

Identifying the linkages between PTAs and inclusive trade: revisiting the literature

Regional Dialogue on
Enhancing the contribution of PTAs to
inclusive and equitable trade

21-22 June 2017

Bangkok



Era of MDGs

- 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 (jobs, etc)
 - Access to education, health
 - Inclusive process

'uninclusive' trade is unsustainable

- Azevêdo (WTO, 2016) “...trade has a transformative potential [...] as part of the policy mix,” and that is why the international community must ensure that “the benefits of trade are spread as widely as possible, in support of development and jobs around the world.”
- *This means creating a more inclusive trading system that makes trade work for everyone.*
 - *LDCs share in global trade*
 - *SMEs share in global trade*
 - ...



NEW MODELS OF INCLUSIVE GROWTH:

THE END OF “TRADE AND INVEST FIRST, DISTRIBUTE GAINS LATER”

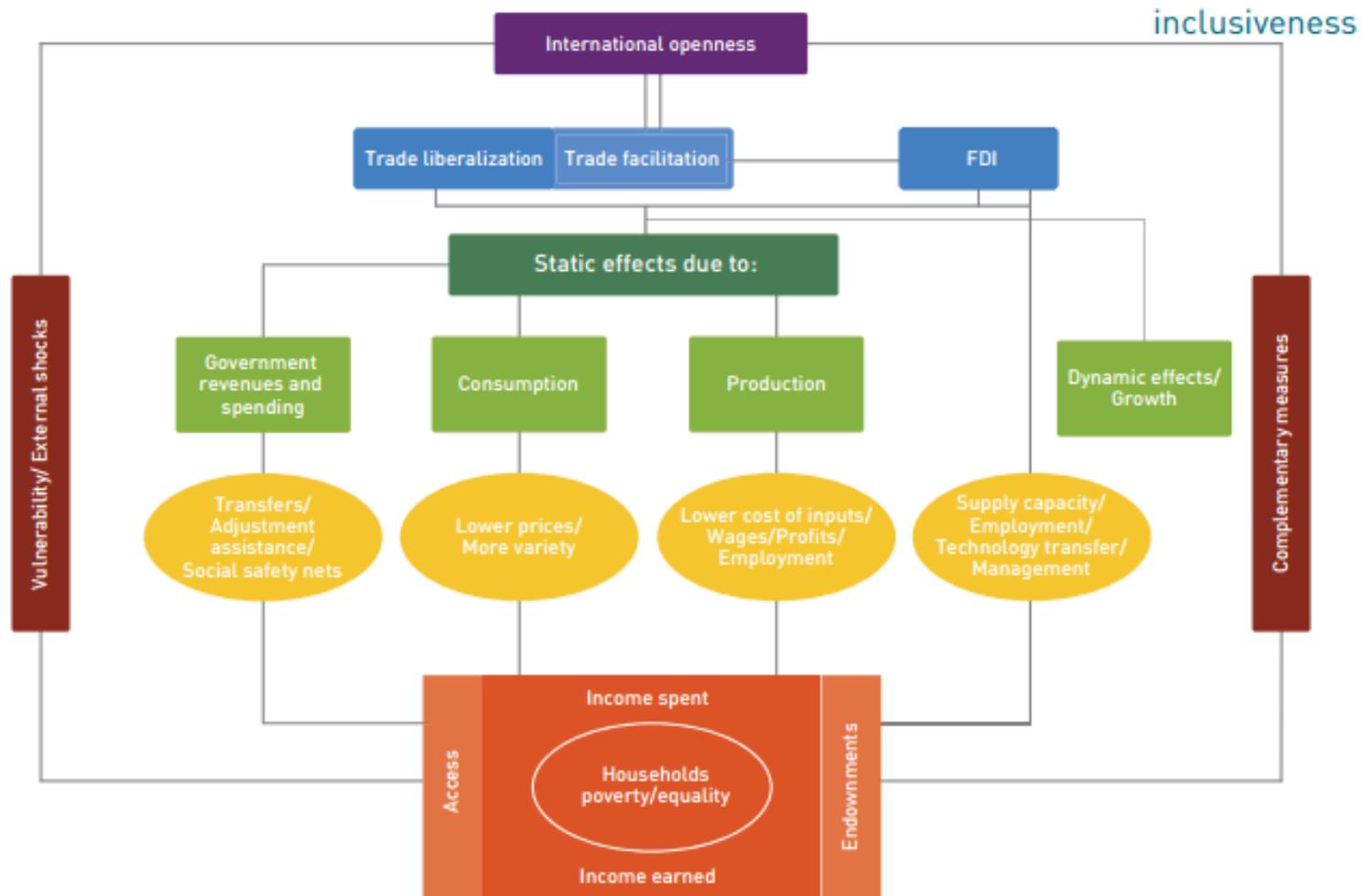
APTIR 2013

Pro-poor trade policy would prevent the poor from bearing the burden of trade reforms and will equip them to maximize benefits from trade and investment.

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

Socially-sustainable globalization	ILO and WTO (2011)	Trade that improves access to employment, salaries and stability.
Trade and growth to benefit the poor	OECD (2010)	Trade that generates the kind of growth that will reduce poverty. Five policy categories are listed: trade policy and regulations, trade development, trade-related infrastructure, enhancement of the productive capacity, and trade adaptation facilitation.
Growth of inclusive markets	United Nations Development Programme [www.growinginclusivemarkets.org]	The contribution of firms to human development through the inclusion of the poor in the value chain as consumers, producers, business owners or employees.
Inclusive value chains	Food and Agriculture Organization of the United Nations [n.d.]	Value chains that include the small farmers, especially in the African, Caribbean and Pacific regions.
Inclusive businesses	Inter-American Development Bank (IDB) (2011)	Activities that promote an improvement in the quality of life of sectors with few resources through the supply of basic services or products, as well as the inclusion in value chains of disadvantaged productive groups.
Fair trade	FINE [Fairtrade Labeling Organizations International (FLO), World Fair Trade Organization (WFTO), Network of European Worldshops! (NEWS!) and European Fair Trade Association (EFTA)]	Trade that contributes towards more sustainable development, offering better trading conditions and securing the rights of marginalized producers and workers, especially in the South.
Trade and inclusive development	ECLAC (2013)	Trade that generates a virtuous circle between the reduction of structural differences and growth that improves the wellbeing of a majority and reduces inequality.

Direct and indirect impacts of international openness policies on inclusiveness

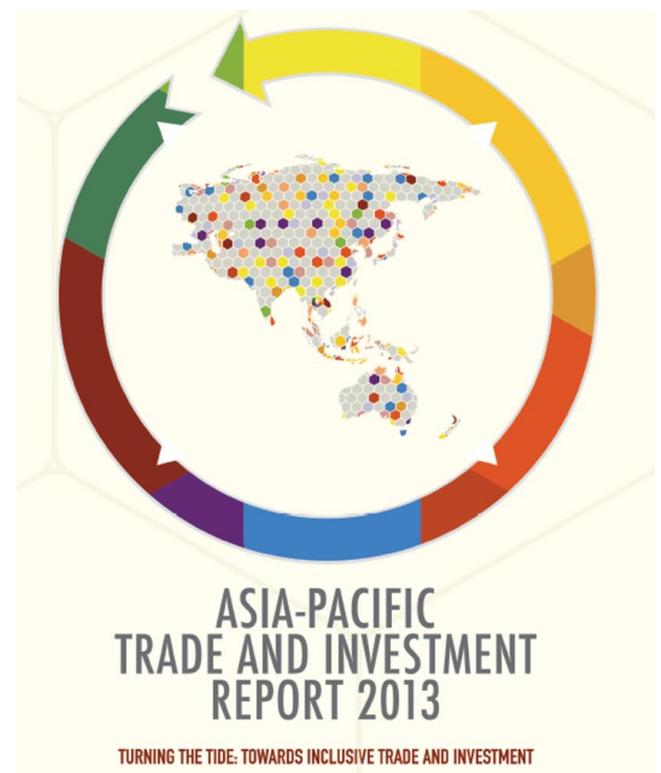


Source: ESCAP, based on Winters (2000).

Moving Towards Inclusive Trade and Investment

APTIR 2013 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



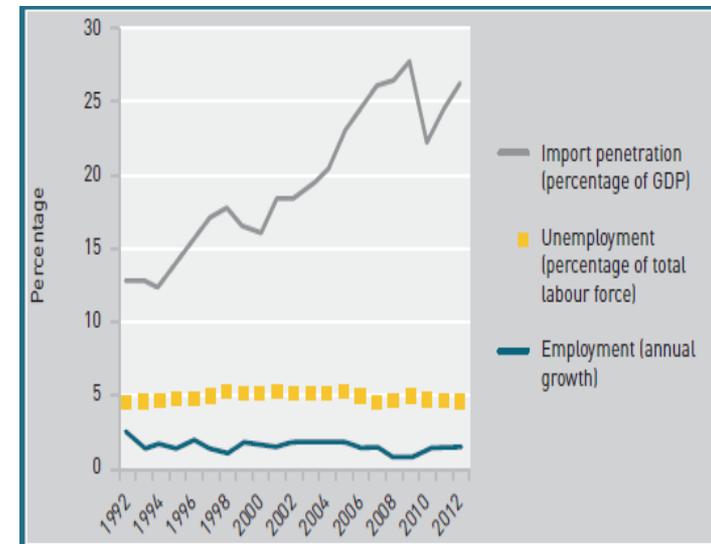
Complementary policies

Can be seen as prerequisites 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 by aiding labour markets by trade adjustment programmes
- Follow effective wage policy setting
- 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.



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
4. Promote regional Aid-for-Trade projects
5. Promote regional/subregional PPPs in support of the formation of agribusiness and manufacturing value chains

World Bank 2011- four priority areas for trade strategy:

- Enhancing trade competitiveness and diversification of developing country' exports
- Reducing trade costs through support for TF, transport logistics and trade finance
- Supporting expanded market access and international trade cooperation, and
- Managing shocks and making the gains from trade MORE inclusive.

ICTSD 2015 (in preparation for SDGs)

- Trade and FDI's
- Trade and tax revenue
- Trade and foreign aid
- Trade, migration and remittance

Empirical evidence

E.G. ECLAC (2014)

- (i) export development and access to foreign investment can have a small direct impact in reducing poverty;
- (ii) suitable forms of development, combined with complementary policies, raise the likelihood of low-income families participating in the benefits of trade;
- (iii) trade liberalization produces winners and losers among the low-income population (the beneficiaries of export growth may see their income rise, while the loss of protection means that some sectors may suffer higher poverty levels);
- (iv) in countries where unskilled labour is plentiful, the poor do not always benefit from trade openness.

AND, YES, THROUGH PTAs:



Inclusive Trade

WTO PUBLIC FORUM 2016

Session : 17

Time : 17:30-19:00

Date : 27 September 2016

Room : S2

Organiser(s) : *Inter-American Development Bank (IDB)*

[Interpretation](#)

Moderator

Antoni Esteveordal, Manager of the Integration and Trade Sector, Inter-American Development Bank

[Audio](#)

New Innovations in Regional Trade Agreements and the role of the RTA Exchange

This session supports the theme of inclusive trade by focusing on how new rules embodied in RTAs can promote innovation and more inclusive trade at the multilateral level. Some of the RTAs that will be discussed in our session include new provisions on intellectual property, investment, telecommunications, electronic commerce, SMEs and trade facilitation, among others, that help companies and individuals take advantage of technology and trade, and provide incentives for SMEs to enter new markets and operate in the global trading system. The promotion of the RTA Exchange platform as a tool to multilateralize best practices also contributes this year's theme. The RTA Exchange allows stakeholders from around the world to engage in dialogue, share information and best practices in an accessible and low-cost way. This helps even the playing field and encourages inclusive trade by allowing stakeholders from countries of varying size and economic level to access information engage and learn. This is especially important for less developed countries and SMEs that have limited experience negotiating RTAs and fewer resources to navigate new rules and regulations.

Speakers

- Bernard Hoekman, Professor and Director of Global Economics, European University Institute
- Lucian Cernat, Chief Trade Economist, European Commission
- Theresa Carpenter, Executive Director, Graduate Institute Geneva's Centre for Trade and Economic Integration
- Jonathan T. Fried, Ambassador and Permanent Representative of Canada to the WTO
- Miguel Rodriguez Mendoza, Independent consultant

However, there is also this view:

“...officials involved in crafting trade agreements are now being tasked with the idea of creating inclusive growth.

However, they are likely to fail. *Inclusive growth is an idea that sounds great but the quest to provide it through trade agreements will remain elusive.*”

“What a trade agreement does not do is provide inclusive growth. An *agreement cannot create conditions for growth to spread to everyone or growth to flow evenly.* It can only create new opportunities.”

Trade, growth and equality nexus

- Trade can facilitate growth insofar as it increases gradually and is accompanied by complementary policies to stimulate competitiveness, along with macroeconomic and institutional stability.
- Increased trade and growth does not necessarily increase equality within countries (what matters is not only growth itself, but the pattern of growth; not just the quantity of employment, but also its quality).
- Rising trade may have an impact on growth and, in some cases, poverty reduction. Yet sometimes inequality remains the same or even worsens. Reducing inequality requires measures specifically intended to achieve this goal.

Activist trade policy in the public sphere

- Economic arguments: infant industry protection and associated goal of industrialization
- Social arguments:
 - Protection of the environment
 - Protection of labour rights against low standard foreign competition
 - Protection of consumers from low standard foreign competition
 - Protection of vulnerable populations, including women, in comparative disadvantaged sectors

In general trade policy is not a “first best” way of addressing social and environmental objectives.

“TRADE POLICY IS A BAD WAY OF TRYING TO DO GOOD THINGS”

THANK YOU FOR YOUR ATTENTION