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Strategic direction and functioning of the Committee on Trade and Investment

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Note by the secretariat

Summary

Trade and investment, enterprise development and technology transfer continue to be drivers of economic growth and development. In this context, following an assessment carried out by the Committee on Trade and Investment, the present document contains proposals for making the Committee itself more effective and relevant in promoting regional trade and investment for inclusive and sustainable development and in shaping the development agenda beyond 2015, while allowing it to be more engaged in the secretariat's work on trade and investment. As part of this assessment, there is a proposal to establish a permanent bureau as well as permanent subcommittees on selected focus areas in trade and investment that could prepare regional action plans for subsequent implementation by national Governments and the secretariat. There is also a proposal, details of which are contained in the present document, for greater involvement of the ESCAP Business Advisory Council in the work of the Committee and a direct reporting line from the Governing Councils of the Asian and Pacific Centre for Transfer of Technology and the Centre for Sustainable Agricultural Mechanization to the Committee. The present document also contains a proposal for a new strategic direction for the Committee, which would be closely associated with implementation of the development agenda beyond 2015 and formulation of the secretariat's strategic framework.

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I. Introduction

1. The Committee on Trade and Investment has been in existence since 2008; it held its first session in 2009. The present document contains a review of the functioning, role and strategic direction of the Committee with a view to making it more effective and engaged in the secretariat's work. The current mandate and terms of reference of the Committee are outlined in chapter II, while chapter III contains a review of the function and role of the Committee based on evaluations and the secretariat's own observations. The reporting line of the Governing Councils of the regional institutions under the subprogramme on trade and investment — namely, the Asian and Pacific Centre for Transfer of Technology (APCTT) and the Centre for Sustainable Agricultural Mechanization (CSAM) — is covered in chapter IV. Chapter V contains recommendations to make the Committee more effective, including a proposal for a new strategic direction for the Committee. The main issues for consideration by the Committee are outlined in chapter VI.

II. Current mandate and terms of reference of the Committee on Trade and Investment

2. The Committee on Trade and Investment was established by the Commission through resolution 64/1, which was adopted in April 2008. In resolution 69/1, which was adopted in April 2013, the Commission reviewed the conference structure, including the role and functioning of the committees.

3. The Committee on Trade and Investment addresses the following issues:

(a) Regional cooperative mechanisms and agreements in trade, investment and finance, including the Asia-Pacific Trade Agreement;

(b) Policy options on trade and investment, enterprise development and finance;

(c) Policy options and strategies for sustainable economic growth and rural poverty reduction through agro-technology transfer and agro-based enterprise development;

(d) Technology transfer to address regional development challenges.¹

¹ Resolution 64/1, annex II, paragraph 2. Repeated in resolution 69/1, annex II, paragraph 2.

4. Like all committees, the Committee on Trade and Investment meets biennially and, within its respective area of purview, it:

- (a) Reviews and analyses regional trends;
- (b) Identifies, in consultation with member States, their priorities and emerging issues and consults on regional approaches, taking into consideration subregional aspects;
- (c) Promotes regional dialogue, including its subregional synergies, and an exchange of experiences on policies and programmes;
- (d) Considers common regional positions as inputs to global processes and promotes regional follow-up to their outcomes;
- (e) Proposes issues for consideration by the Commission as possible resolutions;
- (f) Monitors the implementation of Commission resolutions;
- (g) Promotes a collaborative approach to addressing the development challenges of the region between, where appropriate, Governments and civil society, the private sector and the United Nations and other international institutions at the regional and subregional levels.²

5. The following areas are mainstreamed into the work of all committees, including the Committee on Trade and Investment:

- (a) Implementation of the relevant internationally agreed development goals, including the Millennium Development Goals;
- (b) Poverty reduction and balanced integration of the three pillars of sustainable development;
- (c) Gender equality;
- (d) Priority needs of least developed countries, landlocked developing countries and small island developing States.³

6. Further, within its respective areas of purview, the Committee, like all other committees, provides the secretariat, including its regional institutions, with guidance on reviewing the proposed strategic framework and programme of work.⁴

² Resolution 64/1, annex I, paragraph 8. Updated in resolution 69/1, annex I, paragraph 10. The only difference is that in resolution 69/1 “in consultation with member States” was inserted so as to identify their priorities and emerging issues.

³ Resolution 64/1, annex I, paragraph 10. Repeated in resolution 69/1, annex I, paragraph 12.

⁴ Resolution 64/1, annex I, paragraph 9. Repeated in resolution 69/1, annex I, paragraph 11.

III. A review of the role and functioning of the Committee

A. General assessment of the Committee

7. Reflecting its terms of reference as outlined in resolutions 64/1 and 69/1, the Committee at its first and second sessions mostly deliberated on substantive issues. The annual *Asia-Pacific Trade and Investment Report* constituted the main background document, with brief summaries of relevant chapters for each agenda item being distributed as official documents.

8. The summaries of evaluations conducted for both sessions reveal that the majority of participants feel that the Committee sessions are owned and driven by member States and that the sessions were relevant to issues and trends regarding trade and investment in the Asian and Pacific region. While the evaluation of the first session of the Committee revealed that there was room for improvement in terms of ensuring that the agenda reflects the needs and priorities of the member States, the majority of respondents agreed that the second session of the Committee on Trade and Investment had effectively addressed the issues outlined in resolution 64/1 that should be addressed by all Committees subsidiary to the Commission. An evaluation report commissioned by the secretariat and submitted to the sixty-ninth session of the Commission for review found that countries had confirmed — with a satisfaction rating of 82 per cent — that the Committee sessions are effective in fulfilling their functions, including reviewing and analysing regional trends, identifying priorities and emerging issues, and promoting regional dialogue.⁵

9. While the overall assessment of the two sessions of the Committee has been positive, based on the analysis of the evaluation questionnaires, the secretariat feels that there is room for closer engagement of the Committee in the secretariat's work on trade and investment. The secretariat has observed that general country statements have been the usual format for deliberations but little, if any, real discussion has taken place either with regard to the substantive issues or with regard to the activities implemented by the secretariat under the subprogramme on trade and investment. While programme matters are routine agenda items, debate has been rather limited and relatively little guidance has been provided on the future focus and work of the secretariat in trade and investment. Based on an analysis of the evaluation questionnaires, an assessment of the first session of the Committee — which was held in 2009 — revealed that responses on issues regarding whether the Committee session was able to promote dialogue and a collaborative approach to addressing development challenges at the regional and subregional levels were varied, indicating that this is an area in which there is room for improvement. However, interactive dialogue remained limited at the second session of the Committee.

B. Participation in the Committee

10. In this context, one area of concern is the level of participation. In both sessions, less than 50 per cent of ESCAP member States and associate member States participated. In both sessions, around 56 per cent of participants were from the capitals of member States, while the other 44 per cent were from embassies based in Bangkok. Some representatives from the respective capital cities were from ministries of foreign affairs, economic development or planning rather than trade, investment or industry. This means that the

⁵ See E/ESCAP/69/INF/9.

number of senior officials from the capitals of member States who represented the specialized areas of trade, investment, industry, technology, or enterprise development, while by no means insignificant, was relatively low in both Committee sessions. It is also noted that the nominations for Committee sessions are made by countries on an ad hoc basis with little continuity in the work of the Committee between sessions. As a result, there is little scope for monitoring and following up the recommendations of the Committee, which may also apply to member States.

11. In this regard, in the above-mentioned evaluation report, it was found that 67 per cent of countries identified financial issues as being the main obstacle to participation in Committee sessions. In contrast, 28 per cent of countries identified financial issues as the main obstacle in Commission sessions. Some 28 per cent of countries identified relevance as the next factor. Other factors identified included cost effectiveness, timing or length, inadequate benefits to policymakers, monopolization of sessions by some countries, the heavy workload of ministry officials, and lack of understanding of the process for nominations.⁶ Those findings are important for the Committee on Trade and Investment. If the Committee could be made more relevant and more visible, while clearly addressing the needs and priorities of member States, countries would be prepared to commit more financial resources to it and play a more proactive role in deciding on its length, timing and agenda. However, countries would have to identify their own needs and priorities, as the services of the secretariat are demand-driven; in a sense countries “own” the Committee.

C. Making the Committee more relevant and visible

12. It can also be seen from the evaluation report that few countries have a specific system for implementing the resolutions adopted during Commission sessions, not to mention a mechanism to follow up and report. The periodic reporting and updating undertaken by the secretariat is limited to its own implementation of resolutions. Committees could take an active role in suggesting resolutions and monitoring follow-up of adopted resolutions. However, after the adoption of resolution 62/6 on managing globalization through strengthened regional cooperation in trade and investment, it took six years before the Commission again addressed the issue of trade through its adoption of resolution 68/3 on enabling paperless trade and the cross-border recognition of electronic data and documents for inclusive and sustainable intraregional trade facilitation. Normally, mandates need to be renewed every five years. Given the wide scope of trade and investment issues and the work of the secretariat in this area, the adoption of a resolution by the Commission to renew this mandate would be welcomed. The Committee could play an active role in this process.

13. It is widely recognized that trade and investment are engines of growth, development and poverty reduction. The experiences of various Asian countries provide abundant proof of that observation, while the positive link between trade, investment and development has been discussed at length in the various editions of the *Asia-Pacific Trade and Investment Report*. Trade and investment are also cross-border phenomena that drive regional integration and require high levels of regional cooperation, which is the core mandate of ESCAP. In that regard, the trade and investment subprogramme deserves ample attention, inputs, guidance and direction from member States to ensure that it serves their needs and priorities. The

⁶ Ibid., p. 28.

evaluation questionnaires indicate that participants were of the view that the Committee on Trade and Investment is a relevant mechanism for discussing issues and trends regarding trade and investment in the Asian and Pacific region. However, the Committee, as a legislative body of the Commission, needs to be more than a body discussing trends and issues. It should provide guidance on and mandates for the work of the secretariat in the area of trade and investment and should be closely involved in the implementation of this work, rather than merely reviewing it rather casually once every two years. That requires a higher level of commitment and engagement from the relevant ministries and bodies of the Governments of member States.

14. A more substantive and ongoing role for the Committee on Trade and Investment in the work of the secretariat would not be unprecedented. The Committee on Statistics has long been actively involved in the secretariat's work on statistics; it issues its own reports on substantive issues, including regional action plans, and monitors its own work and performance. That was made possible through the establishment of a permanent Bureau, which continues to function between sessions of the Committee on Statistics. That is easier in the case of statistics than in the area of trade and investment, as statistics is well defined with clear stakeholders and government representatives. The area of trade and investment is much wider and involves a wide array of stakeholders, including various ministries.

15. The evaluation report on the conference structure found that there was also inadequate support for the establishment of standing committees and/or bureaus to facilitate communication and interaction between the stakeholders during the inter-sessional period and it was felt that this would add another layer of bureaucracy, and the secretariat could fulfil this role. The success of the Bureau on Statistics is attributed to special circumstances, since participants in committee and Bureau meetings are leading statisticians; and this is unlikely to be replicable in other committees.⁷ However, since trade, investment and enterprise development are inextricably interlinked and issues related to these areas are therefore not easily separated for discussion in other or additional, more specific, committees, a case could be made for a permanent bureau of the Committee on Trade and Investment, which could consist of representatives from the various ministries (in particular, trade and industry, which are often separate) of countries at different levels of development. Such a bureau would ensure continuity of the work of the Committee and a deeper level of engagement of the member States with the secretariat's work on trade and investment, and related areas. It would also facilitate the formulation of resolutions mandating work in this area that meet the needs and priorities of member States as well as implementation of these resolutions, both as regards the action required of the countries as well as that of the secretariat.

IV. Reporting lines of the regional institutions under the subprogramme on trade and investment: the Asian and Pacific Centre for Transfer of Technology and the Centre for Sustainable Agricultural Mechanization

16. The activities of the Asian and Pacific Centre for Transfer of Technology (APCTT) and the Centre for Sustainable Agricultural Mechanization (CSAM) are part of the subprogramme on trade and investment and are backstopped by the Trade and Investment Division of

⁷ Ibid., p. 27.

ESCAP. The activities of these two regional institutions are very specific and cater to a niche within the overall context of trade and investment. Technology transfer and development is recognized to be an important aspect of development. The issues related to effective technology transfer and development are overwhelmingly trade and investment related and, therefore, there is good reason that these two regional institutions are part of the subprogramme on trade and investment. Given the technical nature of the work of these two regional institutions, both have a Technical Committee alongside their Governing Council. The Technical Committees provide essential inputs into the deliberations of the Governing Councils.

17. The Governing Councils of these regional institutions routinely report to the Commission. Deliberations within the Commission are often dominated by policy issues at the political level. This is evident in the composition of delegations to the Commission, of which the inclusion of trade, investment and industrial policymakers, let alone policymakers in the area of technology transfer and development, tends to be the exception rather than the rule. In contrast, deliberations during Committee meetings concentrate on issues of strategic importance to technology transfer and development, including the transfer and development of agricultural machinery, in the region within the context of trade and investment. The reports of the Governing Councils are likely to have greater prominence in the deliberations of the Committee, although both regional institutions would benefit from receiving substantive inputs from the Committee. In other words, streamlining the reporting line would put APCTT and CSAM in an even more advantageous position as regards having an impact on the strategic direction of trade- and investment-related technology transfer and development in the region.

V. Recommendations on the role, functioning and strategic direction of the Committee

A. Functioning and role of the Committee

18. The world is undergoing profound changes. Business-led trade and investment have pulled many countries out of the global economic crisis, although others continue to be affected by it. Moreover, issues regarding sustainability have become a major concern. As the target date of 2015 for achieving the Millennium Development Goals is approaching, the focus of policy dialogue at the global level has been shifting towards developing a global development agenda beyond 2015. The role of trade and investment, including enterprise development and technology transfer, should figure prominently in both the development agenda beyond 2015 and sustainable development goals. Discussions were crystallized in the outcomes of the 2012 United Nations Conference on Sustainable Development, which recognized the importance of the private sector. Work on follow-up to the outcomes of the Conference is likely to intensify as the global process to develop a monitoring framework for sustainable development goals unfolds.

19. Given the interlinkages and increasing complexity of issues, countries need to enhance their coordination on policy issues. Trade and investment policy formulation requires the cooperation of various ministries and consultation of various stakeholders. The Committee provides an ideal platform to discuss these interlinkages and formulate modalities for enhanced cooperation and coordination, both at national and regional levels. Ideally, country delegations to the Committee would consist of at least two senior-level policymakers from the trade, investment and/or industrial policy,

enterprise development and technology transfer areas. As such, the Committee could itself function as a body enhancing the necessary coordination among policymakers at both national and regional levels. While other organizations could fulfil this role, ESCAP is the only regional United Nations body that covers the whole Asia-Pacific region, while providing opportunities, given its multidisciplinary nature, for mainstreaming trade and investment issues in the overall development agenda.

20. It is difficult to see how inclusive and sustainable development can be achieved without reference to trade and investment, including the role of the private sector. In this regard, the Committee needs to play a more proactive and continuous role in shaping this agenda. A brief two-day review of general trade and investment issues every other year will not be sufficient to ensure that trade and investment, which includes defining the role of the private sector, have their place in the development agenda beyond 2015. While the representatives of Governments meet every other month within the framework of the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission (ACPR), the members of ACPR are not normally experts in trade and investment matters and cannot perform the duties related to continual engagement and follow-up in this area. In this regard, the secretariat wishes to submit the following proposals for consideration by the Committee:

(a) In order to enhance the role and visibility of the Committee in shaping both the secretariat's work programme on trade and investment and proposing modalities for national policy and regional cooperation in trade and investment for inclusive and sustainable development, with particular reference to the ongoing exercise of formulating the development agenda beyond 2015, it is proposed that a permanent bureau be established, to consist of a chair, two vice-chairs, a rapporteur and one or two bureau members representing as far as possible the areas of trade, investment, enterprise development and/or technology transfer and development, and the five subregions of ESCAP, namely the Pacific, South-East Asia, North and North-East Asia, Central Asia and South and South-West Asia;

(b) Bureau members would remain in continual contact with the secretariat — with the Trade and Investment Division acting as focal point — and meet outside regular Committee sessions with the aim of providing feedback on the secretariat's programmes on trade and investment, and participate in events organized by the secretariat as key speakers and/or panellists;

(c) The bureau would formulate the strategic goals of the Committee (for example, by 2020) and formulate regional action plans in trade and investment to engender inclusive and sustainable development, which would be implemented by ESCAP member States with support from the secretariat. Such action plans could be reviewed by an ESCAP ministerial conference on trade and investment, the organization of which would be led by the bureau on behalf of the Committee with support from the secretariat. If such a conference is not desirable or feasible, an ad hoc senior officials meeting could be convened as appropriate between Committee sessions to review the action plans. Alternatively, the Committee could adopt such action plans at their regular sessions, although a period of two years between Committee sessions would probably be too long for that purpose;

(d) Given the wide range of issues discussed by the Committee within the framework of trade and investment, it is proposed that both permanent subcommittees and ad hoc task forces be set up. At a minimum,

three to five permanent subcommittees or steering groups⁸ could be established to address the following areas: (i) trade policy and research; (ii) preferential trade agreements for regional integration; (iii) trade facilitation; (iv) investment for development; and (v) entrepreneurship and enterprise development. Additional or alternative areas could be explored. The secretariat could, in consultation with other Committee members, help in drafting the terms of references of these subcommittees, which would be adopted by the bureau. The Chairs of the subcommittees would provide inputs to the bureau of the Committee and could meet once a year, in particular in years that the Committee has no regular session. The establishment of subcommittees could be formalized through the adoption of a resolution at the next Commission session. With regard to the issues of technology transfer and sustainable agricultural machinery, the Technical Committees of APCTT and CSAM could already perform this function. The frequency and modality of physically convening such committees would depend on available funding, but videoconferencing and e-mail exchanges could take place on a continual basis;

(e) In addition to the subcommittees, ad hoc task forces could be set up to address thematic issues that draw on the work of other committees, for example trade and investment statistics, trade and environment, trade and transport facilitation, and social entrepreneurship and investment. That would require the consent and cooperation of other committees and requires a higher level of coordination among Governments, both at national and regional levels. That process would be supported by the secretariat at the countries' request. As such, both the committees and the secretariat could play a catalytic role in promoting intra- and intergovernmental cooperation and coordination;

(f) Given the importance of the private sector in development and shaping the development agenda beyond 2015, it is proposed that the ESCAP Business Advisory Council briefs the Committee at its regular sessions on its views and activities, in particular activities undertaken within the context of the Sustainable Business Network. As such, the Committee would benefit from insights from the business sector, which remains the driving force of economic growth. In-between regular Committee sessions, the ESCAP Business Advisory Council would interact frequently with the bureau by providing inputs to its work, in particular the formulation of regional action plans;

(g) The Committee would assume a proactive role in formulating, and monitoring implementation of, resolutions in the area of trade and investment. In-between sessions of the Committee, the secretariat would consult the bureau on such resolutions with a view to ensuring their broad support when subsequently adopted by the Commission;

(h) The Committee may wish to adopt a monitoring framework for its work. Such a framework could draw on a similar framework presented to and supported by the Committee on Statistics at its third session in 2012.⁹ At the request of the Committee, the secretariat could propose a framework for subsequent consideration by the bureau and adoption by the Committee at its next session;

⁸ The establishment of subcommittees and steering groups is not unprecedented. The Committee on Regional Economic Cooperation had a steering group, while the Committee on Managing Globalization had a Subcommittee on International Trade and Investment.

⁹ See E/ESCAP/CST(3)/3.

(i) In order to allow for more effective reporting by the Committee to the Commission and to spread expenditure under the secretariat's regular budget more evenly over the biennium, it is proposed that the Committee convene in March every other year, that is prior to the Commission session.

B. Strategic direction of the Committee

21. The Committee is expected to take a proactive role in shaping the development agenda beyond 2015 with regard to issues related to trade and investment, including enterprise development and technology transfer. The overarching goal of the Committee might be to promote regional trade and investment for inclusive and sustainable development. For that purpose a permanent bureau is encouraged to draft regional action plans on specific trade and investment issues for implementation by national Governments and the secretariat alike. Such issues would also be reflected in the strategic framework of the secretariat to ensure that its work matches the initiatives of the member States and meets their priorities and demands. The Committee may consider the following non-exhaustive focus areas for the development of regional action plans, which would constitute its strategic direction for the foreseeable future and could be taken up by the relevant subcommittees:

(a) Streamlining and consolidation of regional trade and investment agreements. Other proposed areas: harmonization of rules of origin and sustainable trade liberalization (subcommittee on trade policy and research);

(b) Regional supply chain efficiency. Other proposed areas: harmonization of trade-related procedures; enabling cross-border paperless trade;¹⁰ trade financing; and e-commerce (subcommittee on trade facilitation);

(c) Promoting responsible business practices for inclusive and sustainable development. Other proposed areas: regional cooperation for development of small and medium-sized enterprises (SMEs); integration of SMEs in regional and global value chains; and implementing the principles of the Global Compact (subcommittee on entrepreneurship and enterprise development);

(d) Promoting foreign direct investment for development. Other proposed areas: developing regional guidelines for responsible foreign direct investment and/or Asia-Pacific transnational corporations (subcommittee on investment for development);

(e) Promoting regional (or intraregional) trade and investment in environmentally sustainable and socially inclusive goods and services (subcommittee on preferential trade agreements for regional integration);¹¹ Other proposed areas: promoting intraregional trade in low-carbon goods and services (subcommittee or task force, to be determined);

(f) Promoting regional (or intraregional) trade and investment in services;¹² Other proposed areas: promoting regional (intraregional) trade in agricultural products (or any other economic or industrial sector) (subcommittee or task force, to be determined).

¹⁰ In relation to implementation of resolution 68/3.

¹¹ This issue is highlighted as an important emerging opportunity for trade and investment for the region in the *Asia-Pacific Trade and Investment Report 2013* (forthcoming).

¹² Ibid.

22. As an alternative to the establishment of subcommittees, the bureau itself or ad hoc task forces could address these issues.

VI. Issues for consideration by the Committee

23. The Committee is invited to deliberate on the following issues:

(a) The role of the Committee in shaping the development agenda beyond 2015;

(b) The need to strengthen the role, function and visibility of the Committee and modalities for that purpose, including proposals made by the secretariat in this regard, and in particular (c) and (d) below;

(c) The desirability and feasibility of the establishment of a permanent bureau, which will continue to function between sessions of the Committee;

(d) The desirability and feasibility of the establishment of permanent/ad hoc subcommittees, steering groups and ad hoc task forces for the purposes identified in this document, including the frequency of their sessions and funding modalities;

(e) The strategic direction proposed above with focus on particular subject areas for regional cooperation;

(f) The desirability of closely involving the business sector in the work of the Committee through the ESCAP Business Advisory Council;

(g) The desirability of establishing a direct reporting line from the Governing Councils of APCTT and CSAM to the Committee.
