

## **Economic and Social Commission for Asia and the Pacific**

### **Fourth Asia-Pacific Forum for Sustainable Development**

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Item 3 (a) of the provisional agenda\*

### **Strengthening implementation of the 2030 Agenda for Sustainable Development in the Asia-Pacific region**

## **Leveraging trade as a means of implementation in the new global environment**

**Note by the secretariat\*\***

### *Summary*

Trade has the potential to contribute to the 2030 Agenda for Sustainable Development in numerous ways. However, recent developments in the global environment in the form of a rise in protectionist rhetoric can threaten the ability of countries to harness this potential of trade. This paper provides an overview of current state and future prospects of international trade. It highlights some of the emerging challenges in the form of gaining popularity of protectionist rhetoric; weakening of multilateralism; confounding the impact of technology and trade; and erosion of effective preferences to least developed countries and developing countries. Some of the policy recommendations that can help address these challenges include: promoting open and transparent discussions on the impacts of trade at a higher resolution; designing trade adjustment assistance programmes that works; continuing commitment to multilateralism, while exploiting synergies with deeper regional integration; addressing the real barriers to trade beyond tariffs; improving trade facilitation, especially by implementing the Trade Facilitation Agreement; and harnessing digital trade to promote inclusive trade.

## **I. Introduction**

1. The 2030 Agenda for Sustainable Development recognizes trade as an important means of implementation of the Agenda. Trade is introduced within the 2030 Agenda as an “engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development”.<sup>1</sup> Trade can be a direct and indirect enabler of sustainable development. However, there has been a recent rise of protectionist rhetoric

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\*\* This document is being issued without formal editing.

<sup>1</sup> This description of trade is also used in the Addis Ababa Action Agenda.

across the world. The looming “Brexit”, the withdrawal of the United States of America from the Trans-Pacific Partnership Agreement and the suggestions about return to “bilateralism” are manifestations of a rising discontent towards trade liberalization, especially pursued through multilateral mechanisms. How can the potential of trade be harnessed to promote sustainable development in this new global environment? This is the central question which this information note aims to address.

2. This information note is intended to guide the discussions at the Asia-Pacific Forum on Sustainable Development 2017 and the subsequent discussion at the 73<sup>rd</sup> session of the ESCAP Commission. The note draws from the research work conducted by ESCAP and other sources. In order to gauge public opinion on trade as a means of implementation, an online global perception survey was conducted by the Trade, Investment and Innovation Division of ESCAP.<sup>2</sup> Specifically the theme of the survey was “Leveraging trade as a means of implementation of the 2030 Agenda for Sustainable Development in the new global environment”. This information note integrates the results from this survey.

3. The structure of the note is as follows. The paper begins by highlighting the state of play in global trade drawing from ESCAP Asia-Pacific Trade and Investment Report 2016.<sup>3</sup> The note then summarizes what it entails for trade to be a means of implementation. The subsequent section maps how trade policy measures are integrated within the Sustainable Development Goal framework. The paper draws attention to some of the emerging challenges of harnessing the potential of trade and concludes with discussing potential ways to address these challenges.

## II. Trade: current state and future prospects

*Trade is perceived as an opportunity rather than a threat at the country level and at the personal level.*

*70% of the respondents identified trade to be an opportunity to their economy and a larger proportion (80%) perceives trade as an opportunity for them personally or for their company.*

4. The trade landscape has evolved significantly during the last two decades. Developing countries have gradually increased their share of world trade. Between 2005 and 2015, the share of developing countries in global

<sup>2</sup> The Global Perception Survey on “Leveraging trade as a means of implementation of the 2030 Agenda for sustainable Development in the new global environment, was open for three weeks during January-February 2017. The survey drew 290 responses (273 complete and 17 partial responses) from 59 countries worldwide. The 90% of the respondents stated to have a post-graduate or Ph.D. level education and 92% of the respondents rated moderate to high awareness of the 2030 Agenda for Sustainable Development. Among others, the survey was also circulated among members of the ESCAP Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission (ACPR), subregional offices of ESCAP and the Asia-Pacific Research and Training Network on Trade (ARTNeT). The detailed results of the survey are available from <https://goo.gl/r4GdYr>.

<sup>3</sup> ESCAP, *Asia-Pacific Trade and Investment Report 2016: Recent Trends and Developments* (United Nations publication, Sales No. E.16.II.F.23). Available from [www.unescap.org/resources/asia-pacific-trade-and-investment-report-2016-recent-trends-and-developments](http://www.unescap.org/resources/asia-pacific-trade-and-investment-report-2016-recent-trends-and-developments).

merchandise exports increased from 33% to 42%.<sup>4</sup> Almost 60% of global trade now comprises trade in intermediate goods,<sup>5</sup> governed by global value chains.<sup>6</sup> This makes both the import and export sides of trade equally significant for countries as they try to deepen their participation in global value chains. At the same time, the trade in commercial services has been on the rise globally and the value of trade in commercial services trade in 2015 is almost double that of 2005.<sup>7</sup>

5. Trade in the Asia-Pacific region experienced a major slump in 2015, with the United States dollar value of exports and imports declining significantly by 9.7% and 15%, respectively. Merchandise and services export growth weakened in 2015 despite relatively robust economic performance in many Asia-Pacific economies.<sup>8</sup>

6. The main causes for trade faltering in 2015 and previous years range from cyclical to structural – sluggish global economic growth, a downward movement of commodity prices, adverse movements of exchange rates, capital flow volatility, maturation of global value chains and a decline in productivity growth. Most of these factors would have also been at work in 2016, although later in the year some economic indicators signaled more robust performance and return of stability, at least in emerging markets in Asia. Thus, expectations are that nominal exports and imports will bounce back in 2017 with a 4.5% growth in exports and 6.1% growth in imports.<sup>9</sup>

7. The above forecasts were made without accounting for any major shifts in the global politics and trade architecture. The World Economic Forum has recently released its forecasts on the future of trade for the next three years integrating this broader “new global environment”. The Forum predicts a range of scenarios, from a “good” one that stabilizes and reinforces the trading system to an “ugly” scenario marked by unconstrained tit-for-tat and major “trade wars” among leading economies.<sup>10</sup> The bottom-line is that the initial years of implementation of the 2030 Agenda is witnessing a bleak picture in terms of overall trade performance due to looming uncertainty of the future of trade.

<sup>4</sup> See WTO, *World Trade Statistical Review 2016* (Geneva, 2016), available from [www.wto.org/english/res\\_e/statis\\_e/wts2016\\_e/wts2016\\_e.pdf](http://www.wto.org/english/res_e/statis_e/wts2016_e/wts2016_e.pdf).

<sup>5</sup> UNCTAD, *World Investment Report 2013 – Global Value Chains: Investment and Trade for Development* (United Nations publication, Sales No. E.13.II.D.5). Available from [http://unctad.org/en/PublicationsLibrary/wir2013\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf).

<sup>6</sup> For comprehensive analyses of global value chains in the regional context, see ESCAP, *Asia-Pacific Trade and Investment Report 2015: Supporting Participation in Value Chains* (United Nations publication, Sales No. E.15.II.F.15), available from [www.unescap.org/resources/asia-pacific-trade-and-investment-report-2015-supporting-participation-value-chains](http://www.unescap.org/resources/asia-pacific-trade-and-investment-report-2015-supporting-participation-value-chains).

<sup>7</sup> WTO, op. cit.

<sup>8</sup> See ESCAP, *Asia-Pacific Trade and Investment Report 2016*, op. cit.

<sup>9</sup> Ibid.

<sup>10</sup> See more details in World Economic Forum, “Global Future Council on the Future of International Trade and Investment” (2017), available from [http://www3.weforum.org/docs/WEF\\_DAVOS\\_BRIEF.pdf](http://www3.weforum.org/docs/WEF_DAVOS_BRIEF.pdf).

### III. Trade as a means of implementation: what does it entail?

8. This section describes how trade contributes both as a financial and non-financial means of implementation for the 2030 Agenda. It also discusses some potential challenges to using trade to pursue sustainable development.

#### *How do people perceive trade as a means of implementation?*

*In the survey respondents were asked on what they thought “means of implementation” refers to in the phrase “Trade is a key means of implementation for the 2030 Agenda and the Sustainable Development Goals”. 50% of the respondents believe that “trade can directly help in the achievement of several of Sustainable Development Goals as well as help mobilize financial and non-financial resources that can be used to achieve any of the 17 Sustainable Development Goals”. 35% felt that “trade can help in the achievement a specific set of Sustainable Development Goals, primarily pertaining to increasing economic performance of developing countries”, while 15% of the respondents identified trade exclusively as “one of the main sources of generating financial resources to achieve Sustainable Development Goals.”*

#### A. Trade as a financial means of implementation

9. Trade is an important source of generating finances which can in turn be used for financing policies that promotes sustainable development. Trade can generate finances both directly and indirectly. There are three main ways to generate public revenue through trade, namely, tariff revenues generated through taxing of imports; export taxes on specified commodities and services; and finally other proceedings from exports such as through different contractual arrangements of export of primary commodities and fees derived from export/import licenses. While there are sound economic arguments to discourage countries from relying on trade taxes for the purposes of financing public expenditures, still in many countries trade taxes contribute a significant share of total public revenue. For instance, for the least developed countries of Asia and the Pacific region, the total taxes on international trade<sup>11</sup> amounted to an average of 17% of their total public revenue for the period 2010-2015.<sup>12</sup>

10. In addition to this direct public revenue generation potential, trade leads to generation of revenue indirectly through boosting of private finances. Increased opportunities, enabled by an open trade regime, have been found to increase foreign direct investment (FDI). Further, export opportunities provide incentives for the private sector to increase their investment and improve productivity leading to higher sales revenues and therefore higher tax payments. Expanded economic opportunities, enabled by trade, lead to more employment, higher tax collection from both income and sales as well as potentially lesser need for direct government spending on income support. This contributes to an overall increase in economic growth. All these indirect

<sup>11</sup> Taxes on international trade include import duties, export duties, profits of export or import monopolies, exchange profits and exchange taxes.

<sup>12</sup> Data for Myanmar and Tuvalu were missing for all years. For countries for which data were available, missing data points (if any) was estimated using linear extrapolation. Calculation by ESCAP, based on data on taxes on international trade provided by the World Bank World Development Indicators available from <http://data.worldbank.org/indicator/GC.TAX.INTT.RV.ZS>.

channels lead to an expansion of productive capacities of countries and indirectly add to the financial resources available to address the Sustainable Development Goals.

## **B. Trade as a non-financial means of implementation**

11. Trade also gives access to a wide variety of non-financial resources indispensable for meeting several Sustainable Development Goals. The Sustainable Development Goal framework recognizes this and trade related targets have explicitly been integrated under several of the Sustainable Development Goals. For instance, for achieving the goal on food security (Goal 2), correcting and preventing trade restrictions in agricultural market have been identified as a target. Further, trade can promote access to affordable medicine, health care services, green technology and a whole array of inputs required to achieve several of the Sustainable Development Goals. The contributions of trade to improve the economic dynamism of the economy are manifold. Trade helps create jobs not only in export sectors where a country has its comparative advantage but also in import sectors in the process of facilitating imports. Well-functioning, export and import sectors help integrate economies into global value chains. Global value chains in turn play catalytic role in attracting FDI, which can lead to transfer of technology and knowledge spillovers. These non-financial benefits from trade improve the dynamism and overall capacities of countries to pursue sustainable development.

***Strong agreement on the potential of trade to facilitate Sustainable Development Goals. At the same time people are worried of some negative impacts***

*75% of the respondents of the survey strongly agreed that trade can have a significant effect on sustainable development. In terms of the mechanisms of impact, respondents feel that trade will have maximum positive impact through boosting of economic growth, technology enhancement, creating jobs and revenue generation. Other positive channels of impact identified by respondents were the social impacts of trade (in terms of education, health, labour laws and promoting social protection); enabling structural transformations; improving access to cheaper inputs and high quality products; and promoting peace and stability.*

*At the same time respondents also shared their main concerns of trade's potential negative impacts. The following were the main mechanisms of impact in the order of highest scores: destruction of local small scale industries; detrimental impact on environment; increase income inequality and create social tension; and destruction of jobs and lowering of wages of workers. Some other points raised by the respondents were the exacerbation of urban-rural divides and other intra-national inequalities; and the potential negative impacts of trade on the local culture.*

12. However, these benefits do come with some costs that need to be considered and addressed. Competition from abroad can make certain domestic sectors unviable as local consumers are able to access the same products at a cheaper rate from abroad. While this is beneficial to consumers and to the overall welfare of the country in many cases, it may lead to destruction of jobs and closure of certain sectors. Hence, the overall impact of trade on sustainable development would crucially depend on how its benefits are shared within economies. Trade can lead to a higher scale of production and resource extraction which might have adverse environmental

consequences. Such environmental impacts need to be mitigated through strict environmental policies. Also, while trade presents numerous opportunities, large sections of the population may not be in a position to benefit from these opportunities due to lack of various capabilities (including education, skills and access to finance). Hence, trade can exacerbate and reinforce existing inequalities. These issues need to be carefully dealt with using appropriate complementary policies.

#### IV. Trade policy within the Sustainable Development Goal framework

13. Trade policies are important to facilitate the various linkages between trade and the Sustainable Development Goals, listed in the previous section. The Sustainable Development Goal framework explicitly recognizes different trade policies. Table below maps the trade policy related measures that have been explicitly integrated within the Sustainable Development Goal framework. Both tariffs and certain non-tariff measures, namely producer support, export subsidies, rules of origin, and intellectual property rights, feature in the Sustainable Development Goal targets. For example, there is a call for the removal of export subsidies and other producer support measures to achieve Goal 2 on food security. Similarly, ensuring timely implementation of “duty-free quota-free” market access for least developed countries is targeted under Goal 17. However, in terms of concrete quantifiable indicators, tariffs clearly dominate mainly because of their predominance in multilateral trade negotiations but also partly driven by internationally comparable data availability.

Table

**Mapping of trade policy related measures in Sustainable Development Goals**

<i>Trade policy related measure</i>	<i>Sustainable Development Goals</i>	<i>Targets</i>	<i>Indicators</i>
<b>Tariffs</b>	Goal 10 Reduced inequalities between countries	10.a	10.a.1
	Goal 17 Partnerships for the goals	17.10 17.12	17.10.1 17.12.1
<b>Non-tariff measures</b>			
Producer support	Goal 2 Zero hunger	2.b	2.b.1
Export subsidies	Goal 2 Zero hunger	2.b	2.b.2
	Goal 14 Life below water	14.6	-
Rules of origin	Goal 17 Partnerships for the Goals	17.12	-
Trade related intellectual property rights	Goal 3 Good health and well-being	3.b	-
<b>Aid for Trade</b>			
Aid for Trade	Goal 8 Decent work and economic growth	8.a	8.a.1

Source: ESCAP compilation based on Sustainable Development Goal indicator metadata available from <http://unstats.un.org/sdgs/iaeg-sdgs/metadata-compilation/>, accessed February 2017.

14. While trade has been given more prominence within the Sustainable Development Goal framework compared with the Millennium Development Goals, the way trade and trade policy measures have been treated within the Sustainable Development Goals have several limitations. One of the key limitations is that trade costs, which constitutes an important impediment to market access of firms in least developed countries and developing countries, are omitted within the framework.<sup>13</sup> There is also an almost exclusive focus on exports with very little attention given to imports. ESCAP research highlights the continued importance of global value chains within international trade.<sup>14</sup> Considering that the timely availability of imported inputs at competitive prices is a prerequisite for greater integration into global value chains, the import side of trade deserves policy attention as much as exports. While there are goals attached to increase the “quantity” of exports from least developed countries and developing countries, there is no attention given to the “quality” aspect of exports and export diversification in terms of sophistication of products. Despite these limitations, the Agenda 2030 places trade as a central means of implementation.

## V. Emerging challenges to harnessing potential of trade

15. There are numerous pre-existing and emerging challenges to harness the potential of trade. For example, factors such as high trade costs and increased domination of non-tariff measures as an impediment to trade, insufficient support for Aid for Trade, are some of the pre-existing conditions that will continue to be relevant even in the future.<sup>15</sup> This section captures some of the key emerging challenges, which has gained attention in the new global environment.

### A. Protectionist rhetoric gaining popularity

*People are wary of the risk posed by rising protectionism*

*61% of the survey respondents feel that the risk of rising protectionism can greatly weaken the potential of trade to support sustainable development.*

16. There has been a sharp increase in the protectionist rhetoric, especially in developed countries. The withdrawal of the United States from the Trans-Pacific Partnership Agreement, the intent of the new United States administration to review – and renegotiate – long standing trade agreements like the North American Free Trade Agreement, the United Kingdom’s decision to withdraw from the European Union stands as prominent examples. These are symptoms partly of a misdirected anger towards trade originating from discontent over other components of globalization such as

<sup>13</sup> See ESCAP, “Trade as non-financial means of implementing sustainable development in Asia and the Pacific”, Discussion Paper of the First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific, Incheon, Republic of Korea, 30-31 March 2016, available from [www.unescap.org/events/apffd-rok](http://www.unescap.org/events/apffd-rok); and Bernard Hoekman, “Trade and the SDGs: making ‘means of implementation’ a reality”, Commonwealth Trade Hot Topics, No. 128 (London, Commonwealth Secretariat, 2016), available from [http://www.thecommonwealth-ilibrary.org/commonwealth/trade/trade-and-the-sdgs\\_5jm0m93sf036-en](http://www.thecommonwealth-ilibrary.org/commonwealth/trade/trade-and-the-sdgs_5jm0m93sf036-en).

<sup>14</sup> See ESCAP, *Asia-Pacific Trade and Investment Report 2015*, op. cit., for comprehensive analyses of global value chains in the regional context.

<sup>15</sup> More challenges are discussed in ESCAP, “Trade as non-financial means of implementing sustainable development in Asia and the Pacific”, op. cit.

freer flow of people, services and culture. Recent research shows that even a rise in threat of protectionism can greatly jeopardize international trade, even though there is no real increase in protectionism in terms of policy measures.<sup>16</sup> The recent escalations in trade tensions are a harbinger of a loss of faith in open markets. One clear manifestation of the trade tensions between countries is captured by the initiation of trade remedy measures relating to anti-dumping, countervailing duties and safe-guards. Over mid-October 2015 to mid-October 2016, the world as a whole initiated 222 trade remedy measures, contributing to highest monthly rate of initiation since 2009. While 125 trade remedy measures were terminated worldwide, the ratio of initiation to termination of remedies also reached new records (1.78). The Asia-Pacific region initiated 98 trade remedies while terminating 36, and the ratio of the initiation to termination (2.1) was much higher than the world average.<sup>17</sup> This rise of protectionist tendencies is in stark contrast to the target within the 2030 Agenda to promote “a universal, rules-based, open, non-discriminatory and equitable multilateral trading system”. This can greatly hamper the targets of enhancing the market access of least developed countries and developing countries.

#### **B. Weakening multilateralism: from a “rule-based” to a “deal-based” system**

*Future of trade agreements: Respondents feel that international trade architecture will continue to evolve with more and more trade negotiations taking place at regional, mega-regional and bilateral level*

*53.2% of respondents indicate that regional, mega-regional and bilateral trade agreements will become more prominent in the future. Only 28.8% felt that multilateral trade agreements under WTO would still be relevant and will continue evolving, while 18% feel that there will be a decline in all forms of trade liberalization efforts and that the world will see a rise in protectionism.*

17. The rise of protectionism is accompanied by a perceptible reduction in the commitment towards multilateralism. This bodes the weakening of the World Trade Organization (WTO), which works on the principle that countries are stronger when they work together. A move away from WTO can bring forth unpredictability to the trading system, uncertainty to existing trade deals and destabilize a rule-based system that took years to build. This lack of trust in working together is against the spirit of Sustainable Development Goal 17 which calls for promoting a “global partnership for sustainable development”. Developed countries are openly declaring their interests to negotiate trade deals with their bigger trading partners bilaterally. A transition from a “rule based system” to such a “deal-based system” would exclude the interest of smaller developing countries and least developed countries. In addition to the change in the nature of trade negotiations, there is increasingly a shift in the epicenter of trade talks away from WTO to the regional and bilateral levels. This again raises the chances of excluding the non-members and more significantly the least developed countries and developing countries.

<sup>16</sup> Meredith A. Crowley, Huasheng Song and Ning Meng, “Tariff scares: trade policy uncertainty and foreign market entry by Chinese firms”, CEPR Discussion Paper, No. 11722 (London, Centre for Economic Policy Research, 2016).

<sup>17</sup> WTO, “‘Persistent’ economic challenges continued to weigh on trade in 2016”, WTO news, 9 December 2016, available from [https://www.wto.org/english/news\\_e/news16\\_e/trdev\\_09dec16\\_e.htm](https://www.wto.org/english/news_e/news16_e/trdev_09dec16_e.htm).

### C. Confounding the impact of technology and trade

18. Technology is profoundly changing the economic landscape by altering the how, what and where of production and consumption processes. Jobs are getting automated or new production processes are emerging that requires new or different skill-sets. WTO estimates that more than 80% of the job losses in developed countries are in fact not due to trade, but due to increased productivity through technology and innovation.<sup>18</sup> However, the disruption caused by technology is often confounded with the impact of threat of competition induced by international trade. This is fuelling further backlash against trade. This could continue to worsen in the future. Hence disentangling the impact of trade and technology would be a major policy challenge.

### D. Erosion of effective preferences to least developed countries and developing countries

19. As per recent estimates, approximately 84% of exports from least developed countries and 79% of exports from developing countries enter developed countries without duties.<sup>19</sup> It took years of negotiations, mostly at the multilateral level, to achieve these preferential access rates. The research shows that recent increase in regional trade agreements can potentially reduce the relative preferential margins<sup>20</sup> enjoyed by least developed countries and developing countries.<sup>21</sup> In terms of services exports from least developed countries, the decision regarding the operationalization of the “services waiver” for least developed countries was a milestone in the WTO Bali Ministerial Conference in 2013. However, progress has so far been slow in implementing it. So far only 24 countries have officially notified WTO regarding their specific commitments in this regard.<sup>22</sup> Further, recent ESCAP research has revealed that “Brexit” can have significant trade diversion effect on least developed countries due to ensuing preference erosion.<sup>23</sup> Hence, there needs to be continued monitoring of the impact of the evolving trade environment on the preferences granted to the least developed and developing countries.

<sup>18</sup> See more in [https://www.wto.org/english/news\\_e/news16\\_e/dgra\\_07oct16\\_e.htm](https://www.wto.org/english/news_e/news16_e/dgra_07oct16_e.htm).

<sup>19</sup> As per data accessed from the Millennium Development Goal indicator monitoring dataset managed by the International Trade Centre, UNCTAD and WTO, available from <http://www.mdg-trade.org/>, accessed February 2017.

<sup>20</sup> Relative preferential margin (RPM) is the difference between the preferential tariff rate for least developed countries and the applied tariff rates applicable to other competitor countries within a single market.

<sup>21</sup> A. Nicita and V. Rollo, *Tariff Preferences as a Determinant for Exports from Sub-Saharan Africa*, Policy Issues in International Trade and Commodities Research Study Series, No. 60 (Geneva, UNCTAD, 2013), available from [http://unctad.org/en/PublicationsLibrary/itcctab61\\_en.pdf](http://unctad.org/en/PublicationsLibrary/itcctab61_en.pdf).

<sup>22</sup> Based on the data available at the WTO documents website, <https://goo.gl/zl52JJ>, accessed February 2017.

<sup>23</sup> See ESCAP, “Implications of Brexit to the Asia-Pacific region: with a focus on least developed countries”, Trade Insights, No. 20 (Bangkok), available from [www.unescap.org/sites/default/files/Trade%20Insight%2020%20final\\_0.pdf](http://www.unescap.org/sites/default/files/Trade%20Insight%2020%20final_0.pdf).

## VI. How can the potential of trade be harnessed in the new global environment?

20. The challenges outlined in the previous section could pose serious risks to harnessing the potential of trade towards sustainable development. This section captures some of the policy entry points to address some of these challenges.

### *People's perception on policies required to harness potential of trade*

*Survey respondents rated trade policies promoting greater regional integration efforts as the top policy instrument to harness the potential of trade. This is in line with the overall perception of the respondents that regional, mega-regional and bilateral trade agreements might become more prominent in future. This was closely followed by "free trade policies supplemented by appropriate redistributive policies and retraining programmes for workers in sectors affected by foreign competition". The respondents rated policies to reduce protectionism and policies to protect local industries and local jobs from foreign competitions as the other relevant policies.*

*The respondents were asked to state other policy measure they thought that are relevant in this context. The following were some of the themes that emerged: policies to promote multilateralism; policies to promote trade facilitation; policies for creating a better domestic policy environment (including competition policies) and need to focus on non-tariff measures.*

### A. Open and transparent discussions on the impacts of trade at a higher resolution

21. Globally, one of the limitations on trade policy discussions so far has been that the evidence presented and discussed commonly are at the aggregate level. Policy discussions and decisions were made based on the overall or aggregate welfare impact of trade. Therefore, information on who are the exact winners and losers of trade remained elusive. The lack of open, transparent and inclusive discussions on winners and losers of trade in policy discourse and appropriate policies to support those who lose out is one of the main reasons for the current backlash against trade and globalization. With the increasing availability of firm level data, container shipment data and "Big Data", it is possible to engage in trade policy discussions at a much higher resolution. For example, the "trade policy 2.0" project of the European Commission is a good example in this regard. As part of this initiative, an online tool has been developed that geo-localizes every single European Union exporter to the United States. This helps local population and local government authorities to understand how many local firms will be affected. More granular discussions on trade policy like this will help in designing appropriately targeted schemes to accommodate the needs of the people who might be affected by international trade agreements. Further, it will also help to untangle the impacts of technology and trade. At the same time, a more transparent discussion of trade policy will help to convey the benefits of trade and convince the public of the same. Gaining the support of the "median voter" on trade would be vital in order to harness the potential of trade for sustainable development.

## **B. Design trade adjustment assistance programmes that works**

22. One of the important failures of the past trade policy packages has been the lack of targeted trade adjustment assistance packages for sectors and workers affected by trade induced competition. In the past, most readjustment programmes were piecemeal or an afterthought or had inadequate financial support. Programmes to effectively retrain and re-skill displaced workers, taking into account the cultural and other realities on the ground, are important. Income support schemes and unemployment schemes that incentivize workers to get retrained and seek employment need to be designed. Financing such schemes would require more progressive taxation and measures to check tax avoidance by the larger corporations. These “readjustment packages” should be considered an integral part of the trade policy package itself. These policies are crucial for making trade an engine of growth for all.

## **C. Continued commitment to multilateralism, while exploiting synergies with deeper regional integration**

23. The multilateral system, comprising the General Agreement on Tariffs and Trade and WTO, forms the foundations of the current economic system. These systems took years of concerted efforts and rounds of negotiations to reach where they are now. There are considerable benefits of maintaining these systems and allowing them to evolve to address emerging trade policy issues. However, there has been a proliferation of preferential trade agreements at the bilateral, regional and even at the mega-regional level. The Asia-Pacific economies now represent 63% of the total global number of preferential trade agreements in force, yet their share of merchandise trade with the agreement partners are not too high.<sup>24</sup> The new wave of regionalism, including the push for formation of mega-regionals, are now dealing with issues which go beyond WTO issues and thus are setting their own standards for trade regimes. In the face of a lack of progress at the multi-lateral level there could be merits of pursuing deeper regional integration efforts. However, the commitment towards gradually expanding these disciplines at the multi-lateral level should be maintained, as it can foster transparency and it will give opportunities to integrate concerns of least developed countries and developing countries better. Hence, there is a need to systematically exploit the synergies between multilateralism and deeper regionalism.

## **D. Address the real barriers to trade beyond tariffs: non-tariff measures and services trade restrictions**

24. Non-tariff measures have been found to be a costlier barrier to trade, especially to the small and medium-sized enterprises<sup>25</sup> and exporters from developing countries. In many sectors tariffs are already quite low and non-tariff measures remain the major impediment. For example, in the case of trade in environmental goods, a recent ESCAP study shows that non-tariff measures and services restrictions are much more significant impediments to trade than tariffs and they impact the exporters from developing countries

<sup>24</sup> ESCAP, “An update on the preferential trade agreements of Asia-Pacific economies”, APTIAD Briefing Note (Bangkok, August 2016), available from [www.unescap.org/sites/default/files/APTIAD-brief-August2016.pdf](http://www.unescap.org/sites/default/files/APTIAD-brief-August2016.pdf).

<sup>25</sup> WTO, *World Trade Report 2016: Levelling the trading field for SMEs* (Geneva, 2016), available from [https://www.wto.org/english/res\\_e/publications\\_e/wtr16\\_e.htm](https://www.wto.org/english/res_e/publications_e/wtr16_e.htm).

disproportionately higher.<sup>26</sup> However, non-tariff measures and service trade restrictions have not been well-integrated into the existing Sustainable Development Goal framework in terms of targets and indicators. Considering their enormous and differentiated impact, especially on exporters from developing countries and least developed countries, these issues need to be addressed urgently.

#### **E. Improving trade facilitation: implementing the Trade Facilitation Agreement**

25. Trade facilitation, with a focus on reducing trade costs by making international trade procedures more efficient, will have a great impact on sustainable development. It has been found that commitments to paperless trade in preferential trade agreements have nearly doubled since 2005; and that trade facilitation commitments in regional trade agreements have helped reduce trade costs not only between preferential trade agreement members but also multilaterally.<sup>27</sup> The WTO Trade Facilitation Agreement entered into force on 22 February 2017. The Agreement is considered one of the biggest trade deals in almost two decades. It aims to streamline, simplify and standardize customs procedures, thereby reducing the time and cost of moving goods across borders.<sup>28</sup> It is important for countries to ensure timely implementation of the Agreement once it comes to force. The ESCAP initiated Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific is expected to provide a unique tool for the region to better implement the Trade Facilitation Agreement, building on existing bilateral, subregional and regional initiatives and enhancing the trade competitiveness of the region as a whole.

#### **F. Harness digital trade to promote inclusive trade**

26. Digital trade platforms can be effectively harnessed to make trade more inclusive, especially for small scale traders and women entrepreneurs. Evidence show that emergence of new online business platforms have significantly increased the potential of many small and medium-sized enterprises to become successful and important global traders.<sup>29</sup> Information and communications technology (ICT) can also enable these enterprises to integrate better to global value chains. However, these enterprises and other small scale agricultural producers require enabling policies and support to make use of the opportunities offered by digital platforms. There should be greater affordability and accessibility to ICT infrastructure, international payment gateways and locally adapted ICT capacity building resources. It is an important area where there is a need to harness the synergies between different means of implementation of the 2030 Agenda (here, trade and technology). As discussed earlier, confounding the impact of technology with trade, especially on jobs, has emerged an important challenge to international trade. By facilitating smoother trade flows and creating jobs in the process, technology can in fact help to counteract some of the damage it has afflicted on trade.

<sup>26</sup> A. Jacob and A. Moeller, "Policy perspective on trade in environmental goods", ARTNeT Working Paper (Bangkok, ESCAP, forthcoming).

<sup>27</sup> Yann Duval, Nora Neufeld and Chorthip Utoktham, "Do trade facilitation provisions in regional trade agreements matter? Impact on trade costs and multilateral spillovers", ARTNeT Working Paper, No. 164 (Bangkok, ESCAP, November 2016), available from [www.unescap.org/sites/default/files/AWP%20No.%20164F.pdf](http://www.unescap.org/sites/default/files/AWP%20No.%20164F.pdf).

<sup>28</sup> See more from [https://www.wto.org/english/news\\_e/spra\\_e/spra153\\_e.htm](https://www.wto.org/english/news_e/spra_e/spra153_e.htm).

<sup>29</sup> WTO, *World Trade Report 2016*, op. cit.

## **VII. Conclusion**

27. The note highlights some of the important emerging challenges to harnessing trade as a means of implementation. These challenges range from increasing protectionist tendencies, weakening multi-literalism, erosion of preferential access to developing countries to confounding of the impact of technology and trade. The note provides some positive policy approaches to deal with these challenges. The note makes the following policy recommendations: promote open and transparent discussions on the impacts of trade at a higher resolution; design trade adjustment assistance programmes that works; continue commitment to multilateralism, while exploiting synergies with deeper regional integration; address real barriers to trade including non-tariff measures and services trade restrictions; improve trade facilitation by implementing the Trade Facilitation Agreement and harness digital trade to promote inclusive trade. Implementation of these policies would determine to a large extent how and to what extent the potential of trade will be harnessed in the implementation of the 2030 Agenda for Sustainable Development.

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