

# ECONOMIC TREND AND FUTURE ECONOMIC COOPERATION

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for Multilateralism,

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# INTRODUCTION

- TRADE AGREEMENTS RESPOND TO ECONOMIC NEED IN TRADE (GOODS AND SERVICES), INVESTMENT, CAPITAL MOVEMENT, LABOR MOVEMENT AND ENVIRONMENT.
- WHAT SHOULD BE THE FUTURE ECONOMIC ARRANGEMENT THAT ENSURE INCREASE IN PROSPERITY AND FAIRER ALLOCATION OF WEALTH?

# GLOBAL ECONOMIC TRENDS

- 1) FUTURE SOURCES OF GROWTH
- 2) TREND IN TRADE
- 3) LABOR MARKET
- 4) INEQUALITIES: WITHIN AND BETWEEN COUNTRIES
- 5) NEW TECHNOLOGY
- 6) NEW BUSINESS ARRANGEMENTS (MODELS)

# 1. Future Sources of Growth

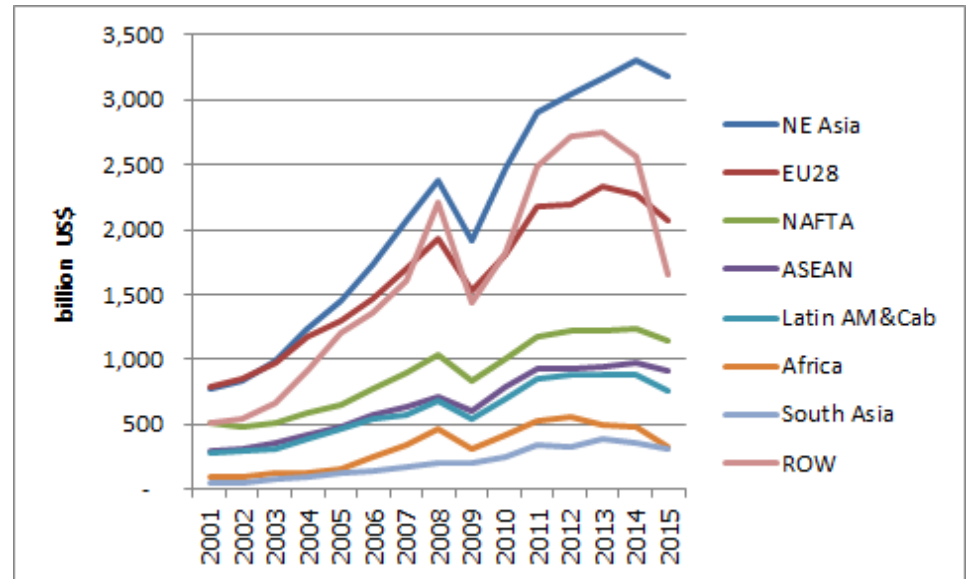
	2016	2021	Growth	Source of Growth	
				%	Share
ASEAN	2,578	3,832	48.6%	1.69%	5.60%
NE Asia	17,117	24,286	41.9%	9.69%	32.01%
<b>RCEP</b>	<b>23,354</b>	<b>33,530</b>	<b>43.6%</b>	<b>13.75%</b>	<b>45.44%</b>
USA	18,558	22,766	22.7%	5.69%	18.79%
EU	16,477	19,610	19.0%	4.23%	13.99%
Latin Am & Car	4,504	5,702	26.6%	1.62%	5.35%
ROW	11,100	14,779	33.1%	4.97%	16.43%
<b>World</b>	<b>73,994</b>	<b>96,387</b>	<b>30.3%</b>	<b>30.26%</b>	<b>100.0%</b>

Source: World Economic Outlook, IMF, Apr 2016

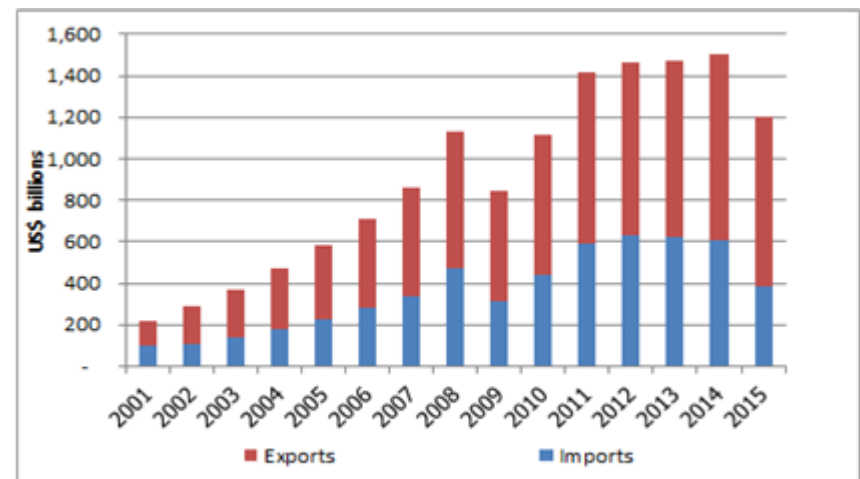
- Global GDP will increase by 30% in the next 5 years (IMF)
- 45% of global growth in the next 5 years will be coming from RCEP, especially, China and India.
- USA and EU will account for about one-third of this future growth.

# 2. Trend in Trade

- Since 2009, external export\* of NE Asia and EU expands rapidly but EU starts to decline since 2013.
- Rest of the World (ROW) includes Middle-east countries whose export suffers from low energy price.



- Rapid growth in trade between NE Asia and South Asia + Middle East.
- ASEAN is on the route of this trade.



Source: Trade Maps database, ITC, June 2016

# 3. Global Workforce

	Aging				Working			
	million people		% of total		million people		% of total	
	2015	2030	2015	2030	2015	2030	2015	2030
CLMV	10.1	20.0	5.9%	10.8%	115.9	130.8	68.3%	70.7%
ASEAN	37.6	71.6	5.9%	10.3%	427.1	486.8	67.5%	70.1%
N.E.Asia	177.9	303.5	11.0%	19.0%	1,163.7	1,105.5	72.2%	69.4%
South Asia	98.5	172.5	5.4%	8.4%	1,185.8	1,448.5	65.0%	70.4%
Africa	41.5	69.1	3.5%	4.3%	658.7	983.5	55.5%	60.7%
EU	129.8	169.3	17.6%	23.9%	492.4	452.8	66.7%	63.9%
N.America	53.4	83.1	14.9%	21.7%	237.7	242.1	66.4%	63.4%
<b>World</b>	<b>608.2</b>	<b>994.8</b>	<b>8.3%</b>	<b>12.2%</b>	<b>4,825.5</b>	<b>5,496.1</b>	<b>65.7%</b>	<b>67.2%</b>

\*Aging population is defined as population above 64 years old

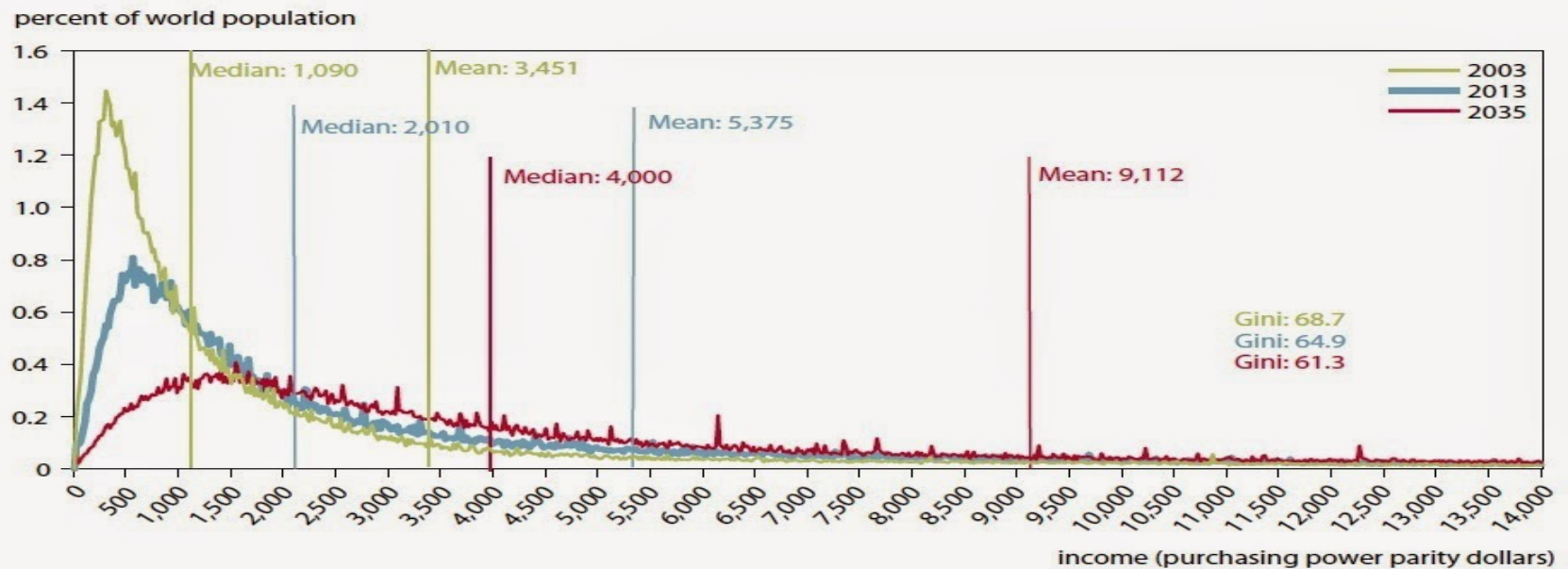
\*Working population is defined as population between 15-64 years old.

Source: UN-Population, World Population Prospects, revised 2015.

- Population in South Asia is growing faster than Northeast Asia that enters into Aging Society.
- Working age population in 2030 in South Asia will be much larger than NE Asia.

# 4. Inequalities

**Figure 5** Frequency plot of global income distribution, 2003, 2013, and 2035



[https://www.google.co.th/url?sa=i&rct=j&q=&esrc=s&source=images&cd=&cad=rja&uact=8&ved=0ahUKEwjBhcrtP\\_PAhVQwGMKHQ6yD7oQjRwIBw&url=http%3A%2F%2Fconversableeconomist.blogspot.com%2F2015%2F05%2Fglobal-income-inequality-in-decline.html&bvm=bv.133387755,d.cGc&psig=AFQjCNGyiC0r8\\_TYAoMV\\_Se5SNakj8guHg&ust=1474511559815185](https://www.google.co.th/url?sa=i&rct=j&q=&esrc=s&source=images&cd=&cad=rja&uact=8&ved=0ahUKEwjBhcrtP_PAhVQwGMKHQ6yD7oQjRwIBw&url=http%3A%2F%2Fconversableeconomist.blogspot.com%2F2015%2F05%2Fglobal-income-inequality-in-decline.html&bvm=bv.133387755,d.cGc&psig=AFQjCNGyiC0r8_TYAoMV_Se5SNakj8guHg&ust=1474511559815185)

- Income inequality brings about social and political inequalities and tension.
- Income distribution will be getting better but not sufficient.
- Better arrangement to share the wins.

# 5. New Technology

- Digital Era
  - Ability to store, process, analyze, making decision and disseminate information.
  - Speed of information flow
  - Reaches and access coverage
- Impacts
  - Economic
    - direct (reduce transaction costs)
      - A reduction of business transaction cost from 15% to 14% of global GDP (US\$74 trillion) = benefit of US\$740 billion.
    - indirect (dynamic of business arrangements)
  - Social – interaction and organization.
  - Political – accessing the mass.



# 6. New Business Models

- Business arrangements have changed a lot during the past decade to accommodate investment and trade across borders.
  - For example, auto-industry, garments, electronics manage value chain from the HQ - what we see in export statistics, is not what we get.
  - New technology and new products/services find new model to maximize efficiency and profit.
- Public sector is big and slow to change but has to catch up.
  - Playing supporting role and not becoming a barriers, e.g., Grab,
- With better access to the **global** market through digital technology, SMEs and operator in remote areas will find new innovative arrangement to enhance their productivity.
  - FINTEC, for example, see the entry of many new medium size players.
- Future arrangement is beyond PPP. It requires a closer working relationship among stakeholders – business, government and general public.
- Increase in collaboration, cooperation and competition among private sector.
- **New generation of players** – farmers, financiers, retailers, and general workers.

# Implications

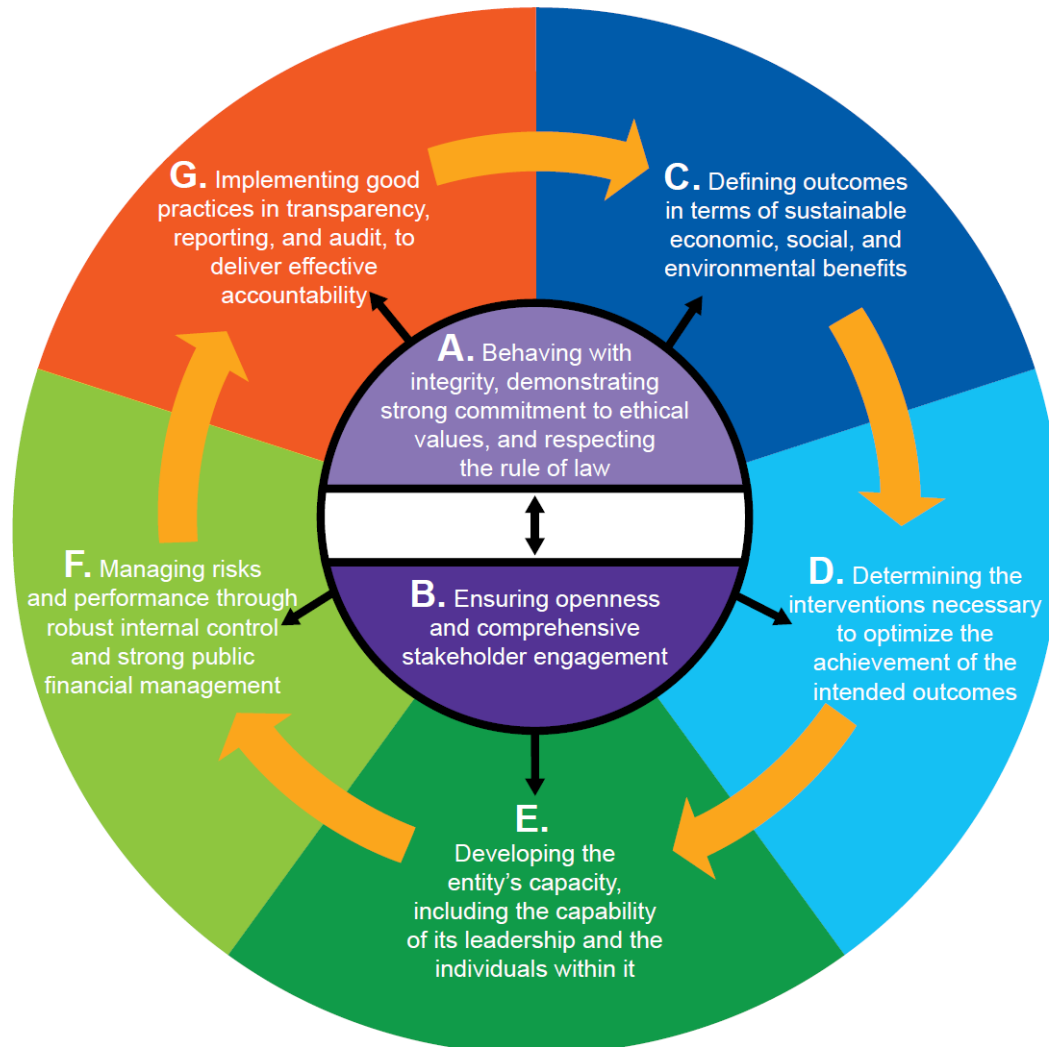
- There will be a big change in global economic structure, business arrangements – new ways of doing things and new faces of players.
- Welfare and dignity of people have to improve and inequalities have to be reduced.
  - UN-Sustainable Development Goals
  - National and Regional development targets – become a developed country/region.
  - .....
- How do trading arrangements serve to accomplish these goals?

# FUTURE GLOBAL GOVERNANCE

- CLOSER WORKING RELATIONSHIP AMONG STAKEHOLDERS
  - PUBLIC SECTOR GOVERNANCE
    - The role of government has changed from “governing” to “supporting”.
  - GOOD CORPORATE GOVERNANCE
    - Aside from making profit, private sector has direct responsible for other stakeholders in the business.
- Alignment to share a common target
  - Among the governments and among private sectors
  - Develop common/shared goal
  - Allocation of responsibilities

# Principles of Public Sector Governance

Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times



- Managing public money to delivery public goals.
- KPI not as clear as the private sector.
- Needs to be more open and not caught in nationalism.

# Principles of good corporate governance

- 1) **Ethical approach** - culture, society; organisational paradigm
- 2) **Balanced objectives** - congruence of goals of all interested parties
- 3) **Each party plays his part** - roles of key players: owners/directors/staff
- 4) **Decision-making process** in place - reflecting the first three principles and giving due weight to all stakeholders
- 5) **Equal concern** for all stakeholders - albeit some have greater weight than others
- 6) **Accountability and transparency** - to all stakeholders .

# Implications

- Without a shared goals, stakeholders may work against each other.
- Develop **explicit commitment** to the shared goal and clear KPI.
- Inclusive preparation of the work plan – clear allocation of work.
- Monitoring and management of the work plan.

# FUTURE OF ECONOMIC COOPERATION

- CHANGE ATTITUDE AND APPROACH:
  - a collaborative and cooperative effort
- FOCUSING ON URGENT ISSUES, e.g.,
  - Movement of labor and social development
  - Movement of capital and nationalism
  - Allocation of benefits, esp., for the worker.
- CONSULTATIONS – inclusive
  - Define the common target and work plan
- INSTITUTIONS
  - Already have many – just to reorient the roles and functions.

# Mega Trading Arrangements

- Before moving forward, should assess where we are against **where** we really want to go.
- Fundamental objectives to improve efficiency and welfare are still relevant but there are new issues to address, especially, **inequalities**.
- Industries, governments and general public have to be working closely together – digital era lower the organization cost.



# Way forward

- There should be a review of the implication of future changes on the social and economic welfare of key stakeholders and industries (services and goods).
- Consultation among stakeholders in key issues areas to define the target and joint plan of actions.
- Clear commitment and work plan for each stakeholder based on principle of good governance.
- Assessing and adjusting the current negotiation efforts.
- Adjusting the current institution (WTO/EU/ASEAN Sec./Trade Negotiation apparatus of each country) to meet the new demand.

# Conclusion

- We have been engrossed in developing more trading arrangements to solve past problem.
- The future ahead is very challenging for all and needs to bring the best brain and resource to bear.
- New MEGA attitude and new MEGA approach to get the global economy to a more desirable target are called for.

**THANK YOU**