

APTIR 2013

Evidence for inclusive trade and investment policymaking

Training on Evidence-based Policymaking in Trade and Investment
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ASIA-PACIFIC
TRADE & INVESTMENT WEEK
18-22 NOV 2013

Outline

- Addressing policy questions related to inclusive trade and investment
- Checking status: Have Asia-Pacific trade and investment been inclusive?
- Finding evidence for inclusive trade and investment policy formulation: APTIR 2013

Inclusive trade-and- investment : Policy questions

- What are *the distributional effects* of trade?
 - Effects on wages
 - Effects on poverty and inequality
- How regressive or progressive trade policy?
 - A regressive policy: anti-poor bias
 - A progressive policy: pro-poor bias
- How to make trade and investment to deliver inclusive outcomes?
 - The focus of APTIR 2013



Has Asia-Pacific trade-led growth been inclusive?

- Asia's trade-led- growth (China and other emerging economies) was translated into a significant decline in poverty.

But,

- Inequality has increased across the region.
 - There is some evidence that inequality among the poor is worsening.
- This suggests that growth, which mostly was of trade-led type, is not benefitting the very poorest.

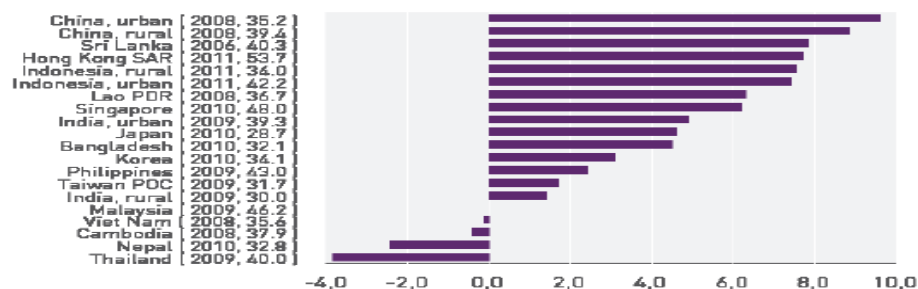
FIGURE 7.3

Stylized facts: Asia's experience in addressing inequality over last two decades

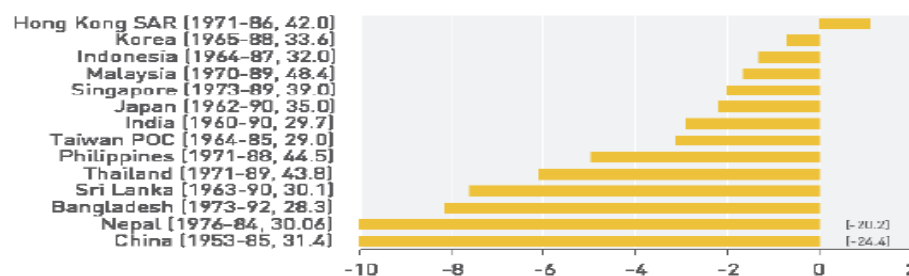
Today inequality is higher in many economies

... than pre-1990¹

Asia: Change in Gini Index, last two decades ¹
(in Gini points, since 1990)



Asia: Change in Gini Index, pre-1990 ¹
(in Gini points)



Source: World Bank, national authorities and IMF staff calculations.
¹In parenthesis the latest available year and corresponding Gini Coefficients.

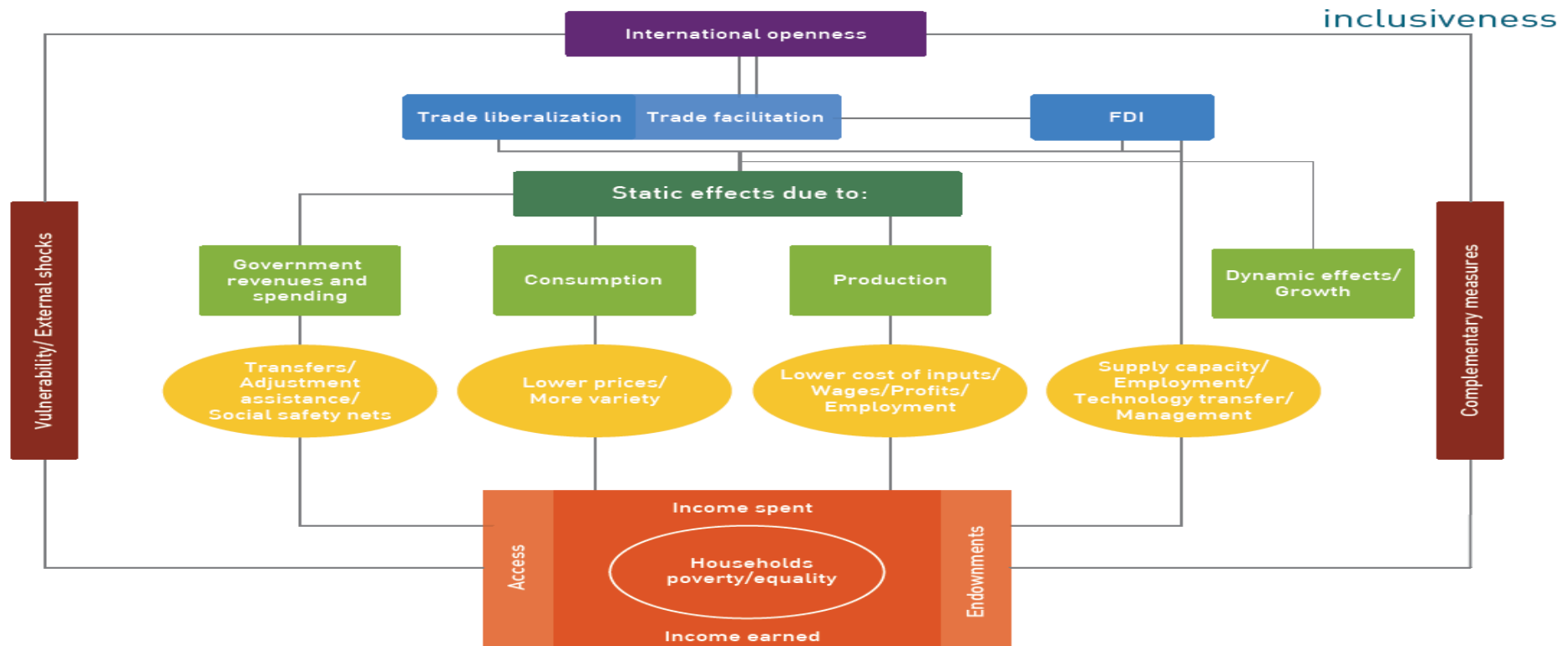
Source: Milanovic (2012); and IMF staff calculations.
¹In parentheses, the time period and end-value for the Gini coefficients.

APTIR 2013 : providing evidence for policymakers

- As the orthodox approach of “trade and invest first, and distribute gains later” does not produce the necessary and desirable inclusive outcomes, the missing elements in the model need to be explored.
- APTIR 2013 makes an attempt to find the conditions under which international openness would deliver inclusive growth.

FIGURE 8.2

Direct and indirect impacts of international openness policies on inclusiveness



How are poverty and inclusive growth affected by international openness?

- Econometric analysis using aggregate data from the Asia-Pacific region from 1988 to 2010.
 - (i) employment opportunities;
 - (ii) productivity and wages;
 - (iii) poverty and inequality;
 - (iv) gender equality in employment opportunities

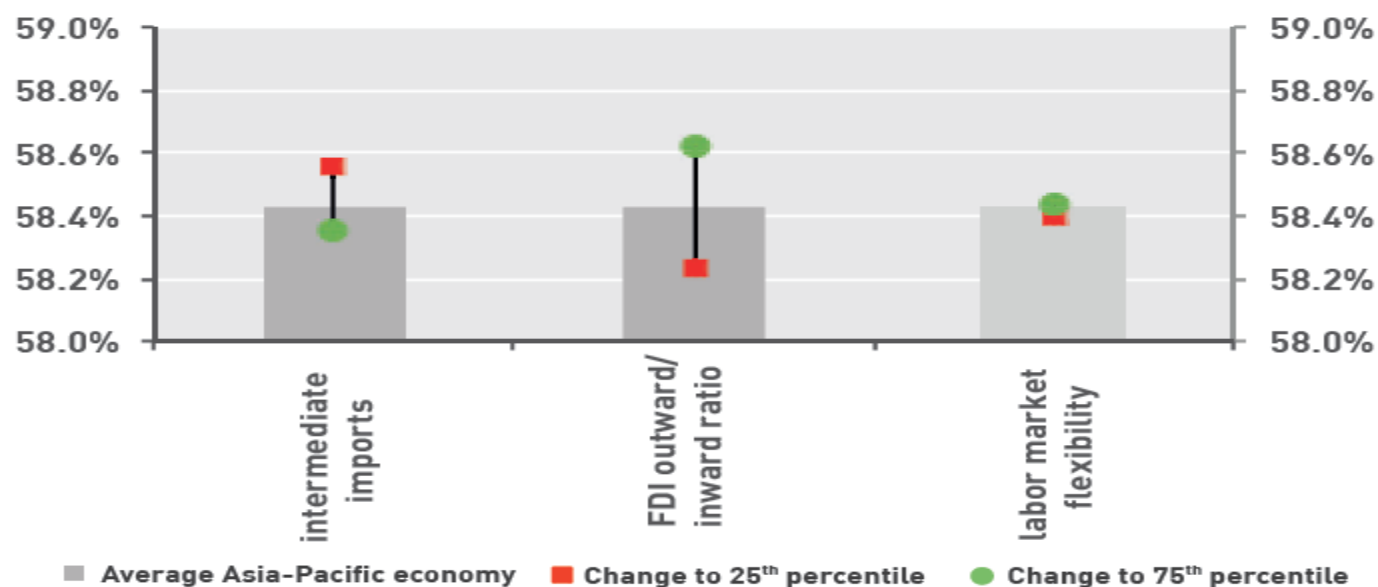


Evidence on employment opportunities

- Econometric results, generally, reflect that international openness by itself has little impact on employment opportunities. However, some interactions between openness and complementary policies are of significance:
 - the share of intermediate goods in total imports;
 - labour market flexibility;
 - the outward-over-inward FDI ratio.

FIGURE 9.1

Intermediate imports and composition of FDI affect the employment participation rate



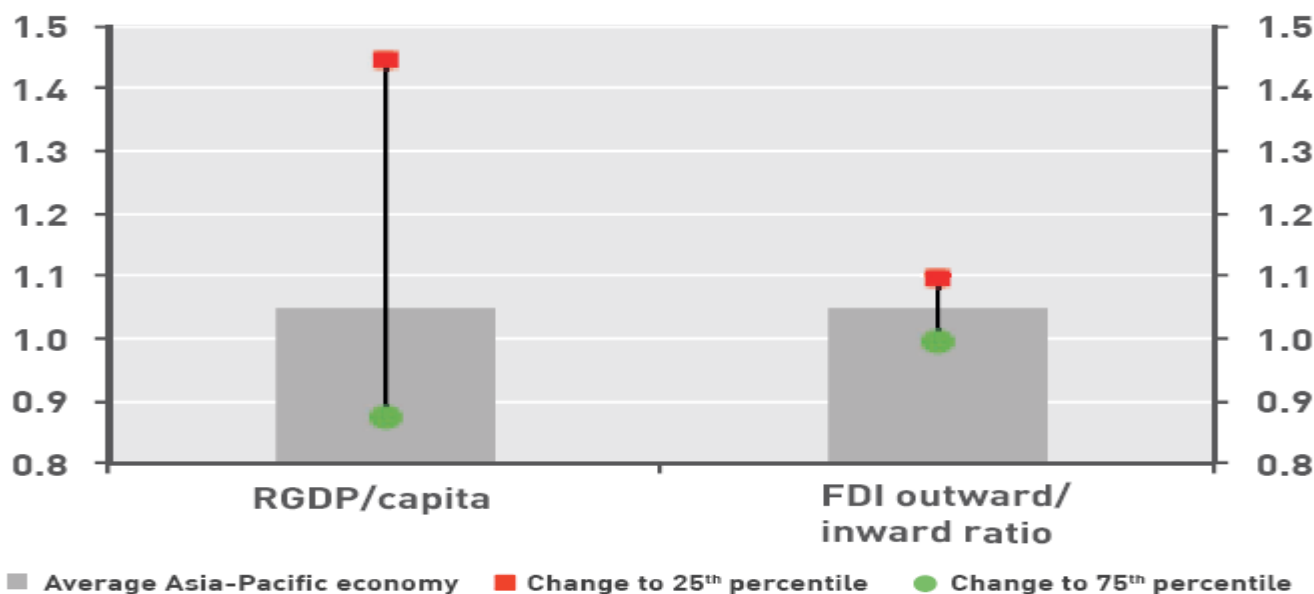
Evidence on productivity

- Countries with higher share of FDI to GDP tend to show higher aggregate productivity.
- Promoting aggregate investment is a growing boon to domestic productivity.

Evidence on wages

FIGURE 9.4

Real wages do not necessarily rise with the stage of development

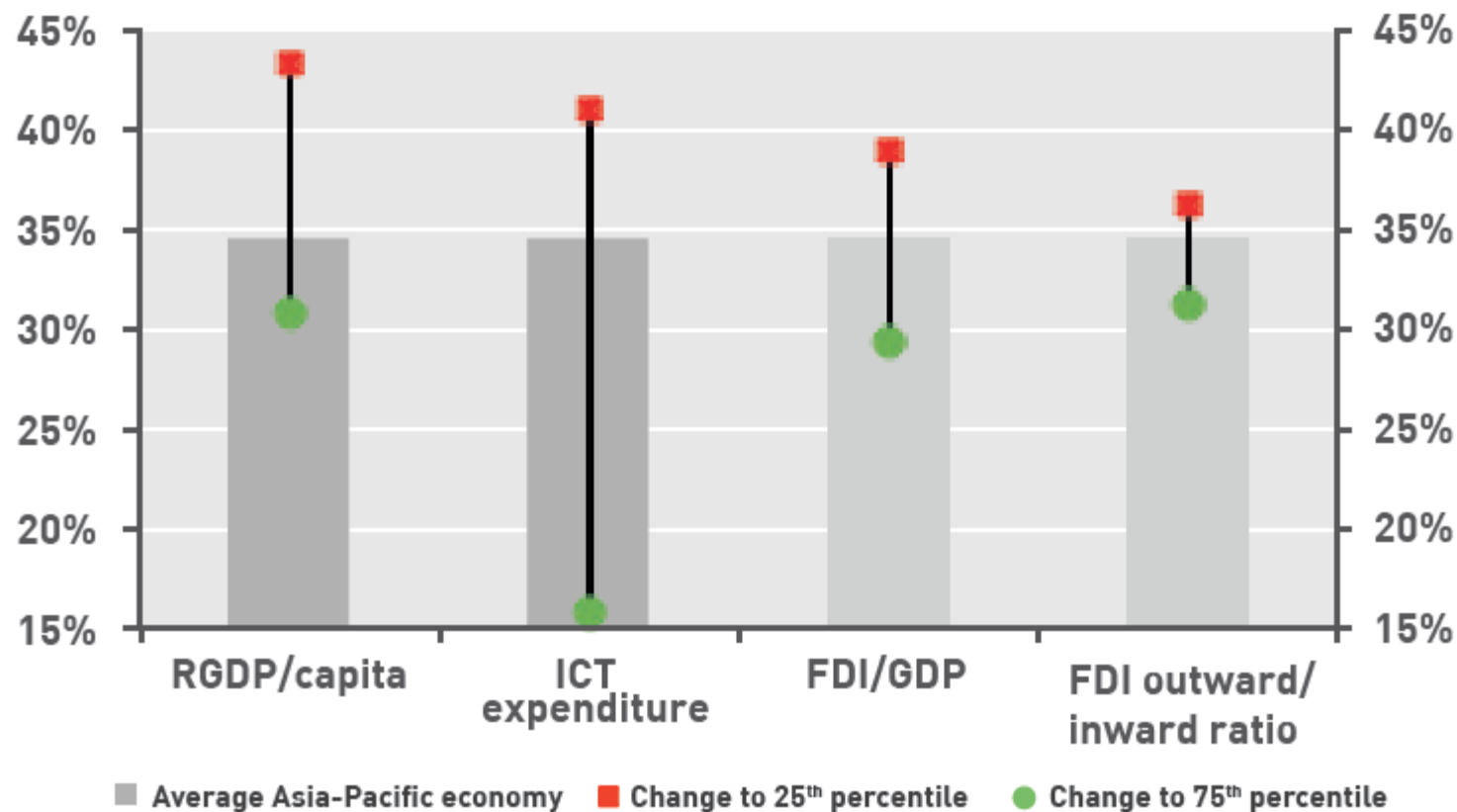


Evidence on poverty

- Increasing ICT expenditure per worker (technological improvement) is the most effective tool in fighting poverty.

FIGURE 9.5

The stage of development and ICT expenditure affects the poverty rate

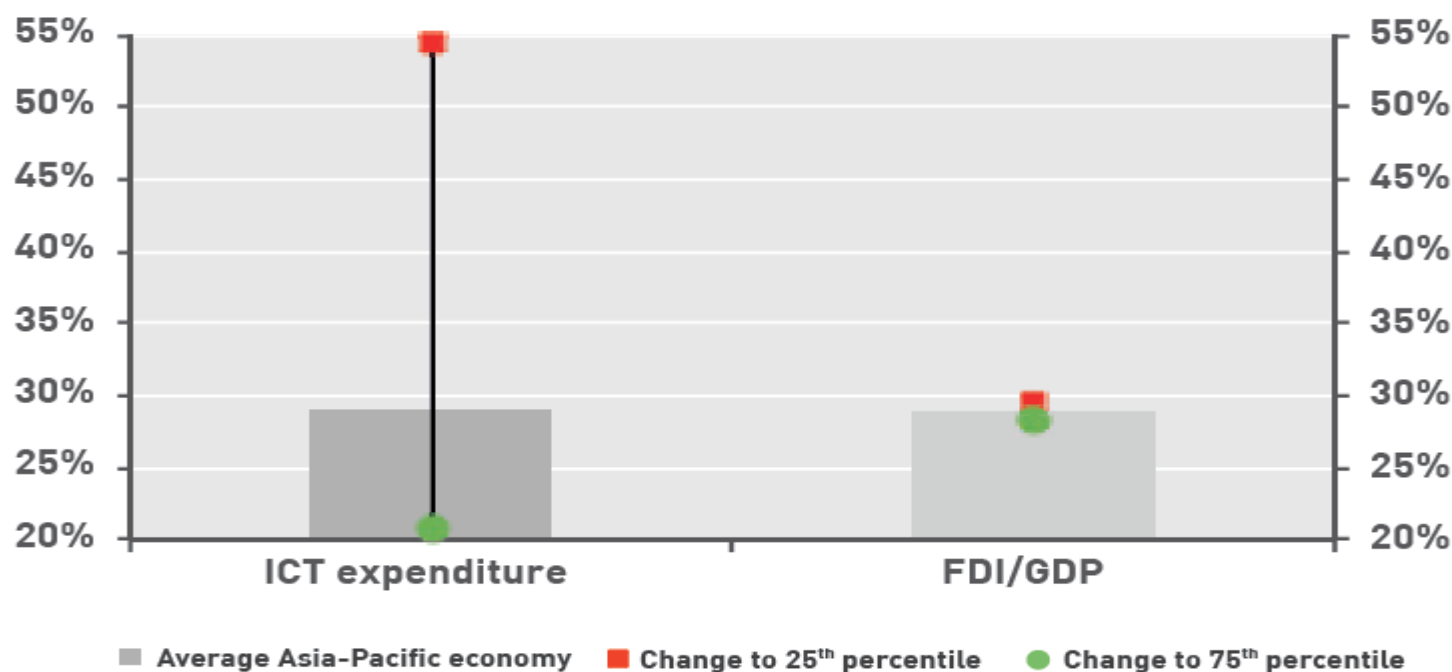


Evidence on inequality

- Increasing ICT expenditure (technological improvement) helps reduce income inequality.

FIGURE 9.6

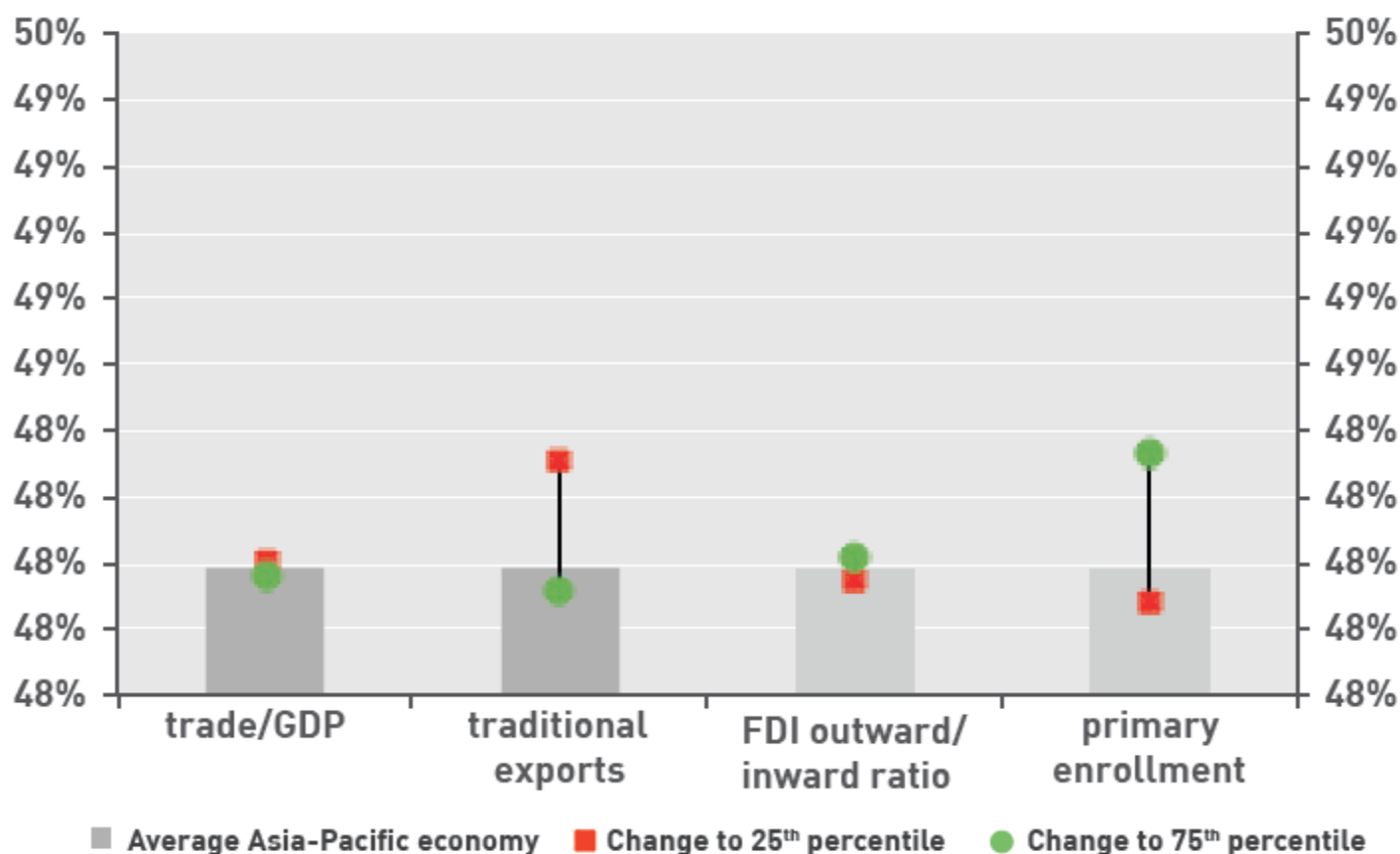
ICT expenditure affects income distribution



Evidence on gender equality in employment

- Export sophistication, as well as an increase in the female primary enrollment rate, may marginally lift female employment participation.

FIGURE 9.7



Policy implications

- While international openness matters for inclusive growth, its impact could be enhanced by use of various complementary policies.
- International openness may benefit inclusiveness, especially if:
 - Countries have more flexible labour markets, and increase expenditure on ICT.
 - The promotion of aggregate investment may also provide a boost to domestic productivity.
 - Basic and equal access to education was found to be beneficial in the presence of international integration

- Additionally, there are broader complementary policies that have to be put in place for trade and investment to produce helpful results. These policies include:
 - institutions and regulation;
 - macroeconomic and exchange rate policies;
 - competition policy;
 - industrial policies;
 - infrastructure and human capital investment strategy; and
 - social and environmental protection.



Please visit APTIR (2013) for further details

http://www.unescap.org/tid/ti_report2013/home.asp

Thank you!

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