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Asia-Pacific Trade and Investment Report 2013**Asia-Pacific Trade and Investment Report 2013****Note by the secretariat***Summary*

The present document is based on the forthcoming Asia-Pacific Trade and Investment Report 2013 (henceforth the Report), which is the main substantive document prepared for the third session of the Committee on Trade and Investment. The Report comprises two parts. In the first part, there is a focus on trends and developments in trade in merchandise and commercial services, foreign direct investment flows, performance in trade facilitation, and reliance on preferential policies and trade agreements from a Asia-Pacific perspective. The second part of the Report contains an analysis of various issues related to enhancing the contribution of trade and investment to inclusive development and thus ensuring job creation, poverty reduction and economic engagement of marginalized groups, including women. The drafting of the Report was heavily influenced by the central tenets of the outcome of the United Nations Conference on Sustainable Development, “The future we want”, namely the promotion of “sustained, inclusive and equitable economic growth, creating greater opportunities for all”. The Report contains insights into the factors and circumstances that determine the inclusive impact of the various trade and investment policies and activities. The objectives of the Report are twofold, namely: (a) to gain better understanding of how trade, investment, trade facilitation and integration policies can support inclusive development and wherever possible to measure the progress of countries in this regard; and (b) to propose a mix of national policies and regional initiatives for Asia-Pacific economies to achieve inclusive development.

By summarizing the most important findings of the Report, the present document also contains items for consideration by the Committee.

* E/ESCAP/CTI(3)/L.1.

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I. Introduction

1. The present document is based on the forthcoming *Asia-Pacific Trade and Investment Report 2013* (henceforth the *Report*). The *Report* comprises two parts. In the first part an outline is provided of recent trends and developments in the areas of trade, investment and integration among economies in the region, starting with trade in merchandise and commercial services, before exploring changes in foreign direct investment, trade facilitation performance and, finally, development related to preferential trade policies and agreements. In the second part there is a focus on “Inclusive trade and investment”, which is the theme of the *Report* and also of the Third Asia-Pacific Trade and Investment Week.

2. The Asia-Pacific region continues to outperform the rest of the world in terms of the pace of overall growth. Despite the dynamism of the region being driven by trade-led growth, this strategy has come under close scrutiny as a result of the global financial crisis. Ultimately, it was the combination of sound growth in the exports of developing Asia-Pacific economies together with mild fiscal or other stimuli in most other economies that led the way out of the recession and a return to positive growth in 2009. Yet one cannot and should not be content. As much as high growth rates are important, especially because they have a direct and positive impact on reducing poverty, serious concerns are being raised as regards the growing disparities in income and non-income distribution, and in access to opportunities, such as employment, or to sources of education, medical care or energy. The region might have mastered growth in terms of quantity, but not in terms of quality.

3. The second part of the *Report* contains details of the circumstances in which trade, investment and trade facilitation, as the main components of a country’s international openness, support inclusive growth, thereby benefiting all in an equitable way. It is in this way that trade and investment can be

labelled as inclusive. The approach is eclectic, reflecting many different forces at work and the findings can only suggest a plausible direction for and a possible mix of policies; it cannot be prescriptive.

4. The conclusion offered in the *Report* concurs with the findings of recent studies, namely that the effects arising from changes in trade and investment policy indicate that liberalization and international openness alone cannot produce optimal benefits for producers and exporters, and on occasion not even for consumers. The same is true for poverty and income distribution. The desired result depends on additional factors associated with a range of complementary policies and measures; such policies should be available in the public domain so as to foster discussion with various stakeholders in order to ensure that there are inclusive decision-making processes as well as inclusive results.

II. Trends and developments in trade and investment

A. Asia and the Pacific is learning how to live and continue to prosper without double-digit export growth

5. Developments in 2012 together with those thus far in 2013 prove that intraregional demand is not immune to the persistent weak economic performance of developed economies. In particular, such is the level of integration that now exists almost everywhere that the global economic crisis has taken its toll on the growth rates of even the most steadfast emerging economies, such as China and India — countries that are now struggling to keep up or achieve double-digit growth. In the case of China, the ongoing crisis is continuing to adversely affect the country's exports and economic growth and is therefore expected to cause damage to other economies in the region — especially major suppliers to China — through diminished export opportunities. The same linkages are at work between India and various other economies, although to a lesser extent since India is far less important than China as regards global manufacturing exports.

6. It is estimated that imports and exports of merchandise from developing Asia-Pacific economies will grow at less than 6 per cent in real terms in 2013 with a modest improvement to 7 per cent in 2014. Today, China absorbs over 30 per cent of exports from developing Asia-Pacific economies, the prospects for growth of which depend on developments in China's own export expansion. Therefore, trade growth in the region and the outlook for the multitude of suppliers of raw materials and intermediate products that send their goods for further processing in China will depend to a large extent on the prospects for continued growth in China. Given the slight recovery in demand for imports in the United States of America, exports from China are expected to improve from their depressed levels in 2012 to some 8 per cent growth in 2013. Exports from most of China's developing Asia-Pacific trading partners are thus forecast to expand in 2013 in real terms.

7. As regards that growth, it is expected to range from a low of 2 per cent (Singapore) to a high of 8 per cent (Thailand). However, this forecast is uncertain at best. The uncertainty stems from possible fluctuations in final demand from outside the region. Without any real prospects for growth in the European Union, unless the economic recovery in the United States proves to be more robust and gains momentum, the export growth of China could slow to 5 per cent in 2014. This will be another challenge to the model of regional integration that makes Asia the major manufacturing base for the global economy; it could also add to the existing pressure on

economies that send components, metals or commodities for processing in China to find alternative sources of growth. According to this scenario, export growth in 2014 might decelerate quite considerably in countries such as Australia (from 7 to 5 per cent) and to a lesser extent in Thailand (from 8 to 7 per cent).

8. The real challenge for Asia-Pacific policymakers is to find ways to boost growth without relying on unstable demand from larger economies both within and outside the region.

9. Furthermore, to remain resilient during this difficult period, reforms need to be undertaken or completed as regards both demand and supply. A key issue on the demand side is how to strengthen domestic consumption and investment in order to create sufficient domestic demand to support overall growth. At the same time, increasing efficiency and productivity is needed on the supply side to reduce costs and increase competitiveness — both of which are necessary components for long-term growth.

10. Private and public investments, which aim to strengthen medium to long-term competitiveness, are essential as they have a double effect. On the one hand, increased investment is an effective tool in fighting the short-term risk of no or poor economic growth. On the other hand, investment in structural reforms increases productivity and efficiency, as well as being key to achieving sustainable growth in the long term.

11. While trade resilience contributes to economic growth — which is an important element in poverty reduction — the linkage is neither simple nor unidirectional. It is true that during the early stages of industrialization, exports from labour-intensive sectors have a powerful effect on job-creation in emerging countries. This is because growth is often concentrated in labour-intensive industrial activities. Further structural transformations are expected to expand industrialization to other sectors that are less labour-intensive, but which are capable of producing higher value-added goods. Most developing countries, however, have experienced obstacles in moving towards these higher value-added activities. As a result, countries can get trapped in the low value-added sectors, which offer relatively poor-quality working conditions. At the other extreme, certain developing countries that are able to achieve progressive industrialization have difficulties in keeping up, at the same pace, in terms of human capital development. As a consequence, those economies have found themselves faced with a situation in which the expansion of high value-added tradable sectors has been limited by a labour-skill mismatch.

12. While developing countries should not turn away from economic and trade liberalization — since economic growth, which is crucial for poverty reduction, is positively linked to increased economic openness — the real challenge is how to match the dynamics of trade development with the development of human capital. In the context of policy formulation, different targets and supporting policies should be strategically chosen at different stages of industrialization. For example, a development priority for an emerging trading country is building up its capacity to trade and support export diversification. For the same country, the medium to long-term vision should aim to build human capital and infrastructure in order to move up the value chain. During transition periods, education and skill upgrading should receive high priority as regards formulating policy and should be complemented by measures for income redistribution, compensation and interventions from the social safety net to reduce inequality and smooth the process of economic restructuring.

B. Growth in commercial services trade declined in 2012

13. The Asia-Pacific region registered the highest rate of growth in the export and import of commercial services in the world, namely 5.2 and 5.9 per cent, respectively. These rates were, however, much lower than in 2011, when exports grew at 12.5 per cent and imports at 13.7 per cent. Nevertheless, the Asia-Pacific region increased its share of global exports of several services, such as construction, computer and information services, and personal, cultural and recreational services.

14. In 2012, the Pacific and South and South-West Asia subregions experienced the lowest growth rates in commercial service exports (0.1 and 0.8 per cent, respectively) of all Asia-Pacific subregions. Since 2008, the imports of commercial services into South and South-West Asia continued to suffer from economic uncertainty, contracting by close to 13 per cent in 2012. In contrast, that same year, North and Central Asia recorded the highest growth in commercial service exports and imports of all Asia-Pacific subregions (11.4 and 17.5 per cent, respectively).

15. Despite added volatility resulting from global economic uncertainties, service exports from developing Asian and Pacific economies recorded an average growth rate of 7.4 per cent per annum from 2008 to 2012. In contrast, exports from developed Asian and Pacific economies, on average, stagnated during the same period. Since the global economic recession began, the developing economies of the region have shown more resilient growth in service exports than have the developed economies. This has been mainly driven by growth in computer, information, communication and travel services.

16. After some uncertainty, the first half of 2013 has shown better than expected growth in tourist arrivals both globally and specifically in the Asia-Pacific region, especially South-East and South Asia, which lead the way in this renewed tourism growth. The region accounted for almost 23 per cent of total global international tourist arrivals, with more than half linked to visits to North-East Asia, while, worryingly, Oceania's share fell to just 1.2 per cent of the region's total. The most dynamic growth in international tourist arrivals was recorded in Bhutan and Georgia (39 per cent), Sri Lanka (31 per cent), Palau and Myanmar (26 per cent), and Cambodia, Thailand and Viet Nam (20 per cent). After the adverse impact of the disasters in 2011, Japan made a comeback by increasing tourism receipts by 37 per cent in 2012.

17. Services are an integral part of production networks and global value chains and as such an essential driver of efficiency and competitiveness. The rise of global value chains has been attributed, among other things, to the reduced costs of service links, as those chains depend on the availability of affordable and efficient services such as transport, logistics, communication, finance, and business and professional services in general. The recognition of the value directly or indirectly created by services in a process of manufacturing production, distribution and marketing of goods has become known as "servicification". It is now recognized that services constitute a much higher share of world trade than the 20 to 25 per cent that was calculated using gross values. The new estimates are much more in line with the recognized contribution of services towards creating employment and increasing gross national product. Trade in services should thus play a more significant role in reducing poverty by creating efficiencies, greater employment opportunities, higher incomes, and increased consumer choice and quality of life. With a proper understanding of the role of services, it is important to increase efforts to improve the efficiency of the services sectors

in developing economies, including through further liberalization of trade in services.

18. Regrettably, the Doha Round of multilateral trade negotiations has continued for almost 12 years without any true progress. The lack of progress is particularly evident in the area of liberalization of trade in services, where it is causing damage to not only efforts to liberalize trade in services but also to other initiatives, including implementation of the waiver¹ for least developed countries for services agreed upon at the 8th Ministerial Conference of the World Trade Organization (WTO) in 2011.

C. The Asia-Pacific region becomes the largest investment hub

19. The developing countries in the Asia-Pacific region account for 33 per cent of global foreign direct investment (FDI) inflows, reflecting the solid position of the region as a leading investment destination. FDI inflows to the East and North-East Asian subregion reached \$215 billion in 2012, down 8 per cent from the previous year. The decline can be attributed to weaker inflows to China, the Republic of Korea and Hong Kong, China.

20. In 2012, inflows to the South-East Asian subregion amounted to \$111 billion, up by 2 per cent compared with the previous year, making it the only subregion in the Asia-Pacific region that continued to experience FDI growth. This growth has been supported by FDI into labour-intensive sectors and value chain activities in low-income countries such as Cambodia, the Philippines and Viet Nam. The South-East Asian subregion is likely to benefit from the establishment of the Association of Southeast Asian Nations' Economic Community, which aims to create a single market with the free flow of goods, services, skilled labour and investments by 2015.

21. Despite recent efforts by India to liberalize FDI policy and simplify investment procedures, FDI inflows to the country dropped by 29 per cent in 2012, indicating that further streamlining of investment rules and procedures is needed. India would also greatly benefit from the upgrading of infrastructure and the strengthening of ties with key investment and trade partners.

22. Japan nearly tripled its growth in FDI in 2012, raising the value of FDI inflows to \$1.7 billion. Nevertheless, continuing uncertainty over the Japanese economy is likely to influence volatility in FDI levels in Japan in the years ahead, although recent economic stimulus measures by the Government might bring about renewed economic growth and therefore potentially new FDI.

23. As the economic relevance and dynamism of the Asia-Pacific region is increasing, intraregional FDI flows are replacing those from the developed economies, which traditionally have supplied the bulk of FDI in the region. East and North-East Asian countries have become major investors in other Asia-Pacific countries, while China and the countries of the Association of Southeast Asian Nations (ASEAN) are the most attractive destinations.

¹ WT/L/847.

D. Unacceptably high trade costs remain in least developed and landlocked developing countries

24. The key objective of trade facilitation is to reduce the cost of international trade transactions through simplification and harmonization of trade procedures. Along with improving availability and access to trade-related infrastructure, streamlining trade procedures has become essential for firms in developing countries in order for them to participate effectively in regional and global production networks, which are responsible for an increasing share of global trade flows.

25. Not surprisingly, implementation of both trade facilitation and paperless trade vary significantly across Asian countries, with Singapore, Japan and the Republic of Korea leading the way, followed closely by Thailand. On the other hand, the region's least developed countries and landlocked developing countries generally remain far behind in overall implementation of trade facilitation and paperless trade. It is encouraging, however, that many of these countries have established national trade facilitation bodies to facilitate both inter-agency and public-private sector collaboration on trade facilitation (these include Azerbaijan, Bangladesh, Cambodia, the Lao People's Democratic Republic, Mongolia and Nepal).

26. The *Report* uses data from the most recent version of the ESCAP-World Bank Trade Cost Database² to review the performance of the economies in the Asia-Pacific region. In most cases, it remains costlier to trade between Asian subregions than between Asian subregions and countries or regions outside Asia and the Pacific. For example, the cost of trading between ASEAN-4³ and SAARC-4⁴ is almost double that between ASEAN-4 and the United States. Similarly, trade costs between North and Central Asia and ASEAN-4 are more than twice those between North and Central Asia and EU-3.⁵ Similarly, trade costs between Pacific island developing economies and ASEAN-4 are much higher than between those economies and the United States.

27. The *Report* contains a newly designed index by ESCAP to measure the overall trade facilitation performance of a country along the international supply chain. Based on the index, the top five world performers (out of 180 economies) in terms of their connectivity to international supply chains are all Asia-Pacific economies, namely China, Malaysia, Singapore, the Republic of Korea and Hong Kong, China. In general, East and South-East Asian countries score higher on the connectivity index than those from other subregions in Asia and the Pacific. Mongolia, although landlocked, is ranked higher compared with many other Asia-Pacific countries since it uses maritime ports of China. The South Asia and Central Asia subregions fare much worse, with Sri Lanka the only country that ranks in the top tier of the 180 countries included in the ranking. The landlocked Central Asian countries rank lowest.

² Available from www.unescap.org/tid/artnet/trade-costs.asp and <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=escap-world-bank-international-trade-costs>.

³ Indonesia, Malaysia, the Philippines and Thailand.

⁴ Bangladesh, India, Pakistan and Sri Lanka. SAARC stands for the South Asian Association for Regional Cooperation.

⁵ France, Germany and the United Kingdom of Great Britain and Northern Ireland.

28. While trade facilitation begins at home, a successful outcome to the World Trade Organization's negotiations on trade facilitation would be useful in providing guidance and a renewed mandate for countries to engage in trade facilitation reform. Similarly, a regional arrangement on the facilitation of cross-border paperless trade, as envisaged in Commission resolution 68/3 of 23 May 2012, would certainly be helpful in reducing the trade facilitation gaps among countries in the region, as well as in confirming the region's leadership in using information and communication technologies for inclusive and sustainable trade and development.

E. Trade protectionist measures mixed with trade promotion

29. Trade policies implemented by the Governments in the region mixed protectionist policies and trade promotion initiatives, with hard to predict net impacts on trade and welfare. These recent developments are the result of the interaction of different factors. Among these, the changed nature of global production and trade seems to have played a central role, restraining countries from implementing protectionist measures as well as fomenting trade liberalization in certain sectors, especially for intermediate goods and food products.

30. While less transparent measures have been preferred to restrict trade (affecting mainly the import of minerals, machinery, vehicles and food items), trade liberalization has been conducted mainly through tariff reduction or elimination.

31. The manufacturing sector is the most affected by less-transparent measures both in the region and globally, followed by the agricultural sector. The products most targeted in the region by trade remedy measures have been steel, organic chemicals, machinery and mechanical appliances, paper and man-made staple fibres. The fact that there was no change in the range of products targeted before and after the crisis, coupled with only small increases in the use of trade remedies compared with non-crisis periods, suggests that these actions have not been used by firms as an effective instrument to deal with crisis-induced market pressures. However, some countries have been affected significantly, as in the case of China, which faces substantially higher anti-dumping duties than those imposed on products from other countries. It is also found that the use of anti-dumping measures is becoming an increasingly South-South phenomenon, with China being the main target.

32. Even though the cumulative impact of import restrictions on trade has been low on aggregate, especially because protectionist measures have been narrowed to specific products or firms, protectionist pressures are far from extinct. There were relatively more discriminatory measures taken as a result of worsening economic conditions. Moreover, tariffs remain a major obstacle to international trade for developing countries.

F. Preferential trade as an instrument in de-marginalizing countries with special needs

33. It appears that the global economic crisis of 2008-2009 has not derailed the use of preferential trade agreements (PTAs) by Governments to secure access to foreign markets and defend domestic markets, although the pace of adding new PTAs has lessened. The total number of such agreements in the Asia-Pacific region is estimated to be more than 220, of which 150 are in force, while the remainder are at various stages of negotiation or consideration. The majority of the preferential deals in the region concern

developing countries, but it must be noted that some high-income members of the Organisation for Economic Co-operation and Development are also parties to such agreements.

34. There is great variability in the type of exports and imports covered by PTAs in the developing economies of the Asia-Pacific region. On the export side, there is Brunei Darussalam, which directs almost all its exports to its PTA partners. However, there are also Pacific island States whose PTA partners absorb less than 10 per cent of their total exports (including exports to Australia and New Zealand). While averages hide important specifics, it is also useful to note that for North and Central Asia the markets of PTA partners do not appear to be lucrative, as those markets only account for 16 per cent of that region's exports. At the other extreme is South-East Asia, which has been able to translate long-term work on building linkages between economies into concrete integration.

35. Because of the growing number of agreements that frequently concern the same economies but which have different provisions relating to trade, especially as regards tariff reductions, preference lists, rules of origin and "WTO plus" provisions⁶ among other things, it is likely that the negative effects of the so-called "noodle bowl" phenomenon will come into play, thereby increasing the costs of trade within the bloc and reducing the opportunities for new trade and investment. Despite the strong recommendations made by the ESCAP secretariat to Governments to consider, among other things, rationalizing and consolidating PTAs, recently only two instances of concrete action have taken place in this regard, namely: (a) the proposed Trans-Pacific Partnership, negotiations on which are being led by the United States; and (b) the proposed Regional Comprehensive Economic Partnership, which is being set up by ASEAN and its partners. When these two agreements have been finally concluded, it is not yet clear if the other (bilateral or plurilateral) agreements will cease to operate. Should they continue to do so, all the effort that has gone into consolidation will be to no avail, as different rules for trade will continue to play an adverse role and thereby act as a deterrent to intra-PTA trade and investment.

36. Another issue that needs further attention by policymakers relates to providing opportunities for least developed countries to increase production and trade integration among themselves. This can only happen when the provisions of cumulation, either in generalized system of preferences (GSP) or duty-free quota-free (DFQF) schemes, allow use of each other's inputs and resources for the production of goods. This could be easily done by allowing cumulation for least developed countries in the region because of their geographical proximity, and greater complementarity of economic structures and resources, which is not true in the case of allowing cumulation with GSP or DFQF providers (where they need to cumulate with the export markets' raw materials). Therefore, it is important to promote use of "open cumulation" in the preferential trading schemes for countries with special needs. "Open cumulation" would allow all the beneficiaries to use each other's intermediate materials in production, which will also allow, among other things, better integration and the establishment of regional supply chains.

⁶ The term "WTO plus" refers to obligations in PTAs that exceed the existing requirements of the WTO agreements. There is no agreed standard for what is included under "WTO plus" issues but it is commonly understood to be obligations that go beyond existing WTO requirements, such as in the areas of investment rules, government procurement and intellectual property rights.

III. Promoting inclusive trade and investment

A. Linking inclusive growth, and trade and investment

37. In its resolution 66/288 on the future we want, the General Assembly promoted “sustained, inclusive and equitable economic growth, creating greater opportunities for all”. It enumerated certain measurable outcomes, namely “reducing inequalities, raising basic standards of living, fostering equitable social development and inclusion”. In contemporary literature and policy statements, this vision is often referred to as “inclusive growth”. The *Report* contains an evaluation of the extent to which the outcomes of international trade and investment policies have supported inclusive growth since the early 1990s and how to achieve better results in the future.

38. As shown through a set of stylized facts, while the region has achieved dynamic economic growth, and on the whole reduced poverty so significantly as to have contributed to achieving the Millennium Development Goal poverty target five years ahead of schedule, it has not made similar progress in other aspects of inclusiveness. In particular, internal inequality has actually worsened in many countries. Moreover, marginalized and vulnerable countries did not succeed in securing their relevant share of the benefits that have been created in the region through increased production sharing, trade and investment. Put simply, the orthodox approach of “trade and invest first, and distribute gains later” does not necessarily produce the desired inclusive outcome, and continuing to pursue trade and investment under that model might increase the risk of social instability and weaken resilience among countries in the region.

39. It is postulated in the *Report* that trade and investment will be inclusive only if they are fully consistent with the principles of inclusive growth, which comprise promotion of equality and social responsibility, implying that all people can contribute to and benefit from international trade. Inclusive trade and investment are a necessary but not sufficient condition for inclusive growth and thus they must both be nested in an enabling environment and accompanied by complementary policies for inclusive growth if they are to be achieved.

40. It is shown in the *Report* that just having trade and investment resiliency does not necessarily mean that a country will achieve inclusive development. An important implication of the analyses is that a range of complementary policies are required in order to foster increased inclusiveness of economic development in the presence of international openness.⁷ Among the most relevant complementary policies (based on an econometric analysis) are measures improving labour market flexibility, aggregate investment and information and communication technology expenditure, and equal access to education. However, the case studies that have been conducted, together with examples from other sectors, contain many more ideas for supplementary measures, which should be considered as the “handmaidens” of international openness-led growth.

41. It would seem to be suggested in both contemporary literature and our analysis that it is necessary to use complementary policies to convert quantitative growth into one with socially acceptable qualities. Such policies range from creating institutions and regulation, macroeconomic and exchange

⁷ Defined to include trade policy-related changes, trade facilitation measures and policies, and foreign direct investment and related policies.

rate policies, competition policy, industrial policies, and infrastructure and human capital investment strategies to social and environmental protection.

B. Delivering benefits of trade and investment to people: challenges and policy recommendations

42. In the *Report*, the secretariat offers a concise toolkit for Asia-Pacific policymakers by identifying measures, policies and initiatives that can be undertaken at the country level (or sometimes below the national level) or the regional and/or global level in order to further promote the trade and investment that is needed for economic growth, but at the same time contributing to more inclusive outcomes.

43. The sets of proposed policy options at the national (or subnational) level correspond to the three dimensions of international openness (trade policy, trade facilitation and FDI promotion policies, and promotion of small and medium-sized enterprises), although they should often be considered as bound or mutually supportive policies/measures that require coherent and coordinated policymaking. As argued in the *Report*, many of the factors that have been identified as being important for inclusivity may not be directly related to international openness. Thus, strategies need to be found for policymakers to influence these factors (for example, by including labour standards issues in preferential trade agreements as opposed to keeping them at the level of unilateral preferences schemes). Again, challenges and opportunities for different dimensions of international openness — such as trade policy, trade facilitation and investment, and FDI, as well as the need for an integrated approach — are discussed.

44. Furthermore, inclusive trade and investment outcomes may also require the existence of national social dialogue among, and consultation with, all the relevant stakeholders to make sure that all interests have been considered before decisions on policy changes are made. These additional factors, which together with trade and investment and other related policies, lead to inclusive outcomes, and define whether trade and investment are inclusive in terms of policymaking processes. While it is possible to calculate a composite trade policymaking inclusivity index as part of a drive for transparency, thereby assisting countries to monitor changes over time (and make comparisons with other countries), the countries of the Asia-Pacific region have thus far not been using such an indicator. Constructing the index would entail a qualitative assessment of trade policy from the perspective of it being inclusive and nationally owned (that is, based on a national development strategy and part of a coherent policy mix, compliant with international commitments, and reflecting the balanced interests of stakeholders with a clear implementation plan and sufficient resources). The processes leading to a policy with the necessary features would require that all relevant stakeholders (national policymakers, other relevant government ministries and departments, key non-State actors and donors) be involved or at least consulted in the process. The ESCAP secretariat stands ready to prepare a database with such indicators if member States are interested.

45. Initiatives and actions requiring cooperation at the regional and/or global level that would enhance inclusivity of trade and investment are described in the *Report* and summarized below:

- (a) Negotiation-free accession to WTO for the least developed countries so as to secure fair and free market access for their producers;

(b) Establishment of a generalized system of preferences scheme to automatically offer between 97 and (after three years) 100 per cent unconditional duty-free quota-free market access to all least developed countries and other marginalized developing countries, without the use of non-tariff barriers. Furthermore, establishing so-called “open cumulation” (as explained in paragraph 36 above) for the exports of least developed countries to GSP providers;

(c) Introduction of regional trade agreements to allow any least developed country from the region (or elsewhere) that is interested to accede to trade agreements according to the special terms for such countries under the Doha Development Agenda (that is, without reciprocal preferential access);

(d) Establishment of a regional patent licence pool in order to allow countries with weak institutional and innovative capacity to obtain easier access to patented technologies or goods through the exchange of patent licences via the pool mechanism;

(e) Strengthening the regional technology bank already set up by the Asian and Pacific Centre for Transfer of Technology to broaden membership and areas of operation;

(f) Promotion of regional trade finance schemes/insurance mechanisms for micro, small and medium-sized enterprises, especially those run by women, so as to facilitate integration of developing countries into regional trade and production sharing/value chains;

(g) Promotion of labelling in support of inclusive and socially responsible trade and investment (in a similar fashion to Fair Trade);

(h) Establishment of a regional capacity development programme for bankable and effective aid-for-trade projects to engage developing countries in inclusive trade and investment;

(i) Pursuit of regional/subregional (corridor level) public-private partnerships that support the formation of agribusiness and manufacturing value chains;

(j) Further development of ESCAP-led communities of knowledge and networks (for example, the Asia-Pacific Research and Training Network on Trade, United Nations Network of Experts for Paperless Trade in Asia and the Pacific, an FDI network for least developed countries and the Asian and Pacific network for testing agricultural machinery), which provide expertise, analytical tools, datasets, procedural toolkits and an environment for knowledge sharing and enhancement with a view to helping various stakeholders in member States embark upon the road of inclusive trade and investment.

IV. Issues for consideration

46. The Committee has been presented with a summary of the forthcoming *Asia-Pacific Trade and Investment Report 2013*, with a number of recommendations for policy actions. The Committee may wish to deliberate on the issues and recommendations contained in the *Report*, in particular with regard to the role of ESCAP in their implementation.