Regional Workshop on EIF Phase Two:
Enhancing Value for Money
UNCC, Bangkok, 8-11 Nov 2016

Session 5: Cross-cutting themes for the EIF Phase Two
(a) Trade and poverty reduction

EIF Enhanced Integrated Framework

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

Outline

- ‘Trade and growth’ vs. ‘trade and poverty reduction’
- Agenda 2030- are trade related goals focused on poverty reduction?
- Policy implications for LDCs

Trade and growth

Reasons for trade to affect growth?

- Static effects related to improved efficiency (allocative, technological, etc)
- Dynamic effects related to increased productivity and technological progress
- The derived policy prescription: liberal trade policy (open markets for both trade and FDI, movement of people as well)

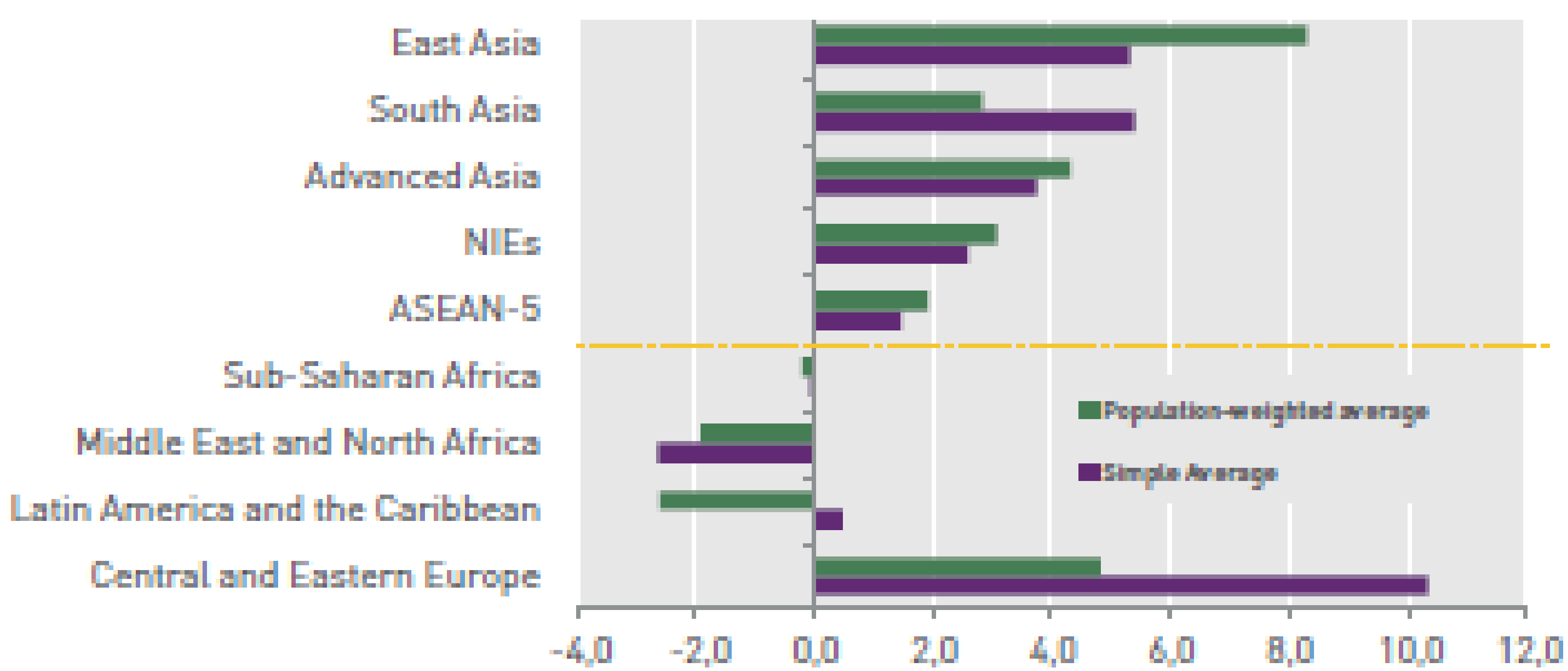
Poverty Reduction and Other Inclusivity Dimensions

- Absolute **poverty** was **reduced** significantly; MDG 1 achieved on a whole
- However **inequality worsened** and weak results with respect to other inclusivity dimensions:
  - Access to economic opportunities
  - Access to education, health
  - Inclusive process

People living on less than $1.25 (% of population) in

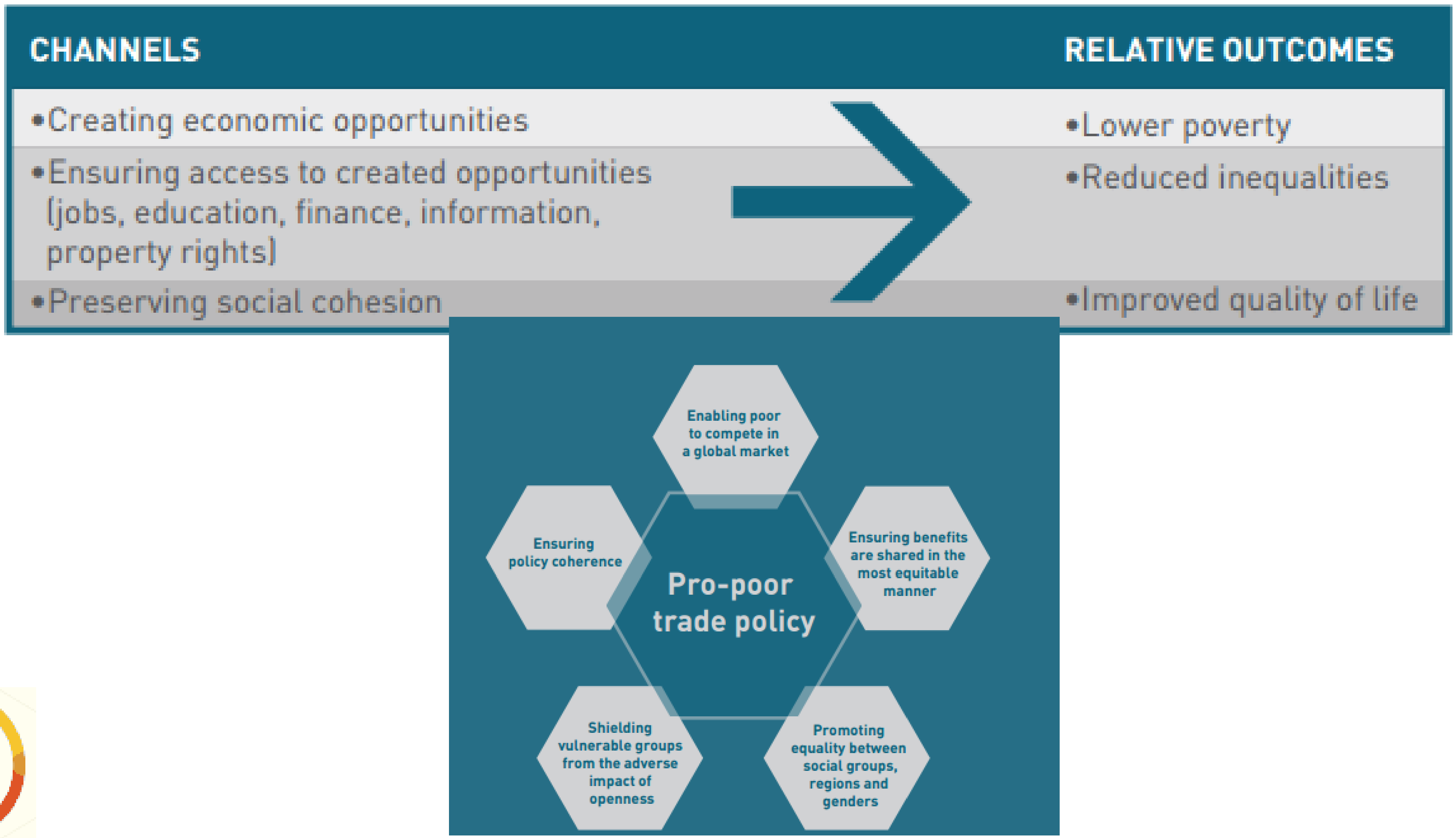
	1990	2010
Asia	**55**	**20.80**
Bangladesh	70.2	43.2
China	60	11.6
India	47	32.7
Indonesia	54.3	18.1
Nepal	68	24.8
Philippines	30.7	18.4
Viet Nam	40.1	14
East Asia and Pacific	56.2	12.48
South Asia	53.8	31.03

Change in Gini index (in Gini points)



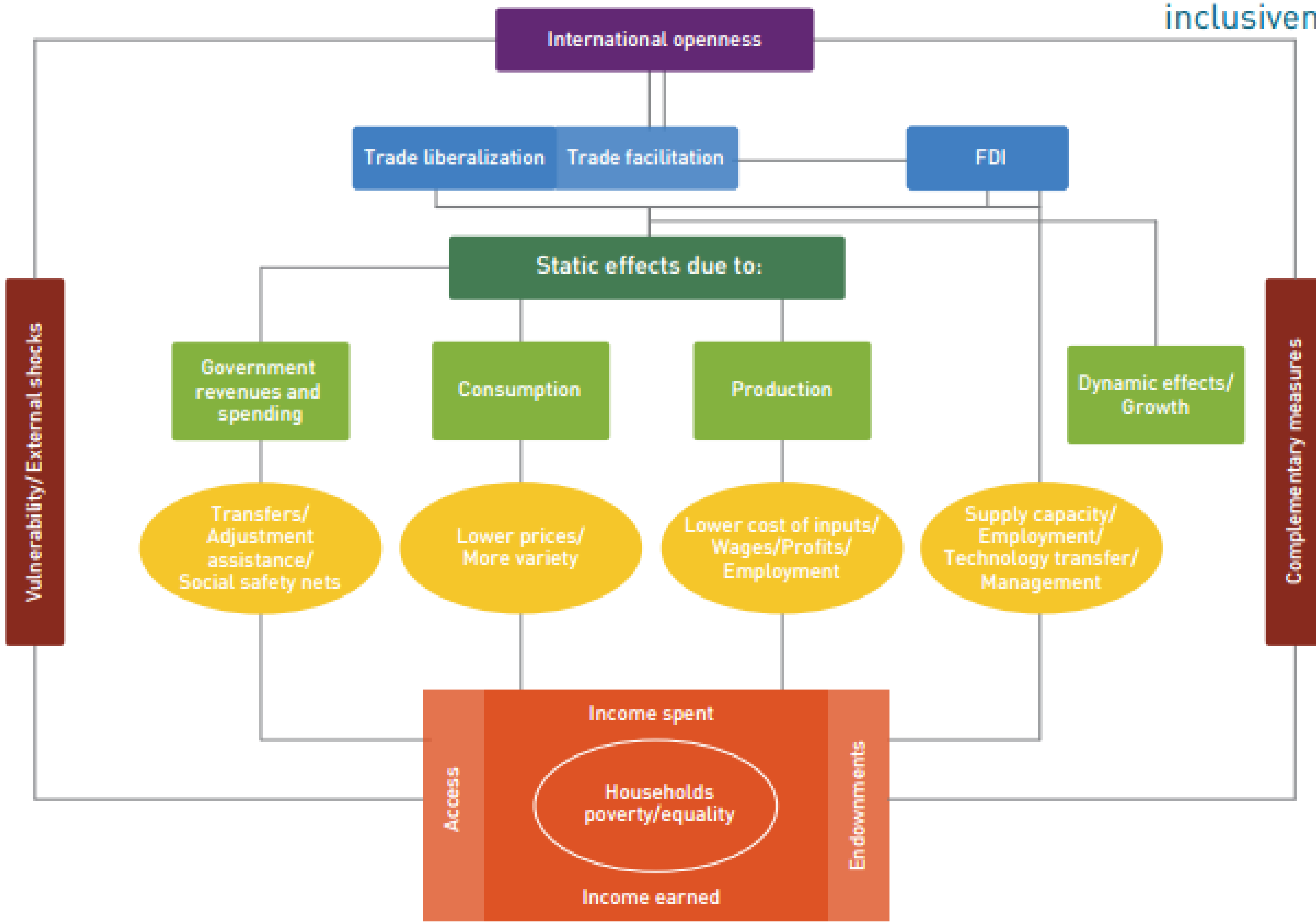
APTIR 2013 calling for:

The end of the "trade now, distribute gains later" model.



Transmission channels

FIGURE 8.2 Direct and indirect impacts of international openness policies on inclusiveness



Source: ESCAP, based on Winters (2000).

Turning the Tide: Moving Towards Inclusive Trade and Investment

Report identifies three major areas of policy actions:

1. Availability of **complementary policies** which are necessary for enabling inclusive trade and investment
2. **National** inclusive trade and investment policies
3. **Regional** cooperation and role of ESCAP

Inclusive trade and investment imply that all people can participate in, and benefit from those activities.

Complementary Policies

Can be seen as pre-requisites as they refer to the existence of an appropriate regulatory environment; institutions; infrastructure; and transparent social dialogue.

Some examples:

- Improve the inclusion of workers in the formal economy through trade adjustment programmes
- Setting wages based on productivity and collective bargaining
- Increase ICT connectivity as it is an increasingly important factor in increasing productivity

Despite no direct link between import and unemployment at aggregate level, there is a need for adjustment assistance at industry/firm level.