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**Review of issues pertinent to the subsidiary structure of the
Commission, including the work of the regional institutions:
trade and investment**

**Report on trade, investment, science, technology and
innovation as means of implementation of the 2030
Agenda for Sustainable Development**

Note by the secretariat

Summary

In adopting the 2030 Agenda for Sustainable Development, comprising the 17 Sustainable Development Goals, the United Nations member States incorporated the means of implementation of the 2030 Agenda separately as Goal 17. Trade, finance and technology were identified as key means of implementation that both directly and indirectly contributed to achieving the other Sustainable Development Goals. Trade, finance and science, technology and innovation were also highlighted in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda. The 2030 Agenda, in turn, recognizes export earnings from international trade and foreign direct investment as important sources of external financing for development.

Trade, investment and science, technology and innovation form a mutually reinforcing cycle of growth in the context of efficient resource use and societal progression. The present document highlights the importance of these means of implementation and the main initiatives and activities of the Economic and Social Commission for Asia and the Pacific to support countries in their efforts to strengthen their means of implementation for the achievement of the Sustainable Development Goals.

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I. Introduction

A. Backdrop

1. In adopting the 2030 Agenda for Sustainable Development, comprising the 17 Sustainable Development Goals, the United Nations member States incorporated the means of implementation of the 2030 Agenda separately as Goal 17. Trade, finance and technology were identified as means of implementation that both directly and indirectly contributed to achieving the other Sustainable Development Goals. Trade, finance and science, technology and innovation were also highlighted in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda. The 2030 Agenda, in turn, recognizes export earnings from international trade and foreign direct investment (FDI) as important sources of external financing for development.

2. However, both trade and FDI as means of implementation contribute to sustainable development in other ways than just in the form of non-debt financial flows. They also allow developing countries access to the goods, services and technologies needed for development. They provide intermediate goods and services for value added processing and consumption on competitive terms, create opportunities for decent work and skills development, and are considered in broader terms as engines of economic growth, which is necessary, if not sufficient, for poverty reduction. International trade and FDI no longer function as substitutes, but are complementary. Much of international trade is FDI-driven, while FDI is closely linked with mode 3, or commercial presence, under the General Agreement on Trade in Services of the World Trade Organization (WTO), the most important mode of trade in commercial services. Trade, investment and science, technology and innovation are therefore mutually reinforcing components in a cycle of growth in the context of efficient resource use and societal progression.

3. Asia-Pacific countries have long been among the leaders in trade-led development, robust FDI and commitment to science, technology and innovation as means of poverty reduction, efficient financing and cost-effective solutions to economic, environmental and social problems facing the region. With the adoption of the 2030 Agenda, the Economic and Social Commission for Asia and the Pacific (ESCAP) is intensifying its efforts in the areas of trade, investment and science, technology and innovation to support member States in their efforts to implement the Sustainable Development Goals.

4. These efforts have gained even greater importance in the light of current economic conditions. The sluggish performance of the global economy, faltering international trade in goods and services, and anaemic flows of FDI have caused many nations around the globe to rethink their commitment to globalization. Recent trends and short-term prospects discussed in the *ESCAP Asia-Pacific Trade and Investment Report 2016: Recent Trends and Developments*¹ do not send a reassuring message. Failure to return to strong and stable trade growth is particularly worrisome for low-income economies and may jeopardize their prospects of achieving both the goals of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020 and the Sustainable Development Goals.

¹ United Nations publication, Sales No. E.16.II.F.23.

1. Trade

5. In addition to losing growth dynamism, international trade has become less responsive to economic growth.² According to the *Asia-Pacific Trade and Investment Report 2016*, trade in the Asia-Pacific region experienced a major slump in 2015, with the dollar value of exports and imports declining significantly, by 9.7 per cent and 15 per cent respectively. Little improvement, if any, is expected in 2016, as trade is estimated to contract by around 5 per cent in nominal terms. Despite these bleak numbers, the region is still being hailed as the best performer in the global environment, in which trade recorded a fall of around 13 per cent in nominal terms in 2015. Therefore, despite contractionary trends, the Asia-Pacific region has consolidated its share of global exports at the 40 per cent mark and thus retained its position as the largest exporter in the world. However, it will be challenging for trade-dependent developing economies to maintain growth dynamics in this new global trade environment. These developments are playing out in an atmosphere that is already putting pressure on the global economy. They include the following:

(a) Despite the entry into force of the Agreement on Trade Facilitation on 22 February 2017 following its ratification by two thirds of WTO members, a lack of progress in moving closer to concluding the Doha Development Round negotiations relates to the loss of faith in multilateralism and more specifically the multilateral trading system. While the tenth WTO Ministerial Conference, in 2015, ended with a positive outcome for the least developed countries, the future of multilateral negotiations, as well as WTO itself as the institution tasked with driving them, has become more uncertain;

(b) The rise of discriminatory trade liberalization through preferential trade agreements may have an impact on the margins of preference available to least developed countries and low-income countries because these countries are often excluded from many deep preferential trade agreements. Furthermore, to make discriminatory trade liberalization work for the members of a preferential trade agreement, many agreements lean on increasingly complex rules of origin, which are frequently blamed for the low utilization of preferences, especially by micro, small and medium-sized enterprises and producers with low value added;

(c) There is an increased reliance on non-tariff measures, which may in part be replacing relatively low (and more transparent) tariff rates. It is also likely that the use of both at- and behind-the-border barriers to trade for non-economic reasons will intensify;

(d) Inefficient trade procedures and high transport costs result in high trade costs, especially for least developed and landlocked developing countries and small island developing States in Asia and the Pacific. It is therefore particularly encouraging to note that the Agreement on Trade Facilitation, the first multilateral deal under the auspices of WTO, entered into force on 22 February 2017;

² For example, Constantinescu, Mattoo and Ruta found that the elasticity of trade with respect to gross domestic product fell in the early 2000s, from 2.2 during the period 1986-2000 to 1.3 post 2000. See Cristina Constantinescu, Aaditya Mattoo and Michele Ruta, "The global trade slowdown: cyclical or structural?", International Monetary Fund (IMF) Working Paper, No. 15/6 (Washington, D.C., IMF, 2015). Available from www.imf.org/external/pubs/ft/wp/2015/wp1506.pdf.

(e) There are persistent internal regulatory barriers, especially in sectors such as services which adversely impact trade and overall competitiveness;

(f) Unstable and inadequate Aid for Trade flows fall short of the existing demand for assistance to enhance productive capacity in least developed countries and other low-income countries.

2. Foreign direct investment

6. In addition to trade, it is recognized in the Addis Ababa Action Agenda that private business activity, private sector investment (including FDI) and innovation are major drivers of productivity, inclusive economic growth and job creation, and that private international capital flows, particularly FDI, along with a stable international financial system, are vital complements to national development efforts.

7. The Asia-Pacific region has traditionally been a major destination for global FDI. However, growth in FDI inflows has slowed in recent years. According to the *Asia-Pacific Trade and Investment Report 2016*, the region recorded only a 5.6 per cent increase in FDI inflows in 2015, resulting in a 10-percentage-point decline in the region's share of global FDI inflows from its 2014 share of 42 per cent. This increase paled in comparison to the jump of global FDI inflows, which increased by 38 per cent over the same period, mainly attributable to cross-border mergers and acquisitions flows in developed economies, rather than more productive greenfield investment. The Association of Southeast Asian Nations (ASEAN), including its least developed economies, and India attracted an increasing portion of FDI inflows, both from outside and inside the region. Reflecting proactive government policies to promote and liberalize FDI, various least developed countries witnessed increased FDI inflows. In particular, FDI to Myanmar almost doubled, while FDI inflows to the Lao People's Democratic Republic and Viet Nam were also significantly higher, by 69 and 28 per cent respectively, compared with 2014.

8. Despite these positive developments, the gaps between announced investment and realized investment on the one hand and actual investment made and investment needed on the other hand remain high, in particular in least developed countries. For instance, to achieve the Sustainable Development Goals, developing countries will need an additional \$2.5 trillion in annual investments.³ A large part of this will have to come from the private sector.

9. However, obstacles remain for full private sector development. According to the 2017 World Bank Ease of Doing Business ranking, 17 countries in the region still rank in the bottom half of a total of 190 countries surveyed. In particular, the least developed countries continue to rank very low, with Afghanistan at 183, Bangladesh at 176 and Myanmar at 170. Even some emerging high-growth countries continue to score relatively low. For instance, India ranked at 130 while Pakistan ranked at 144. Clearly, many countries still have ample scope to improve their investment and business climate.

³ *World Investment Report 2014: Investing in the SDGs – An Action Plan* (United Nations publication, Sales No. E.14.II.D.1).

10. Many developing countries have taken steps to put policies in place that promote and liberalize FDI. Various countries have concluded international investment agreements, mostly in the form of bilateral investment treaties but increasingly in the form of investment chapters in wider regional trade agreements or economic partnership agreements. To attract foreign investors and provide them with reassurances that their investments will be safe, countries have for the past few decades been concluding an ever-increasing number of international investment agreements. Since the 1950s, the number of international investment agreements has grown exponentially, and as of October 2016, more than 2,600 such agreements had entered into force. Of these, 43 per cent, or 1,117, included at least one country from the ESCAP region.

11. While FDI is an important source of external finance for development, it contributes directly to other means of implementation, in particular trade and science, technology and innovation. A significant share of global FDI is efficiency-seeking; that is, it is tied to global and regional value chains and associated cross-border trade in both intermediate and final goods and services. Multinational corporations account for 80 per cent of all transfers of goods and services across borders, either within their own affiliate transactions or through networks with independent providers.⁴ Trade and investment are therefore mutually reinforcing, with transnational corporations often investing in developing host countries with the aim of importing intermediate products and raw materials for further processing and exporting value added products to other countries. FDI is also a major modality for technology transfer to developing countries, though the track record is mixed and the link is not automatic. Yet, some emerging economies in the region have been able to attract an increasing share of FDI that engages in research and development and innovation, such as the information and communications technology sector in India.

3. Science, technology and innovation

12. Science, technology and innovation, through advances such as pneumococcal vaccines, microfinance and green technologies, has been developed and spread around the world at an unprecedented pace over the past few decades, improving health, providing economic opportunities and addressing climate change. Digital technologies such as mobile phones and the Internet have created an era in which ideas, knowledge and data flow more freely than ever before, offering new avenues for collaborative and open approaches to innovation and providing real opportunities for this innovation to be truly inclusive. However, despite consensus on the transformative potential of science, technology and innovation, a lack of clarity remains on how best to effectively implement it for sustainable development.⁵

13. Across the world, the landscape for development innovation is changing. Philanthropic foundations and social impact investors are emerging as new sources of finance for innovations and technologies that have the

⁴ Theodore H. Moran, "Foreign investment and supply chains in emerging markets: recurring problems and demonstrated solutions", Working Paper Series, No. 14-12 (Washington, D.C., Peterson Institute for International Economics, December 2014). Available from <https://piie.com/publications/wp/wp14-12.pdf>.

⁵ *Harnessing Science, Technology and Innovation for Inclusive and Sustainable Development in Asia and the Pacific* (United Nations publication, Sales No. E.16.II.F.12).

potential to deliver both a high social and environmental impact and economic returns. Some of the most promising innovations are being pioneered by social enterprises delivering market-based solutions that also aim to deliver positive social and sustainable change. Traditional corporations are also increasingly taking on board the societal and environmental impacts of their operations and are equipped to deliver innovation at scale. The opportunity in the region is significant, given that 40 per cent of the Forbes Global 500 companies are headquartered in Asia.

14. The region has a dynamic, vibrant and pioneering science, technology and innovation ecosystem that includes many subregional science, technology and innovation cooperation mechanisms, such as the Asia-Pacific Economic Cooperation (APEC), ASEAN, the Eurasian Economic Commission, the South Asian Association for Regional Cooperation and the Pacific Community. However, these mechanisms are unconnected and their programmes are being pursued in isolation. In addition, they exclude many ESCAP member States in the region. Thus, these disparate efforts do not fully harness the region's vast knowledge and potential and the value that is derived from informed and connected policymaking.

15. There is an opportunity to stimulate collaboration to exploit the synergies between and the opportunities at the intersection of the means of implementation. For example, at the intersection of trade and technology, the proliferation of e-commerce platforms in China has dramatically expanded opportunities for micro, small and medium-sized enterprises to engage in online trade, so that now more than 8 per cent of retail sales in China takes place online. However, when this figure is compared to those in the United States of America and the European Union (closer to 20 per cent), it is clear that this opportunity remains underexploited. Recent estimates place online sales in ASEAN countries at only 0.2 per cent of total retail sales. According to estimates, fewer than 10 per cent of micro, small and medium-sized enterprises in Asia-Pacific economies typically sell online.

II. ESCAP initiatives and activities to help Asia-Pacific economies develop their means of implementation

A. Promoting and facilitating trade

16. Helping trade revival remains an important means of attaining the Sustainable Development Goals, and ESCAP has focused on a number of practical areas of support. The secretariat has a long-standing trade programme, spanning research and analysis, capacity-building associated with advisory services and normative work. The programme promotes trade, regional cooperation and integration in Asia and the Pacific to further sustainable development. The secretariat has put in place a number of initiatives to help member States revive international trade and enable them to better manage the balancing of associated costs and benefits. These initiatives can be clustered into four policy areas, as follows.

1. Reducing trade costs and improving transparency of trade policies

17. High trade costs are a significant barrier to the expansion of trade in developing countries and their integration into global supply chains. These challenges are particularly pronounced in landlocked least developed

countries in the region, which suffer because of their geographic position.⁶ Distance and weak trade and transport infrastructure affect small island developing States too. In addition to transport costs, trade costs are frequently inflated by the existence of regulatory, procedural and trade barriers imposed not only at the border but, even more so, on either side of it, in relation to exports and imports. Indeed, non-tariff measures now constitute the largest component of trade costs.⁷ Despite their importance, the proposed Sustainable Development Goal indicators do not include any measure of either these non-tariff measures or trade costs in general. The secretariat has already provided a significant tool to monitor aggregate trade costs for most of the member States and other countries – the ESCAP-World Bank Trade Cost Database – and is currently undertaking several research and capacity-building initiatives to improve assessment and monitoring of the extent and impacts of non-tariff measures and regulatory burdens.

18. In one project, institutional members of the Asia-Pacific Research and Training Network on Trade in Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam in ASEAN are exploring the extent to which non-tariff measures act as barriers to increased intra-ASEAN trade, especially in agricultural and fisheries products. The project identifies alternative ways of managing those measures, including through mutual recognition agreements. Another project under the tenth tranche of the United Nations Development Account,⁸ undertaken in partnership with the United Nations Conference on Trade and Development (UNCTAD), is aimed at developing an impact index of non-tariff measures to support countries in monitoring the Sustainable Development Goals, such as a trade-related index to measure market access opportunities for least developed and developing countries and indicators to measure coherence with international standards.

19. In addition to identifying sources and ways of collecting necessary data and measurement approaches to gauge the impact of non-tariff measures and other regulatory measures and standards, these projects will contribute to a better understanding by policymakers of the best policy options open to least developed countries and other developing countries, to minimize any harmful effect of such measures.

20. The secretariat, through these projects and other technical assistance upon request, helps countries access and implement existing tools for promoting and facilitating trade. For example, at the multilateral level, the implementation of the WTO Agreement on Trade Facilitation will help remove impediments to trade (and will provide significant resources for capacity-building and technical assistance). At the regional level, moving towards paperless trade can significantly save costs and time. In addition, more efforts are needed to tackle non-tariff measures within preferential trade agreements, including through the mutual recognition of standards. Lastly, at the national level, developing economies themselves can take unilateral steps to streamline domestic regulations and remove unnecessary barriers. In all

⁶ For example, from long distance to seaports, challenges include dependency on the infrastructure and regulatory regimes of transit countries for access to seaports, remoteness from consumers and suppliers in other markets, high transport costs and low levels of physical infrastructure for connectivity.

⁷ *Asia-Pacific Trade and Investment Report 2016: Recent Trends and Developments*.

⁸ The Development Account is a capacity development programme of the United Nations aimed at enhancing capacities of developing countries in the priority areas of the United Nations development agenda.

these areas, the secretariat stands ready to provide technical assistance to countries requesting it.

2. Improving market access for least developed countries and enhancing their competitiveness

21. The ability of least developed countries to expand and diversify their exports depends on meaningful market access. Alongside countries' domestic reform efforts, the global community can play a role in various ways: (a) fully implementing WTO commitments to duty-free and quota-free market access given by developed economies and encouraging developing countries to expand or introduce schemes where possible; (b) tackling restrictive rules of origin or other non-tariff barriers so that least developed countries can better utilize the preferences that have been granted; (c) delivering commercially meaningful preferences in services markets;⁹ and (d) expanding Aid for Trade to improve supply-side capacity.

22. The secretariat has produced analytical studies¹⁰ which focused on providing better information to its member States of the opportunities to be gained from better negotiation of market access provisions. Furthermore, hundreds of government officials, analysts and practitioners have participated in and benefited from ESCAP capacity-building programmes on evidence-based trade policymaking and negotiation of preferential trade agreements and other training activities within the framework of the WTO/ESCAP Programme of Technical Assistance for Asia and the Pacific (in implementation since 1999) in just the current biennium.

3. Supporting integration through bilateral and regional preferential trade agreements

23. Preferential trade agreements received little if any explicit attention in the main text of the Sustainable Development Goals, but are referenced in the Addis Ababa Action Agenda (paragraphs 87 and 90). Despite some very recent backlash, preferential trade agreements are the most active area of trade policymaking today, but it has been difficult to find concrete evidence of how they serve as stepping stones to a progressively more open multilateral trade regime (the objective reflected in the Sustainable Development Goal target 17.10). At the end of 2016, there were 269 preferential trade agreements in implementation worldwide, 169 of which included one or more parties from the Asia-Pacific region. Many of these agreements overlap, both regarding members and content, resulting in what is known in the Asia-Pacific context as a “noodle bowl” of agreements. Improved indicators for monitoring these agreements could include

⁹ In contrast to the situation in merchandise trade, until recently least developed countries were not granted any preferential market access in services trade. This is changing and progress is being made in the implementation of a 2011 WTO mechanism – the services waiver – that provides a route for countries to offer least developed countries preferences in services.

¹⁰ *Asia-Pacific Trade and Investment Report 2015: Supporting Participation in Value Chains* (United Nations publication, Sales No. E.15.II.F.15); ESCAP, “Least developed countries and trade: Challenges of implementing the Bali Package”, *Studies in Trade and Investment*, No. 83 (Bangkok, 2015), available from www.unescap.org/sites/default/files/LDCs%20Final%20-31st%20dec%2015.pdf; and *Asia-Pacific Trade and Investment Report 2016: Recent Trends and Developments*. See further commentaries in the ESCAP Trade Insights series, available from www.unescap.org/publications/trade-insights-series.

information not only on gross trade (export and import) flows, but also on flows utilizing negotiated preferences and on the trade costs components of those flows.

24. Since 2006, the secretariat has provided information on the evolution of the engagement of ESCAP members in preferential trade agreements through the Asia-Pacific Trade and Investment Agreements Database. The database is used as a tool for exploring the landscape of preferential trade agreements in reports such as the *Asia-Pacific Trade and Investment Report*, the *Economic and Social Survey of Asia and the Pacific* and other publications or reports, as well as in capacity-building programmes organized by ESCAP alone or in collaboration with other partners.¹¹ A series of handbooks on negotiation of development-friendly provisions in the areas of services trade, intellectual property rights, safeguards and rules of origin have been developed to support a capacity-building programme on the negotiation of next-generation preferential trade agreements.

25. To support more inclusive and equitable outcomes from preferential trade agreements, ESCAP is implementing a project under the ninth tranche of the Development Account on enhancing the contribution of preferential trade agreements to inclusive and equitable trade, in partnership with the Economic Commission for Africa and the Economic Commission for Latin America and the Caribbean and with contributions from UNCTAD and members of the Asia-Pacific Research and Training Network on Trade.¹² The most significant output of the project will be enhanced capacity among government officials and trade negotiators to formulate inclusive development-friendly preferential trade agreements, so that trade arising from such policies has inclusive and equitable results: improvements in labour standards and wages; the elimination of child labour; positive impacts on gender equality; and enhanced contribution to general welfare, in particular for marginalized excluded groups.

4. Promoting trade facilitation and e-commerce

26. In line with efforts by ESCAP to promote regional integration, research efforts have focused on the coverage of trade facilitation and paperless trade in recent preferential trade agreements and their impact on trade costs. Two key findings in that regard are that commitments to paperless trade in those agreements have nearly doubled since 2005, and that trade facilitation commitments in those agreements have helped reduced trade costs not only between the agreement members but also multilaterally.

27. ESCAP also continues to maintain and update, in collaboration with the World Bank, a global database of bilateral international trade costs, which is now widely used by policy analysts both in and outside the region, including in support of the biennial global reviews on Aid for Trade and to estimate the impact of the WTO Agreement on Trade Facilitation, which is now in force.

¹¹ The Asia-Pacific Trade and Investment Agreements Database is regularly updated and is available from <http://artnet.unescap.org/databases.html#second>.

¹² The pilot countries in the ESCAP region are Bangladesh, the Islamic Republic of Iran, Mongolia, Myanmar and Viet Nam.

28. In terms of capacity-building and technical assistance, the bulk of trade facilitation activities continues to be delivered through the United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific. Taking into account the importance of the agricultural and small and medium-sized enterprise sectors in achieving many of the Sustainable Development Goals, increased focus has been placed on building capacity in implementing trade facilitation measures in both sectors. In particular, several training tools and guides have been developed by ESCAP, including one entitled “Making the WTO Trade Facilitation Agreement Work for SMEs” in collaboration with the UNCTAD/WTO International Trade Centre, and another one entitled “Implementing UN/CEFACT e-Business standards in agricultural trade” in collaboration with the Economic Commission for Europe.

29. Collaboration with the World Customs Organization also continued with a third joint masterclass of the United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific on digital customs and single windows, held in April 2016 and hosted by the Republic of Korea. That year also saw the completion of a joint project with the Asian Development Bank (ADB) on conducting baseline studies for the establishment of trade and transport facilitation monitoring mechanisms in three South Asian least developed countries. The concept of the mechanisms, developed by ESCAP and ADB through this and earlier projects, was also used as the basis for a global recommendation on the establishment of trade and transport facilitation monitoring mechanisms of the United Nations Centre for Trade Facilitation and Electronic Business.

30. On the legislative side, based on Commission resolution 72/4, ESCAP worked with the Office of Legal Affairs in New York to ensure the timely opening for signature of the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific. This new United Nations treaty was opened for signature in October 2016 and will remain open until 30 September 2017. ESCAP has since continued to support the Interim Intergovernmental Steering Group on Cross-border Paperless Trade Facilitation and its working groups in preparing a draft road map for implementation of the Framework Agreement’s provisions, as mandated in earlier Commission resolution 70/6. The 3rd meeting of the Steering Group has been organized for March 2017, back to back with the working group meetings and capacity-building activities. The Framework Agreement is expected to provide a unique tool for the region to better implement the WTO Agreement on Trade Facilitation, building on existing bilateral, subregional and regional initiatives and enhancing the trade competitiveness of the region as a whole.

31. Lastly, ESCAP is working with member States to improve the environment for digital trade. The diffusion of digital technologies and the digitization of many products and services are transforming global trade. These transformations can make it easier for small and medium-sized enterprises, or even individuals, to engage in global commerce. For those developing countries that have been traditionally disadvantaged by large distance from consumer markets, weak infrastructure and low economies of scale, digital trade has great potential to boost their integration into the global economy and drive socioeconomic development. However, benefiting from these opportunities will require both investment in physical infrastructure for connectivity and regulations that support the process of buying, paying and delivering digital products. Measured against these benchmarks, progress is mixed across Asia-Pacific developing countries. While consumers are increasingly gaining confidence in using online platforms, access to secure

digital identities remains difficult in some markets. While an estimated 73 per cent of economies in the region have already adopted e-transaction laws, only 38 per cent have adopted laws on consumer protection.¹³

B. Foreign direct investment and sustainable private sector development

32. ESCAP has focused its activities on promoting sustainable private sector development in three areas: FDI, small and medium-sized enterprises and responsible business conduct in a holistic and integrated manner. In addition, ESCAP actively engages the private sector as an essential partner in achieving the Sustainable Development Goals.

1. Promoting and facilitating foreign direct investment

33. ESCAP has undertaken a number of initiatives to help countries promote, attract and facilitate FDI and benefit from it. The secretariat is finalizing a training course consisting of 20 modules covering investment policy, promotion and facilitation based on a comprehensive handbook for FDI policy, promotion and facilitation for sustainable development for the Asia-Pacific region. The handbook is currently being peer-reviewed by international organizations and experts in the field of FDI. Advisory services on FDI were rendered in 2016 to selected least developed countries, such as Afghanistan and Myanmar, and training and capacity-building on FDI on the basis of the training course and handbook will continue in 2017.

34. The secretariat organizes an annual networking event for FDI policymakers through the Asia-Pacific Foreign Direct Investment Network for Least Developed and Landlocked Developing Countries. The aim of the Network is to share experiences on FDI policymaking and promotion in the region. The Network held its 6th meeting in December 2016 back to back with a regional seminar on international investment agreements and sustainable development. At the meetings, participants discussed current developments and challenges in investment policy and rule-making, and explored ways of improving FDI policies and the international investment agreement system to ensure that it better supported achievement of the 2030 Agenda. The benefits and risks of the agreements and possible ways to mitigate such risks were discussed, along with the potential legal implications of different options.

2. Promoting small and medium-sized enterprise development and their effective integration into global value chains

35. An important way to realize benefits from FDI is by establishing backward and forward linkages between foreign investors and domestic companies, in particular small and medium-sized enterprises. This includes the effective integration of those enterprises into global and regional value chains. Given that improvement of the investment and business climates applies to both foreign and domestic investment, the development of such enterprises takes centre stage in the sustainable development process, as recognized in both the 2030 Agenda and the Addis Ababa Action Agenda.

¹³ ADB, *Aid for Trade in Asia and the Pacific: Thinking Forward About Trade Costs and the Digital Economy* (Manila, 2015). Available from www.adb.org/sites/default/files/publication/167344/aft-report-2015.pdf.

36. In 2016, the secretariat provided advisory services on small and medium-sized enterprise development to Cambodia, the Lao People's Democratic Republic and Viet Nam. It had previously helped Myanmar develop a national law and policy on small and medium-sized enterprise. Training and capacity-building in the area of small and medium-sized enterprise development will continue in 2017.

37. Meanwhile, research is ongoing into the development of value added value chains in the Greater Mekong Subregion under a project sponsored by the Government of Japan. In addition, efforts are under way to effectively link small and medium-sized enterprises with overseas investors through online platforms in selected pilot countries: in Myanmar for the Greater Mekong Subregion and, under a project funded by the Republic of Korea, in Kazakhstan for Central Asia. These platforms will be expanded to other countries in these subregions in collaboration with national host organizations and international partners to ensure sustainability.

3. Promoting responsible business conduct and business engagement to achieve sustainable development

38. The contribution of business and investment to sustainable development can only be enhanced if business and investment themselves are sustainable. Recognizing the importance of the business sector to sustainable development, the secretariat is forging effective partnerships with business through the ESCAP Business Advisory Council and the ESCAP Sustainable Business Network. The Council and the Network held meetings in Bangkok on 31 October and 1 November 2016 and in Dhaka on 7 and 8 February 2017, prior to the Asia-Pacific Business Forum 2017.

39. The Network added two new task forces in 2016 to bring its total to 10, covering the following areas: banking and finance; disaster and climate risk reduction; innovation and competitiveness; micro, small and medium-sized enterprises and social enterprises; Pacific issues; trade and transport facilitation; digital economy; green business; agriculture and food; and young entrepreneurs. ESCAP divisions are expanding their backstopping of the different task forces as an important means of engagement with the business sector in all its areas of work. Currently, efforts are ongoing to consolidate the task forces and better align them with the Sustainable Development Goals and the work of ESCAP, in particular its intergovernmental meetings.

40. The Network undertook a mission to Kazakhstan in early September 2016 at the invitation of the Astana International Financial Centre to assess business opportunities and public-private collaboration on sustainable development. It also prepared various publications such as a guidebook on best practices for green business and a handbook entitled "Corporate agenda of sustainable development: Toward responsible business 2.0". A round table on aligning responsible business with corporate sustainability was held in Hong Kong, China, in June 2016. The secretariat separately published a working paper on development and policies in the renewable energy sector in emerging Asia.¹⁴

¹⁴ Masato Abe, Candice Lea Marie Branchoux and Jaewon Kim, "Renewable energy sector in emerging Asia: Development and policies", Trade, Investment and Innovation Working Paper Series, No. 1/17 (Bangkok, ESCAP, 2017). Available from www.unescap.org/resources/renewable-energy-sector-emerging-asia-development-and-policies-tiid-working-paper-no12017.

41. The Network also collaborated with the secretariat in the organization of a number of round tables on responsible business: one addressing the issue of e-waste in consumer electronics value chains through responsible business conduct in South-East Asia was held in June 2016, and another addressing water scarcity through cost-effective and innovative responsible business conduct in the resort industry in ASEAN countries was held in August 2016. Both round tables resulted in renewed partnerships and collaboration efforts with the private sector to effectively address these issues, with possible follow-up activities currently being discussed.

42. Lastly, ESCAP organizes the annual Asia-Pacific Business Forum in collaboration with the ESCAP Business Advisory Council and the ESCAP Sustainable Business Network. The Forum has been a major regional dialogue and networking event since its inception in 2004, facilitating exchanges between high-level professionals in the private and public sectors with the aim of promoting the role of business in achieving sustainable development. The multi-stakeholder setting of the Forum effectively engages policymakers, business representatives, international agencies, civil society organizations and academics. The 2017 Forum was held in Dhaka on 8 and 9 February 2017, hosted, co-organized and co-sponsored by the Government of Bangladesh (Ministry of Commerce) and the International Chamber of Commerce Bangladesh. The Forum highlighted issues and formulated recommendations around the theme “Regional integration to achieve sustainable development”.

C. Science, technology and innovation

43. The individual domains of science, technology and innovation are broad, with overlapping but often very different ecosystems and drivers. With this point in mind, the secretariat has focused on the following four main areas.

1. Raising the profile of science, technology and innovation as an important means of implementation for sustainable development

44. To date, the secretariat has raised the profile of science, technology and innovation for sustainable development through a series of high-level speeches and joint events including the International Conference on Blue Ocean Strategy: Transforming Nations through Creativity and Innovation, Malaysia; the Seoul Science and Technology Forum; the International Conference on Innovation Strategies for Sustainable Development, Pakistan; and the International Conference on Science and Technology for Sustainability, Japan.

2. Providing science, technology and innovation policy advice

45. A science, technology and innovation advisory board was set up to provide policy advice to the secretariat and member States. The board comprises prominent experts from the domains of science, technology and innovation from across the region. Advisory services have been provided to Australia, Bangladesh, India, Indonesia, Malaysia, Myanmar, Pakistan, the Philippines, the Republic of Korea, Singapore, Sri Lanka, Thailand and Viet Nam on issues ranging from the alignment of science, technology and innovation policy with national development plans to support for the development of social enterprises.

46. In addition, the secretariat has provided advice to subregional organizations on science, technology and innovation matters. For example, the secretariat provided a resource person to support the ASEAN Science, Technology and Innovation Forum, the APEC Research and Technology programme, the APEC eCommerce Business Alliance Council and the Eurasian Economic Commission strategy on the digital transformation of the Eurasian Economic Union.

3. Conducting science, technology and innovation research, analysis and capacity-building

47. In 2016, the first ever ESCAP theme study on science, technology and innovation – which provided a set of key recommendations to member States on harnessing science, technology and innovation for sustainable development – was launched at a high-level ministerial panel on science, technology and innovation at the seventy-second session of the Commission. This publication was followed by a report that outlined specific policy approaches for least developed countries.

48. In terms of capacity-building, the secretariat hosted a workshop in partnership with the World Intellectual Property Organization on the strategic use of intellectual property institutions and systems for invention, innovation and technological capacity-building for economic competitiveness and development in least developed countries of Asia and the Pacific.

4. Facilitating greater science, technology and innovation knowledge-sharing and cooperation between member States, subregional organizations and the diverse actors in the science, technology and innovation ecosystem

49. In order to facilitate greater science, technology and innovation knowledge-sharing and cooperation between member States, the inaugural session of the Committee on Information and Communications Technology, Science, Technology and Innovation was convened in October 2016.¹⁵ To facilitate greater science, technology and innovation knowledge-sharing and cooperation between subregional organizations, a meeting during this Committee session was dedicated to convening such subregional organizations, including APEC, the Eurasian Economic Commission and the Economic Cooperation Organization.¹⁶

50. Lastly, to link regional expertise and needs to global United Nations science, technology and innovation initiatives, the secretariat convened panels at the Comprehensive High-level Midterm Review of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020 in Turkey and the Third Asia-Pacific Forum on Sustainable Development in Thailand, which included regional members of the High-level Panel on Technology Bank for Least Developed Countries and the 10-Member Group to support the Technology Facilitation Mechanism.

¹⁵ See www.unescap.org/events/committee-information-and-communications-technology-science-technology-and-innovation-first.

¹⁶ See E/ESCAP/CICTSTI(1)/9.

III. Way forward

51. ESCAP will continue to work to support countries' efforts to use trade, investment, the private sector and science, technology and innovation to push forward their development agendas. Integration of these forces will result in a powerful set of tools for countries to generate real, substantive and sustainable growth. Since these three areas are covered by a single division of the secretariat, ESCAP is uniquely placed to work across the means of implementation, creating a set of knowledge products and capacity-building activities that will transcend the activities of any single programme.

52. One specific gain will be in the fifth session of the Committee on Trade and Investment, which is scheduled to be held from 31 October to 2 November 2017. The main background document for the Committee – the *Asia-Pacific Trade and Investment Report* – is being prepared with a focus on “Where do we stand with trade, investment and science, technology and innovation as means of implementation?”. The publication will discuss and analyse the benefits of taking an integrated approach to trade, investment and innovation policy in achieving the Sustainable Development Goals. The Committee session will again be organized within the framework of the Asia-Pacific Trade and Investment Week, during which several other intergovernmental dialogues, expert group meetings and capacity-building workshops will be organized to support the overall discussion.

53. The secretariat will team up with several other partners (the National University of Malaysia, the University of Oxford, the World Trade Institute, the International Institute for Trade and Development and the United Nations Development Programme) in organizing the ASEAN Economic Integration Forum 2017, to be held on 14 and 15 September 2017, with the theme “Inclusive ASEAN” to mark the fiftieth anniversary of the establishment of ASEAN in Bangkok in 1967. This programme will look at an integrated economic approach to ensuring inclusive development across ASEAN.

54. Likewise, ESCAP will collaborate with the Organization for Economic Cooperation and Development (OECD) and UNCTAD to organize the 9th Plenary Meeting of the OECD Initiative for Policy Dialogue on Global Value Chains, Production Transformation and Development in November 2017. This programme will also harness the synergies provided when working across trade, investment and innovation in conjunction with the private sector.

55. The secretariat, in collaboration with other United Nations regional commissions and many other organizations, is leading the second Global Survey on Trade Facilitation and Paperless Trade Implementation, which will provide the data needed to prioritize capacity-building activities to be implemented. A three-year joint programme for technical assistance and research on trade facilitation has also been agreed with ADB, which will enable the continued organization of the Asia-Pacific Trade Facilitation Forum and meetings of the Regional Organizations Cooperation Mechanisms for Trade Facilitation until 2019. Implementation of three capacity-building and pilot projects on cross-border paperless trade has recently been initiated, and a project on the electronic exchange of sanitary and phytosanitary certificates is under development in collaboration with the Standards and Trade Development Facility.

56. Pending the entry into force of the Framework Agreement, the secretariat will continue its analytical and capacity-building work on single windows and paperless trade, and in support of the implementation of related provisions in the WTO Agreement on Trade Facilitation. Particular emphasis will be put on building the capacity of developing countries to measure and monitor their progress in trade facilitation, as well as implementing trade facilitation measures that will facilitate both the development of the agricultural and small and medium-sized enterprise sectors and cross-border e-commerce.

57. Pending the completion and publication of the FDI policy and promotion handbook, ESCAP will step up its training programmes with partners at the global, regional and national levels in the area of promotion and facilitation of FDI for sustainable development. The 7th meeting of the Asia-Pacific FDI Network will be convened on 3 November 2017 during the Asia-Pacific Trade and Investment Week to allow for knowledge-sharing and capacity-building in investment policy and promotion for sustainable development with some focus on the role of international investment agreements. Technical assistance and capacity-building will also continue in the area of small and medium-sized enterprise development.

58. ESCAP will continue to work to deepen and widen engagement with the business sector to promote higher impact levels. This will involve exploring additional roles of the business sector as possible donors for selected ESCAP projects. These issues were discussed at the 12th meeting of the ESCAP Business Advisory Council, held in Dhaka in February 2017. Efforts are ongoing to make business engagement more meaningful and expand the role of the ESCAP Business Advisory Council and the ESCAP Sustainable Business Network in sustainable development and upgrade and rejuvenate their membership.

59. The next Asia-Pacific Business Forum is scheduled to be held in Hong Kong, China, in the first quarter of 2018. The Forum is expected to evolve as an annual summit of the ESCAP Sustainable Business Network. The 2018 Forum is expected to be more focused on issues related to banking and finance, including fintech, and the digital economy.

60. Alongside the integration of innovation across the substantive areas of the secretariat, the particular focus for the coming year will be to build partnerships with member States on science, technology and innovation topics of strategic potential and importance. The secretariat will actively foster partnerships with member States to share effective science, technology and innovation practices and facilitate cooperation. Indeed, the secretariat is already in the process of developing several such partnerships: for example, it is working with the Ministry of Science, Information and Communications Technology and Future Planning and the Science and Technology Policy Institute in the Republic of Korea to produce high-quality science, technology and innovation research and analysis to support policymakers in the region in implementing effective science, technology and innovation policies and strategies to achieve the Sustainable Development Goals, as well as to explore the potential of emerging technologies and innovative ideas.

61. ESCAP will support dialogue, especially where the region is demonstrating innovative and/or effective practices. For example, several member States in the region are in the process of developing and implementing social innovation policies. Two fundamental pillars of social innovation are social entrepreneurship and impact investment. The concept of social entrepreneurship has been gathering momentum in the region with the

growing recognition that the three dimensions of sustainable development will be key to achieving the Sustainable Development Goals. A social enterprise can be defined as an organization committed to explicitly including social and/or environmental returns as part of its core business while seeking profit or return on investment.¹⁷ The concept of impact investment as a tool to finance the Sustainable Development Goals has also been gathering momentum in the region given its focus on investing to generate social and environmental value, as well as financial return.¹⁸

62. There is an opportunity to support this emerging movement by supporting member States in implementing effective social innovation policies by surfacing best practices and building this movement across the wider region. The secretariat will be working in partnership with the British Council to support this agenda. This project will focus on supporting policymakers in the region in formulating and implementing effective social innovation policies and strategies, focusing on fostering social entrepreneurship and creating an enabling environment for impact investment.

63. The secretariat will continue to showcase effective science, technology and innovation practices in member countries that would be of benefit to the wider region. For instance, the secretariat will be working with the Government of China to share effective practices in the development and sustaining of science and technology parks. Such initiatives provide enabling infrastructure and bring together key stakeholders such as entrepreneurs, researchers and investors, and have had a positive effect on the development and commercialization of innovative solutions. However, effective implementation of these parks is challenging. There is a need to share effective practices and pitfalls in the region with other countries pursuing such initiatives so that the region benefits as a whole. In addition, many of the enterprises and innovations developed in science and technology parks often struggle to enter regional and international markets. While there has been an explosion of science and technology parks in the region, they are disparate and unconnected. This is in stark contrast to networks of research and academic institutions that have historically had effective mechanisms to cooperate both regionally and internationally.

64. There is an opportunity to build a stronger network of science and technology parks in the region to support the co-creation of innovation and create opportunities for enterprises and innovators to enter new markets. The objectives of this partnership are to provide a platform to share effective practices in the start-up and development of science and technology parks, and to facilitate knowledge-sharing and collaboration between parks in the Asia-Pacific region.

¹⁷ Shelagh Whitley, Emily Darko and Grace Howells, "Impact investing and beyond: Mapping support to social enterprises in emerging markets" (London, Overseas Development Institute, 2013). Available from www.cbd.int/financial/privatesector/g-datasocialinvest-odi.pdf.

¹⁸ Monitor Institute, "Investing for social and environmental impact" (San Francisco, 2009). Available from http://monitorinstitute.com/downloads/what-we-think/impact-investing/Impact_Investing.pdf.

IV. Conclusion

65. The opportunities for the region to make real and sustainable progress on the Sustainable Development Goals are exemplified throughout the region. Through regional integration and knowledge-sharing of practices in trade, investment, private sector development and technology and innovation, least developed countries and low-income economies can leapfrog development milestones in a responsible and sustainable manner. Developed economies can achieve growth in an equally responsible and sustainable manner. ESCAP will provide support across the board to ensure that the region as a whole can achieve this sustainable development through strong and effective means of implementation.
