Aid for Trade and Trade Facilitation in Asia and the Pacific: Promoting Connectivity for Inclusive Growth

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Key Messages

- Trade facilitation has emerged as a key instrument for further reducing trade costs.

- Aid for trade flows account for about 40% of total official development assistance to Asia in 2015. Globally, Asia is amongst the largest recipients of AfT.

- Digitalization offers great potential to enhance trade facilitation implementation and further reduce trade costs in Asia and the Pacific.

- Aid targeted at tradable services sectors can be an important catalyst in promoting inclusive economic growth and structural transformation.

- Promoting connectivity is a priority to expand trade in services and achieve inclusive growth in geographically challenged economies of Asia and the Pacific.

- Better targeted AfT can help facilitate trade and economic integration of geographically challenged economies into regional and global markets.
Development Progress in Asia

<table>
<thead>
<tr>
<th>Poverty</th>
<th>Health</th>
<th>Education</th>
<th>Water</th>
<th>Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty head count (% of population)</td>
<td>Life expectancy (years, median)</td>
<td>Survival rate (% of population)</td>
<td>Improved water source (% of population with access)</td>
<td>Access to electricity (% of population)</td>
</tr>
<tr>
<td>66% (1980a)</td>
<td>56 (1960)</td>
<td>76% (1980a)</td>
<td>70% (1990)</td>
<td>72% (1990)</td>
</tr>
</tbody>
</table>

GNI = gross national income.

Notes: Poverty headcount is based on $1.90 per day (2008 purchasing power parity) per person. Survival rate is for the last grade of primary education, both sexes. GNI is based on Atlas method, current $. Source: ADB calculations using data from World Development Indicators, World Bank.

Source: Asia 2050: Realizing the Asian Century
Trade as key driver of economic growth and poverty reduction in Asia
Reducing trade costs remains a priority

Trade Costs of Asia and Pacific Subregions with Large Developed Economies

Distance to ‘Best Performer Frontier’ in Trading Across Borders by Region and Asia’s Subregions, 2014 and 2016

Note: Asia includes developing economies only.
Benefits of trade and trade facilitation

Almost everyone stands to gain from lower trade transaction costs.
AfT flows to Asia and the Pacific have been growing steadily

Official Development Assistance and Aid for Trade, 2002–2015 ($ million, %)

ODA = Official Development Assistance.
Note: Total aid for trade (AfT) is the sum of INF (aid for infrastructure), BPC (aid for building productive capacity) and TPR (trade policy and regulations and trade-related adjustment).
ADB support for aid for trade and trade facilitation

Central Asia Regional Economic Cooperation program (CAREC)

Amount of CAREC Investments by Financier ($ million)

Note: Figures as of 31 December 2017.
Source: https://www.carecprogram.org/
ADB support for trade-related infrastructure

Hairatan (Northern Uzbekistan) to Mazar-e-Sharif (Afghanistan) Railway Project

Cambodia: Greater Mekong Subregion Transmission Project

Instituting e-Government Procurement in Nepal

Tonga’s High-Speed Revolution (via the Southern Cross Cable Network)
Promoting inclusive growth through technology
Technological Innovation in Trade Facilitation
Targeted aid interventions can promote inclusive growth
The case of landlocked Central Asian economies
Improving the business environment and reducing trade costs remain as priorities

Ease of Doing Business Rankings (out of 190)

2016 rankings

(Overall distance to frontier scores, 2014 and 2016)

Asia

Landlocked economies

Kazakhstan (Rank 35)

Armenia (Rank 38)

Azerbaijan (Rank 65)

Kyrgyz Republic (Rank 75)

Uzbekistan (Rank 87)

Tajikistan (Rank 128)

Distance to Frontier in the Ease of Trading Across Borders

Tajikistan (Rank 128)

Uzbekistan (Rank 87)

Kyrgyz Republic (Rank 75)

Azerbaijan (Rank 65)

Armenia (Rank 38)

Kazakhstan (Rank 35)

Note: Asia refers to developing Asia.
Aid for trade promotes growth and trade in services in geographically challenged economies…

… with the most pronounced impact on business services for landlocked economies

Mean services trade and AfT: aggregate services (geographically challenged economies, 2002-2014)
The CAREC Trade Policy Strategic Action Plan recognizes the expansion of trade in services as a core policy goal to help reduce barriers faced by landlocked Central Asian economies.

Some crucial actions for promoting services exports include:

- developing human capital for skilled services
- enhancing cultural endowments that attract tourists
- improving infrastructure (especially telecommunications networks that facilitate service delivery)
- raising institutional quality
Thank you!

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