

# Inclusive and job-enhancing trade (APTIR 2013):

Definition and assessment of  
'inclusive trade'



# Outline

- What is 'inclusive trade'?
- Assessment of 'inclusive trade'
- Tentative structure of APTIR 2013



# What is ‘inclusive trade’?

- **Trade is inclusive** if all people can contribute to and benefit from international trade (**equality of opportunities** as precondition)\*

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\* “Trade” for simplicity includes imports and exports of goods and services, FDI and movements of labour across borders, trade related policies as well as trade facilitation

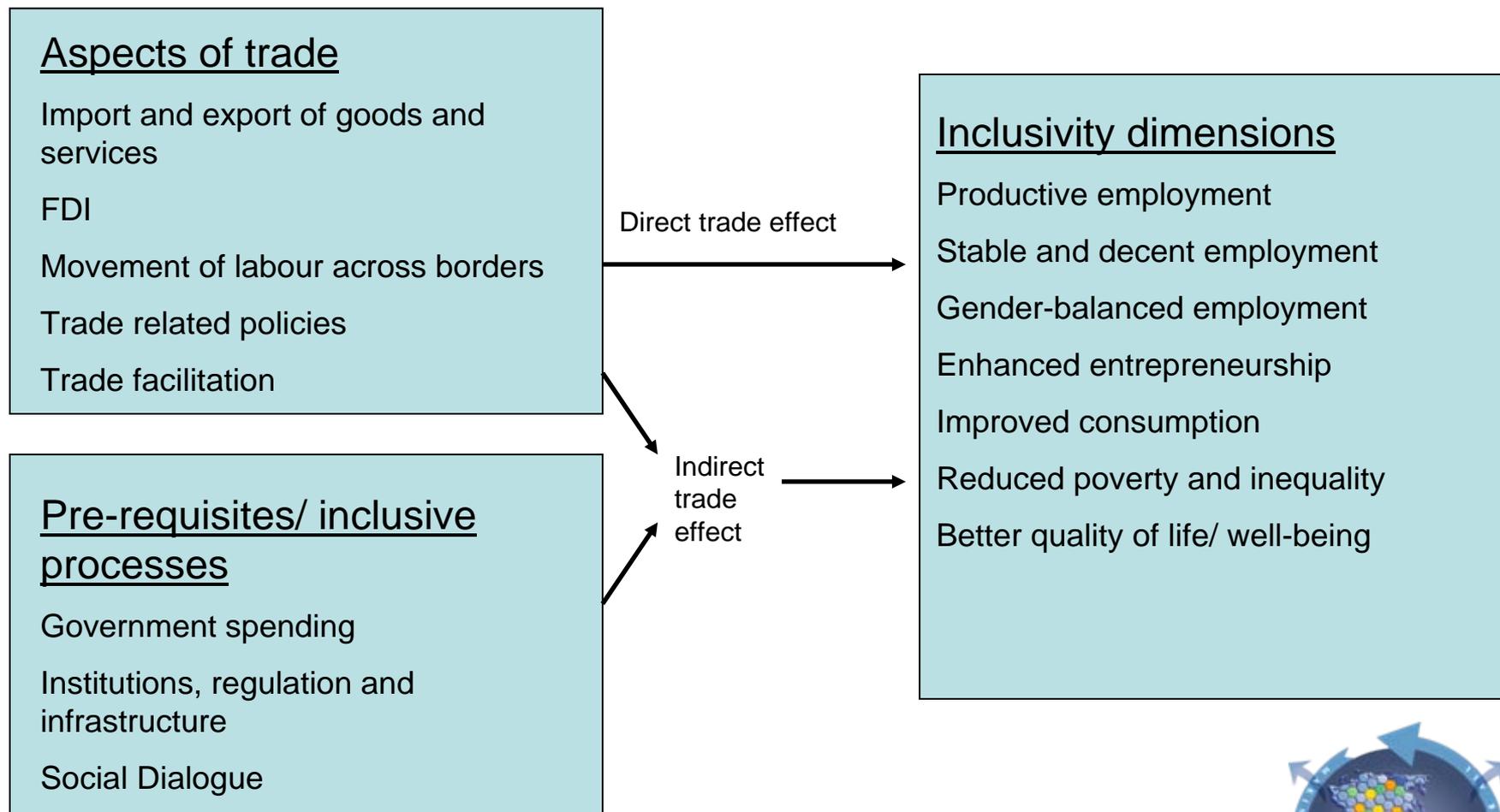


# What is 'inclusive trade'?

- **Equality of opportunities** in terms of access to employment, entrepreneurship, finance, education, health and information *may contribute to...*
- **...inclusivity** in terms of different dimensions such as productive employment, stable and decent employment, gender-balanced employment, enhanced entrepreneurship, improved consumption, reduced poverty and inequality as well as quality of life/ well-being



# What is 'inclusive trade'?



# Assessment of 'inclusive trade'

- **Possible approaches** (- disadvantage, + advantage)
  - Econometrics (aggregate data): - causality difficult to identify, + many inclusivity dimensions can be investigated, + provides broad overview of potentially important pre-requisites/processes
  - Econometrics (household/firm data): - limited data availability, limitation of scope, + causality can be identified
  - CGE: - limitation to few employment and poverty aspects, - strong functional assumptions, + general equilibrium effects considered
  - Sectoral case studies: - limited to anecdotal evidence, - selective, + detailed insights for some specific groups and sectors
- **Approaches are complements** rather than substitutes



# Econometrics (aggregate data)

- **General aim of econometric study:** Ranking of 'processes' that together with trade are associated with inclusivity (e.g. formulation of a concrete negotiation strategy)
- **Which inclusivity dimensions/indicators can and should be studied?** (left-hand side variables)
- **Which aspects of trade and pre-requisites/inclusive processes can and should be taken into account?** (right-hand side variables)



# Which inclusivity indicators?

- **Productive employment and productivity**
  - (Share of employed of total population)\*(Total factor productivity)
  - Total factor productivity
  - (Share of employed of total population)\*(Average wage)
  - Average wage
  - (Share of employed of total population)\*(Skilled vs. unskilled worker employment ratio)
  - Skilled vs. unskilled worker employment ratio
  - Share of employment in technology-intensive sectors
- **Stable and decent employment**
  - Volatility of employment (e.g. variance of share of employed of total population)
  - Volatility of wages (e.g. variance of wages)
  - Employment conditions (e.g. hours per day, leave per year, security at work-place, child labour)
- **Gender-balanced employment**
  - Share of female employment of total employment
  - Female vs. male worker wages
  - Share of female employment of total skilled employment (or of total high-tech sector employment)
- **Enhanced entrepreneurship**
  - Establishment of new firms
  - Innovation (e.g. number of patents)
- **Improved consumption**
  - Consumer prices (e.g. CPI)
  - Variety of products
- **Reduced inequality and poverty**
  - GINI
  - Variance in wages
  - Share of population with less than 1\$/5\$ per day
  - Share of population with basic social security coverage
- **Better quality of life/ well-being**
  - Well-being index
  - Happiness index
  - Leisure time



# Which aspects of trade and inclusive processes?

- **Trade flows, FDI and movements of people across borders**
  - Imports (of capital) goods of total GDP
  - Services imports of total imports (or of total GDP)
  - Inward FDI stocks of total GDP
  - Number of MNE active in country
  - Share of tertiary-educated of total migrants
- **Trade-related institutions, policies and conditions (including trade facilitation)**
  - WTO membership
  - Number of FTA partner countries
  - Tariff level
  - Total trade costs
  - Time to trade and documents to trade
  - Activity of export promotion agency
- **Relevance of people's voice/ social dialogue**
  - Corruption and rule of law indicator
  - Democracy indicator
  - Freedom of press and thoughts
- **Government spending**
  - Share of administration costs of government spending
  - Share of social spending of government spending
  - Share of tertiary education and vocational training spending of government spending
  - Share of infrastructure investment of government spending
- **Institutions and infrastructure**
  - Level of public infrastructure for communication and transportation
  - Financial development, micro-finance institutions
  - Share of population with tertiary education
  - Access to electricity
  - Labour market regulation/ flexibility
  - Ease of doing business indicator; cost of business start-up procedures
  - Share of engineers/mathematicians of total tertiary educated population



# Sectoral case studies/stories

- Textiles production in Bangladesh
- Cars and production networks in Thailand
- Cocoa bean farming in Vanuatu
- Rice farming in Thailand
- Outsourcing services in India
- What other studies?



# Tentative structure of APTIR 2013 (thematic part)

## 1) Conceptualization of inclusive trade

Broad definition of Inclusive trade based on existing work

Narrow definition of Inclusive trade relevant for APTIR 2013

Brief literature review on the linkages between trade and inclusivity

Discussion of methods of assessing the effect of trade on inclusivity

What methods have been used so far?

How useful are they to assess the effects of trade on inclusivity?

CGE versus econometrics versus case studies/stories?

## 2) Assessment of trade effects on inclusivity

### 2.1) An econometric approach

Brief literature review

Discussion of what can be shown with simple econometrics (and without household or firm level data)

Presentation of results (Ranking of factors that matter most for making trade inclusive)

What future research is needed?

### 2.2) CGE

Focus on unskilled versus skilled employment and wage effects

### 2.2) Sectoral case studies/stories

Cacao sector on Vanuatu

Rice sector in Thailand and Cambodia

Textile sector in Bangladesh

Car sector in Thailand

Outsourcing services in India

Others (to be determined)

## 3) Challenges, opportunities and policy priorities for Asia-Pacific



# Thank you

[www.unescap.org/tid](http://www.unescap.org/tid)

Previous APTIR issues

[http://www.unescap.org/tid/ti\\_report2011/home.asp](http://www.unescap.org/tid/ti_report2011/home.asp)



# Appendix



# Stylized facts: Inclusive outcome

Economic growth does not always come with formal sector employment

|                   | Average GDP growth | Average formal sector employment growth |
|-------------------|--------------------|---|
| China             | 9.6                | 0.8                                     |
| India             | 7.8                | 0.2                                     |
| Papua New Guinea  | 7.5                | 2.6                                     |
| Mongolia          | 7.5                | 2.3                                     |
| Sri Lanka         | 6.6                | -0.2                                    |
| Viet Nam          | 5.9                | 4.1                                     |
| Indonesia         | 5.7                | 1.6                                     |
| Solomon Islands   | 4.5                | 3.1                                     |
| Philippines       | 4.1                | 2.7                                     |
| Malaysia          | 3.5                | 1.8                                     |
| Republic of Korea | 3.3                | 0.6                                     |
| Vanuatu           | 3.3                | 2.5                                     |
| Pakistan          | 2.6                | 3.0                                     |
| Thailand          | 1.9                | 0.3                                     |
| Fiji              | 0.2                | 1.2                                     |
| Tonga             | 0.0                | 0.7                                     |
| Samoa             | -0.9               | 0.7                                     |

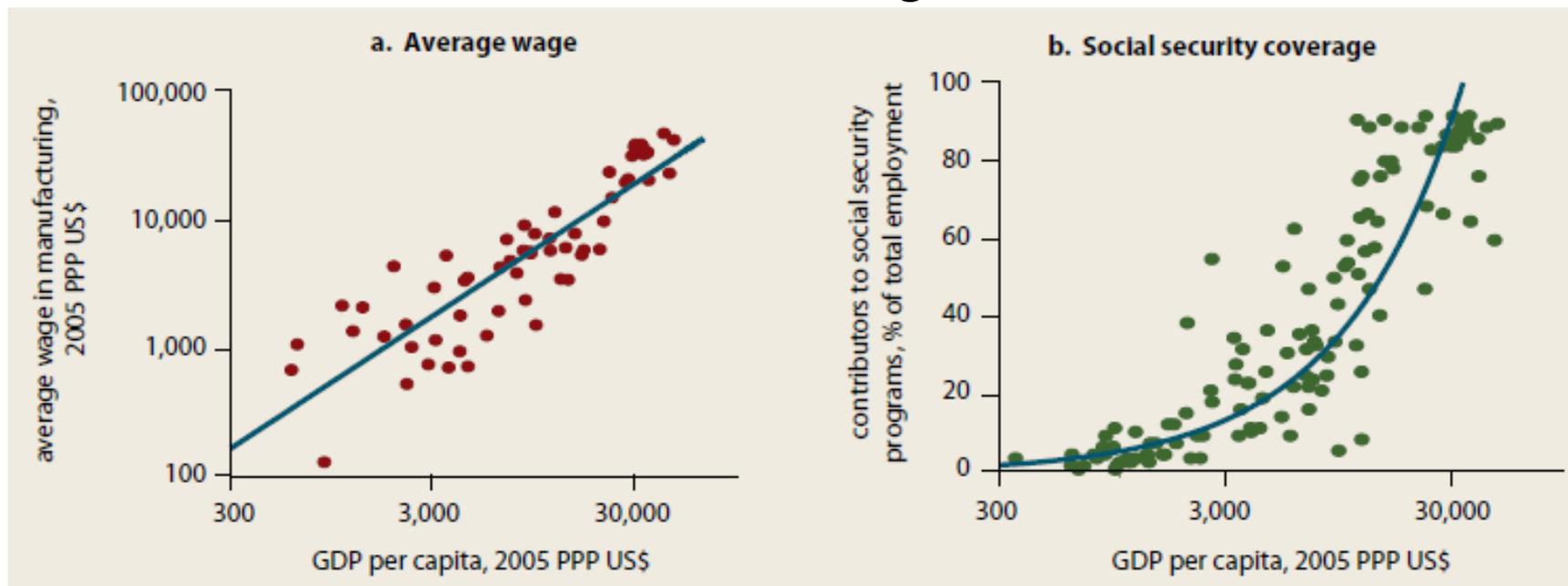
Source: Figure retrieved from ESCAP (2012, p. 44)

Notes: Data for post-crisis (2009-2011)



# Stylized facts: Inclusive outcome

Jobs provide higher earnings and benefits as countries grow



Source: Figure retrieved from World Bank (2012, p. 9)

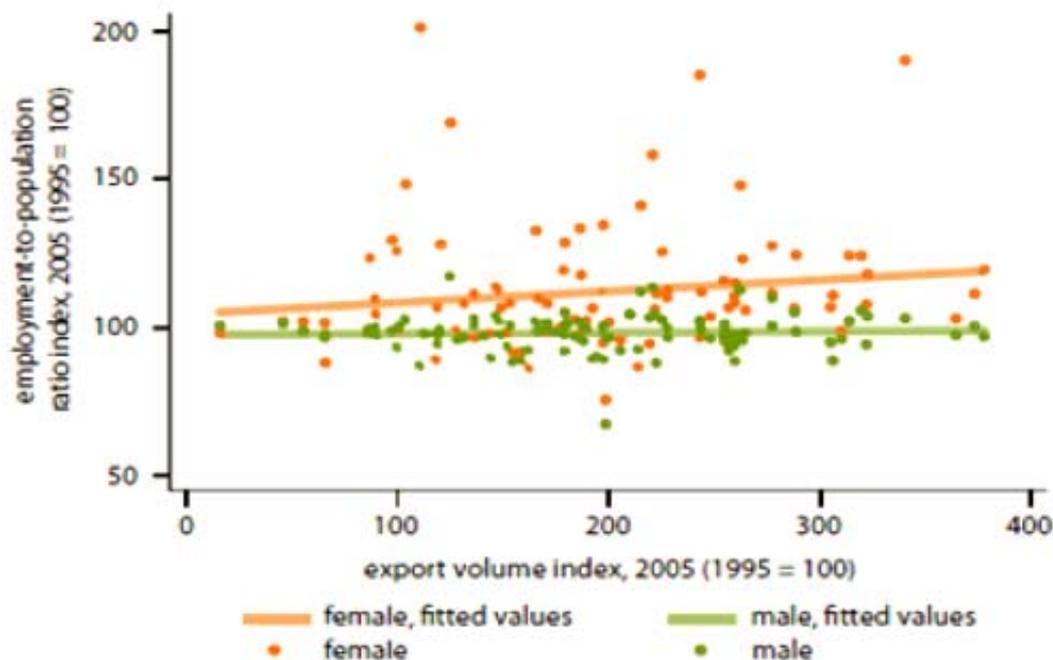






# Stylized facts: Inclusive trade

Trade creates jobs for women disproportionately



Source: Figure retrieved from Newfarmer and Sztajerowska (2011, p. 41)



# Data availability (principal sources)

- **ILO Laborsta database** (<http://laborsta.ilo.org/>) for employment and wage data by country, sector, type of activity, age
- **World dataBank** (<http://databank.worldbank.org/ddp/home.do>) for provision of basic social services, labour standards, ease of doing business and other aspects of inclusive processes
- **WITS** (<http://wits.worldbank.org/wits/>) for trade flows and tariffs
- **UNCTADstat** (<http://unctadstat.unctad.org/>) for FDI
- **ESCAP** (<http://www.unescap.org/tid/artnet/trade-costs.asp>) for trade costs
- **OECD** for Aid for Trade data



Thank you for your attention  
and feedback

