

(Pathfinder) Inclusive Trade Initiative

Background

Since the establishment of the Bretton Woods system in the 1940s, trade has been the single most important factor in achieving peace and prosperity around the world. Tremendous efforts were made to lower barriers to free trade and investment worldwide, including the Asia-Pacific region. Building upon the collective efforts of APEC underpinned by the Bogor Goals, the Asia-Pacific region made great strides in realizing co-prosperity across the region through liberalization and facilitation of trade and investment as well as regional integration.

However, amidst the slow and uneven recovery from the aftermath of the global financial crisis, both the APEC region and the world are facing the rise of trade protectionism and anti-globalization sentiment. Trade restrictive measures are dramatically on the rise and obvious protectionist actions are also being implemented by economies. Multilateral and plurilateral trade negotiations are progressing in a sluggish manner, and their prospects are unclear. The more alarming development, however, is the widespread anti-globalization sentiment among the general public. Ordinary citizens seem to be losing trust in free trade and the benefits it delivers. More and more people are starting to believe that free trade has taken away jobs from their domestic economy.

What seems to be causing the rise of protectionism and anti-globalization sentiment?

First, it may be attributable to the limited information the general public has on free trade. Blaming foreign goods, services and capital for economic difficulties at home is an easy resort for politicians, especially in times of recession. However, contrary to some belief, trade or offshoring is not a major cause of job reduction. Evidence shows that 80% of job loss occurs due to technological development, such as automation¹.

Second, although trade promotes innovation and growth for an economy as a whole, its benefits are not adequately distributed to all segments of the economy. For example, vulnerable social groups may lack access to necessary education, finance or types of social support that would allow them to participate in sectors that benefit from trade or enjoy the trickle-down effect. Due to some limitations resulting from their size and capacity, micro, small and medium-sized enterprises (MSMEs) might have difficulties in gaining access to

¹Quoted from the speech made by Mr. Azevedo, Director-General of the WTO at the Public Forum (September 27, 2016)

international markets and benefiting from free trade.

Furthermore, some sectors or firms may have been adversely affected by trade, given that the impact of foreign competition may vary across firms in one sector and across sectors of an economy. Thus, the issue of fair distribution of trade benefits may have eroded political support for free trade policies.

During the 2016 APEC Economic Leaders' Meeting held in Lima, the Leaders commonly voiced their concerns over growing protectionism and reaffirmed their commitments to keep their markets open. They also acknowledged that economies need to reach out to all sectors of our society to better explain the benefits of trade, investment and open markets, and to ensure that those benefits are widely distributed.

Proposal

Against this backdrop, APEC should work on restoring confidence in trade as a growth engine for all by addressing the two different causes of protectionism and anti-globalization sentiment, namely the misperception on trade and the uneven distribution of trade benefits. As a primary forum for regional integration and economic cooperation of the region, APEC should take the lead in such endeavors, as instructed by our Leaders in 2016.

First, to tackle the misperception on trade, it is crucial to redouble our efforts to reach out to ordinary citizens and effectively communicate to them the benefits of free trade, which include increased consumer welfare, reduced cost of doing business internationally, stimulation of economic growth and employment, promotion of technological development, and the contribution to peace and stability, among others. Although numerous researches were conducted by international organizations including the OECD and academic institutions on the positive impact of trade and globalization, parts of our society have not been convinced of the benefits of trade.

Second, to address the issue of the uneven distribution of trade benefits, we must spare no efforts to make trade more inclusive. Given that the benefits of trade do not reach as many people as they should, providing policy assistance to those who have not had the opportunity to adequately participate in or were adversely affected by international trade would be essential.

Specific Programs

To achieve these goals, we propose that APEC work on a series of specific programs under

the two pillars as follows:

(Pillar1)Tackling misperception on trade

A study² will be prepared to enhance the understanding on the benefits and challenges of free trade among the general public in 2018. The study will present real-life stories of APEC economies to demonstrate the positive impact of free trade and globalization including consumer benefits, job creation, inclusiveness for vulnerable social groups, ease of doing business, and creation of new markets for MSMEs. The study will also capture rising challenges of free trade such as trade restrictive measures and protectionist actions and how that will undermine the benefits of free trade in our daily life.

The study results will be shared by the general public in plain language through various means, including booklets, mobile applications, info-graphics, and social media in 2019³. Aside from publicity at the APEC-level, each individual APEC economies are also encouraged to put in efforts to reach out to their own public, including by translating the APEC booklets published in English into their native languages and organizing public dialogues.

(Pillar2)Addressing uneven distribution of trade benefits

APEC economies are encouraged to organize workshops or policy dialogues in 2018 on how to assist vulnerable groups and sectors that have been adversely affected by trade and globalization such as MSMEs, agriculture, women, and youth to make them better participate in international trade. The summary of the discussion will be reported to APEC/CTI.

On the basis of discussions done at the workshops and policy dialogues in 2018, APEC/CTI will develop a set of policy recommendations to promote inclusive trade in the APEC region. The recommendations will be reported to APEC AMM in 2019 and is anticipated to be implemented from 2020 to 2030 in an effort to contribute to the implementation of the Action Agenda on Advancing Economic, Financial and Social Inclusion in the APEC region.

List of Participating Economies in the Pathfinder

Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Korea; Malaysia; Mexico; New Zealand; the Philippines; Russia and Thailand

²The study will be commissioned to (an) independent consultant(s) through an international bidding, which will be administered by the APEC Policy Support Unit and the Secretariat's Communication and Public Affairs Unit.

³The study will also develop recommendation for several communication strategies on how to best share the results with the general public.