



Economic and Social Commission for Asia and the Pacific
Committee on Trade and Investment**Sixth session**

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Asia-Pacific Trade and Investment Report 2018:**Review of recent trends and developments****Implications of rising protectionism, including trade wars, on regional trade and investment****Summary of the Asia-Pacific Trade and Investment Report 2018****Note by the secretariat***Summary*

The present document is based on the *Asia-Pacific Trade and Investment Report 2018*, which reveals that trade policies, both within and outside the region, have become less liberal and provides estimates of the impacts of trade tensions. Neither China nor the United States of America can win a trade war; both countries will see significant economic losses from continuing conflict. Escalating tariff wars not only affect trade significantly but may also reduce global gross domestic product by more than \$200 billion and generate a net loss of more than 2.7 million jobs in Asia and the Pacific.

The Asia-Pacific region could weather worsening trade tensions and global policy uncertainties through continued regional integration accompanied by efforts to simplify and digitalize trade as well as improve the business environment. Complementary policies, such as social protections, labour and education policies to support people negatively affected by trade frictions and integration efforts, must also be placed high on the policymakers' agendas for the region to continue its progress towards the Sustainable Development Goals. Member States may also work together on reinvigorating the multilateral trading system through constructive discussions and negotiations.

The Committee on Trade and Investment may wish to consider the issues presented in the present document and provide guidance on the future direction of the work of the Commission.

* ESCAP/CTI/2019/L.1/Rev.1.

I. Introduction

1. The present document is based on the *Asia-Pacific Trade and Investment Report 2018*.¹ The *Report* provides an overview of trade and investment trends in Asia and the Pacific in 2018, including trade in goods, trade in services and foreign direct investment (FDI). The *Report* also focuses on related policy developments and provides a forward-looking analysis of the potential impact of the growing trade tensions on Asia and the Pacific and their implications on the abilities of countries to meet the challenges of achieving sustainable development. The *Report* concludes with some key recommendations and issues for the consideration of the Committee on Trade and Investment.

II. Recent trends and developments

A. Merchandise trade: the recovery of merchandise trade is under threat

2. The region remains the largest trading partner globally for trade in goods, accounting for 39.8 per cent of global merchandise exports and 36.5 per cent of global merchandise imports. In 2017 the region again surpassed global trade growth and registered double-digit growth rates of 11.5 per cent for exports and 15 per cent for imports. Trade performance was relatively robust in developing countries in the Asia-Pacific region, with an export growth rate of 11.6 per cent, or approximately 14 per cent when excluding China. A strong correlation exists between imports and exports. Dynamic trade growth broke with the unprecedented five-year period of trade contraction prior to 2017, however, it was not sustained through 2018. The second half of 2018 was marked by significant deceleration in trade growth, which could be attributed to higher production costs and risks associated with rising fuel prices and increasing trade tensions between large economies, especially the United States of America and China. The increase in trade tensions has damaged trade and investment climates, thus raising uncertainties and volatilities in the global markets. Therefore, merchandise trade value in 2018 recorded slower growth than in 2017, although still at a double-digit rate. The growth was driven by increased prices of goods rather than growth in trade volume. In 2018, the regional growth of export value was approximately 10 per cent, while the growth of imports was approximately 12 per cent. However, in terms of volume, export and import growth rates for 2018 stood at only 3.8 per cent and 5.5 per cent, respectively.

3. Intraregional trade remains a significant component of total trade in the region, but it remains concentrated in selected economies and subregions. More than half of the region's trade was intraregional, yet North and Central Asia and South and South-West Asia are less integrated in intraregional trade networks. In 2017, approximately 54 per cent of the Asia-Pacific region's exports and 57 per cent of its imports were within the region. Intraregional trade intensity was higher in South-East Asia and the Pacific than in other subregions, as more than 60 per cent of their trade was with other Asia-Pacific economies. Conversely, North and Central Asia and South and South-West Asia traded relatively less with other Asia-Pacific economies. Despite different levels of intraregional trade intensity, each subregion traded more with East and North-East Asia, especially China, than with other economies in the Asia-Pacific region.

¹ United Nations publication, Sales No. E.19.II.F.3.

4. China is a leading driver of trade and investment in Asia and the Pacific. In 2017, 34 per cent of the global exports from the region were from China, and 28 per cent of the imports in the region were shipped to China. A large proportion of Chinese trade with the world represents indirect trade from the rest of the region because of the strong production and trade linkages between China and the other economies of Asia and the Pacific. In fact, 19 economies in the Asia-Pacific region reported China as their the first- or second-largest export market in 2017. Exports destined to China represented 21.1 per cent of total exports by the rest of Asia and the Pacific in 2017.

5. The significant share of trade with China and the importance of China as an export platform for regional economies participating in global value chains means that the region could be indirectly affected by both the threat against exports from China and the consequent contraction of the Chinese economy. Apart from China, the European Union and the United States remained important trade partners of economies that export manufactured products. The European Union received 16 per cent of exports from the Asia-Pacific region and supplied 13 per cent of imports to the region, while the United States received 14 per cent of exports and supplied 8 per cent of imports to the region in 2017. The trade linkages reflect the significance of trade within and between the regional blocs of “factory Asia”, “factory Europe” and “factory North America”. Such intraregional and interregional trade was driven mainly by the participation of economies in global value chains.

6. A major downside risk looming in the trade prospects of the Asia-Pacific region came from the indirect adverse impacts of trade tensions. The region’s trade performance in 2019 is set to slow if trade tensions between the United States and China, and possibly other economies, remain or deepen. The Economic and Social Commission for Asia and the Pacific (ESCAP) estimates that the export volume of the Asia-Pacific region may slow to 2.3 per cent in 2019, while import growth may drop to 3.5 per cent. China may see its real exports stagnate, while other countries integrated with China through international manufacturing supply chains may also expect their export growth to soften further. Rising economic uncertainty may also delay FDI and other capital investments that have been important drivers of global demand recovery thus far.

B. Commercial services trade: the recovery of commercial services trade is at risk

7. Commercial services trade recovered in 2017, with the value of exports and imports growing by 7.9 per cent and 6.3 per cent, respectively. Exports by all service sectors in 2017 grew above their long-term trends. Construction services and services linked to intellectual property rights protection recorded outstanding export performance in 2017. A major factor in the performance of construction services trade was the implementation of infrastructure projects in developing countries. The rapid growth of services linked to intellectual property rights protection is an indication of the expansion of the digital and innovative economy. However, the growth in value of commercial services exports stood at 5–6 per cent in 2018 because global demand for goods and services decelerated during the second half of the year, while the growth in commercial services imports also eased to approximately 4 per cent. In 2019, the growth of commercial services exports is expected to soften further to 4–5 per cent. In contrast, the growth of commercial services imports may rebound slightly to more than 6 per cent in 2019, mainly because of intraregional demand for services to support the expansion of the digital economy.

8. The Asia-Pacific region has outperformed the rest of the world with higher growth of commercial services exports and imports since 2005. The share of world exports in commercial services captured by the Asia-Pacific region increased to 28 per cent in 2017, while its share of world imports grew to 32 per cent. The positive services trade performance was driven mainly by the rapid growth of trade with China and India. These two economies, together with Japan and Singapore, accounted for more than half of the services trade in the region. More than 80 per cent of services trade in the region was concentrated in only 10 economies. In particular, China, India, Japan and Singapore collectively represented more than half of the region's total exports of commercial services. In terms of imports, China alone accounted for approximately 30 per cent of the region's total imports.

9. China remains the largest services exporter in Asia and the Pacific, accounting for 15.7 per cent of the region's services exports in 2017. As a global assembly hub for multinational manufacturing companies, China enjoys a strong advantage in goods-related services, which include manufacturing services and maintenance and repair services. The country accounted for approximately half of all regional exports of goods-related services. China also led regional exports of construction, insurance, other business services and travel services. However, the most dynamic exporter in the region during the past decade was India. The export share of India rose by 4 percentage points from 9 to 13 per cent from 2005 to 2017. India was particularly prominent in exporting telecommunications, computer and information services, which accounted for nearly half of the region's exports. On the imports side, China has become the largest services importer in the region and the second largest importer in the world. The rapid increase in demand by China raised its share of the region's imports by more than 16 percentage points from 12 to 28 per cent from 2005 to 2017.

10. The rapid increase in the services trade shares of China and India diminishes the importance of trade with more advanced economies. Japan experienced the largest decline; its shares in regional trade decreased by 5 to 8 percentage points since 2005. However, advanced economies continue to lead regional exports of high-skill and high-tech services, including services related to intellectual property rights protection and financial services. As a world leader in technology and innovation, Japan was a dominant exporter of services related to the protection of intellectual property rights. Similarly, the leading role of Singapore and Hong Kong, China, in the export of financial services reflects their strong position as hubs of global and regional financial services.

11. For small developing economies, tourism-related services are their major exports. International tourism contributed approximately 30 per cent of total commercial services exports in the region in 2017, but the contribution of tourism exports had increased to more than 50 per cent of commercial services exports in 26 developing countries in the region. In particular, international tourism accounted for more than 80 per cent of total commercial exports in Cambodia; the Lao People's Democratic Republic; Macao, China; Maldives; and Timor-Leste.

12. The competitive position of tourism exports in small developing economies is, however, a major issue, and countries with special needs generally have a marginal share in the region's exports. The region's tourism exports were driven mainly by the seven largest exporters accounting collectively for almost 70 per cent of the total exports from the region. The poor performance of countries with special needs in the global tourism market

can be partially attributed to their limited travel and tourism-related infrastructure.² For the region, closing the infrastructure gap and enhancing regional connectivity to facilitate tourism exports can be an important means to increase the export opportunities of small developing economies, particularly of the least developed countries. In addition, sustainable tourism should receive policy attention, because trade expansion in this sector could have adverse environmental impacts if it is not appropriately managed.

C. Foreign direct investment: global and regional Asia-Pacific foreign direct investment inflows continue to weaken

13. Since 2017, FDI inflows have fallen globally and in the Asia-Pacific region. While global FDI inflows dropped by 23 per cent, the drop was only 2 per cent in the region. However, greenfield FDI inflows suffered a sharp drop by 40 per cent in the region compared with a 13 per cent drop globally. FDI inflows to the region witnessed a further decline by 4 per cent in 2018, a trend that is likely to continue into 2019.

14. Policy changes were a major factor in explaining the drop in FDI. For instance, the repatriation of foreign earnings in response to tax reforms in the United States was one of the factors responsible for the weakening of FDI. China, the major investor country in the Asia-Pacific region, also implemented more restrictive policies concerning outward FDI in order to maintain the levels of foreign exchange reserves and the value of its currency. Policy uncertainties associated with the ongoing trade tensions have also increased risks for investors. As for structural factors, a key trend has been a shift of FDI to intraregional sources. In addition to policy changes, some of the fastest-growing sectors are also digital economy-related sectors, which require fewer physical assets, such as e-commerce business, hence resulting in reduced FDI.

15. However, globally, the Asia-Pacific region remained the most important destination and source of FDI, led by China and the Association of Southeast Asian Nations (ASEAN). The region attracted 39 per cent of global FDI inflows in 2017. China and Hong Kong, China, accounted for 43 per cent of FDI inflows to the region. For greenfield FDI, ASEAN and China together attracted more than 50 per cent of the total inflow. The Asia-Pacific region is also a major source of FDI, making up 36 per cent of global FDI outflows. Intraregional greenfield investment accounted for nearly half of the greenfield FDI inflows to the region in 2017. The three largest investors in the region in 2017 were China, Hong Kong, China, and Japan. Compared with East and North-East Asia and South-East Asia, FDI inflows to other subregions have been limited due to disadvantages related to geography, a substandard business environment and limited participation in global value chains.

16. From January 2017 to June 2018, national investment policies in the Asia-Pacific region, on balance, continued to promote liberalization and encourage investment. During the period, 22 countries in the Asia-Pacific region adopted 74 policy measures related to FDI. Forty-seven of these measures liberalized, promoted or facilitated investment while 16 new policy measures introduced restrictions or regulations on investment and 11 policies were neutral. Restrictive or regulatory FDI policies are often related to the protection of strategic industries in host countries or to controlling transactions

² World Economic Forum, *The Travel and Tourism Competitiveness Report 2017: Paving the Way for a More Sustainable and Inclusive Future* (Geneva, 2017).

with countries and entities that experience political tensions with the host country.

17. Countries in the Asia-Pacific region have also continued to be active in making investment treaties. The Asia-Pacific region is already home to a few advanced regional international investment agreements, such as the ASEAN Comprehensive Investment Agreement and the ASEAN-China Agreement on Investment. From January 2017 to June 2018, 25 new bilateral investment treaties and 11 new treaties with investment provisions were signed and/or entered into force in the region. However, one notable trend in the region, reflecting the global trend, is the high number of terminated international investment agreements. From January 2017 to June 2018, 19 bilateral investment treaties were terminated by one or more countries in the region. Regional integration agreements that include deep and wide FDI commitments, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, are expected to contribute to strengthened business and investment climates among their members.

D. Policy developments: the trade policy environment looks less liberal

18. The relatively dynamic global trade recovery that began in late 2016 is now threatened by trade tensions between the United States and other economies, particularly China. Increasing protectionism does not align with the 2030 Agenda for Sustainable Development, in which trade is an important means of implementation and 1 of the 17 Sustainable Development Goals is to promote global partnership.

19. The possible escalation of trade conflicts, as economies retaliate over each other's protectionist measures, has become an important impediment to foreign trade and investment as engines of sustainable development in Asia and the Pacific and globally. The continued blocking of the appointment of new judges to the World Trade Organization (WTO) Appellate Body has made the binding dispute settlement mechanism almost completely ineffective in addressing the growing trade tensions or in clearing the backlog of old disputes. A number of WTO members have put forward reform proposals to address the growing concerns about the multilateral trading system and the future of WTO (see box). Despite a show of willingness among WTO members to deal with these issues, achieving consensus will take time, during which trade tensions are unlikely to ease and may further escalate.

Box

The growing debate on World Trade Organization reform to better suit twenty-first century trade challenges

For several years, World Trade Organization (WTO) members have voiced their concerns about its main functions: monitoring members' trade policies, providing a rules-setting and negotiation platform, and arbitrating trade disputes. As trade tensions grew in 2018, the drive for WTO reform has gained momentum as more countries have recognized the need to ensure that global trade continues to develop on the basis of common rules. Reform initiatives on a range of priorities have been proposed to WTO by its members, including Canada, China, the European Union, Japan and the United States of America. Meanwhile, most developing economies of the Asia-Pacific region have had limited engagement in the growing debate on how to reform the multilateral trading system.

Reform priorities include the following: resolving disputes and reaching agreements more rapidly and effectively; addressing a variety of trade

distorting practices that are either not covered or partially covered by existing disciplines; avoiding protectionism and unilateral actions; and improving notifications and transparency.

Although members of WTO broadly share the desire for reform, there are major divisions. For example, Canada's reform proposal emphasizes improving the efficiency and effectiveness of the WTO monitoring function, strengthening the dispute settlement system and updating the WTO rules and regulations to ensure their relevance to current trade issues.^a The European Union, Japan and the United States tend to share the desire to secure a level playing field given the challenges posed by third parties developing State-owned enterprises into national champions.^b The three economies also proposed reporting and monitoring reforms and updated rules governing self-classification of developing country status.

The calls to narrow the parameters of developing country status affect the interests of large developing economies. China, for example, publicly expressed its position that WTO reform should uphold non-discrimination, protect the development interests of developing countries and follow decision-making by consensus.^c

There are also major disagreements between developed economies. On one hand, the European Union proposed reinforcing the Appellate Body's independence and impartiality and improving its efficiency. The proposal included a single, longer term for Appellate Body members of six to eight years, as well as increasing the number of full-time members from seven to nine, to support the Appellate Body's capacity to fulfil its mandate. On the other hand, the United States is of the view that the Appellate Body must be held more accountable and remain within a limited purview.^d At the General Council session of WTO on 12 December 2018, the European Union, together with other 11 members of WTO – including Australia, China, India, New Zealand, the Republic of Korea and Singapore – issued a joint proposal to overcome the current deadlock on these issues. The United States has not supported the proposal.^e The disfunction of the Appellate Body means that WTO is unable to fully resolve trade conflicts between member States, one of its key functions. This could result in more bilateral trade disputes as individual States take it upon themselves to resolve conflicts through retaliation.

^a Canada, "Strengthening and modernizing the WTO: discussion paper communication from Canada" (21 September 2018).

^b United States, Office of the United States Trade Representative, "Joint statement on trilateral meeting of the trade ministers of the United States, Japan, and the European Union" (Washington D.C., 25 September 2018).

^c China, State Council Information Office, "China and the World Trade Organization", White Paper (Beijing, June 2008).

^d EURACTIVE.com and Reuters, "US says it cannot support some of EU's ideas for WTO reform", 5 October 2018.

^e Tom Miles, "UPDATE 1-US not swayed by WTO reform proposals", Reuters, 12 December 2018.

20. The trend towards increasing trade and investment protectionism across the board is evident. Policy changes from 2017 to 2018 point to an accelerated imposition of restrictions on trade in goods and increased restrictiveness of trade in services. At the global level, the number of new discriminatory measures reached a record figure (88 per month) and far exceeded the number of new liberalizing measures (32 per month) implemented in the same period. Similarly, the number of new harmful measures introduced by countries of the

Asia-Pacific region (33 per month) was more than double the number of new liberalizing measures. Several Asia-Pacific economies also increased restrictions on trade in services, which could make their engagement in Industry 4.0 more difficult.

21. Beyond the global worries about the increase of bilateral tariffs, other forms of trade distortion measures have been used much more often. Alleged subsidies provided to producers and exporters collectively represented more than 40 per cent of trade distortion measures introduced in 2018. In contrast, import tariffs accounted for only 17 per cent of newly implemented measures, while contingent trade-protective measures represented approximately 15 per cent. In general, non-tariff measures have also grown rapidly. The trend in the Asia-Pacific region has been similar to the global trend.

22. The Asia-Pacific region is an important target of as well as a contributor to discriminatory trade measures, in part because the region is a major exporter of some of the products and sectors subject to trade conflicts. More than 30 per cent of the newly implemented discriminatory measures affected the Asia-Pacific region. Notably, approximately a third of these measures were introduced by countries in the region. Australia, China, India and Indonesia contributed more than 70 per cent of them. While the share of intraregional discriminatory measures decreased in 2018, it was only because of the more rapid growth in protectionism outside the region.

23. Despite the overall protectionism trend, Asia and the Pacific has continued to pursue economic integration intraregionally and interregionally and sought to reduce tariffs and other trade barriers on a preferential basis with select trade partners. Asia-Pacific countries have signed 17 new free trade agreements since 2017, including the Comprehensive and Progressive Trans-Pacific Partnership. In addition, negotiations on the Regional Comprehensive Economic Partnership, a mega-regional agreement between 16 regional economies, have also increased in pace with signature expected in 2019. Negotiations among such a large group of different economies have been difficult, but trade tensions as well as uncertainties about the future of the multilateral trading system have given new impetus to this and other regional integration initiatives. China and other Asian economies appear to be keen to speed up the negotiation and implementation of trade deals with each other. At the same time, within a regional trade architecture dominated by China and the United States, Asian economies are also seeking new partners outside the region as a means of diversifying and strengthening economic resilience. A highlight in 2018 in this regard was the signing of the European Union-Japan Economic Partnership Agreement. The agreement has become one of the largest and most comprehensive free trade agreements, covering approximately 30 per cent of the world's gross domestic product (GDP) and 40 per cent of world trade. The commencement of negotiations in the areas of trade facilitation, investment and trade in services between the participating States of the Asia-Pacific Trade Agreement is, therefore, very encouraging and the negotiation process should be expedited.

E. Impact of trade tensions on sustainable development: enhancing resilience through regional integration

24. In the *Report*, ESCAP used computable general equilibrium simulations to show that the current trade tensions will have detrimental impacts globally and regionally. Global and regional trade flows are expected to slow, particularly in the short term, as ongoing China-United States tensions disrupt existing supply chains and dampen investor confidence. While China

and the United States experience economic losses under all scenarios, Asia-Pacific countries are affected by a significant loss of demand for intermediate products and commodities from China. Global GDP could fall by nearly \$215 billion if the tariffs threatened in 2018 materialize in 2019. The adverse impacts on China could drive down the GDP of the Asia-Pacific region by approximately \$60 billion. In the case of a prolonged trade war in which investor confidence declines significantly, the cost of adverse impacts could increase to approximately \$400 billion at the global level.

25. In the medium term, trade frictions could significantly affect the configuration of global value chains, particularly if those frictions remain essentially bilateral. As importers in China and the United States look for alternative suppliers, new opportunities will open up for countries that can leverage their competitiveness to attract the redirected trade and investment. Although the relocation of production will not be completed overnight, and will cause short-term pains in all countries involved in global value chains, ASEAN members are some of the largest potential beneficiaries, especially Viet Nam. The retaliatory tariffs imposed by China and other countries on exports of agricultural and industrial commodities of the United States could also increase export opportunities for some commodity-based economies. However, global value chain redirection and trade flows induced by trade tensions are not optimal – nor are they stable. Policy distortions affecting decisions of multinational enterprises to relocate may create inefficiency-related losses as production moves to second-best locations. Trade tensions may also lead investors to postpone investments until policy uncertainties decrease.

26. Deepening market integration in the region is an effective strategy to minimize the adverse consequences of rising global trade tensions. ESCAP simulations suggest that, for the region as a whole, regional integration could more than offset the impacts of the ongoing trade war. Implementation of mega-regional deals (the Regional Comprehensive Economic Partnership, the Comprehensive and Progressive Trans-Pacific Partnership and the European Union-Japan Economic Partnership Agreement) could boost regional exports by 1.3 to 2.9 per cent, depending on the severity of global trade tensions. With regional integration, even in the worst-case scenario, regional employment could actually increase by more than 3.5 million jobs despite falling globally. Asia-Pacific countries that are not involved in regional trade integration efforts have been shown to be losers when global trade tensions increase. These results show that regional cooperation has become a vital means for Asia and the Pacific to increase economic resilience and mitigate adverse impacts from external trade policy shocks.

27. As trade tensions and regional integration lead to resource reallocation, complementary policies will be necessary. The computable general equilibrium simulations of alternative trade war scenarios highlight the fact that discriminatory trade policies may have potentially serious impacts on resource allocation, efficiency and the environment in the region. The trade conflict will push production to more expensive locations, reducing resource efficiency globally. Some of the production activities may, for example, shift from China to countries with lower environmental standards, leading to higher global emissions. Importantly, as many of the main export industries in the region are relatively labour intensive, a contraction of exports could mean at least temporary hardship for many workers as global value chains are redrawn. At a minimum, Asia and the Pacific will see a net loss of 2.7 million jobs if the trade tensions are not resolved. Employment losses will be 66 per cent higher for unskilled workers than for skilled workers. As production shifts take place

and resources are reallocated across sectors and borders, tens of millions of workers will see their jobs displaced and be forced to seek new employment. Those with lower skill sets or who are less mobile – often women – will face higher risk of unemployment. Regional integration accompanied by efforts to simplify and digitalize trade and improve the business environment will be important factors in creating new economic opportunities. However, other complementary policies, such as labour and education policies to support people negatively affected by trade frictions and integration efforts must also be placed high on the policymakers' agenda for the region to continue its progress towards the Sustainable Development Goals.

III. Way forward

28. Trade and investment are two key means of implementation of the Sustainable Development Goals, as specified in the 2030 Agenda. Based on the analysis presented in the *Report*, actions at the country, regional and global levels are needed to ensure trade and investment remain effective engines of growth and sustainable development in Asia and the Pacific.

29. At the global level, priority may be given to reaffirming and enforcing commitments to the WTO principles of non-discrimination, gradual liberalization through negotiation, transparency and predictability, promoting fair competition and encouraging development and economic reform. To that end, all Member States should collectively focus their efforts on reforming the multilateral trading system through negotiation and consensus.

30. At the regional level, regional integration, accompanied by efforts to simplify and improve the business environment will be important strategies to minimize the adverse consequences of rising global trade tensions and create new economic opportunities. Actions to forge stronger partnerships for development may include, in particular, accelerating the negotiations on and implementation of regional trade agreements, such as the Regional Comprehensive Economic Partnership. Future trade agreements should be as inclusive and comprehensive as possible, ideally covering trade and investment liberalization and facilitation of both goods and services, to create new opportunities for all participating States to engage in global and regional value chains. Simplifying and digitizing trade procedures to make trade more efficient and inclusive may also be prioritized, in particular through active engagement in the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

31. At the country level, each Government may consider enacting complementary environmental and social policies to mitigate the impact of trade tensions and promote regional integration. Specific policies to support workers and small and medium-sized enterprises negatively affected by trade frictions and integration efforts should be high on policymakers' agendas. Among others, adjustment-assistance programmes and enhanced social protection and labour and education policies may be considered to support vulnerable groups – unskilled workers and women workers in particular – and facilitate their integration into growing sectors of the economy.

IV. Issues for consideration by the Committee

32. The Committee may wish to deliberate on the recommendations contained in the present report, in particular with regard to the role of ESCAP in their implementation. The Committee may wish to discuss how Asia-Pacific countries may, with the support of ESCAP, work together on the following actions:

- (a) To promote an open and well-functioning multilateral trading system;
 - (b) To respond to unilateral protectionist actions without resorting to tit-for-tat strategies;
 - (c) To maximize sustainable development gains from deeper regional integration, including through complementary trade adjustment assistance measures.
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