

ASIA-PACIFIC HUMAN DEVELOPMENT REPORT 2006

Trade on Human Terms

Transforming Trade for
Human Development
in Asia and the Pacific



Published for the
United Nations
Development Programme





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The Asia-Pacific Human Development Unit (HDU), Regional Centre in Colombo (RCC)
The Asia-Pacific Human Development Report 2006 is the result of a collaborative effort. Other members of the HDU who worked on the Report include Susan Howes and Renata Rubian. The HDU administrative team who supported the preparation of the Report include Ruwanthi Senarathne and Rehana Cuttilan. Kay Kirby Dorji provided assistance for advocacy and media outreach.

Foreword

International trade has been the engine of growth for many countries of Asia and the Pacific. The ‘economic miracle’ of the East Asian ‘tigers’ is due in large part to their ability to export to global markets and to develop production at a scale, and with the technology, that allows for higher returns. Poverty has broadly declined in the region, and hundreds of millions of people have experienced significant improvement in the quality of their lives.

But some are being left behind. Several smaller countries in the region, especially the Least Developed Countries (LDCs), have not yet experienced significant gains from trade. The region’s rural poor have languished from stagnation in agriculture, as the new riches of the global marketplace fail to reach the countryside, where most people live. Even in fast-growing countries, trade has led to widening disparities among regions, sectors and households. Many economies, especially in East Asia, are unable to create enough jobs for their growing populations, especially for young people and women.

The launch of the 2006 Asia-Pacific Human Development Report, *Trade on Human Terms*, comes at a critical time, with only a few months left before the end-of-year deadline for the completion of the Doha Development Round. We are at the mid-point of the ten-year Brussels Programme of Action for Least Developed Countries, and have less than a decade to achieve the targets of the Millennium Development Goals.

As we see in the Report, daunting challenges

remain. The link between trade, human development and poverty reduction has weakened. Incumbent WTO members have at times made it difficult for developing countries to gain a share in the benefits of globalization. China’s stunning economic growth, in so many ways an inspiration to its Asia-Pacific neighbors, is not delivering reciprocal benefits to its regional trading partners – and is in some cases creating difficulties for them. One of the messages of this report is that success in the global marketplace brings with it new opportunities and responsibilities as well, especially toward the least developed nations.

The Report examines from an Asia-Pacific perspective the changes required in the world’s trading system, as envisioned in the Global Partnership for Development and the Millennium Development Goals. It draws on the diverse experience of the region to propose a comprehensive development strategy that effectively combines trade liberalization with the promotion of poverty reduction and human development.

Trade on Human Terms also identifies the types of national policies needed to ensure that all people realize the potential benefits of trade. Such policy recommendations include investments in infrastructure, higher education and R&D for competitiveness; adoption of strategic trade and industrial policies; a renewed focus on agriculture and rural development; and measures for combating “jobless growth.” The ideas in this report can contribute to a better globalization – a globalization with benefits for

all – both in the Asia-Pacific region and around the world.

The launch of *Trade on Human Terms* marks a turning point for UNDP too: the evolution of Asia-Pacific Human Development

Reports into an annual series. We expect these annual regional Reports to provide continuing analysis of critical development issues that will prove highly relevant at both the national and international levels.



Kemal Dervis
Administrator, UNDP

The analysis and policy recommendations of this Report do not necessarily reflect the views of the United Nations Development Programme, its Executive Board or its Member States. The Report is an independent publication commissioned by UNDP. It is the fruit of a collaborative effort by a team of eminent experts, stakeholders, and the Human Development Unit team of the Regional Centre in Colombo.

Preface

In Asia and the Pacific, trade has proved that it can provide jobs and higher incomes for millions. At the same time, many people have yet to benefit, including poor farmers marginalized by trade barriers and distorted agricultural prices; workers who lose jobs in domestic industries due to the reduction of tariffs on competing imports; women, who deserve higher wages and better working conditions but face the risk of displacement following the withdrawal of textile quotas; and overseas workers, who leave their loved ones behind and face discrimination and exploitation in search of jobs that can lead to improved lives back home.

The Asia-Pacific Human Development Report 2006 is by and for the people of the Asia-Pacific region. It seeks to demystify trade-related issues, making them more accessible to a wider cross-section of people, thereby facilitating more informed debate and advocacy. In doing so, it hopes to promote human development in the region, focusing especially on the attainment of the Millennium Development Goals.

I am proud that this Report is the product of indigenous thinking by hundreds of people in the region; experts, scholars, government officials, representatives of non-governmental organizations, civil society and the private sector, and many people from different walks of life.

The Report not only draws on many issue- and country-based studies and papers commissioned by UNDP, it also benefits from the feedback on the approach and content obtained from a number of regional workshops, stakeholder consultations and technical meetings. Thus, the process of gathering inputs and ideas from diverse, informed sources in the region has been very full and rich.

Questions such as these provided the motivation for the Report: How does trade liberalization affect the conditions of the worse-off sections of the population? Is trade expansion contributing to higher employment and poverty reduction? The conclusion is that these links are not automatic, and will need to be engineered through favourable changes in the international trading regime and appropriate domestic policies.

World leaders at the recent Global Summit of the United Nations resolved to spare no effort to free their fellow human beings from the abject and dehumanizing conditions of extreme poverty. We can make an enormous contribution to fulfilling this pledge – and benefiting farmers, women, industrial labourers, overseas workers and others left out so far – by ensuring that trade is on human terms and promotes a better life for all.



Hafiz A. Pasha
Director
Regional Bureau for Asia and the Pacific
UNDP

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This Report is the outcome of a truly collaborative venture. Persons deserving acknowledgement are so numerous, and have contributed in so many different ways, that no attempt to fully recognize their contribution can ever do justice. Nevertheless, it is necessary to acknowledge the contribution of as many as possible. Hafiz Pasha inspired and guided the work, and also provided numerous substantive inputs. The Report also benefited from specific suggestions from Kemal Dervis, UNDP Administrator. Colleagues in RCC provided ongoing inputs and support to the process.

Contributors

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and outside UNDP. Participants were Rashmi Banga, Anuradha Bhasin, Elena Borsatti, Javed Burki, Jolita Butkeviciene, Rupa Chanda, C.P. Chandrasekhar, Kay Kirby Dorji, Ramesh Gampat, Jayati Ghosh, Murray Gibbs, Cherie Hart, Cristina Hernandez, Susan Howes, Achila Imchen, T. Indrani, Mumtaz Keklik, Aileen Kwa, Marie Laberge, David Luke, Kamal Malhotra, Sebastian Mathew, Manuel Montes, B. Murali, Napoleon Navarro, Omar Noman, Pedro Ortega, Thangavel Palanivel, Hafiz Pasha, Minh Pham, Syed Ayub Qutub, Anuradha Rajivan, K.V. Ramani, Deepali Sharma, Margarita Songco, Arusha Stanislaus, Trudy Tan, Thiyagarajan Velumail, Swarnim Waglé, Yumiko Yamamoto and Uchita de Zoysa.

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Minh Pham
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Abbreviations

ACCEC	ASEAN-China Comprehensive Economic Cooperation
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AFTA-CER CEP	AFTA-CER Closer Economic Partnership
AGOA	African Growth and Opportunity Act
AICEP	ASEAN-India Comprehensive Economic Partnership
AJCEC	ASEAN-Japan Comprehensive Economic Cooperation
AKCCP	ASEAN-Korea Comprehensive Cooperation Partnership
AMS	Aggregate Measure of Support
AO	Appellation of Origin
APEC	Asia Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ARV	Anti-retroviral
ASCM	Agreement on Subsidies and Countervailing Measures
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN-China-Japan-Korea
ATC	Agreement on Textiles and Clothing
ATMI	American Textile Manufacturers Institute
BIMSTEC-FTA	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation Free Trade Area
BIS	Bank of International Settlement
BPO	Business process outsourcing
BTA	Bilateral Trade Agreement
CAFTA	Central American Free Trade Agreement
CARP	Comprehensive Agrarian Reform Programme
CBI	Caribbean Basin Initiative
CEPT	Agreement on the Common Effective Preferential Tariff
CER	Closer Economic Relations
CET	Common External Tariff
CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
CU	Customs Union
DTIS	Diagnostic Trade Integration Study
DAFEL	Department of Administration of Foreign Employment Labour Force
DFID	UK Department for International Development
EAEC	East Asian Economic Council
EAI	Enterprise for ASEAN Initiative
EBA	Everything But Arms Agreement

ECO	Economic Cooperation Organization
EPZ	Export Processing Zones
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAO-FISHSTAT	FAO Fishery Statistics
FAS/USDA	Foreign Agricultural Service/United States Department of Agriculture
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
G-77	Group of 77
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GCI	Growth Competitiveness Index
GDP	Gross Domestic Product
GI	Geographical Indications
GSP	Generalized System of Preferences
GSTP	Agreement on Global System of Trade Preferences Among Developing Countries
HACPP	Hazard Analysis and Critical Control Point
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HPLC	High Performance Liquid Chromatography
IATP	Institute for Agriculture and Trade Policy
ICFTU	International Confederation of Free Trade Unions
ICSF	International Collective in Support of Fishworkers
ICTSD	International Centre for Trade and Sustainable Development
IF	Integrated Framework
IGG	Inter-Governmental Group
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IP	Intellectual Property
IPA	Integrated Programme of Action
IPN	Integrated production networks
IPR	Intellectual Property Rights
IS	Indication of Source
ISO	International Standards Organization
IT	Information Technology
ITCB	International Textiles and Clothing Bureau
LBD	Learning by doing
LDC	Least Developed Countries
LICs	Low Income Countries
MBA	Master in Business Administration
MDG	Millennium Development Goals
MEA	Multilateral Environmental Agreements

MFA	Multifibre Arrangement
MNC	Multinational corporations
MOU	Memorandum of Understanding
MRA	Mutual Recognition Agreements
NAFTA	North American Free Trade Agreement
NAMA	Non-agricultural market access
NASSCOM	National Association of Software and Service Companies
NET	Natural Economic Territories
NFIDC	Net food importing developing countries
NGO	Non-governmental organisations
NIC	Newly Industrialised Countries
NIE	Newly Industrializing Economies
ODC	Other duties and charges
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PACER	Pacific Agreement on Closer Economic Partnership
PIC	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PPB	Parts per billion
PPM	Parts per million
PPT	Parts per trillion
PTA	Preferential Trade Agreement
PVP	Plant Variety Protection
QR	Quantitative restrictions
R&D	Research and Development
RCD	Regional Cooperation for Development
REER	Real Effective Exchange Rate
ROO	Rules of origin
RTA	Regional Trade Agreement
SAARC	South Asian Association for Regional Cooperation
SAC	South Asian Countries
SAFTA	South Asian Free Trade Agreement
SAPTA	South Asian Preferential Trading Agreement
SARC	Declaration on South Asian Regional Cooperation
SARS	Severe Acute Respiratory Syndrome
SDT	Special and Differential Treatment
SIDS	Small Island Developing States
SISs	Small Island States
STD	Short-term debt
T&C	Textiles and Clothing
TBT	Technical Barriers to Trade
TED	Turtle Excluder Device
TFP	Total Factor Productivity
TIFA	Trade and Investment Framework Agreements

TNC	Transnational corporations
TPSEPA	Trans-Pacific Strategic Economic Partnership Agreement
TRIMs	Agreement on Trade Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TSE	Total Support Estimate
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNDP-RCC	UNDP Regional Centre in Colombo
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UPOV	Union for the Protection of New Varieties of Plants
USITC	United States International Trade Commission
USSR	Union of Soviet Socialist Republics
USTR	United States Trade Representative
VAT	Value Added Tax
WDI	World Development Indicators
WTO	World Tourism Organization
WTO	World Trade Organization
WTTC	World Travel and Tourism Council
\$	refers to US dollars, unless otherwise specified
€	refers to the Euro, unless otherwise specified