ARTNeT 5th Anniversary Conference
*Trade-led Growth in Times of Crisis*

Summary of deliberations in plenary and parallel sessions

By ARTNeT secretariat

One hundred and fifty trade researchers from the Asia-Pacific region and beyond participated in a Conference on *Trade-Led Growth in Times of Crisis* held on the occasion of the 5th Anniversary of the Asia-Pacific Research and Training Network on Trade (ARTNeT), on 2 and 3 November in Bangkok, Thailand. Conference participants discussed the origins of the global economic and crisis and its implications for the region's trade-led growth model. Key discussions of the Conference include:

The trade-led growth model was not fundamentally challenged

- **Trade-led growth model.** The export-led growth model that has been pursued by many countries in the Asia-Pacific region enjoyed continued support. While there were no calls for generalised disengagement from the global economy after the crisis, it was suggested that developing countries should rebalance the geographic and product structure of their trade in order to diversify their sources of growth.

- **Trade liberalization.** It was underlined that closing markets to international trade would be harmful; on the contrary, it was felt that further regional and global economic integration among the fast growing nations of the Asia-Pacific region would be beneficial. Participants applauded the fact that protectionism on the scale of the 1930s had largely been avoided during the recent severe economic crisis. They did, however, emphasize that the threat of more protectionist measures (especially those of the so-called non-tariff type) remains very real unless recovery settles in soon.

Global trade governance mechanisms need reinforcement

- **World Trade Organization (WTO).** Participants concurred that the multilateral trading system remains of vital importance, especially considering the large number of pressing issues, including climate change and subsidization of exports/production, which can only be effectively addressed at the multilateral level. However, participants underlined that the WTO faces three enduring difficulties, all of which require greater leadership on the part of member governments: (1) the WTO is having difficulties managing diversity among its ever larger membership; (2) the WTO is struggling to manage the co-existence of regionalism (that is now entrenched) with the principles and operation of the multilateral trading system; and (3) the failure to conclude the Doha Development Agenda is a particular concern.
• **Future commitments.** The prospects of signing ambitious binding trade disciplines were considered to be bleak, due to weak or non-existent demand for trade reform in many countries and in key sectors such as agriculture and services.

**The way forward**

• **Social protection.** Participants concurred that the global imbalances could in large part be explained by the high savings rates in many Asian countries, which in turn are due to insufficient social protection. It was felt that a priority for governments of the region should be to invest in social programmes and public goods which would improve standards of living as well as boost domestic demand for consumer goods and services, thereby creating downward pressure on the surpluses.

• **Political leadership.** Political consensus must be fostered within the Asia-Pacific region so that the region can provide global leadership on trade matters. It was felt that the G20 countries, especially under the leadership of Canada and the Republic of Korea next year, may succeed in providing much-needed impetus to the negotiations of the Doha Development Agenda by leading the discussions in the stalled services negotiations (which are an important building block of any final accord), initially through an informal G20-centred process and to create the information flow necessary to monitor the unwinding of government intervention taken during the crisis. In this manner the G20 could attempt to reinforce its position as the premier organisation of global economic governance.

Where possible given the nature and scope of research papers, deliberations in the parallel sessions resulted in concrete policy recommendations:

1. Rebalancing sources of growth and stimulating domestic demand to overcome the crisis is recommended; however, countries with small markets and limited fiscal policy space cannot rely on this option and require external assistance to move forward.

2. Efficiency seeking investments can be effective in stimulating intraregional trade, which is an important source of growth on the long run.

3. Governments need to invest more in social development as returns on these investments, even if considerable, do not arise in the short run and thus the private sector is reluctant to invest.

4. Governments have a key role to play in enacting sound regulatory frameworks, as well as social protection policies to minimize the impacts of integration into the global economy. Overall, policymakers need to go beyond traditional trade policy to look at the extent to which governance and business institutions can impact international trade.

5. Evidence suggests that a higher than expected “sophistication degree” of the basket of exports of a country contributes to the stability and vitality of exports; on the other hand, “new” export flows contract further and faster than traditional exports with a drop in external demand.
6. Services remain a strong source of growth for developing countries, which explains the hesitancy of countries to enter into binding agreements at the multilateral level. However, some opening of markets in the area of services can increase the efficiency of the services sector and thus support enhanced growth.

7. The average gains from improved trade facilitation in the Asia-Pacific region far exceed those that might be achieved through the further lowering of tariffs. In some cases the hidden costs of the red tape associated with trade add as much as 15 per cent of the value of goods being exported. Trade facilitation should thus be a priority for policymakers of the region.

8. Research suggests that a sound business environment and a stable political and economic environment matter more to fostering regional and global production networks than regional trade agreements.

9. Several countries in the region are already leading in the development of green technologies and energy-efficient products and production methods; countries should invest in these areas so that the region can emerge as a global leader of green technologies.