

# APTIR 2013

## Evidence for inclusive trade and investment policymaking

Training on Evidence-based Policymaking in Trade and Investment  
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Dr. Witada Anukoonwattaka  
[anukoonwattaka@un.org](mailto:anukoonwattaka@un.org)

Trade and Investment Division, ESCAP



ASIA-PACIFIC  
TRADE & INVESTMENT WEEK  
18-22 NOV 2013

# Outline

- Addressing policy questions related to inclusive trade and investment
- Checking status: Have Asia-Pacific trade and investment been inclusive?
- Finding evidence for inclusive trade and investment policy formulation: APTIR 2013

# Inclusive trade-and- investment : Policy questions

- What are *the distributional effects* of trade?
  - Effects on wages
  - Effects on poverty and inequality
- How regressive or progressive trade policy?
  - A regressive policy: anti-poor bias
  - A progressive policy: pro-poor bias
- How to make trade and investment to deliver inclusive outcomes?
  - The focus of APTIR 2013

# Has Asia-Pacific trade-led growth been inclusive?

- Asia's trade-led- growth (China and other emerging economies) was translated into a significant decline in poverty.

But,

- Inequality has increased across the region.
  - There is some evidence that inequality among the poor is worsening.
- This suggests that growth, which mostly was of trade-led type, is not benefitting the very poorest.

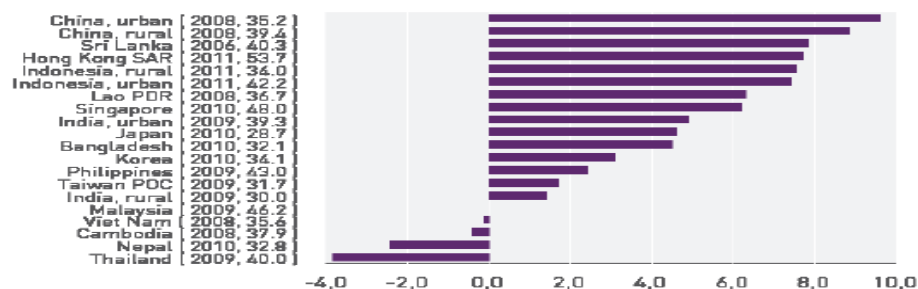
**FIGURE 7.3**

Stylized facts: Asia's experience in addressing inequality over last two decades

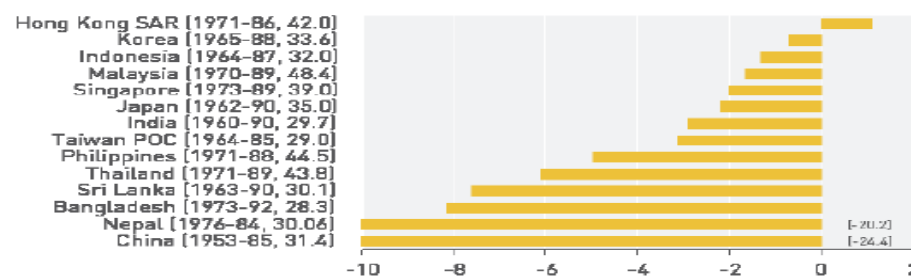
Today inequality is higher in many economies

... than pre-1990<sup>1</sup>

Asia: Change in Gini Index, last two decades <sup>1</sup>  
(in Gini points, since 1990)



Asia: Change in Gini Index, pre-1990 <sup>1</sup>  
(in Gini points)



Source: World Bank, national authorities and IMF staff calculations.  
<sup>1</sup>In parenthesis the latest available year and corresponding Gini Coefficients.

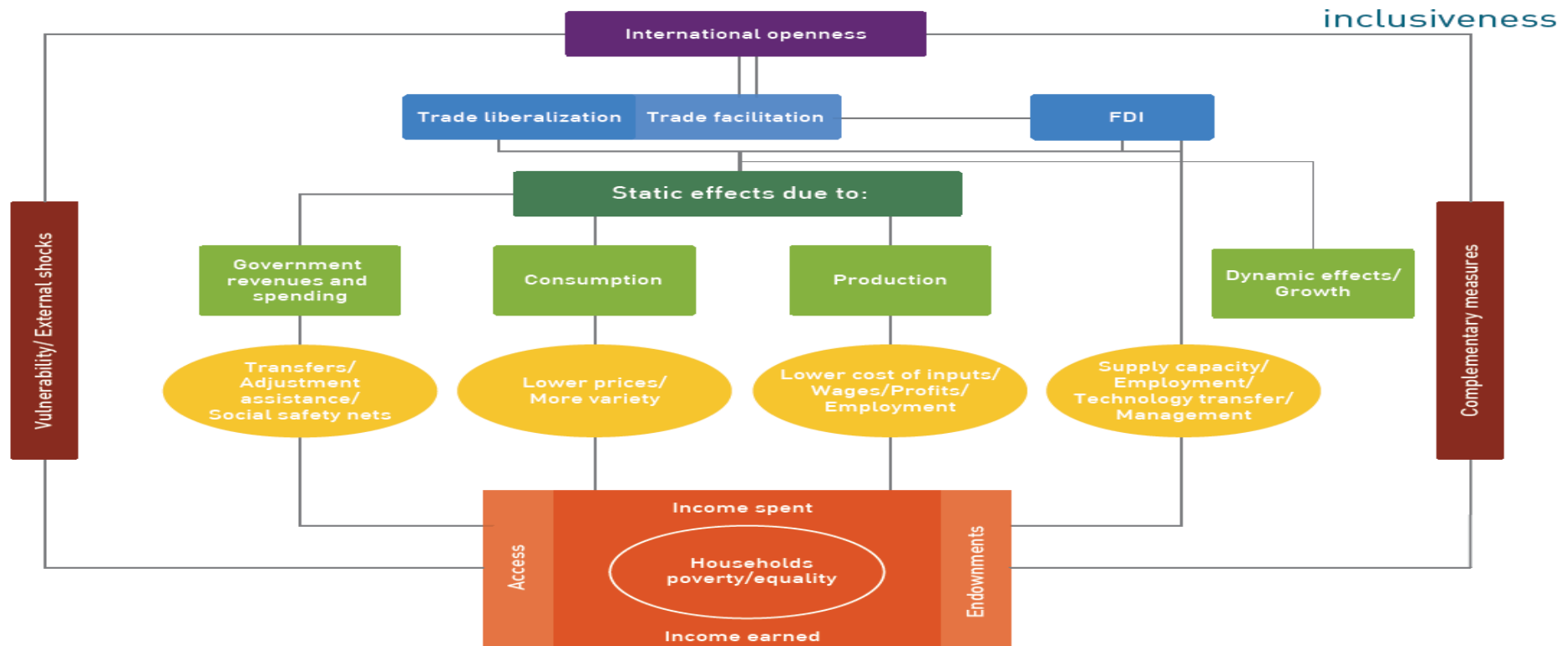
Source: Milanovic (2012); and IMF staff calculations.  
<sup>1</sup>In parentheses, the time period and end-value for the Gini coefficients.

# APTIR 2013 : providing evidence for policymakers

- As the orthodox approach of “trade and invest first, and distribute gains later” does not produce the necessary and desirable inclusive outcomes, the missing elements in the model need to be explored.
- APTIR 2013 makes an attempt to find the conditions under which international openness would deliver inclusive growth.

**FIGURE 8.2**

Direct and indirect impacts of international openness policies on inclusiveness



# How are poverty and inclusive growth affected by international openness?

- Econometric analysis using aggregate data from the Asia-Pacific region from 1988 to 2010.
  - (i) employment opportunities;
  - (ii) productivity and wages;
  - (iii) poverty and inequality;
  - (iv) gender equality in employment opportunities

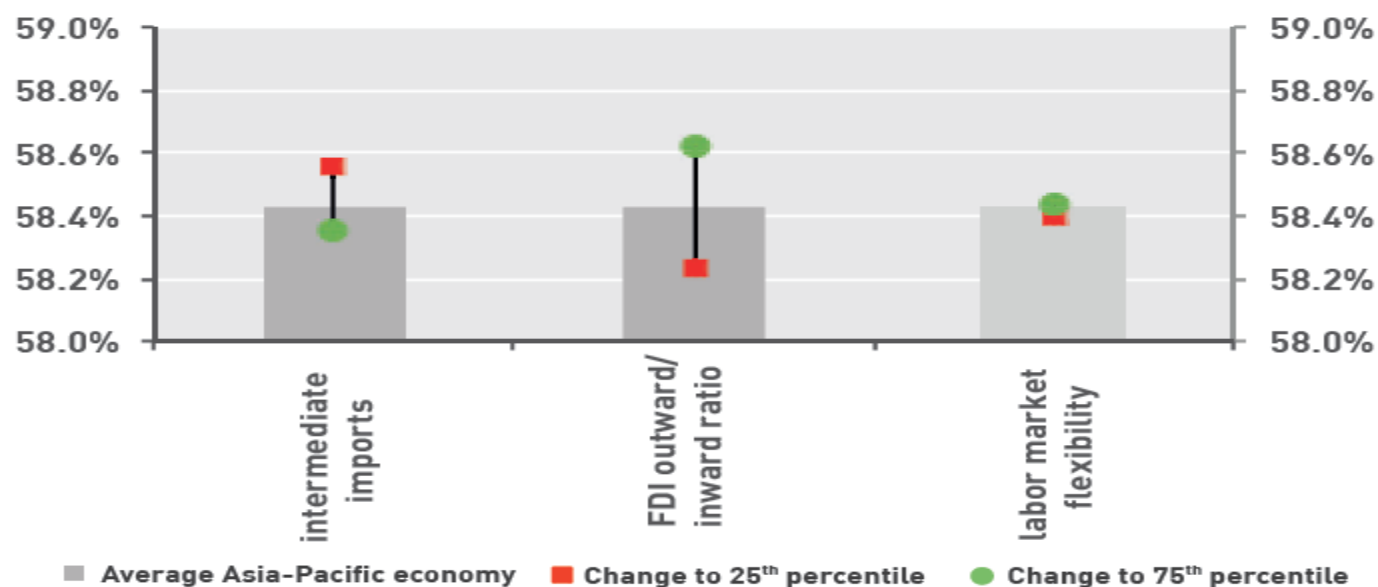


# Evidence on employment opportunities

- Econometric results, generally, reflect that international openness by itself has little impact on employment opportunities. However, some interactions between openness and complementary policies are of significance:
  - the share of intermediate goods in total imports;
  - labour market flexibility;
  - the outward-over-inward FDI ratio.

**FIGURE 9.1**

Intermediate imports and composition of FDI affect the employment participation rate

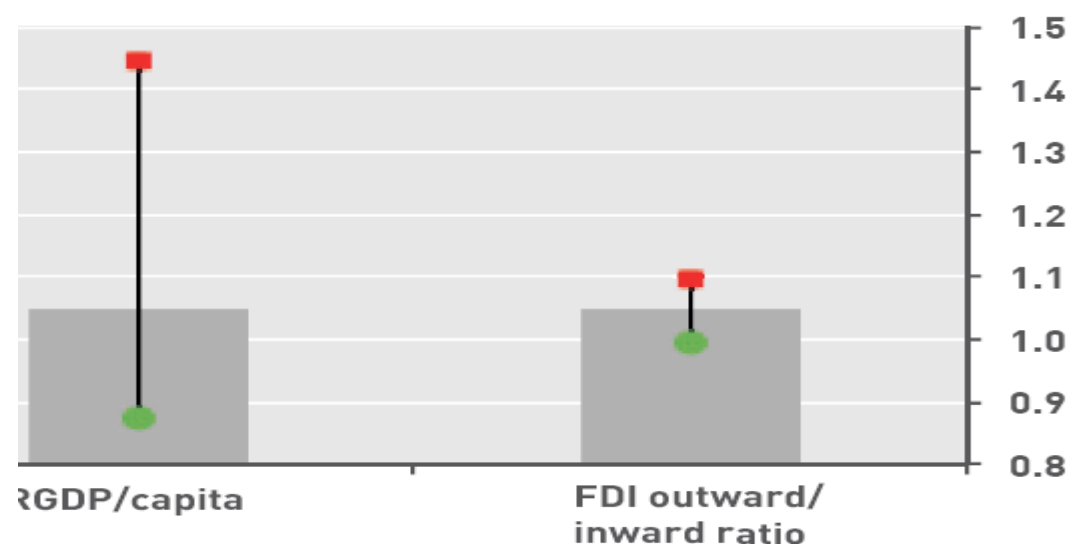


# on productivity

higher share of FDI to GDP tend to show higher aggregate  
egate investment is a growing boon to domestic

# on wages

Real wages do not necessarily rise with the stage of development



specific economy ■ Change to 25<sup>th</sup> percentile ● Change to 75<sup>th</sup> percentile

10-22 NOV 2013

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