EEC International Macroeconomic Seminar: “Is there a chance to achieve the UN SDGs provided global slowdown and growing uncertainty?”
22 November 2019, Moscow

Accelerating SDGs through trade*

Mia Mikic
mikic@un.org
Director
Trade, Investment and Innovation Division

* Prepared with assistance of James G. Gallagher
This intervention makes 3 points:

• Asia-Pacific is lagging behind in meeting SDGs. We need all accelerators on board and trade can be much better used if it were not highjacked as a foreign policy tool.
  • Despite slowdown in trade growth, trade in goods and services is still one of critical activity in many developing countries (GDP, employment, tax revenue, food, medicine, knowledge ...). Thus there is need to remove impediments to trade.

• There are three channels through which trade can make significant contribution to SDGs:
  • Trade facilitation
  • Services trade and digitalization of trade
  • Management of NTMs

• Regional and global governance matter
Snapshot of SDG Progress: Asia and the Pacific

Source: ESCAP (2018)
Trade facilitation and SDGs

SDGs that can be most effected by trade facilitation are (although all can be benefitted):

1. No Poverty
2. Zero Hunger
5. Gender Equality
8. Decent Work and Economic Growth
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

How?

As trade becomes cheaper, it will allow for increased efficiency, cheaper products and greater inclusion. SMEs will have easier access/entry to the market, due to the reduction in costs associated with trade.

- If there is full implementation of binding and non-binding WTO TFA measures, along with paperless and other cross border TF measures, AP could reduce trade costs by 26%, saving a value of $600 billion in international transaction costs annually.
- Direct and indirect costs associated with trade documentation and cumbersome trade procedures amount to $350 billion annually for AP.
Trade Facilitation implementation in AP

East and North-East Asia (79.3%)

North and Central Asia (65.6%)

Pacific Islands Developing Economies (35.5%)

South and South-West Asia (55.4%)

South-East Asia (70.3%)

Australia and New Zealand (93.0%)
The importance of trade in services

• In regard to sustainable development, trade in services provides three channels:
  1) avenue for export diversification,
  2) an input into the production of goods and services,
  3) significant contributor to employment and poverty alleviation.

• Traded services are often applicable to multiple sectors, and therefore the effects are widespread across economies, not just affecting a single sector.

• 23% of total AP trade was accounted for by trade in services (2017)

• Share of world exports in commercial services from AP region increased from 22% in 2005 to 28% in 2017, and share of world imports grew from 28% to 32%.

• Services contributed nearly one-third of the value of industrial exports from AP.

• Services trade is more resilient to external shocks.

• Services provide greater efficiency in GVCs, by easing the transmissions through links in the chain, and GVCs play a key role in AP economies.
Employment in services as % of total employment.
Digitalisation and services trade

- Digitalization (moving to web based applications) is expected to ultimately reduce trade costs by 25%.
- Trade-support services are increasingly integrated into digital trade platforms, which are often accessible from anywhere in the world. Examples of such services:
  - Professional services (law, engineering, architecture), Finance, IT.
- Digitalization will aid efficiency in GVCs, through increased telecommunication, information sharing and paperless trade aspects. This greatly benefits the links in such chains. Services will do this on their own but the benefits will be compounded by digitalisation.
- Furthermore, digitalization is turning some non-tradable services into tradeable ones, for example medical and educational services were previously seen as difficult to trade across borders but today are almost a standard part of tradeable taking the form of Telehealth or online courses.
Declining (ordinary) tariffs & increasing notifications of new NTMs

Average applied tariffs and annual notifications to WTO of SPS & TBT measures in Asia-Pacific
42% of NTMs address SDGs

All NTMs in the TRAINS database were examined to see which individual measures potentially directly and positively affected SDG targets.
NTMs that address SDGs

• Trade costs of NTMs are estimated to be more than double that of ordinary customs tariffs.
• But... NTMS often serve important purposes, such as protection of human, animal and plant health or, protection of the environment, and can therefore help achieve the 2030 Agenda for Sustainable Development.
• Almost half of NTMs in Asia and the Pacific directly address SDGs (e.g. Health (SDG3) and Responsible production (SDG12)).
• However, regulation is lacking in some areas, and where NTMs are lacking, the results can be significant e.g. African Swine Fever.
  • Example of an area AP is lacking NTMs in is addressing IUU fishing and illegal timber trade, only 10% of AP economies have at least one NTM relating to this.
• Because NTMs are important to Sustainable Development, the key is not to “remove” them (some – may be), but reduce costs associated with them through regulatory harmonization, standardization and digitalization of trade procedures.
Regional and global governance on trade

- Purpose to stabilize rules and reduce uncertainty
- Regional deals RCEP, CPTPP, EAEU
- Global – reform of the global trade regime under the WTO
  - Opportunity at the WTO MC12 9-11 June 2020, Nur-Sultan, Kazakhstan
  - ESCAP Regional Consultation in Preparation for the WTO MC12 is on 2-3 Dec 2019, Bangkok
THANK YOU

WWW.UNESCAP.ORG/TIID