

English Summary drafted by RIS.

Asia-Pacific Forum 2018

Protecting the Global Trading System and the Role for Multilateralism

INTRODUCTION

The Research and Information System for Developing Countries (RIS), New Delhi in partnership with the Japan Economic Foundation (JEF), co-hosted the Asia Pacific Forum (APF) in Delhi on 22-23 November 2018 at the India Habitat Centre. The main event of the APF 2018 was its Public Symposium under the theme 'Protecting the Global Trading System and the Role for Multilateralism' on 22 November 2018 consisting of three Panel Sessions focusing on 'Trade & New Technology'; 'Imperatives for Regional Integration: Growing Role of Service Sector'; and 'Importance and Role of SDGs in the Indo-Pacific Region: Strategies for Attainment of SDGs'. The Forum was attended by 20 senior and eminent economists, experts and policymakers from the Asia Pacific region. In addition, more than 110 other participants representing eminent scholars, serving and retired diplomats, policy makers and shapers, subject experts, industry leaders and media persons as well as 29 high ranking officials and others from 21 ITEC partner countries, who were attending a 2-week long study programme on 'Learning South-South Cooperation' took part in the event. The keynote address at the public symposium was delivered by distinguished career diplomat Amb. Preeti Saran, former Secretary (East), Ministry of External Affairs, Government of India.

The meeting was organized in the backdrop of unprecedented rise in protectionism and threats to existence of rule based multilateral global system. It is likely to have extremely serious repercussions for the global economies causing sharp decline in international trade flows and widespread unemployment, particularly in the developing countries. It is, therefore, imperative that multilateralism and globalization need to be defended and promoted by the international community for the promotion of peace and prosperity in the Asia-Pacific region. In addition, the emergence of new technologies on the global scene is creating new opportunities and challenges which have to be effectively dealt with in the regional context. The global importance being accorded to the Sustainable Development Goals (SDGs) and its linkages with various sectors of the national, regional and global economy, including in the Asia-Pacific Region, were deliberated upon. In addition, the spotlight also turned to the service sector which would contribute more than 70 per cent of the GDP

in the ASEAN region. The role and importance of Global Value Chains offering scope of specialization and fragmentation of services particularly in logistics, transport, finance, communication and other sectors feeding trade in goods also prominently figured during the deliberations apart from the wave of services orientation demands with respect to trade and investment in the Asia-Pacific region.

The Asia Pacific Forum 2018 provided an excellent opportunity to deliberate on the existing and emerging challenges in the region and came up with a wide range of options for the way forward. In this Report the key observations made by the eminent speakers and panelists in the Public Symposium at the APF 2018 have been highlighted for the benefit of the stakeholder community in the Asia-Pacific.

Welcome Remarks

SACHIN CHATURVEDI

Director General, RIS

A very warm welcome to all of you to Asia Pacific Forum, 2018. It is one of the extremely important initiatives and I am sure that CEO, JEF Mr. Kazumasa Kusaka San, would share with you his thoughts on its role and importance .

RIS, as you might be aware, has carried out considerable work on various facets of the evolving Indo-Pacific Initiatives. As a part of its focus on such critical issues, the ASEAN India Centre is housed in RIS. Our partnership with ASEAN goes back to 1992, when India initiated its sectoral dialogue partnership with them. Since then, several studies and projects have been undertaken by RIS for consolidating our collective understanding on the vital issues involved. Our work on exploring the nuances of India's engagement with the region and with its Look East Policy continued unabated. Upon its arrival, the current government announced India's Act East Policy. It was almost around this time in 2013 that RIS established the India- ASEAN to bring in the heft that is required in terms of empirical-based analysis of India's trade, investment and technology cooperation with ASEAN Member States.

Friends, as you would agree, this is the time, as we are all readying ourselves for entering into the Asian century, which will constitute an important part in history of time where we would be bringing in almost all the countries together as part of our collective commitment to SDGs under which no one is to be left behind. Fortunately or unfortunately, the geo-politics is also emerging in a manner where ASEAN countries would be playing an extremely important role to make this planet more inclusive by adding Asian ethos, values and new

approaches together and that, I consider, would provide the right traction that APF tries to bring to the table.

I am glad that we have been joined here by representatives of several countries. It is also the time when RIS is hosting an ITEC Programme, which is the flagship capacity programme of the Ministry of External Affairs, for capacity building among the developing countries. Under this Programme, diplomats, academics, officials and others from different parts of the world come to RIS to take part in a 2-week course on 'Learning South-South Cooperation'. There could not have been a better occasion than this to bring in 32 participants from 22 countries to this event. They are from Latin America, Africa and Asia.

RIS has been a founder member of this Forum and has participated in its last three successive events. I am confident that this important initiative would enable us to develop a better understanding of the issues involved which is absolutely essential for coherent policy shaping.

KAZUMASA KUSAKA

Chairman and CEO, JEF

Thank you very much for the introduction, this is Kazumasa Kusaka of the Japan Economic Foundation.

Her Excellency Preeti Saran, Dr. Satin Chaturvedi, Director General of the Research and Information System for Developing Countries, which is our co-host, to all of the experts from the Asia-Pacific region who have gathered here today, and to distinguished guests, and ladies and gentlemen, I am truly honored to be here today and to have this opportunity to greet you.

We at the Japan Economic Foundation have been hosting dialogues with Asia, the U.S, and Europe in order to achieve sustainable growth in the regions. And in recent years, we have been taking up constraining factors to such growth, and have sought its solutions and learned from each other on the policy successes and failures.

We began our first Asia-Pacific Forum in 2003 in Singapore to promote FTAs in this region. This year marks the seventeenth annual Forum.

The venue for this year's Forum, India, has promoted not only the software industry but also IT, robotics, and make-in-India, and under the initiative of Prime Minister Modi, its ranking in "Ease of Doing Business" greatly improved. India is the most fitting location to talk about free trade and investment, and Industry 4.0. I would like to express my gratitude to RIS for agreeing to co-host this year's Symposium.

Since our first symposium in 2003, discussions have kept pace with the progress of economic integration within ASEAN, who holds a central role in the integration process of this region, and it has expanded from border measures, such as custom duties, to domestic systems and its practice, which are called behind the border measures. These deep liberalization has an element of affecting our daily life, society and industries. We have learnt from members on how each of their nations and regions addressing these issues.

In this region, TPP from which the US has decided to withdraw will become effective as TPP11 on December 30. Negotiations for agreement on RCEP is also at a period where it requires the most critical political leadership, just like one step away from the peak of Mount Everest, but most dangerous moment when climbing up the very challenging Mountain.

On the other hand, in Western nations, as the expression, “everything is globalized except our consent,” accurately represents, globalization is causing a mutiny in the form of refusal to “consent” from its constituents, leading to a phenomena where political leadership of democratic nations is swayed by these huge movements. This can be seen with the UK withdrawing from the EU which was thought to be the model of regional economic integration. The US has also fallen into protectionism as represented by the “America First Policy”.

Increasingly, globalization is considered to be the root cause of the growing income and asset disparities, or undesired movement of people. But is globalization to blame for the decreasing number of working staff? Indeed, parts and components come from all over the world as part of the global supply chain and value chain, brought on by free trade and investment through FTA, which is an institutional aspect of globalization. Or, is technological innovation such as AI and robotics causing a major social transformation?

The first Industrial Revolution faced conservative reaction from the Luddite Movement. Yet we also know that historically technology has created more jobs through economic growth. Is Industry 4.0 different from the past revolutions, with its speed and magnitude?

For economic growth to absorb shadow of globalization and Industry 4.0, there is a need for institutions, namely Breton Woods System and other international public goods to evolve. We need to restore trust and confidence in these institutions.

Whether one likes or not, globalization will continue to progress, and with Industry 4.0, each country is required to face the problems of disparities and poverty. Inclusive growth will be a major challenge in pursuing regional integration. The process to cope with this challenge is something similar to

creating a new domestic social contract. In other words, each country is required to create a “better globalization”.

For the growth strategy for this region to succeed, I think it is essential that we cooperate with each other and promote mega FTAs. Since the US leadership is now “hospitalized” for a while, I think it is our region that must take on the role of the promoter of free trade, and take action for economic integration.

I end my remarks by hoping that today’s Forum will further strengthen our bond in this region, promote economic integration, and contribute to the sustainable development of our economies. Thank you very much for your attention.

AMAR SINHA

Distinguished Fellow, RIS

Ambassador Amar Sinha shared his experience of a Barefoot College in Rajasthan, India, which he regarded as the major social entrepreneurial endeavour, and said that monopoly of technology or technical knowledge does not rest with the people with technical degree only. He narrated how an initiative has helped women to become small entrepreneurs, in providing education on personal health and hygiene and also training in basic accountancy and book-keeping. He called this can be an example of globalisation at the micro-level.

Keynote Address

PREETI SARAN

Formerly Secretary (East), Ministry of External Affairs (MEA), India

Good afternoon.

Thank you RIS and JEF for organising this symposium.

Quite apart from the fact that as Secretary (East) in the Ministry of External Affairs, I looked after the Indo-Pacific region, and I can comment on in terms of political, strategic aspects of the relationship, but I can see many experts sitting here and what I have read about the participants, makes very clear that I am amidst trade experts and economists. Since I neither claim to be either a trade expert or an Economist, I would try to give my own perspective, an Indian perspective on how we see evolution of the global trading system and the role for multilateralism, especially in the current context, where frictions are in global consensus building efforts are multiplying with each passing day.

Of course, the latest in the series of the events that have led to apprehensions and uncertainty comes from the recently concluded APEC Summit held in Papua New Guinea. The Asia Pacific leaders who participated in the summit for the first time failed to come to an agreement on a joint communiqué. This is the first time in the history of the APEC, when deep fault lines have emerged between the United States and China over the issues of trade.

And while reports of a trade war between these two big trading giants have been in the news for quite some time, what made APEC case interesting is the breakdown of consensus over issues concerning reforms of the WTO. And the WTO has been the most robust and vibrant institution for multilateral trade negotiation that matured and now has faced a virtual freefall. For an Indian professional diplomat to be actually eloquent on the efficacy of WTO just shows how far we have come from the times when we negotiated and participated in the Uruguay rounds or the Doha development round, where we failed to have basic policy space or the special and differential treatment in negotiations that India and Indian delegation or other developing nations constantly struggled to have. Therefore, much of the failure of the WTO can be attributed to unfulfilled commitments on the part of the developed world, issues of the special and differential interest for developing countries, failure to close the Doha round and opening- up of new areas of multilateral trade negotiations, which actually had very little to do with trade and went way beyond, including, for example when it came to TRIPS and the flexibilities that developing countries fought for or on the policy space that we struggled or a sister organisation when it came to TRIPS negotiations was the world intellectual property organisation where

again developing countries had to fight and struggle to lodge a development agenda into those TRIPS plus kind of negotiations ,where we struggled.

However, the disengagement and going back on the abandoned strategies of the trade protectionism is a recent phenomenon, and is not coming out from the developing countries, who actually struggled for that policy space, and therefore is a disturbing trend. Unilateralism or unilateral trade arrangements that give unfair advantages to a few or distort the markets are equally reprehensible. This goes fundamentally against the assertions about free trade, particularly at a juncture when developing countries at large have started observing trade integration as an opportunity rather than a challenge. And I again reiterate that it was a huge challenge for developing countries, including India, that had remained a closed economy where levels of development were inconsistent.

That said, the successful conclusion of the Trade Facilitation Agreement (TFA) was a confirmation of the belief that when countries agree to walk an extra mile to streamline processes that would allow deeper trade integration.

The TFA came at the WTO platform when regionalism and bilateral trade agreements had already picked up. However, the failure in consensus building efforts on several occasions because of the disagreement between the two leading economies caused severe stress for global recovery. It also failed to take cognisance of the fact that growth nodes of the world economy have now got more distributed, and now, in fact, many southern economies, both big and small, are driving GDP growth and world trade.

Another disturbing development has been the clever strategies leveraging this growth potential of smaller economies by institutionalising new aid packages in the form of mega connectivity projects and infrastructure projects, which would have exactly the opposite impact on their growth potential for these very smaller countries. The initial promise of a greater connectivity and robust infrastructure is running the danger of pushing countries into indebtedness towards a few countries compromising sovereignty and democratic participation in the 21st century world order, which is strongly believed to be more accommodating than the last century.

The rise of the Asia-Pacific or the Indo-Pacific, as we would prefer to call it, is currently real, and it is durable. However, conflicts of interest and at times deliberate attempts at deepening of conflicts in the region have made sober nations worried. The RCEP negotiations among the 16 countries in the Indo-Pacific are taking place against this background.

From a political and a strategic perspective, India being a member of the RCEP, which would further reinforce India's Act East Policy. It would also give

a boost to the concept of the Indo-Pacific as an inclusive, open, rules-based order, and it would help strengthen the economic pillar of our relations with the east and southeast Asia. Perhaps, it would take the people-to-people relations to a higher level. And this was reconfirmed and reiterated by our Prime Minister most recently when he participated in the RCEP Summit in Singapore.

That said, whether it is WTO Doha Round or whether it is RCEP negotiations or whether other trading arrangements that India has been participating, call it MERCOSUR with the Latin American region, or with the ASEAN countries, the FTA or even SAFTA, closer home within the SAARC framework, where India because of its immediate neighbourhood, is involved. In fact, one member of the SAFTA negotiations refused to actually honour the commitments it had undertaken in SAFTA and where India again as the biggest country in the entire grouping had in fact made unilateral concessions to the least developed countries of the grouping. We must as Indian negotiators, as Indian experts, as Indian economists certainly take a deeper look even as we participate in all of these plurilateral or multilateral trade arrangements. We must certainly take an assessment, may be a performance audit of where we stand as far as the global trading system is concerned and whether it has worked well for us.

And it is against this background that I shared some of my thoughts which I thought would kick-start discussions in the subsequent segments of the forum. It is my belief that India definitely has benefited and performed better whenever it has traded with the world. Therefore it is certainly in India's interest to ensure a rule based multilateral trading system with equal and equitable burden sharing. After all, nations trade not for trade's sake but as a means to development. Therefore it is important for trading nations to assess their comparative advantages while seeking market access or while negotiating. As such, unilateral moves or anything that distorts trade from the natural comparative advantages that countries enjoy in such trading arrangements is naturally a cause of concern. Of course, trade negotiations are complex and trade negotiators have to assess that while making their commitments they remain mindful of the sensitive sectors. For example, in India it is the agriculture sector or it is the small and micro sectors which create jobs for the poorest segments of the community. These areas are of serious concern to us and that has of course been a concern to us throughout the Uruguay Round, the Doha Round or elsewhere as well whether it was participation in the RCEP or other negotiations.

And I recall that when I was posted in Geneva and as the delegate to UNCTAD, representing India, a constant refrain that I heard amongst the

developing country delegates was about the subsidies. Again there were trade distorting subsidies where it was the developed rich countries that had subsidised their farmers and their farming sector so heavily and were expecting, constantly badgering the developing countries to open up our agriculture sector. I remember at that time some of the negotiators repeatedly reiterating that I would rather be a cow in Europe than a poorer farmer in India or any other developing country. Such was the nature of these trade distortions. And so when it comes to Government of India taking a realistic position on negotiations and very sensitive sectors like agriculture or the micro and medium enterprise sectors, I think it is important for all of us to remain mindful of that very important element because these are directly linked to livelihood issues of the poorest segments of our community.

Therefore while governments must support these sensitive sectors, it is I think not in our interest to make them so dependent that they we must support them to the possible extent. I recall again my days in Geneva where there was anticipation and an expectation that after textiles agreement where the quota free regime would have been removed and India would have been perhaps the biggest beneficiary because we would have perhaps had a complete value chain of the entire textiles and apparel sector. Somehow I think we got our story not quite right and failed to remain competitive, and there are others, including our immediate neighbourhood, Bangladesh, Sri Lanka, Cambodia, Vietnam and others, I can talk of so many other very successful stories about how they did better, and what is it that India can learn from those stories.

Another area of concern of course for us is the growing trade deficit, especially with China and so while you would hear experts again talk in terms of trade deficit or exports need not necessarily be counted only in terms of your exports and imports and sometimes it is good to be part of the value chains and it is good to encourage and allow competition and imports is not such a bad thing because it gives your population access to of source cheaper goods and helps you be part of the entire value chain as well. I think we need to take note of the fact where trade deficit continues to grow to the tune of \$ 60 billion and then India fails to get that kind of desired market access from a country like China. I hope that the symposium, certainly the Indian members or the experts in India, would be able to take a hard look at where is it that India had gone wrong, what is it that we could do better, maybe some kind of a performance audit on whether the efficacy of the WTO or other plurilateral arrangements, including the ASEAN-India FTA. The sense we get is that perhaps we have not benefited as much because it was our expectation that when we negotiated the ASEAN-India FTA in goods. We

expected services and investments as well to have been honoured and committed and implemented. But that has not happened. Meanwhile the RCEP negotiations have started where there is once again pressure for India to open up segments like goods but then other negotiating countries perhaps are not giving us as much comfort on other segments including services and investments. So we need to think and I would urge all the participants today to perhaps have a look at this and see whether these plurilateral arrangements, whether it is WTO, the ASEAN-India FTA or even the various other arrangements that India has with Singapore, with ROK, with Thailand which have moved at different stages of being discussed and whether they have really helped us or whether it requires a course correction for India and for other participating countries. Of course, the course correction need not necessarily be all external. And I am not going to just blame external trading partners or negotiating partners in it. I think we need to also take a hard nosed look at our own abilities and whether we have somehow by over protecting not failed ourselves or not protected the right elements and perhaps failed ourselves. Why is it that we have not become part of the value chains and then given the fact that apart from trade negotiations and participating in the global trade system, we talk about our strengths being the demographic dividend? And whether by protecting ourselves we are not keeping some of our population deprived actually of access to various goods specially, for example, if you were to look at other middle-income countries beyond India and value their requirements of energy needs or nutrition needs and whether we have actually been too protectionist, and that is the reason for it or otherwise.

These are just some of my thoughts. It is not for me to give the solution. I think it is really for the experts present here. I would definitely like to thank JEF and RIS for having organised this very important event. It certainly has a bearing for India as we aspire to transform ourselves into a modern society and leapfrog into the knowledge economy of the 21st century and our efforts at fundamental transformations domestically are matched with greater efforts in contributing to consolidation of the global governance regimes around multilateralism.

Session: I *Trade and New Technology*

AMAR SINHA

Distinguished Fellow, RIS

According to Ambassador Amar Sinha, Chairman for the Session, though manufactured goods have experienced globalisation and trade liberalisation to a great extent, many factors of production are still under the purview of the protectionist tendencies.

On multilateralism, he said that it is inclusive and participative; imparting equal voice and space to everyone, and is based on the system of consensus building. He insisted that multilateral bodies need to take into account SDGs motto of no one is left behind.

On technology, he stressed government's role in providing technology and protection of technical inventions and innovations while balancing employment generation need. He steered the course of discussion by laying down questions on the experience of countries on export-led growth, contribution of high-technology products in trade, level of GVC participation and designing of trade regimes from the global and the regional perspectives to allow domestic capacity-building.

MAN-JUNG MIGNONNE CHAN

Chair and CEO, Out-of-the Box Consultancy

According to Dr. Man-Jung Mignonne Chan, the success of export-led growth in manufacturing sector in East Asia, is determined by production method, skill requirement, nature of production function and external environment. She presented trade performance of some countries for Hi-Tech products. She concluded by giving emphasis on building domestic capacity through less subsidies and more FDI, besides preparing for challenges posed by Industry 4.0. She reiterated that countries cannot escape from facing IPR infringements, and hence rules on IPR are to be tailor-made to reflect domestic capacity of the country.

DATUK SERI JAYASIRI JAYASENA

Former Secretary General, Ministry of International Trade and Industry (MITI), Malaysia

While focusing on the technology in service sector, Mr. Jayasiri said that too little focus on technological advances on telecommunication and connectivity has led to greater divide between developed and developing countries in the region.

Further, he opined that building enabling environment with adequate protection of IPR and supply of skill- set would be essential, and hence countries should collaborate for transfer of technologies. He indicated the importance of the whole supply -chain to be Industry 4.0 compliant. As most of the supply- chain players are SMEs, government has to act as enabler and intervener to help SMEs to gain compliance through legal framework, infrastructure and human- resource development.

He opined that instead of focusing on liberalisation of tariffs, non-tariffs, investments and services, technological development should be given priority. He believes that the region needs to work collectively to make ASEAN a destination for global production and services.

By citing examples of several bilateral agreements, he pointed out that the recent FTAs have provided avenues for collaboration on technological development; thus refuting that FTAs are avenues meant only for trade liberalisation.

MURRAY MCLEAN AO

Chairman, Dunmore McLean Pty Ltd.

Pointing out the advent of Industry 4.0, Ambassador Murray McLean said that the world has irrevocably changed and has impacted on every economy, globally, regionally and locally. Stressing on the need to develop new strategies, he pointed out that open- minded approach called internationalism would only benefit global, regional and national interests.

He highlighted the need for greater liberalisation and facilitation of trade practices combined with IP protection, human capital development and the unhampered availability of ITC at a low cost.

Stating multilateralism and internationalism as strategies for a short -term pain but a long- term gain, he said that nationalism and protectionism are inward looking and negative in global terms, and hence may lead to short- term gain but most probably long- term pain.

SIMON TAY

Chairman, Singapore Institute of International Affairs (SIIA)

According to Prof. Simon Tay, the Sino-American trade issues are broader, deeper and can be prolonged so that the world is potentially at the juncture of a geo-political and regional integration shift. This is a negative sum game for all and there will be disruptions and changes to global value chains. However, he expects that the ASEAN and South Asia might gain, in relative terms, from

these negative conditions.

ASEAN is growing faster than global norms and is integrating. Many who seek a production base in the region, in addition to China, will look to ASEAN. India, in the wake of Act East Policy of India, is another possibility. India has emerged as a force in itself, but is yet to be engaged fully with the rest of the region. After the elections, India's interactions with the rest of Asia can accelerate, and work must continue on the Regional Comprehensive Economic Partnership (RCEP).

For ASEAN, he stressed on the need of the ASEAN to adopt new technologies to save itself from the middle-income trap. He also emphasized on revamping trade agreement from a trade rules-based approach to one focusing on the wider integration, allowing wider application of technologies and new ways of thinking and policy-making for infrastructure, smart cities. There is also needs to allow for service outsourcing and movement of people, and a regional approach for better regulation, so that Asia and ASEAN not only trades more, but moves ahead with economic integration.

NUTTAWUT LAKSANAPANYAKUL

Consultant, Thailand Development Research Institute (TDRI)

Commenting on the low level of internal technology development with R&D expenses of as low as 0.3%, Mr. Nuttawut Laksanapanyakul showed his fear that Thailand may get stuck in the middle-income trap unless it adopts a new developmental models. He suggested that the new models should ensure technological catch up, better use of connectivity and enhancement of labour productivity and environmental protection. According to him, government of Thailand has tried its best to formulate trade and industrial policies to fit in changing environments, like implementation of regional trade agreements with their trading partners, reduction of FTA rates, protection of some key infant industries (e.g. automotive industry), and reduction of tariff rate. He mentioned four eras of development — era of import substitution developing into era of export promotion, followed by era of liberalisation and culminating with era of disruption. Expecting the coming of era of disruption with the rise of protectionism and change in technology, he foresaw the difficulty in exporting products.

Session: II *Imperatives for Regional Integration: Growing Role of Service Sector*

NAOYUKI HARAOKA

Executive Managing Director, JEF

Considering service sector as the key sector to enhance competitiveness of the manufacturing sector, Mr. Naoyuki Haraoka pointed out that trade liberalisation would have much more implications in the service sector than in the manufacturing sector.

He outlined the main expectation from the session by presenting questions on the issues, like the need for leveraging advanced technology (mobile telephony, AI, 3D printing, etc.) in expanding services trade, requirement of additional regulatory firewalls and preparedness in protecting domestic consumers. As well as the need to promote regulatory reform for avoiding the unnecessary burden of regulation. He called for solutions while throwing some light on the ways of dealing with the new disciplines in services trade such as negative list approach, mutual recognition, data privacy, state-owned enterprises, domestic regulations, etc.

CHOONG-YONG AHN

Professor Emeritus, College of Business and Economics, Chung-Ang University (CAU)

According to Prof. Choong-Yong Ahn, promotion of the service trade in the Asia-Pacific region would provide a new growth outlay for digital expansion and job-creation against growth-inhibiting protectionism. He reiterated that the service sector liberalisation is likely to reinforce both market-driven cross-border supply-chain and trade in services and goods as well as enhance manufacturing and overall economic efficiency. He stressed to upgrade service liberalization clauses in the RCEP negotiations as trade liberalisation measures for the service trade in TPP 11 (to be effective on 30 December 2018) are to be regarded much higher and advanced than those negotiated on the RCEP.

Concerning Industry 4.0 on the service trade liberalisation, he said that there is substantial technological gap between advanced digital economies and developing digital latecomers. The better and well-coordinated service trade policies can stimulate inclusive growth by promoting access to information, skill and technology; especially for SMEs.

With the serious digital divide among Asia Pacific economies, he pointed out the need to create an international cooperation mechanism for digital capacity building for the late comers to ensure service sector liberalisation.

As per Prof. Ahn, rules on regulations on the foreign direct investment need to be harmonised across nations to take full advantage of the regional value chains. However, he showed his concern that it would be difficult for late comers to

accept adoption of negative list system for indirect investment inducement. He especially pointed out flows of international hedge funds through hostile M&As looking for short-term profit needs, which are to be carefully monitored.

He expressed his pleasure that the ASEAN countries have agreed to facilitate cross border e-commerce transactions within the region, and suggested that cohesiveness of ASEAN can be expanded to the existing ASEAN plus one or more FTAs in a win-win framework of service liberalisation. Moreover, prioritising tourism and e-commerce sector, he mentioned that expansion of intra-regional open sky agreement for low cost carriers to fly rather freely in the Asia Pacific would provide a new momentum to regional tourism development.

He concluded that making the most out of the digital transformation for trade in goods and services requires a more holistic openness and thinking about measures affecting goods, services and digital connectivity jointly with the measures affecting full value chain.

PRABIR DE

Professor and Coordinator, ASEAN-India Centre at RIS

Dr. Prabir De discussed that India's services trade has grown from US\$ 30 billion in 2010 to US\$ 45 billion in 2016. While India has trade deficit in merchandise with ASEAN, the country enjoys trade surplus in services trade with ASEAN. In ASEAN, India's major services trade partners are Singapore, Malaysia, Thailand, Indonesia, and India's services exports to ASEAN are routed mostly through Modes 1, 3 and 4. Nevertheless, India has high unrealized potential between India and ASEAN in both traditional and emerging services. India has signed ASEAN-India Services Trade and Investment Agreement (AISTIA) - first such agreement by India with ASEAN countries as a block, signed in 2004 but yet to be implemented.

Dr. Prabir De argued that growing ASEAN-India services trade will strengthen the regional and multilateral trade relations. Integration of services is not just for better access in each others' markets but for better collective access in global markets. However, we need to focus on areas where there is alignment between ASEAN Economic Community (AEC) Blueprint 2025 targets and Indian initiatives and interests in services. At the same time, we need to take measures for alignment with AEC and other efforts in the region such as RCEP. Facilitating bilateral investment in services where clear complementarity in capacities and interests on both sides will pave the way to strengthen the services value chains. Therefore, India and ASEAN countries shall explore synergies between manufacturing and services trade (business support, IT,

transport) and role of services in regional value chains. Enhancement of region-wide transport and telecom connectivity is essential in order to spread the services trade.

Countries in the Asia-Pacific may undertake sectoral and issue based cooperation initiatives such as ICT, energy, R&D, health, e-commerce, etc. To deliver onsite or offsite services, Asia-Pacific countries must facilitate mobility of professionals, business visitors, intra-corporate transferees. Regulatory cooperation and exchange of best practices among countries are equally important. Next steps would be to strengthen coordination among professional bodies and mutual recognition of qualifications. Perhaps, countries in Asia-Pacific may consider doing collective development of regulations, regulatory standards and sharing of knowledge, experience and capacity building.

GARY HAWKE

Emeritus Professor, Victoria University of Wellington (VUW)

Speaking on the role of services in economic integration, Prof. Gary Hawke from undertook a different approach and urged that not to consider services should not be considered only as a separate component of trade. The efficiency of the whole services sector is importance to economic integration since services are frequently traded only when they are embedded in exported or imported goods. He stressed on the need for direct contact among regulatory authorities of different economies rather than relying on negotiating among trade officials. He said that one should focus on making effective policies that fulfil the stated objectives and in no way discriminate between production of goods in the national economy and overseas production of goods.

ANITA PRAKASH

Director General for Policy Relations, Economic Research Institute for ASEAN and East Asia (ERIA)

Ms. Anita Prakash focused on the east Asian view of trade in services, and how the east Asia region fared in this area of trade. She pointed the need to understand resiliency inbuilt in trade in services. Despite Asia pacific being called the factory of the world, she said, ASEAN plus 6 and India are not performing badly in the service sector. She supported her point by stating that ASEAN 10 services sector comprised literally one-fourth of the goods trade, China almost one-tenth, India and New Zealand roughly about half, and South Korea one-fifth. Though most economies have roughly about 50% of their

economy in services, she said that when compared to other economies, Asia Pacific region slightly lagged behind, as the EU 28, USA, even Russia. Thus, she felt a huge margin existed for improvement and scope for increasing services contribution in the total trade.

While presenting a comparative view of the trade in services, she said that when by all indication growth is likely to slow down, therefore consumption would become very important driver for growth in emerging economies in the Asia Pacific growth. Therefore exports and imports are very important. She added that along with consumption, political leadership and policies (inflation, social security, and resource allocation) would be vital in the next few years for the emerging economies.

She pointed out that USA, Germany, United Kingdom have a far more diversified services trade than what has been practised in ASEAN. Though some of the countries in the Asia Pacific, including India, are doing pretty well in terms of diversification, she added that ASEAN needs to get its services exports far more diversified than current reliance on sectors such as travel, tourism etc. According to her, future shape of the regional and global economy from a services sector perspective has to be skill based, and hence investment in human resources would be very important. Therefore, she added, investment in skills, training, research and development are very important issues for Asia Pacific. Highly skilled human resource, research and development will be crucial in a post-manufacturing economy, she said, and a whole lot of attention needs to be brought into investments in these areas.

Pressing on the need for policy focus on important areas to advance trade in services, she concluded by saying that Asia Pacific needs to create its own outlook on important policy areas of taxation, corporate reporting, and allocation of financial resource.

SHUJIRO URATA

Dean and Professor, Graduate School of Asia-Pacific Studies (GSAPS), Waseda University

As per Prof. Shujiro Urata, digitisation of economic activities would bring in many benefits and some challenges. He stated examples of digitisation in medical and teaching professions, and claimed that digitisation may replace existing trade in goods and services and may replace actual movement of people. Specifically, he gave an example of 3D printing replacing trade in goods.

By liberalising trade policy, he noted, there would be more competition and as a result non-competitive firms and industry would have to exit from the industry,

and hence economies may have to face challenges coming from increased competition.

To deal with challenges brought about by increased foreign competition, he emphasized government's role in providing trade adjustment assistance programme in the form of technical assistance, education, re-training, temporary protection.

Focusing on datafication, he said that through big data all companies and people can use data collected by many agencies, and that can help them in maximising their objectives. He opined that if the level playing field is provided by government, then SMEs can really benefit from using this big data. Highlighting the negative side of datafication, he pointed out the problems of economies of scale and economies of scope. As a consequence of datafication, superstar firms are likely to emerge unless appropriate competition policies are applied. Datafication may lead to digital wars among companies and also among countries.

The protection of privacy, he indicated, is another challenge. He suggested dealing with all these challenges, it is important to have explicit rules on the digital economy.

ZHANG JIANPING

Director General, Center for Regional Economic Cooperation, Chinese Academy of International Trade and Economic Cooperation (CAITEC), MOFCOM

Adding to discussions on digital economy, Dr. Zhang Jianpin highlighted the importance of e-commerce. He disclosed that the new business model of e-business is booming in China as e-business consumption is climbing up by 30-50% in growth rate every year. He also mentioned the challenges being faced by this new field. He expressed his concern on privacy issues and tax dues for import goods. He is of the opinion that WTO needs to consider how to regulate this type of new business model.

He steered discussion towards Fintech and shared that in China Alipay and WeChat pay are very popular in every aspect, from picking a taxi or paying for goods on web or in a small store. He believes that Fintech can also be another trend for economy and there will be a need to obtain ratified rules and regulations both domestically and internationally. Hence he pressed on the need to provide more training courses and education for human resource development. He concluded by commenting on India-China economic relationship. He said India is good for service sectors and Chinese side is good at manufacturing sector, thus resulting in a complementary relationship. So in this regard, he expressed

his optimism that regional economic cooperation and regional economic integration between China and India can promote better comprehensive economic relationship.

Session: III *Importance and Roles of SDGs in the Indo-Pacific Region: Strategies for Attainment of SDGs*

SACHIN CHATURVEDI

Director General, RIS

Prof. Sachin Chaturvedi started the session by sharing of many new terms mentioned in the literature for describing development strategies of the country in tandem with SDGs, like localisation of SDGs, alignment with SDGs, indigenisation of SDGs, integration with SDGs, mainstreaming of SDGs, adaptation of SDGs and nationalisation of SDGs.

He pointed out that within SDGs indicators, there are three tiers. According to him, the first tier is one where all the members of the United nations can agree, Tier 2 has a set of indicators where the agreement is there but no indicators are identified, and third tier comprises those indicators which are not there or have agreement on them. And then he added that extremely important goals like Goal 16 and 17 are not there simply.

He explained, how SDGs have cross- domain connect; that if one talks about agriculture, one has to take into cognisance water intensity. He said one can learn lessons from the ASEAN as ASEAN Vision 2025 has been aligned with vision for 2030; which reflects key elements of SDGs. At the end, he posed four questions to all speakers— what critical challenges the panel looks at in terms of looking into SDGs for the region; how to define that holistic approach which is required in multi-dimension of poverty that they are trying to address; how to address livelihood and skills problem of the people at the bottom of the pyramid and mechanisms to focus on regional public goods; and how inequality is to be addressed.

YOSE RIZAL DAMURI

Head of Department of Economics, Center for Strategic and International Studies (CSIS)

Dr. Yose Rizal Damuri had set up the context for the importance of sustainable development and related issues in Asia-Pacific. He mentioned that East Asia and Pacific including India has emerged as the fastest growing regions, and there has been greater convergence among economies in the region.

With support of graphical presentation, he showed that though the number of people living under poverty lines has been declining substantially in terms of number and in terms of proportion, the number of people living in poverty especially those living in the vulnerable situations is still huge. Thus, as per him, inequalities have increased which would have negative impact on the economic growth. Based on the UNESCAP data, he said that children from low -income families are more likely to drop- out from school and children from the higher income family are likely to go for secondary or even tertiary education. He further said that many countries are still left behind in having sufficient access to sanitation and clean water.

He highlighted the importance of greater considerations for environmental impact of economic progress and development. He shared the case from one of the islands of Borneo, Indonesia, where the rate of deforestation has been so high that during the last 30 years, from 1973 to 2013, it lost almost half of its forest to economic activities. Neglecting the environmental impact would only cost the society higher than the benefits they obtain from economic activities.

Expressing his belief in the SDGs as a part of the solution, he said that Asia is still falling behind in majority of the goals as per UNESCAP 2017 report. He also pointed towards the increasing challenges in the future, like aging population, as the increasing elderly population in the region is making it more difficult to resolve the issue of sustainable development. He suggested for collaboration of all stakeholders to solve the issues. Though business sector has played very pivotal role in SDGs but they have only limited awareness on the goals, and many goals are not even in their own interest, he emphasized. Similarly, he said that community as well have interest different to private sector or to the government.

He also emphasized that technology may act as a catalyst for opportunities to the low- income families and low-income people, as technological progress would allow greater connectivity for them. He also believed that the new technology is getting easy to be used for economic purposes, with less demanding skills than in the past, which would allow low skills labour force to take advantage of the technological progress.

TRI THANH VO

Economist, Central Institute for Economic Management (CIEM)

Dr. Tri Thanh Vo started by citing example of Viet Nam, where Thirty years ago, 70% of the population was under the poverty line, but now only 3-4% are under poverty line. He added that Viet Nam has become one of the most open economy

in terms of trade and FDI ;which was the closest economy 30 years back.

He focused his presentation on the impact of trade liberalisation and integration on the SDGs, and how integration and liberalisation can be good for attainment of SDGs.

He stressed on the need to learn from ASEAN integration based on three big Cs—community, connectivity and cooperation. He had set a paradigm for smarter regional integration for achievement of SDGs and mentioned four key dimensions, including trade investment liberalisation on and behind the border issues, new trade issues, labour, environment standard and e-commerce, like under the CPTPP or data transaction on that, connectivity and cooperation. He emphasized on the need of institutional capacity, business and people capability in exploiting new opportunities.

JOSEF YAP

Professorial Lecturer, University of the Philippines School of Economics (UPSE)

Dr. Josef Yap listed factors that are sources of global vulnerability. Among them are normalization of monetary policy in the US and EU; escalating trade conflicts; and geopolitical tensions (e.g. Korea peninsula, Middle East). There are localized problems that could cause contagion or spillover effects like the large debt of state-owned enterprises in China. These vulnerabilities can turn into weaknesses largely because of volatile capital flows.

He emphasized that a global financial safety net (GFSN) exists and it has a national component, regional component and a global component, which is led by the IMF. The role of the GFSN encompasses crisis prevention and crisis management.

The GFSN has many weaknesses: lack of resources of the IMF, the latter's reputation and credibility problems, especially after the 1997 Asian Financial Crisis, and inadequate resources of the Chiang Mai Initiative Multilateralization (CMIM).

He argued that because of these weaknesses, countries have relied on self-insurance. They had built up their foreign exchange reserves that led to a sharp increase in foreign exchange reserves, roughly starting after the 1997 AFC. The cost of this build-up foreign exchange reserves is lower investment and lower resources allocated to promoting sustainable development goals. Hence, improved regional cooperation is the main solution. Improving the structure of the CMIM and also enhancing the credibility of the IMF are important.

SAIKAT SINHA ROY

Professor, Jadavpur University, Kolkata

Globally though absolute levels of inequality might have come down, Prof. Saikat Sinha Roy claimed that for individual regions, especially in Asia-Pacific, there has been significant increase in inequality; between 1990s and 2000.

Using graphical presentation, he showed that in many Asian economies like India, Indonesia, and Viet Nam there was a marginal decline, but in most of the Asian countries, a significant increase in inequality from 1990s to the 2000 was noticed.

When he analysed the matter, he found that all these economies had been leapfrogging towards more of services. By measuring structural change in terms of changes in the share of manufacturing, he found that only in low-income countries and in lower middle-income countries, increase in the share of manufacturing actually led to increased inequality.

He pointed out that with regards to structural change in terms of share of services in the GDP, one would see that low-income countries, lower middle-income countries and upper middle-income countries, to which most of the Asian economies belong, there is increased inequality by 8.53% when share of services to GDP increased by 1% . Hence he concluded that leapfrogging towards services sector has actually exacerbated inequality in the Asian countries, including the Pacific countries.

He suggested macroeconomic policies, including trade, FDI, infrastructure, and connectivity as well country specific interventions as possible ways to reduce inequality. He further added that fiscal policies in the form of cash transfers and subsidies, minimum wage protection, social protection policies along with empowerment of the marginalised, as mentioned in SDG 10, can be effective in reducing inequality.

He also opined that policies are to be designed towards MSMEs with special focus on the micro sector and skill development through education. He suggested policies supporting more trade, FDI, more of infrastructure and connectivity. He also pointed out financial inclusion and building of institutional capacity in weaker countries which lack institutional capacity can possibly lower income inequality.

(End)