UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Expert Group Meeting on "Developing datasets and indicators to monitor the performance of preferential trade agreements with regards to inclusive trade and other aspects of sustainable development"

20 June 2017

Bangkok, Thailand

Report of the meeting

Background

Expanding trade and investment has driven growth in many developing countries in Asia and the Pacific, contributing to major reductions in poverty and improvements in overall welfare. However, many other developing countries have not benefited from trade to the same extent, much less all groups and individuals within countries. These countries require assistance in fostering further economic and social development, through better market access and further development of productive and supply capacity. For this purpose, the Development Account Ninth tranche project "Enhancing the Contribution of Preferential Trade Agreements to Inclusive and Equitable Trade" has focused on preferential trade agreements as having the potential to promote growth, employment, and social welfare.

Thus far, the main focus of the project has been capacity building through national training workshops with the goal of increasing the understanding of government officials and trade negotiators of the potential benefits and costs of liberalization through preferential trade agreements, as well as how to manage these impacts. The overall goal of the project is to enable government officials and trade negotiators to formulate preferential trade agreements which may lead to more inclusive outcomes. National training workshops have been held in Bangladesh, Mongolia, Myanmar and Viet Nam to work towards this goal, while comments and feedback on the training materials have been taken on-board. The training materials will then be formulated into an e-learning course which will be shared online for all users.

Looking forward, to support the efforts of developing countries in understanding the potential impacts from liberalization through preferential trade agreements, and in forming evidence-based policies, more datasets and indicators are required to enable developing countries to better track the performance of preferential trade agreements with regards to inclusive trade and other aspects of sustainable development.

Objective

The purpose of this Expert Group Meeting was to:

i) identify channels through which preferential trade agreements may cause trade to be more, or less, inclusive;

ii) discuss potential indicators to monitor these impacts;

iii) identify datasets which can be used to underpin development of those indicators; and

iv) discuss issues of maintaining the datasets and indicators up-to-date after the completion of the project.

Participants[1]

Representatives of Asia-Pacific Research and Training Network on Trade (ARTNeT) institutional members (Institute of Policy Studies, and South Asia Watch on Trade, Economics & Environment), United Nations Social and Economic Commission for Asia and the Pacific (ESCAP), United Nations Economic Commission for Africa (ECA), United Nations HQ and members of academia and think tanks.

Summary of the Proceedings

The participants were welcomed by the secretariat and were provided the overview of the achievements under the Ninth Tranche of the Development Account Project, *Enhancing the Contribution of Preferential Trade Agreements to Inclusive and Equitable Trade*. Specific to the purpose of this meeting, activity 2.3 was discussed in detail. The activity aims to, guided by the views and suggestions of the advisory board, *establish and make available a dataset and indicators* which will enable tracking the performance of individual preferential trade agreements (PTAs) with respect to their effectiveness in stimulating pro-job and inclusive trade and investment activities.

An overarching concern brought up by all participants was the issue of definition: 'inclusiveness' itself is loosely defined, while 'inclusive trade' even less so. It was decided that this was one key area to begin work on immediately, to come up with a better definition which was narrow, tractable, and consistent. A commonly agreed upon definition of 'inclusiveness' would then feed into development of the indicators.

The participants also noted that to address the core issues of inclusivity, it would be desirable to use micro level indicators, as aggregated macro level statistics were more likely to miss out the most vulnerable socio-demographics. For example, in terms of preferred data to address the topic of inclusive trade, border trade is not usually registered, particularly among LDCs and poorest households, yet it is known to contribute to inclusiveness. Custom country level surveys were suggested as a possible venue to collect the required information. However, the secretariat noted that at this level of project stage, it would be hard adequately design and carry out survey work, and any index built must be used on existing country level data already available. Nevertheless, the secretariat also expressed the desire to use the suggested methodology in future extension of this work and promised to liaise with researchers during the proposal stage.

Other issues considered were the endogenous effect of the role of technological improvement over time, making it hard to untangle the role of technology and trade due to PTAs. Furthermore, PTAs alone pose attributional problems including overlapping preferences, rules of origins, non-tariff measures, not to mention the differences between policymaking and implementation in making developing countries.

In terms of data already available, inclusion of labour data was deemed to be very important, as well as measures on inequality, such as inflation adjusted Gini coefficient, trade costs, and indicators on trade in services (particularly education). Next, the weighting of the indicators was discussed. The Hinrich Foundation Sustainable Trade Index, including its indicators and weights were examined as a possible model for the way forward. It was noted that the methodology obfuscated the indicator weights, with equal weights most likely employed. Data sources on PTAs were subsequently discussed. WTO database on PTAs was noted to have extensive information on all the provisions, but only on PTAs officially notified

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[1] Please see Annex A – List of Participants for details.

to the WTO. The design of trade agreement (DESTA)[2] database was also considered to be a comprehensive repository of PTAs.

It was in principle agreed to use country level indicators to construct an index of inclusive trade in PTAs, as a base for more comprehensive analysis at a later stage. It was tentatively also decided to use equal weights, with sensitivity analysis to be conducted afterwards. The rationale was that the choice of indicators was in itself subjective, and specific weights would likely to compound this issue.

In conclusion, the meeting participants agreed to give more thoughts on the definition of inclusive trade, based on already available indicators. As a way forward, the participants were asked to consider the discussions overnight and respond to three questions, namely the meaning of inclusive trade, what the composite index should reflect, and "must have" indicators to be included as part of the index -Answers received from eight participants are summarized in Appendix A.

It was further decided that each participant would prepare a two-page summary on the kind of indicators that should be used, based on individual expertise. The summary should include a rationale on how those indicators influence trade, or the other way around, as well as any shortcomings or advantages of particular indicators. Data source and weblink for each proposed indicator may also be provided.

APPENDIX A – EXPERT ANSWERS TO SHORT QUESTIONS

In one sentence, please describe what you think is meant by "inclusive trade".

• Inclusive Trade is one that adequately compensates losers with some of the benefits accrued to the winners, without generating large disincentives to not trade.
• Trade that shares the benefits and costs such that it does not leave out the poor and vulnerable from the overall benefits.
• Enabling participation in the opportunities arising from the multilateral trading system for all, in a manner that achieves balanced gains across communities, and strengthens intra- and inter-generational welfare.
• Inclusive trade policies would be those that address the needs of the marginalized / deprived segments / sectors of the society.
• Trade that generates benefits, including employment and wage growth, that can be sustained and are shared equitably by all sections of society.
• International exchanges of goods and/or services that create opportunities for all members of society to improve their quality of life.
• Inclusive trade means that the benefits of trade accrue to the largest possible number of agents in the economy. Inclusive trade goes beyond the purely monetary benefits, but also includes the whole spectrum of human development, including improved health and educational achievements.
• When countries and groups within a country get positive benefits as a result of trading activities.

In one sentence, please explain what you think the composite indicator discussed during the EGM should reflect.

• A good social indicator must take into account levels of poverty and vulnerability across demographic and time dimensions. Trade should not be part of this because it's an input variable.
• It should reflect the distribution of benefits for the upliftment of living standards of the people.
• It should reflect: equity, environmental and inter-generational dimensions, as they relate to trade more generally, and PTAs in particular. Its purpose: helpful guide to address systemic weaknesses in PTAs or in country policies to be able to benefit fully from trade.
• The composite indicator should enable in assessing if PTAs are realising inclusive outcomes.
• It should be a measure of the extent to which trade generates benefits, including employment and wage growth, that can be sustained and are shared equitably by all sections of society.
• An indicator of inclusive trade should reflect the degree to which trade itself is creating opportunities for improvements in social outcomes.
• It can reflect the socio-economic development of a country and try to link it to PTA provisions.
• Measuring to what extent revenues from trading activities can lead to social and economic improvements in a country.

Please list what you consider to be "must have" indicators for measuring "inclusive trade".

Inequality, poverty, gender disparity, informality, and child labour.
Flows of trade, inequality, wages, employment and gender
Very initial: Pillar 1 "Trade enabling dimension" (Institutions/Regulatory strengths; costs of trade/distance; logistics/trade facilitation measures; market access/tariff/NTBs; Infrastructure quality); Pillar 2 "Social dimension" (Income GINI, employment (number/gender gaps); informal sector; education; health; access to basic utilities; digital empowerment); Pillar 3 "Inter-generational dimension" (CO_2 emissions, Renewable energy share; Natural resource depletion/commodity dependence); Pillar 4 "Innovation dimension" (R&D expenditure; GFCF; FDI; IPR). The difficulty will be linking how an FTA covers this (for example an FTA does not usually address skills development, which is a national policy; an FTA does not include limits on CO_2 emissions, etc.)
Trends in inequality; trends in poverty (using a dollar a day benchmark); share of wages in GDP; movement in the terms of trade; trends in social indicators (health and education); trends in FDI (focus must be on inflow of long-term funds)
Employment generation: job creation and destruction that can be linked to trade (export and import). Distribution of job creation and destruction across gender and income groups. Wage growth. Wage inequality. Domestic value addition and backward linkages of exporting sectors. An indicator of environmental sustainability.
1. Child mortality (indicates living conditions, especially of poor) 2. Maternal health (indicates the strength of health care system) 3. Out-of-pocket payments for health expenditures (shows how well people are covered by health insurance)
Tariffs (MFN and applied); Trade flows; Trade costs; Convertibility of national currencies; Labour standards; Employment (disaggregated by age groups disaggregated by gender); Informal employment (disaggregated by age groups and gender); Net income (disaggregated by age groups disaggregated by gender); Wealth (Gini or Theil; depending on level of details in data available).

APPENDIX B - LIST OF PARTICIPANTS

REGIONAL ORGANIZATIONS, INTERNATIONAL AND ACADEMIC INSTITUTIONS

Mr. Paul Baker, Chief Executive – Head of Consultancy International Economics Ltd, Grand Baie, Mauritius

Mr. Biswajit Dhar, Professor, Centre for Economic Studies and Planning School of Social Sciences Jawaharlal Nehru University, New Delhi, India

Mr. John Gilbert, Professor, Department of Economics and Finance, Huntsman School of Business, Utah State University, Logan, United States

Mr. Matthias Helble, Senior Economist, Asian Development Bank Institute, Tokyo, Japan

Mr. Saman Kelegama, Executive Director, Institute of Policy Studies, Colombo, Sri Lanka

Mr. Paras Kharel, Senior Programme Officer, South Asia Watch on Trade, Economics & Environment, Kathmandu, Nepal

Mr. Alberto Posso, Associate Professor, Department of Economics, Finance and Marketing, Royal Melbourne Institute of Technology, Melbourne, Australia

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