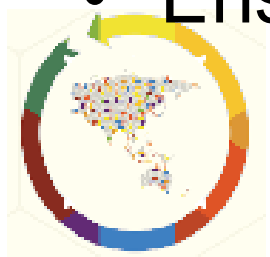
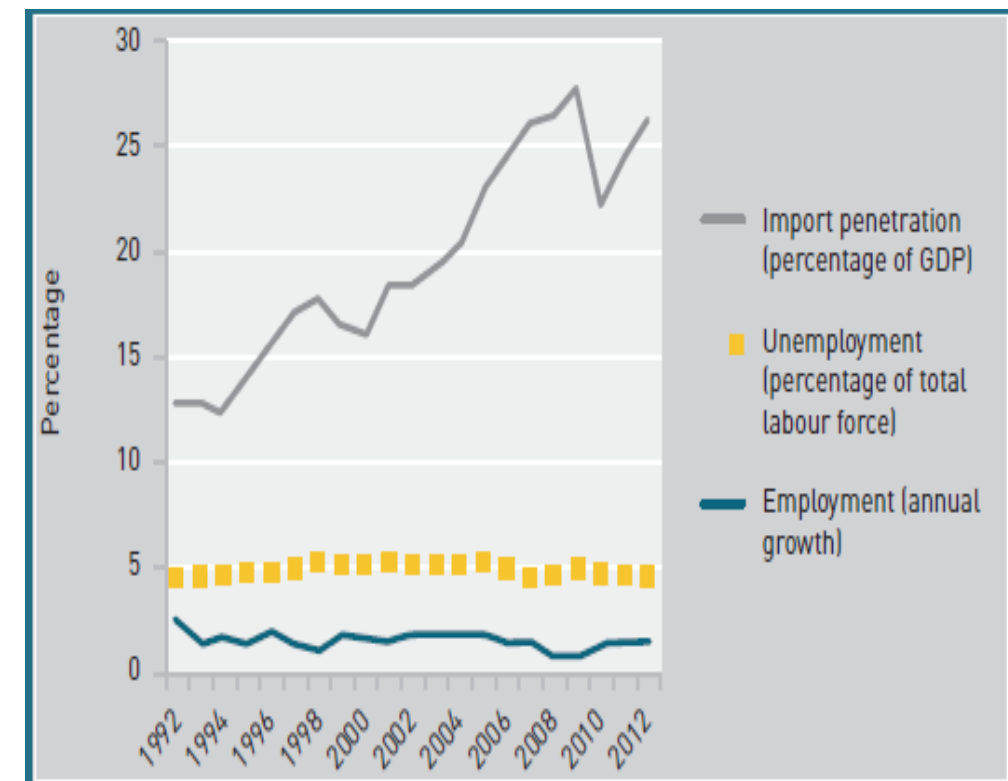
Complementary Policies

Can be seen as pre-requisites 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 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

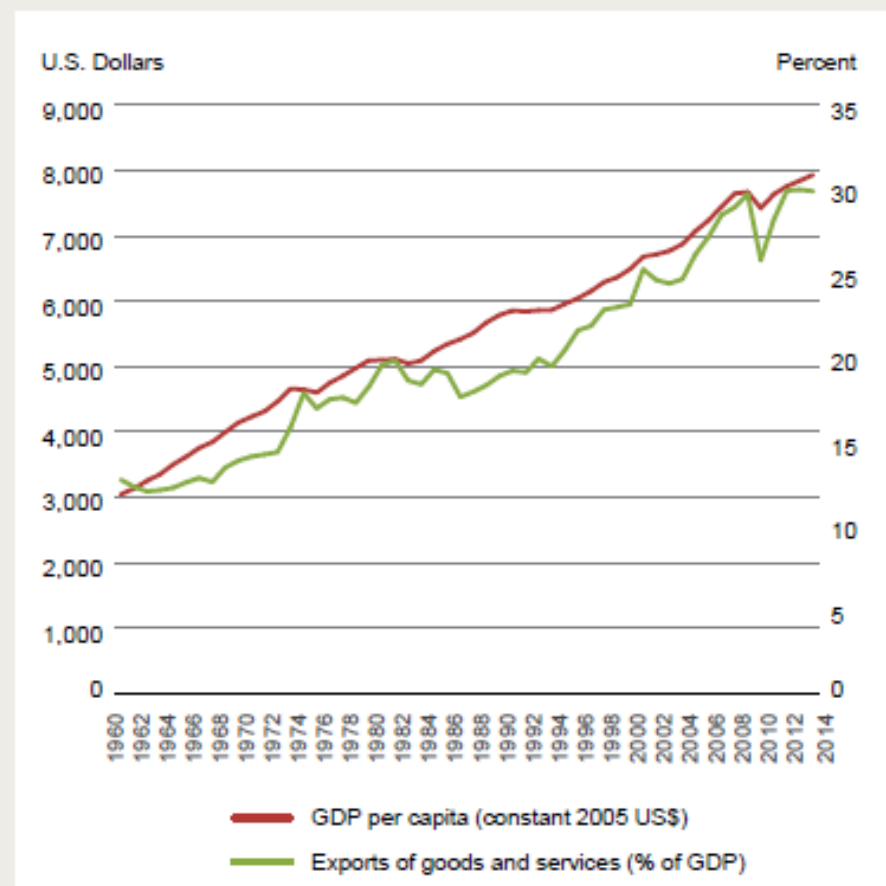
Despite no direct link between import and unemployment at aggregate level, there is a need for adjustment assistance at industry/firm level.



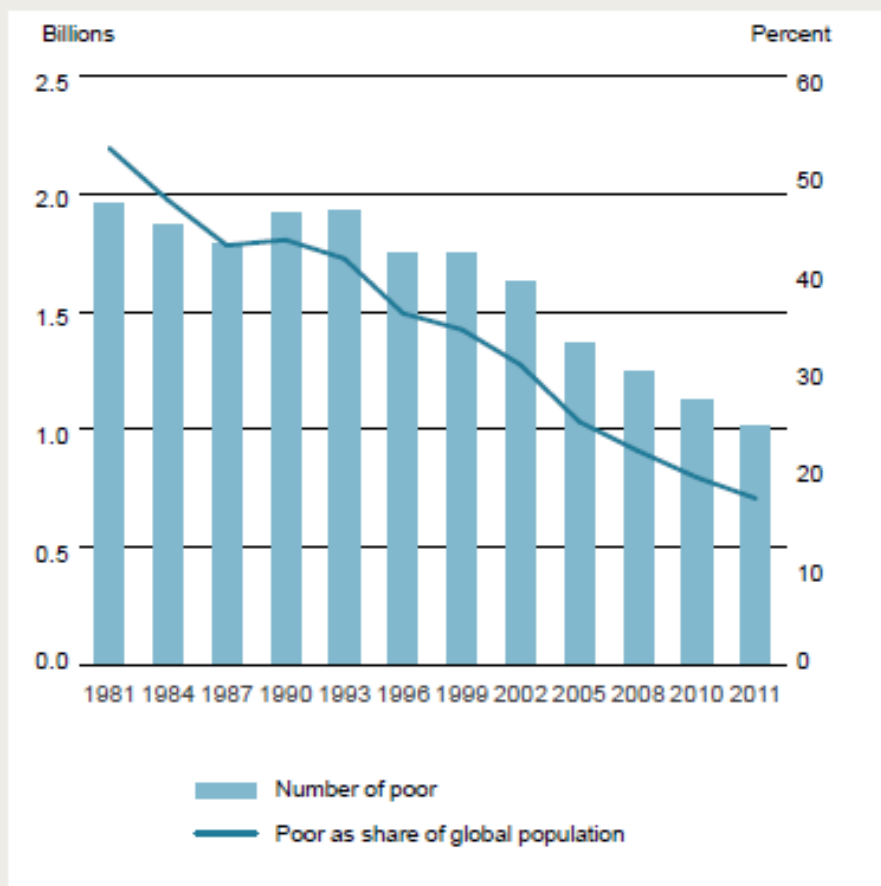
Trade and poverty reduction; most recent data in WB-WTO (2015)

Figure 1.1: GDP, trade, growth and the number of poor

GDP per capita and world exports



Billions of extreme poor and share of population

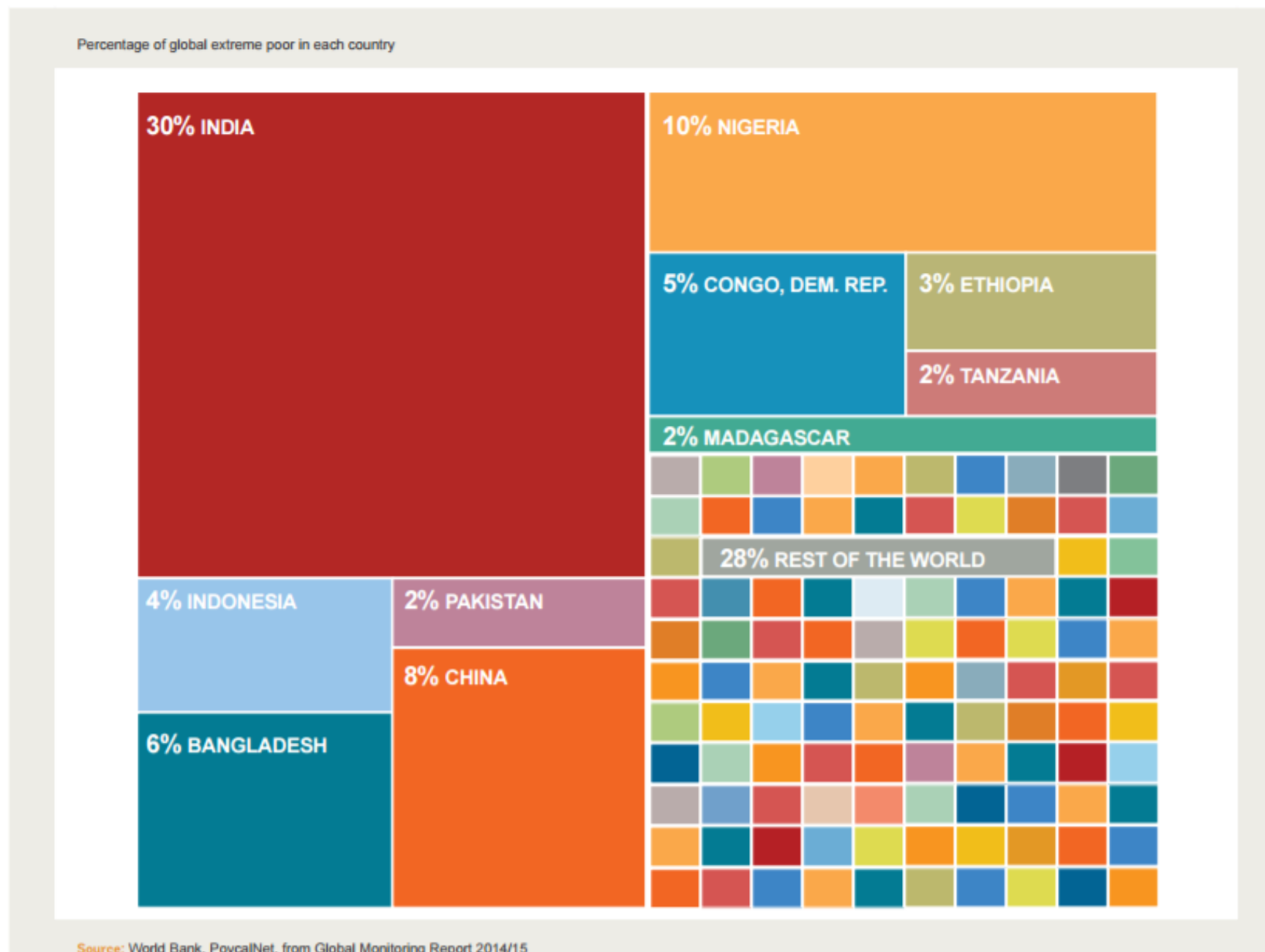


Source: World Development Indicators, PovcalNet



Extreme poverty hotspots

Figure 1.2: Top 10 countries with the largest share of the extreme poor, 2011





Findings in WB-WTO 2015 report confirm APTIR 2013:

A sound enabling environment is critical for trade to contribute to growth.

Key ingredients of policy strategies for sustained and inclusive growth include:

- Sustained investment in education, health and infrastructure
- Functioning capital markets;
- Labor market reform, fostering competition and innovation in the domestic economy, and facilitating shifts from less to more competitive economic activities;
- Ensuring macroeconomic stability;
- Effective governance, rule of law, and secure property rights



Trade as an enabler of growth and poverty reduction

Figure 3.1: Framework of issues

Implementation of reforms across each of the five main areas in this framework should be considered, with the overall goal of boosting growth and raising incomes for the extreme poor





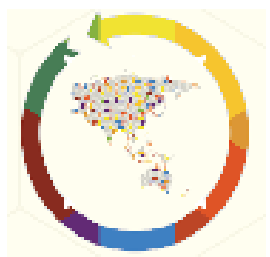
Key components

- 1. Lower trade costs for deeper integration of markets**
- 2. Improve the enabling environment**
- 3. Intensify the poverty impact of integration policies**
- 4. Manage and mitigate risks faced by the extreme poor**
- 5. Better data and analysis to improve policy**



National Policies

1. Trade policy measures
2. Trade facilitation measures
3. FDI promotion
4. SME development
5. Encourage CSR business practices
6. Consultation and coordination



Countries with higher share of FDI to GDP tend to show higher aggregate productivity.

Regional Cooperation

1. Secure fair and free market access for LDCs producers
2. Regional trade finance mechanism to facilitate micro- and SMEs integration into regional production networks
3. A regional cross-border paperless trade facilitation arrangement, in line with ESCAP resolution 68/3
4. Promote regional Aid-for-Trade projects
5. Promote regional/subregional PPPs in support of the formation of agribusiness and manufacturing value chains



ESCAP's Role

1. Regional patent licence pool to be established and ad interim managed by ESCAP secretariat
2. Regional technology bank already set up by the ESCAP Asian and Pacific Centre for Transfer of Technology (APCTT)
3. ARTNeT and UNNExT continue to support developing local research capacity and promotion of knowledge sharing in the region and between different stakeholder groups





Selected references


Asia-Pacific Trade and Investment Report; *Turning the tide-towards inclusive trade and investment* (2013)

Mikic, M. (2000) Trading Out of Poverty: Some major Issues, *International Review of Economics & Business*, Vol3, No 1, 25-40

The World Bank-WTO (2015) *The Role of Trade in Ending Poverty*

Plus others by request





Thank you
Q&A



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