Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Trade

OUTLOOK

The starting point looks good, but there is substantial uncertainty due to the global economic conditions, lack of progress in multilateral trade liberalization, potential weakening of the global trade regime under the World Trade Organization due to parallel trade liberalization initiatives and pressures for use of more protectionist measures. Least developed countries remain particularly vulnerable to external shocks, and their production structure constrains them from fully benefiting from trade. The potential contribution of agriculture as an instrumental sector for poverty reduction is limited by both tariff and non-tariff measures affecting agricultural trade and production.

THE PHOTO

Female vendor keeps shop at a wet market in Phuket, Thailand

Photo credit: ADB
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**INSIGHTS**

- The high growth rates of exports in least developed countries and developing countries between 2000 and 2010 were mainly enabled by high commodity prices and rising demand from emerging markets (especially China). Both drivers have since weakened. Global and regional economic headwinds will impact, to a large extent, the feasibility of achieving these targets.

- More and much better data are needed to track other factors (beyond tariff rates) that impact market access for developing countries. Small island developing countries and least developed countries continue to be affected by non-tariff measures and high trade costs. Systematic collection of data and analysis of non-tariff measures is needed. Full implementation of the World Trade Organization’s Trade Facilitation Agreement can potentially reduce trade costs for developing countries in Asia and the Pacific by up to 17 per cent. Yet, no indicators currently proposed take into account the reduction of trade costs.

- Greater attention need to be given to the recent developments in international trade policies, in order to maintain and improve the preferential market access of least developed countries.

- Services and services trade are irreplaceable factors that enable industrialization and deeper production and export diversification of developing and least developed countries. Around 30 per cent of the current Asia-Pacific industrial exports depends on services inputs, and many least developed countries with no access to efficient services remain excluded from production networks.

- To effectively harness trade in a way that will contribute towards achieving all the SDGs, countries need to continue their commitment towards promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system.

**BRIGHT SPOTS**

**A rules-based, open, non-discriminatory and equitable multilateral trading system**

- Weighted tariffs applied by the economies in the region are falling (in the subsectors analysed—agriculture, industrial and petroleum products)—but are higher in the agriculture sector, on average.

- The increasing number of regional trade agreements and expanding generalized schemes of preference available to least developed and developing countries are likely to promote continued decreases in tariffs.
Expanding share of developing country exports

Developing countries of Asia and the Pacific have increased their share in world merchandise exports, from 24.4 per cent in 2005 to 33.2 per cent in 2015, and have recorded an increase in the share of their services exports, from 14.4 per cent to 23.6 per cent over the same period. This remarkable increase was driven by only a few high-performing economies, especially China. If the contribution of China is excluded, the share of developing countries in the region in world merchandise exports in 2015 becomes 19.7 per cent, and the share of services export becomes 17.6 per cent. Developing economies in the region include major export-oriented economies, like Hong Kong, China, the Republic of Korea and Singapore, which inflate export shares.

HOTSPOTS

Least developed country exports and market access, especially for agricultural products

Least developed countries within the region accounted for only 0.2 per cent of global exports (goods and services combined) in 2015. There has been a substantial slowdown in the growth rate of this share since 2010, compared with the 2005–2010 period.

The 2030 Agenda targets the doubling of the world exports share of least developed countries by 2020. ESCAP, however, showed in 2015 that some least developed countries might fail to reach this target. Based on the historical growth rates, the target seems attainable for such countries as Bangladesh, Cambodia, the Lao People’s Democratic Republic, Solomon Islands and Timor-Leste. This target will be ambitious for other least developed countries, such as Afghanistan, Bhutan, Kiribati, Myanmar, Nepal, Tuvalu and Vanuatu.

On average, developing countries, least developed countries and small island developing countries of the region experienced a fall in tariff rates imposed by industrialized countries between 2002 and 2013. But the tariffs levied by industrialized countries on agricultural exports were higher than the average tariffs, and declines in the tariffs on agricultural exports were lower than the average decline in tariffs. In 2014, agriculture exports from developing countries and least developed countries of East Asia and South-East Asia encountered the highest average tariffs in industrialized country markets, when compared with tariffs on agriculture exports originating from developing countries and least developed countries in other regions.

There is an increasing trend in the use of non-tariff measures across the agriculture and non-agriculture sectors.
EMERGING ISSUES

- Trade-related indicators within the SDG framework do not fully capture many significant emerging issues, such as services trade restrictions, non-tariff measures, quality of exports or e-commerce. These indicators need to be closely monitored.

- The number of preferential trade agreements, which tend to exclude least developing countries, is on the rise. This may lead to erosion in the relative preference margin obtained by least developed country exports and can emerge as an important impediment in the expansion of exports from least developed countries.

- The increasing use of non-tariff measures presents a big challenge to market access for exports from developing countries, including least developed countries.

- Digital trade, or e-commerce, is emerging as an important enabler of trade. Countries need to evaluate their readiness and capability to develop digital trade and monitor its impact on sustainable development.

- Services trade has been gaining prominence in terms of its role in facilitating global trade and global value chains. SDG indicators do not take into account services trade restrictiveness, and this needs to be monitored.

- Given the focus of the 2030 Agenda on environmental dimensions, there will be increased trade of environmental goods and services that will help reduce environmental damage, contribute to environmental monitoring and make the production system (including energy production) and consumption systems more environment friendly. This could be a new trade opportunity facilitated by the 2030 Agenda.

- Plurilateral trade negotiations are expected to gain more prominence, and their impact on the multilateral global trading system needs to be closely watched.

TARGETS

Trade

17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda

17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries’ share of global exports by 2020

17.12 Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access