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# **Mainstreaming Trade into National Development Strategies**

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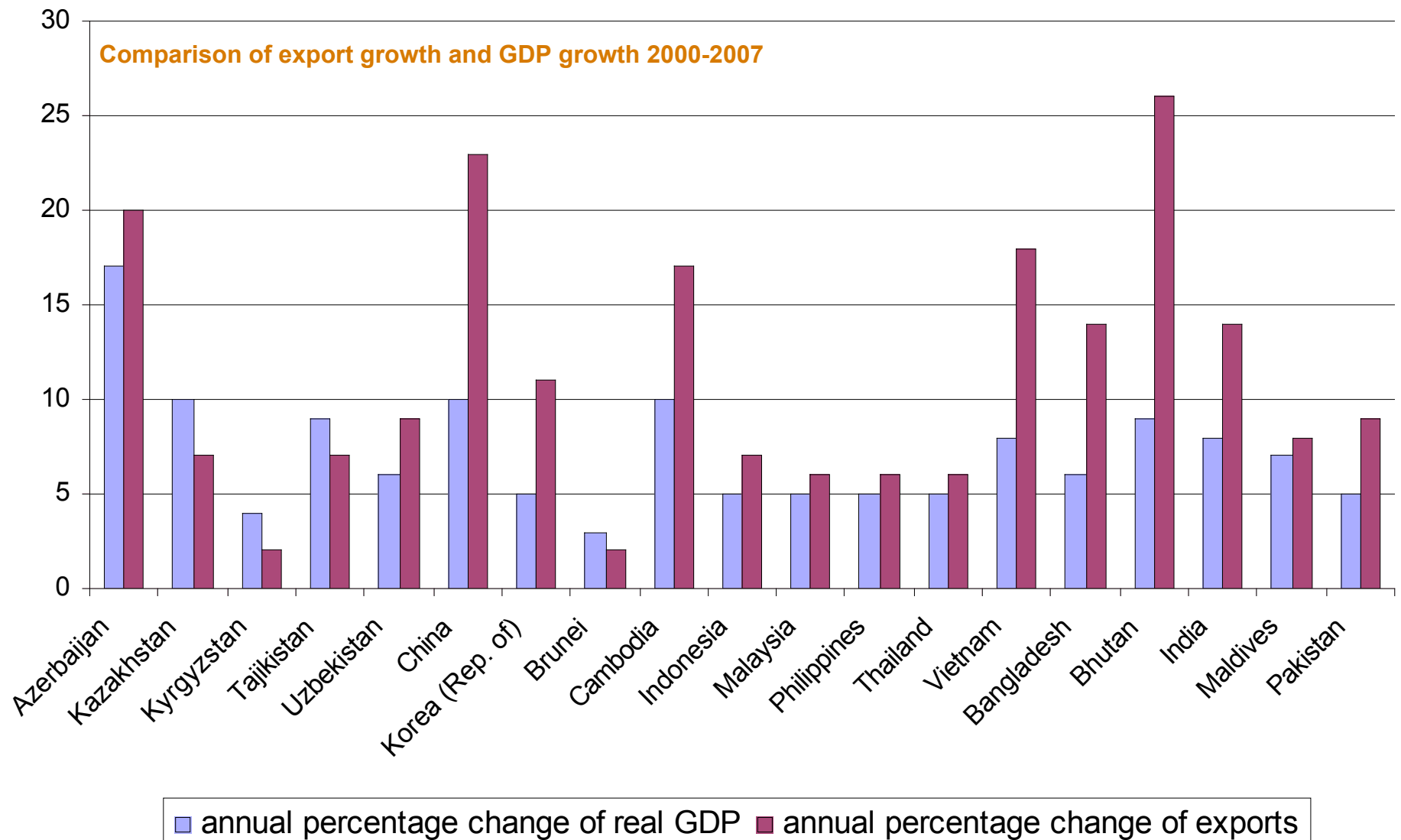


# Outline

1. **Why mainstream?**
2. Lessons and key issues in mainstreaming
3. Way forward for donors & international agencies

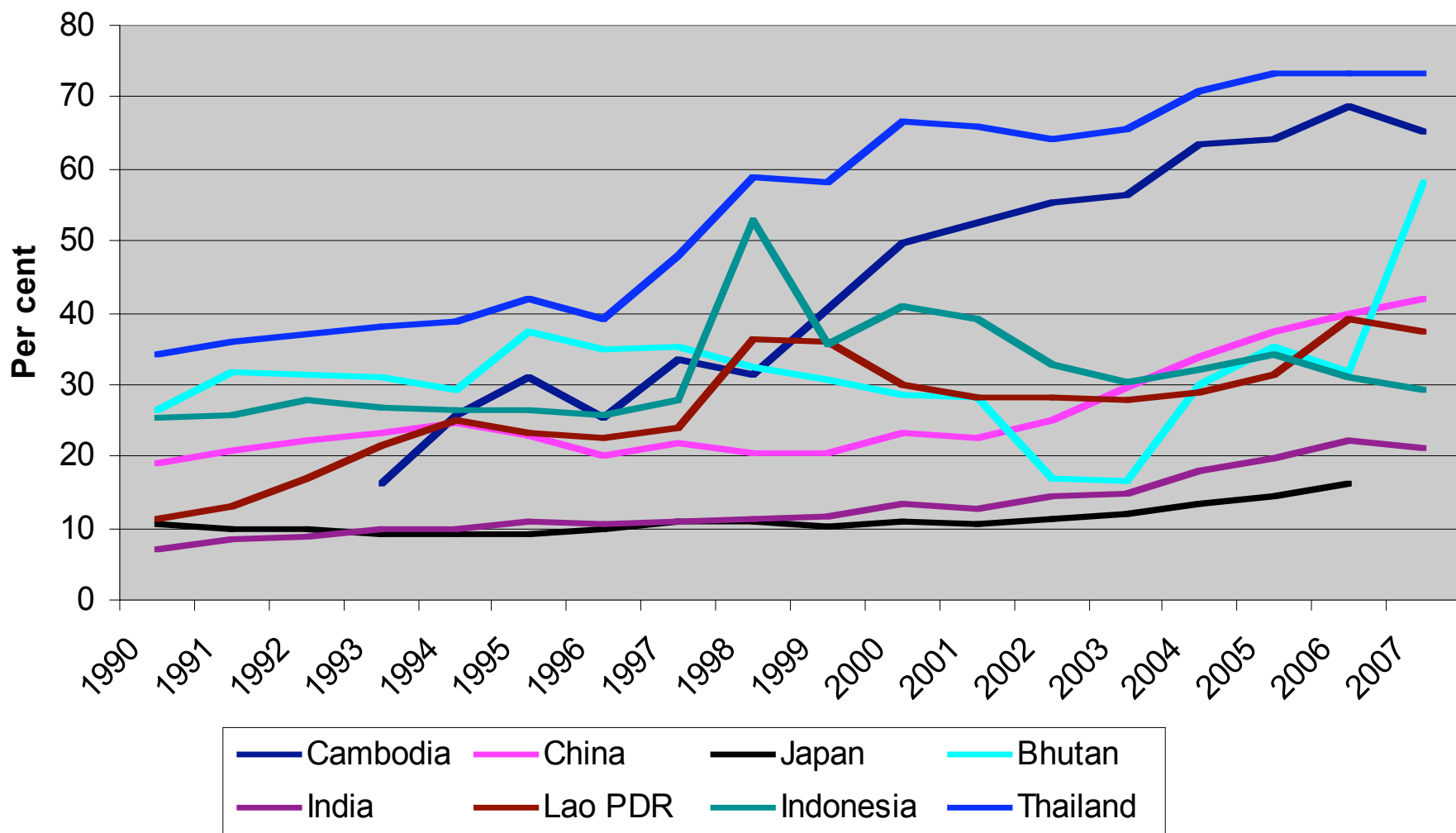


# Trade is a main engine of growth in Asia-Pacific



# Smaller, developing economies increasingly rely on exports

Exports as percent of GDP, for selected countries, 1990-2007



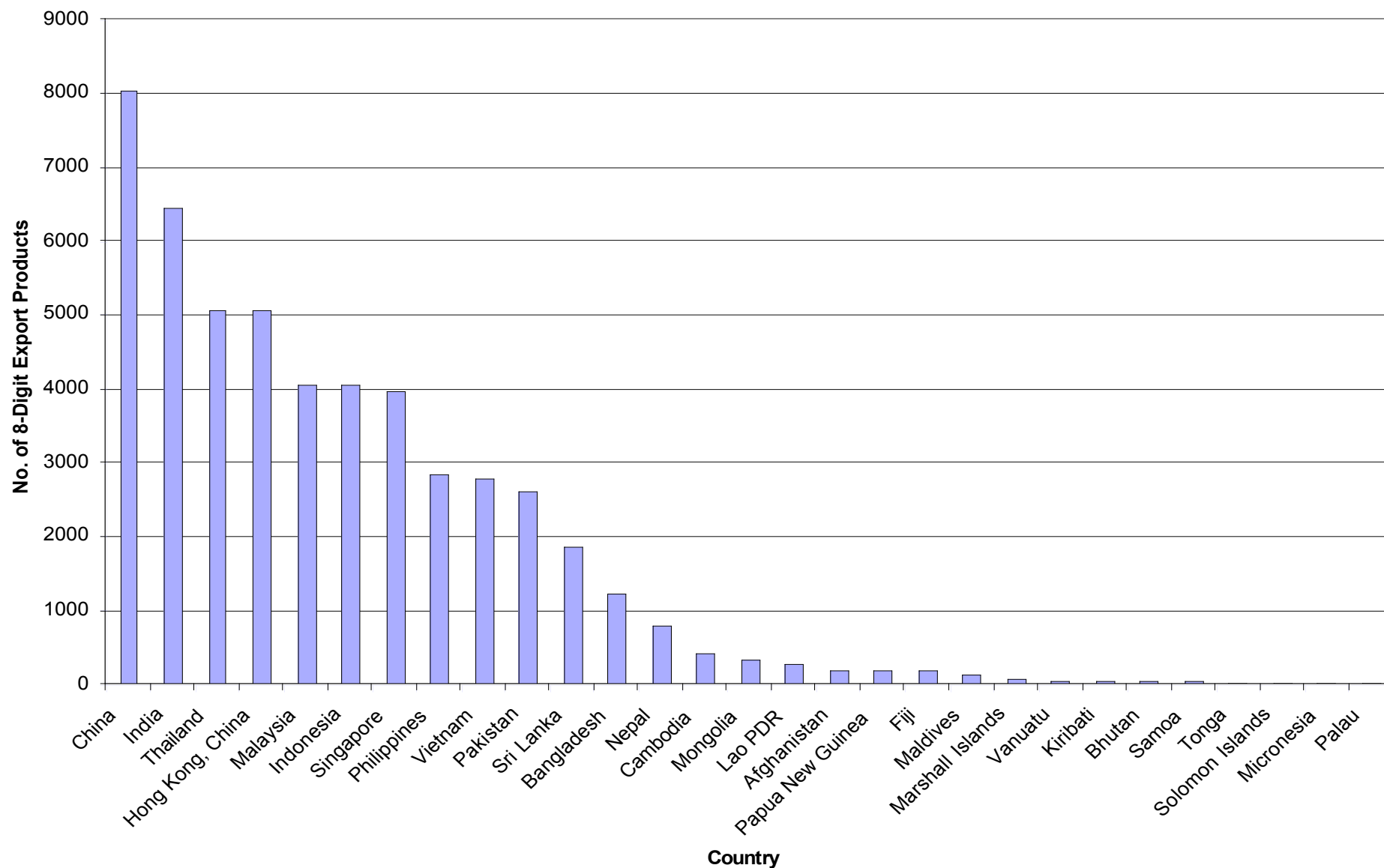
## While exports are becoming more sophisticated across the developing Asia-Pacific region...

1990-1992	As % of total exports	2005-2007	As % of total exports
Articles of apparel and clothing	13.0	Electric machinery, apparatus and appliances	12.5
Textile yarn, fabrics, made-up articles	8.3	Petroleum, petroleum products and related materials	12.0
Electric machinery, apparatus and appliances	8.2	Office machines and automatic data processing equipment	9.0
Telecommunications, sound recording and reproducing equipment	6.8	Telecommunications, sound recording and reproducing equipment	7.9
Petroleum, petroleum products and related material	6.3	Articles of apparel and clothing accessories	6.2
Miscellaneous manufactured articles	6.2	Miscellaneous manufactured articles	3.9
Office machines and automatic data processing equipment	4.9	Textile yarn, fabrics, made-up articles	3.8
Footwear	2.6	Road vehicles	3.3
Road vehicles	2.3	Iron and steel	3.0
Non-metallic mineral manufactures	2.1	Gas, natural and manufactured	2.2
<b>Total top 10 products</b>	<b>61.0</b>	<b>Total top 10 products</b>	<b>64.2</b>

## No such diversification in LDCs ...quite the opposite

<b>1990-1992</b>	<i>As % of total exports</i>	<b>2005-2007</b>	<i>As % of total exports</i>
Articles of apparel and clothing	<b>41.5</b>	Articles of apparel and clothing	<b>69.7</b>
Textile yarn, fabrics, made-up articles	<b>20.4</b>	Textile yarn, fabrics, made-up articles	<b>9.0</b>
Fish, crustacean and molluscs	8.1	Fish, crustacean and molluscs	5.8
Leather, leather manufactures, etc.	7.0	Leather, leather manufactures, etc.	2.2
Textile fibres	4.4	Textile fibres	1.8
Vegetables and fruit	2.9	Petroleum, petroleum products and related materials	1.1
Cork and wood	2.3	Vegetables and fruit	0.9
Coffee, tea, cocoa, spices	2.3	Footwear	0.8
Petroleum, petroleum products and related materials	1.1	Road vehicles	0.8
Fertilizers, manufactured	1.0	Miscellaneous manufactured articles	0.8
<b>Total top 10 products</b>	<b>91.5</b>	<b>Total top 10 products</b>	<b>93.2</b>

# Status of export diversification, selected countries, 2005



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## Trade considered widely as part of national development strategy—improved competitiveness, diversification prioritized

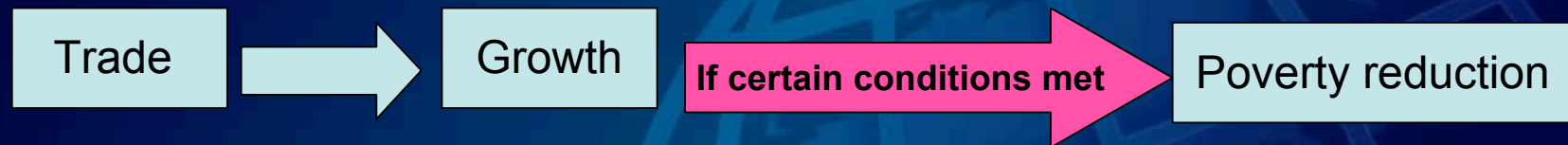
- **Afghanistan:** In 2008-2013 National Development Plan committed to pro-trade policies, maintaining low trade barriers, improve inter-regional trade
- **Maldives:** In 2006-2010 National Development Plan committed to mainstream trade in economic agenda, promote exports/competitiveness, improve access to regional and international markets
- **Cambodia:** In DTIS 2007 emphasis on export diversification; development of critical legal and institutional infrastructure; sector specific intervention in high potential exports. Trade SWAP to deepen mainstreaming
- **Lao PDR:** National Development Plan committed to expand and diversify exports markets/products; increase economic integration; promote agricultural exports
- **Nepal:** Poverty reduction strategy places high emphasis on accession to WTO; creating favourable environment for export-oriented industries



## Key challenges remain in mainstreaming

- Prevailing sentiment:  
“If trade is good for growth, and growth is good for the poor, then trade must be good for the poor”

- The reality:



- Important to mainstream **pro-poor trade**
  - Structure of exports—agriculture vs. manufacturing, skill intensity, labour intensity...
  - Characteristics of the poor—rural/urban; regional concentration; sources of income (labour, land)...
  - Addressing concerns of losers of trade liberalization—social protection; labour retraining...
  - Understanding complex relations between trade and poverty is important in making policy...



## Key challenges remain ...

- Policy coherence
  - Macro instability (high and variable interest rates and inflation) harms exports
  - Currency devaluation while good for exports may have severe impacts on poor households
  - Unilateral trade liberalization—negative impact on domestic industry, government revenues
- Policy co-ordination
  - Upgrading/diversifying exports may call for education reforms; formulating innovation strategies
  - Infrastructure for better trade goes beyond Trade/Commerce Ministries
  - Reducing poverty through trade needs wider involvement of Gvt Ministries, private sector, NGOs etc



## Key challenges remain ...

- Recognizing the need for “soft infrastructure”
  - Emphasis largely on physical infrastructure for trade—transport, ports, ICT
  - Institutional infrastructure equally important—trade facilitation, legal/regulatory systems, capacity building
  - cumbersome procedures and excessive paperwork cost up to 10-15% of the value of goods
- Costing of resource needs/gaps (including aid for trade needs)
  - Needs assessment, prioritization, costing, integration into Medium Term Expenditure Frameworks
  - Cambodia trade SWAP a good example





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## Making aid more effective

- Respect country ownership
- Deliver as One
  - Coordinated support—less administrative burden on countries
  - Budget support vs. project support
  - Innovative financing—parallel funding
- Provide more concessionary assistance with less conditionality
- Support less fashionable “soft infrastructure” and capacity building
  - Effective trade facilitation crucial to promote competitiveness, diversification
- Facilitate countries to learn from each other
  - ESCAP/UNECE initiative UN NExT—A community of knowledge and practice in trade facilitation to share lessons and good practices



Thank you.

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