

## Asia: Working together on trade integration

By Patricia Francis\*

The dramatic contraction this year in trade in the Asia-Pacific region caused by the global financial crisis has made regional collaboration and integration on trade more important and urgent than ever.

As ministers gather for the second Aid for Trade Review for Asia and the Pacific, they need to understand that trade policy is no longer just a question of lowering barriers. We have to help small and medium-sized companies get a foothold in regional and global supply chains, which are still growing, or at least not declining. Countries in the region must work more closely together to ensure the impact of the crisis is reduced.

At the review meeting here on May 28 and 29, organized by the government of Cambodia, the World Trade Organization (WTO) and the Asian Development Bank, the International Trade Centre (ITC) will be chairing a session on promoting private sector development as a tool for Aid for Trade. We have been taking a lead in ensuring that the voice and concerns of the private sector are taken into account in implementation of the global Aid for Trade initiative.

The fact is that this second review meeting is taking place against an economic background that is radically different from the first, held in Manila in September 2007. This region, like others, has suffered from a fall in trade resulting from the breakdown in global demand, an increase in market protectionism and the drying up of trade finance.

Our approach to poverty reduction through trade promotion has four main thrusts in the region: advocacy for regional trade integration, improving the access of small business to trade finance, helping smooth the flow of goods across national borders, and connecting poor producers to markets.

Policy-makers need to appreciate that a key element in the process of economic integration is identification of barriers to trade and then their gradual elimination. The private sector must be closely involved since it is private businesses that have the most at stake.

We also need to recognize that any regional integration strategy that makes possible free mobility of goods, capital, labour and services risks creating losers as well as winners at regional, national and sectoral levels.

The strategy needs to incorporate guarantees of harmonization and standardization to iron out the possible differences between technical and safety regulations in member countries. The private sector has to be fully involved in policy-making and must be vigilant in monitoring the implementation and enforcement of common policies, because differences

could lead to the creation of competitive advantages and disadvantages that would undermine efforts to achieve integration.

ITC plans to support the private sector in monitoring the progress of regional integration by helping them set up regional business organizations to collect information, keep members informed and engage in advocacy for removing trade barriers.

On the finance side, our strategy is to build bridges between businesses, trade support institutions, development finance institutions and banks. We aim to develop the capacities of the managers of small and medium sized enterprises to help them improve their access to trade finance and adopt sound financial management practices.

As the economic downturn continues, countries in the region must focus on diversifying both their markets and their product ranges. So far as markets are concerned, for example, our analysis shows that there is a close correlation between dependence on OECD countries and China as export markets, and the trade vulnerability of individual countries.

Our mandate at ITC is to help countries trade their way out of poverty, which is why we urge them so strongly to make rapid progress on regional trade integration. But I should add that our efforts are not confined to the national and regional levels. Through a number of projects in the region, we are also helping individual communities, in particular the poorest, to find and develop markets for their products.

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