

PERSPECTIVES ON TRADE, GROWTH AND POVERTY REDUCTION IN THE ASIA – PACIFIC REGION

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1. The Institute for International Trade: Recent Research

1. Managing the Challenges of WTO Participation (AusAID and WTO support)
2. Study of Uneven Growth in APEC (APEC and AusAID)
3. Specific research on impact of trade agreements for Pacific Island Countries (PIFS and AusAID)
4. Trade and Poverty Reduction in the Asia Pacific Region (AusAID and WTO support)



Managing the Challenges of WTO Participation

Some key points:

- Private-public sector cooperation to realise the benefits of WTO membership
- When accessed effectively, the WTO can serve interests of lower income communities and nations
- Several developing country governments struggle to develop or prosecute successful trade policies and participate in the WTO due to lack of human, financial and administrative resources

Pacific Research on Trade and Development

- Implications of an intra-regional trade agreement, PICTA, (Pacific Island Countries Trade Agreement) for sustainable development in the smaller island states
- Potential challenges and benefits of a regional trade agreement between Australia, New Zealand and the 14 Pacific Island Forum Countries (PACER Plus)

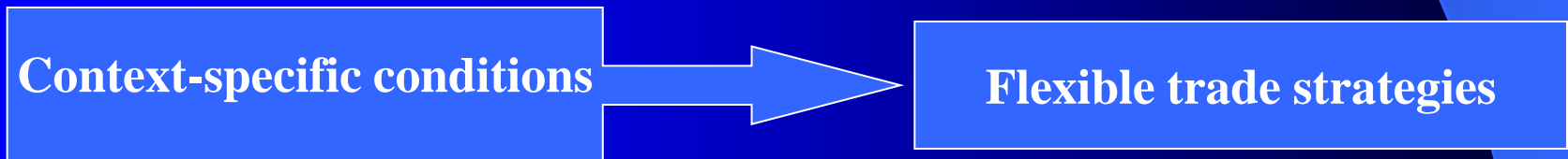
Trade and Poverty Reduction in the Asia Pacific Region

- **Overview paper**
- **Thematic papers:**
 - 1) TNCs, Trade and Poverty Reduction
 - 2) Trade in Agriculture and Poverty Reduction
 - 3) Trade in Services and Poverty Reduction
 - 4) Migration, Labour Mobility and Poverty Reduction
 - 5) Trade and Poverty Reduction in Small and Vulnerable Economies
- **Case studies follow each thematic paper**

2. Summary of General Research Findings

Relation between trade and development:

- Effects of trade on the poor are often highly context-specific. Diverse factors require flexible responses to the changing dynamics of international trade:



- Under what conditions trade can catalyze poverty reduction?

Five Broad Pre-Requisites

- **Five (5) pre-requisites have been identified for developing a positive trade and poverty reduction relationship. They are:**
 - ✓ Trade openness
 - ✓ Domestic reform
 - ✓ A robust and responsible private sector
 - ✓ International reforms
 - ✓ Political will and cooperation

Trade Openness

➤ Pre-requisites:

✓ Trade openness:

Case studies show the potential for low income economies to benefit from well designed, more open and transparent international trade. Therefore, an increased openness to international trade can have a positive impact on poverty reduction.

Domestic Reform

✓ Domestic reform:

As a complement to trade openness, a firm and consistent commitment to domestic policy reform on two (2) fronts: policies to protect vulnerable groups from trade liberalisation and policies to increase productivity, competitiveness and capture the gains of trade are necessary.

“Openness is not sufficient unto itself --- much depends on the way a country opens up, the sequence that is followed, the speed and the internal capacity to manage the process”, Economist Jeffrey Sachs.

Role of the Private Sector

- ✓ A robust and responsible private sector:

The engine room of reform must be the private sector. Support for the development of small and medium enterprises is crucial, as well as the need for translational companies and foreign investment to create productive employment.

International Reforms

- ✓ International reforms

A firm commitment from developed countries to market access, flexibility in trade negotiations and agreements as well as support for the financing of technology transfer and capacity building to developing countries is required.

Political Will and Cooperation

- ✓ Political will and cooperation:

Openness and unilateral reforms alone is insufficient. There must also be political will and strong cooperation across local, national, regional and multilateral levels.

3. Findings in specific areas of study

- 1) The role of Global Companies
- 2) Agriculture issues
- 3) Trade in Services
- 4) Labour Mobility
- 5) Trade and Poverty Reduction for Pacific Islands and Small Island States

Role of Global Companies

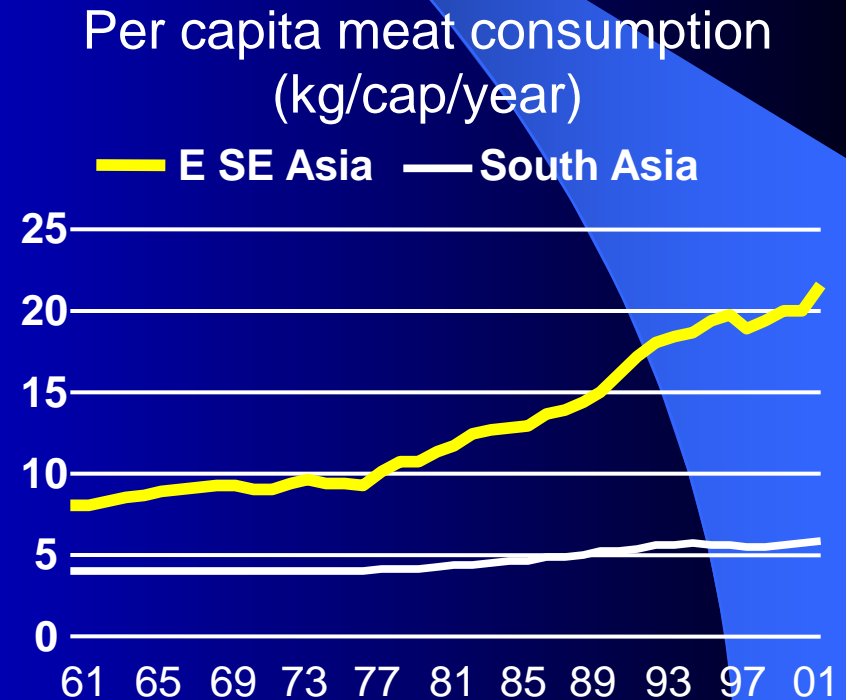
- Decision makers in TNCs are swayed by more than cheap labour. Ease of doing business – that is a trade and investment friendly environment, along with good and stable governance - rank highly
- And good governance ensures the operations of TNCs contribute positively to the well being of local populations – including through poverty reduction. Where governance is weak, capacity building is a high priority.
- National Governments, through the establishment of a sound regulatory and legal environment, and TNCs through accountable corporate behaviour are able to play a vital role in the maintenance of TNC investment and jobs. Trade capacity building in areas of regulatory policy and in trade facilitation are very useful here

Agricultural Issues

- Investment and research in agricultural sectors of developing country has been neglected
- Trade related capacity building arrangement as well as “*behind the border*” government policies can contribute to minimise any negative impacts of agriculture liberalisation
- Low income communities benefiting from technical assistance for supply side reform: e.g. how to develop and market niche products, improve quality and standards requirements, position themselves in the global supply chains etc

Changing Asian diets

- Reduced rice consumption
- More wheat
- Diversity of food groups
- Higher protein calories
- More temperate products
- Popularity of fast foods





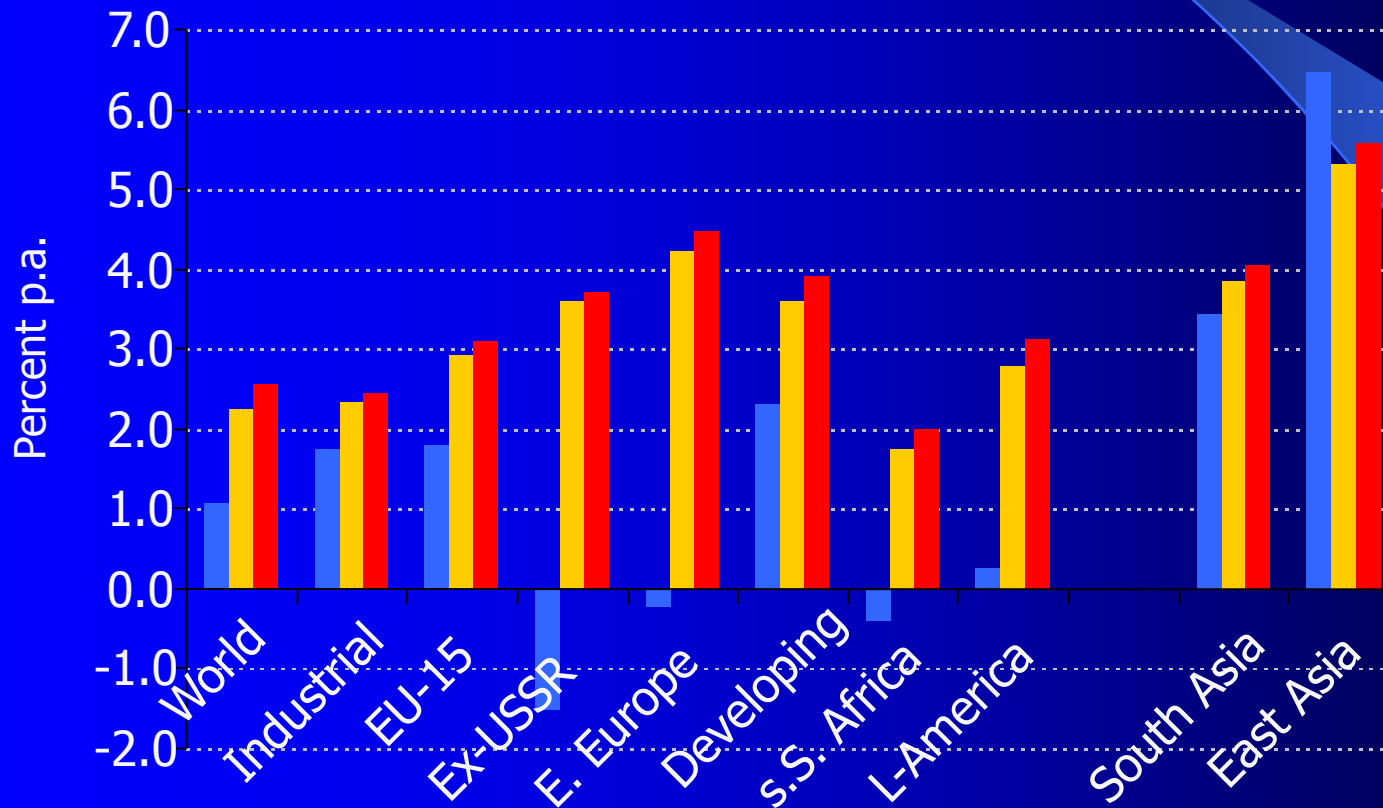
Income Growth

GDP growth – per capita – by region

1986-1998

1998*-2015

2015-2030



Challenges for developing country agricultural suppliers*

- Choosing between commodity and specialty markets
- Retaining and expanding market access
- Gaining a position in lucrative value/supply chains
- Penetrating, holding, expanding better markets
- Raising productivity and competitiveness
- Increasing value added
- Dealing effectively with emerging standards

The need to handle large volumes at arms length increases the importance of standards



Service standards are becoming the new battleground in global food trade

- Slotting Allowances
- Private Label Products
- Merchandising Support (e.g. displays, banners, in-store samples, recipes,
- Volume/Non-Volume Rebates
- Capital Improvements (e.g. processing, distribution facilities)
- Setting up Electronic Data Interchange or Merging Systems
- Stock Replenishment by Supplier (Warehouse, Store)
- Use of Returnable Containers
- Trace-back Systems/Carbon labelling

Trade in Services

- Services liberalization contributes to economic growth and poverty reduction if an appropriate regulatory environment, training and institutional capacity are put in place.
- Openness to trade in services can provide new technology and more efficient structure of organising business in the developing counties.

Labour Mobility

- Greater liberalization of labour mobility, if carefully and appropriately harnessed, can allow developing countries to exploit their relative abundant low and unskilled labour..
- Social and political complexities exist. Nevertheless concrete evidence of direct impact on the welfare of low income communities
- Remittances of workers abroad can lead to sustainable economic benefit in the remittance-receiving countries if conducive tax, investment and savings policies are in place

Trade and Poverty Reduction for Pacific Islands and Small Island States

- Challenges, ‘the risk of being left behind’, seizing opportunities
- Government provision of safety nets to allow its economies to adjust to, and benefit from, future trading arrangements
- Especially in the SIS transition process, commitments from developed and larger developing countries to trade reform, technology transfer and capacity building are essential, so long as there is domestic commitment to reform

4. Overall Conclusions

- Trade related poverty reduction strategies that have emerged or been reinforced include:
 - ✓ Training and education strategies
 - ✓ Supply - side reforms, reducing barriers to business
 - ✓ Taxation and fiscal equalization policy
 - ✓ Market access, technology transfer to trade related aid from developed countries and larger developing countries
 - ✓ “Strategic liberalization” – the careful sequencing and timing of reform - reinforcing flexible responses to the changing dynamics of the international trade environment

Conclusions

- Recent research across the Asia Pacific and elsewhere demonstrates an increasingly positive correlation between more open, competitive trade policies and sustainable poverty reduction if certain pre-requisites (trade openness, domestic reform & support for adjustment costs, robust and responsible private sector, international reform and political will) are in place.
- These pre-requisites are no mean feat. We reiterate that successful trade outcomes require domestic adjustment and safety nets for some members of society who are at least initially negatively effected. Governments have a vital role to play here. Trade has great potential to reduce poverty but its benefits are not guaranteed

Conclusions

- Donors of Aid for Trade need to consider country specific factors along with global conditions in order to determine the most effective policies for trade led growth and trade related capacity building and these policies need to be flexible and constantly monitored. Development goals need to drive trade strategies and not vice-versa.
- Much greater political commitment and cooperation at all levels (locally, domestically, regionally and internationally) required in support of practical trade related development strategies.

5. New Book: Trade and the MDGs

The Institute for International Trade will soon be embarking on this next publication and welcomes any research or relevant reports you may wish to contribute



IIT References

1. Managing the Challenges of WTO Participation, (A. Stoler, P Low and P Gallagher, 2005)
2. Uneven Growth in APEC Countries, (Institute for International Trade, 2006)
3. Two reports: The Potential Impact of PICTA on Smaller Pacific Island Countries and the Benefits and Challenges of PACER Plus for Pacific Island Countries (IIT 2007 and 2008)
4. Trade and Poverty Reduction in the Asia Pacific Region (J Redden, A Stoler and Lee Ann Jackson - soon to be published)

web: <http://www.iit.adelaide.edu.au>

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