

ASIA-PACIFIC TRADE AND INVESTMENT REPORT 2011

Post-crisis Trade and Investment Opportunities



**Focus on
Malaysia**

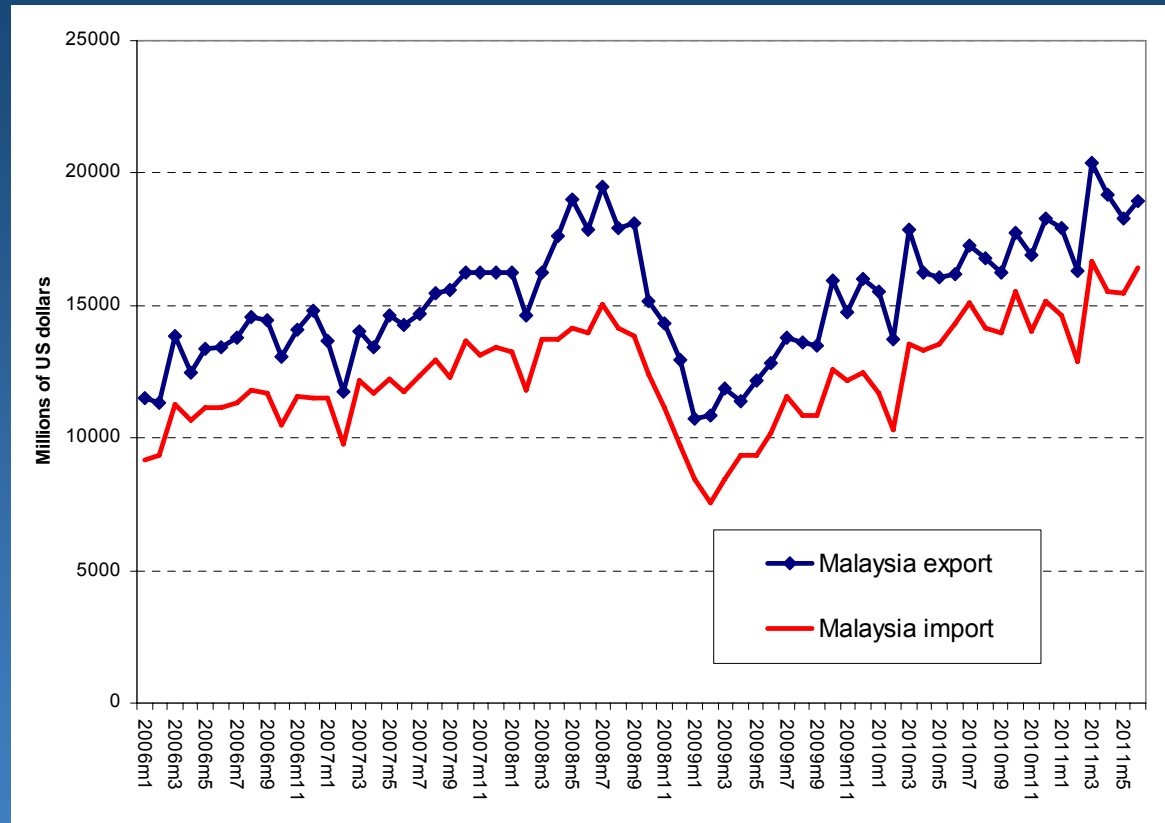
Key Messages

- **7.9% export growth in 2011 and 6.7% in 2012 after growing at 9.8% in 2010** (all in constant value terms)
- In nominal terms, in 2010 Malaysian export jumped by 26.3% and imports by 33% after sharp drop in 2009 (ASEAN average was 29.2% for exports and 31.4% for imports)
- Commercial services trade is recovering too: growth in 2010 at **13.1% export and 17.5% import ; ASEAN at 17.7% and 19.3 respectively**
- FDI started to flow back in the region, including Malaysia
- Malaysia was not part of biggest offenders in terms of using of protectionist measures, not was it often targeted by other countries' measures
- **Malaysia is well positioned to tap the new opportunities identified for the region, such as :**
 - Focus on intraregional demand
 - Investment in services trade
 - Capturing first-mover advantage in climate-smart goods

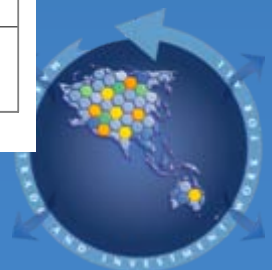
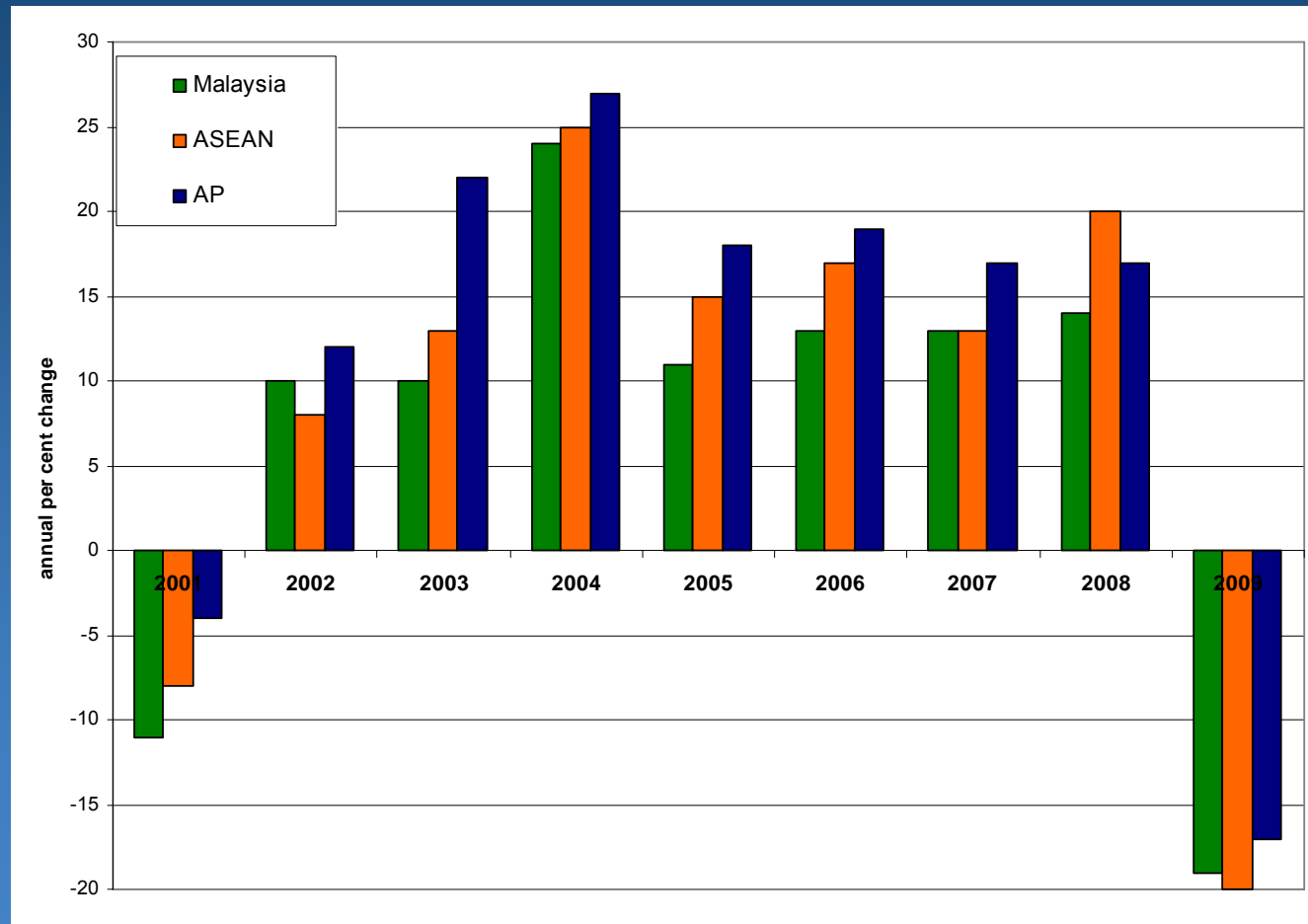


Trade-led regional recovery

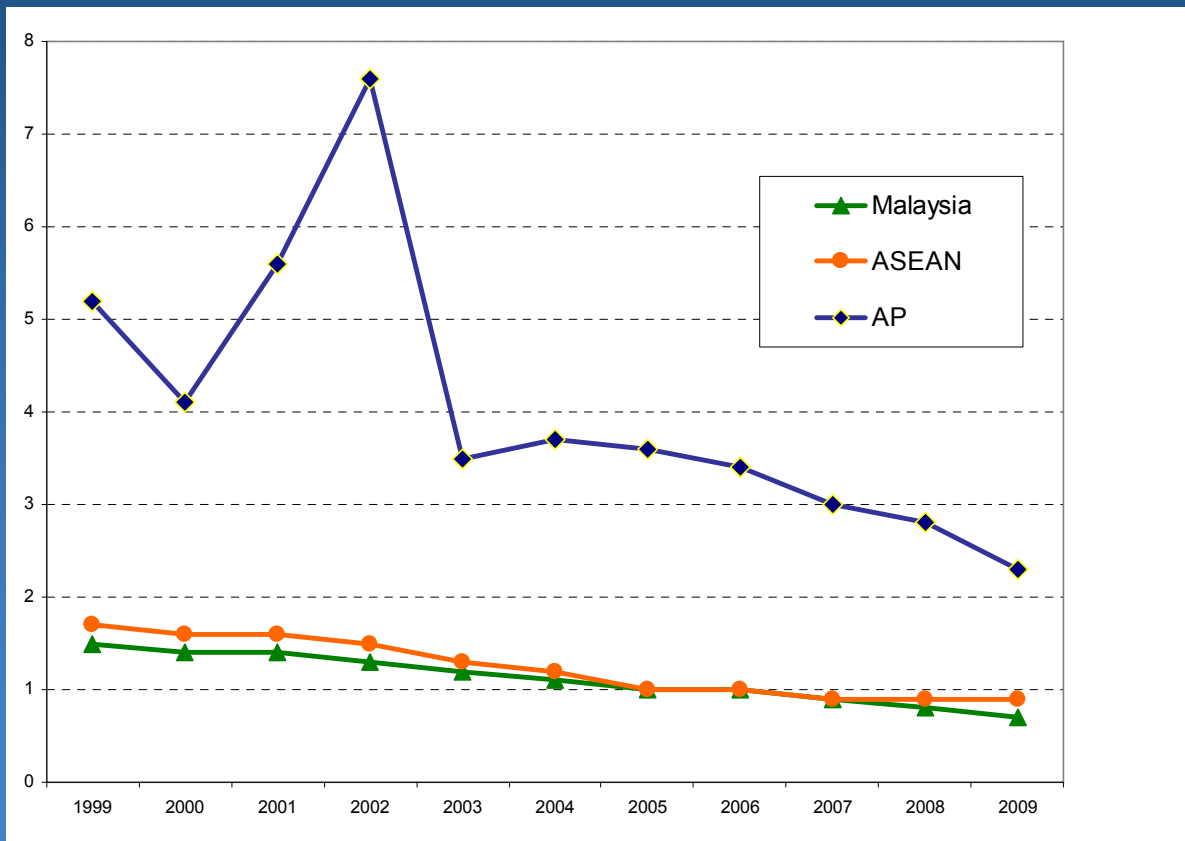
- Monthly exports and imports reached pre-crisis level
- Malaysia accounts for $\approx 19\%$ of South-East Asia's merchandise exports and 17% of imports to the world
- In the greater Asia-Pacific region, Malaysia is ranked as ninth in terms of merchandise exports, with a share of 3.6%



- **Intraregional trade growth** – Malaysia follows the same trend as ASEAN and developing countries in Asia-Pacific



- Malaysia is less dependent on trade with developed countries than Asia-Pacific as a whole, and ASEAN, on average
 - based on a ratio of trade with US, EU and Japan over trade with ASEAN, China and India



Services Trade of Malaysia

- Export growth not as strong as in some other Asian economies in 2010;
 - Malaysia is still among 20 leading exporters and importers of commercial services
 - Its share of South-East Asia's commercial services is about 15%
 - 11th in exports of commercial services with an export share of 3.2% in Asia-Pacific.
- Trade in services as share of GDP rose from 21% in 2000 to almost 34% in 2009 (Singapore's share increased from 58% to 62.5% over same period)
- Services exports as share of total export is 14% in 2010.



Malaysia and FDI

- Over 2005-09 Malaysia has made a significant investment overseas.
- An outflow of foreign direct investment from Malaysia increased at a growth rate of 28% per year on average.
- Malaysia has also attracted a significant inflow of FDI, which totalled to more than \$27 billion from 2005 to 2009



High Potential for Intraregional Trade

- In 2009, 67% of all Malaysian exports went to countries in the Asia-Pacific, while 64% of the country's imports came from the region.
- The share of intra-regional in Malaysia's total trade increased steadily from 61.5% in 2005 to 66% in 2009.
- Based on trade patterns in 2008, Malaysia's exports are well-matched with import demands:
 - Complementarity index with:
 - Singapore- 72%
 - Japan, the Republic of Korea, Thailand, and Hong Kong, China - 57%, 55%, and 54%, respectively
- Intra-industry trade potential: within East and South-East Asia
- Inter-industry trade potential: East and South-East Asia and the rest of the region



Untapped Potential in Services Trade

- Labour-intensive, low-skill activities: tourism, back office ICT, construction;
- Need for regulatory reform to facilitate the development of services and their exports



New Opportunities in Climate Smart Goods and Technologies (CSGTs)

- Trade potential in CSGTs is estimated to be \$30 billion
- China, Japan and Republic of Korea lead the sector
- Many small economies have potential in this area
- Additional investment of \$600 billion/year required during 2010-2050 for AP to reduce emission to desired levels (450ppm CO₂) - new opportunities



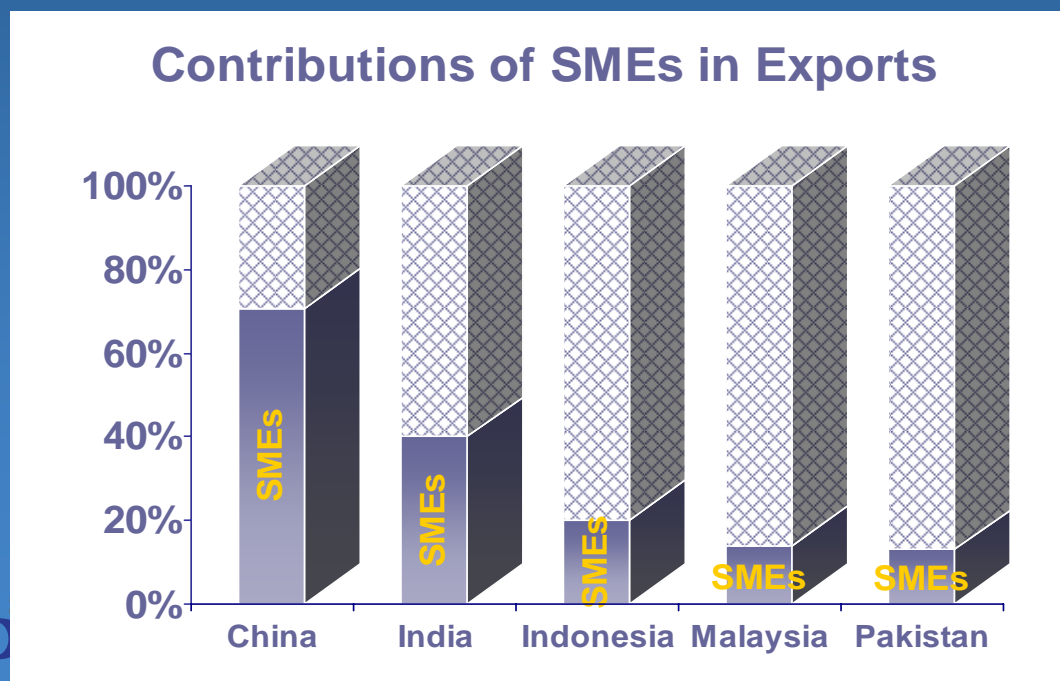
More efforts needed on Trade Facilitation

- Trade costs between ASEAN and North-East Asian countries are 30% higher than those between ASEAN and EU or USA.
- Compared to Asia-Pacific economies, Malaysia has relatively low cost of completing trade procedures
- The time needed to complete trade procedures in 2010 was 16 days; the cost decreased only by 0.3% over 2005-10.
- Malaysia is 29th in the world, based on the value of the World Bank's LPI with a score of 3.44.



Integration of SMEs into Global Value Chains

- Malaysian SMEs have much lower contribution to exports compared to other dynamic exporting economies (but note differences in definition of SMEs)



Strengthen Regional Cooperation

- Despite the proliferation of RTAs, only 38% of AP exports are with RTA partners at the AP level, and
- Malaysia has 8 RTAs in force and trade with RTA-partners takes **54.5% of total exports and 59.6% of total imports**
- Malaysia does not duplicate many RTAs (at present only with Japan) so does not contribute much to the “noodle bowl” but it does have several on-going negotiations.



Asia Pacific can drive the success of the Doha round...

- Estimated loss of exports from the failure of the Doha Round is at least \$360 billion
- As the most dynamic trading region, AP can drive the Doha Round to a successful conclusion
- No substitution as RTAs cannot replace the access provided by a multilateral trading system



...and AP continues to rely on export-led growth but

- Diversification in markets, from traditional developed markets to regional emerging markets + domestic absorption
- Diversification of products and services
- Diversification of inputs - resources and energy
- Revisiting the use of global value chains



Thank you!

To find the Report and accompanying material,
please visit:

http://www.unescap.org/tid/ti_report2011/home.asp

