



## Can trade create jobs globally?

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Trade can be a powerful force in economic transformation, and Asia is a prime example of the potential positive forces trade can have, says Naoyuki Yoshino, dean of the Tokyo-based Asian Development Bank Institute, in the preface to a major and comprehensive study of developing economies.

The study is *Win-Win—How International Trade Can Help Meet the Sustainable Development Goals*, published by ADBI and edited by ADBI senior economist Matthias Helble and Ben Shepherd, principal at Developing Trade Consultants.

The book looks at what can be realistically achieved after the 2015 United Nations Sustainable Development Summit, where some 150 world leaders adopted the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, or SDGs.

The 17 SDGs, also known as the Global Goals, aim to end poverty, hunger, and inequality; act on climate change and the environment; improve access to health and education; build strong institutions and partnerships; and ensure that all people enjoy peace and prosperity.

Twenty-five economists and analysts examined the UN goals in the real context of developing economies, picking apart such areas as poverty, hunger, the role of women, job creation, inequality, the environment and climate change, fisheries, food safety, education, health care, urbanization, and infrastructure.

It is probably the most comprehensive scrutiny of the dilemmas facing developing economies.

What it comes down to is free and fair trade. Goal 17 of the UN's objectives talks about global partnership for sustainable development, and links trade with finance, technology, capacity building, and systemic issues. Trade is an imperative across the board.

It encourages economies to specialize in goods and services for which they have a comparative advantage and to import other goods and services they need. This specialization supports economic growth and can help create more jobs. In this way, increased trade supports job creation under the SDGs.

Trade has helped many developing countries expand employment, with the People's Republic of China—the PRC—a prime example.

Export-oriented garment production, electronics and automobile assembly, and other types of labor-intensive industries in South Asia and Southeast Asia are also job creators.

Some economies such as Hong Kong, China have seen a movement of workers from manufacturing to services as a long-term result of shifting comparative advantage. Hong Kong, China now makes few of the goods it consumes.

At the same time, some countries and sectors have lost jobs. Farm employment declined in Mexico due to the North American Free Trade agreement. And competition from the PRC has slashed jobs in northern parts of the US, fueling a trade backlash.

Easing unemployment will depend on people's willingness to move to take up new jobs and on the labor market policies in place.

Removing onerous labor regulations and providing information on new job opportunities help workers make the move and reduce unemployment between jobs. Developed countries have programs to support workers who have lost their jobs due to trade competition and help them retrain and find new work.

Trade may also have an impact on the quality of employment.

The SDGs call for a shift from informal to formal employment. Studies in developing countries such as those in Latin America show mixed results on whether liberalization helps or hinders formalization.

On the positive side, trade competition may encourage companies to join to meet the competition from imports and to break into export markets. On the negative side, trade may create pressure on firms to cut costs and they may respond by shifting workers to more informal and less secure arrangements such as casual or part-time, which lack such things as health benefits and paid time off.

The SDGs also call for eliminating forced and child labor, slavery, and human trafficking.

Trade openness is linked with less child labor, but this link tends to fade the lower a country's income falls. Economic growth rather than trade may be a better formula for getting children out of the workforce and into school. And when trade supports growth, it may indirectly reduce child labor.

Trade can highlight labor practices. This occurs when products from developing countries are sold in developed countries. European and North American nongovernment organizations, consumer groups, and the media frequently probe the labor practices of companies producing shirts, shoes, coffee, chocolate, palm oil, and other products. When these products are bought by or produced on contract for large multinational companies and retailers, the buying companies can be “named and shamed” if they source from firms employing children, just as they can benefit by being labelled “sustainably grown” or produced. .

Overall, the evidence suggests that trade will likely boost—or at least not hinder—the achievement of the SDGs' employment objectives. Trade, along with trade policies, labor market, and business environment policies will help meet countries' objectives on job quantity and quality.

[Win-Win—How International Trade Can Help Meet the Sustainable Development Goals](#), edited by senior ADBI economist [Matthias Helble](#) and Ben Shepherd, principal at

Developing Trade Consultants, was recently published by ADBI. ADBI will podcast selected chapter summaries in the coming weeks.

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