

ASIA-PACIFIC TRADE AND INVESTMENT REPORT 2011

*Post-crisis Trade and
Investment Opportunities*



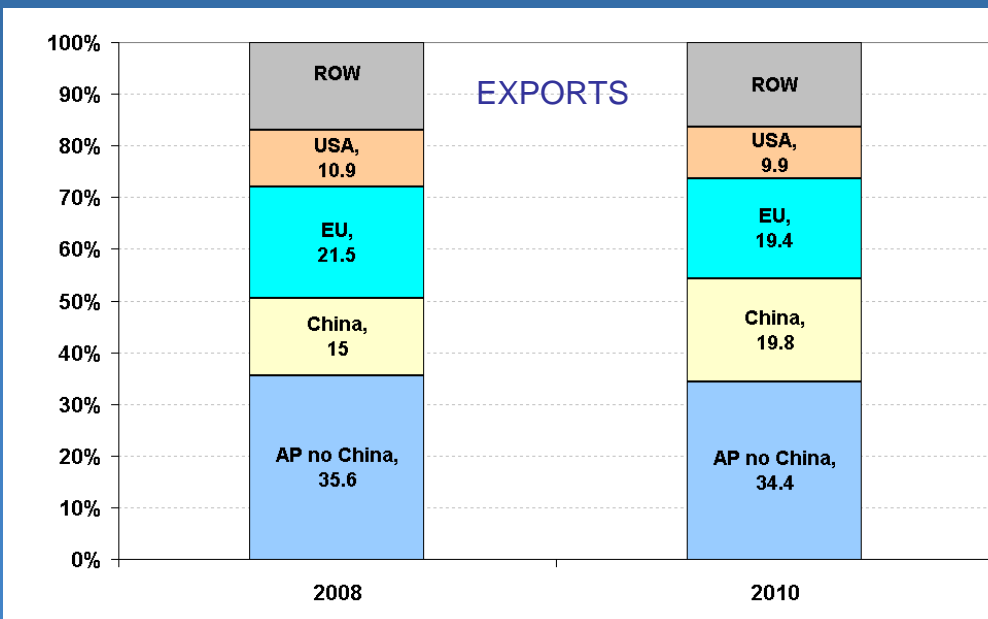
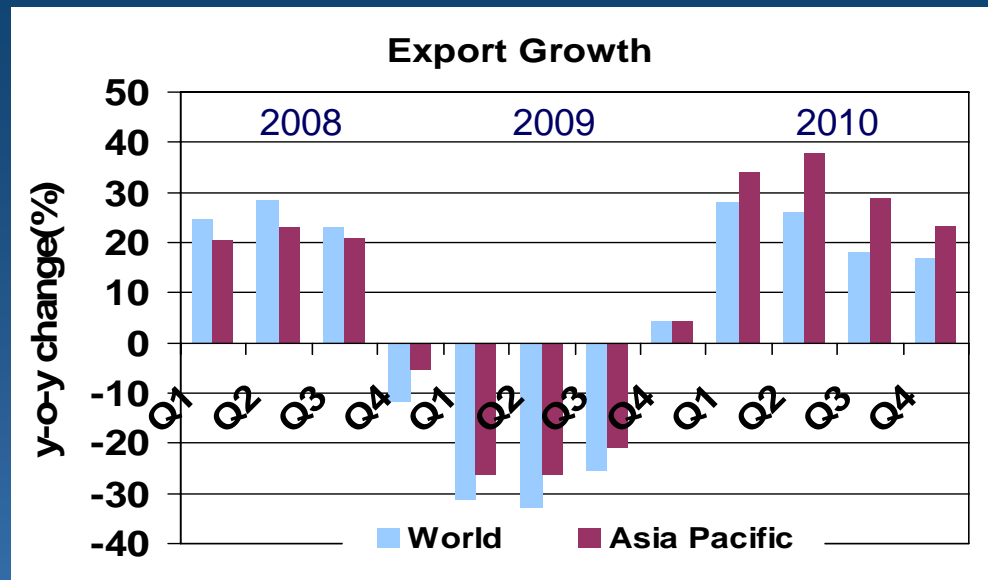
Key messages

- **9.1% regional export growth in 2011 and 8.5% in 2012 after impressive recovery at 17.3% in 2010**
 - Goods trade reached pre-crisis levels
 - Trade in services recovering--slowly
 - FDI flowing back into the region
 - Protectionism kept at bay
- **New opportunities abound**
 - Rising intraregional demand
 - Booming services trade
 - Capturing first-mover advantage in climate-smart goods



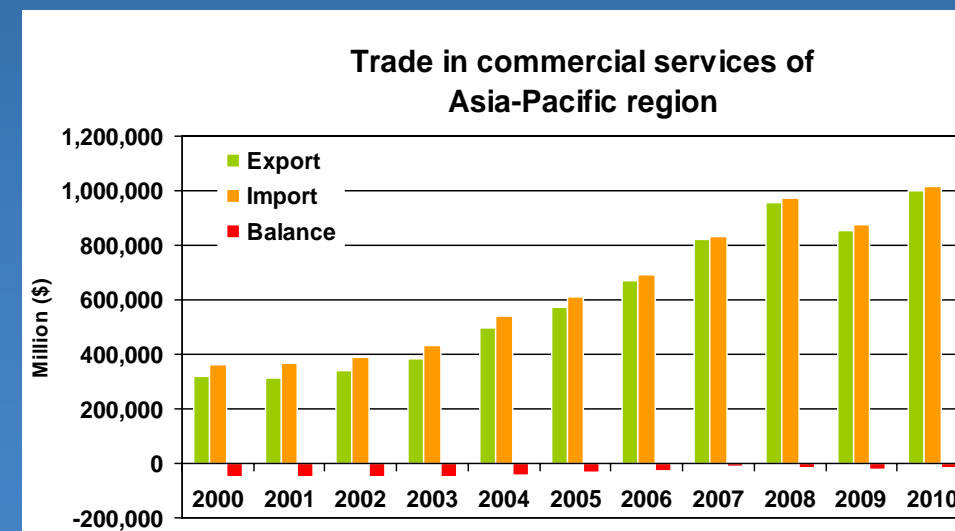
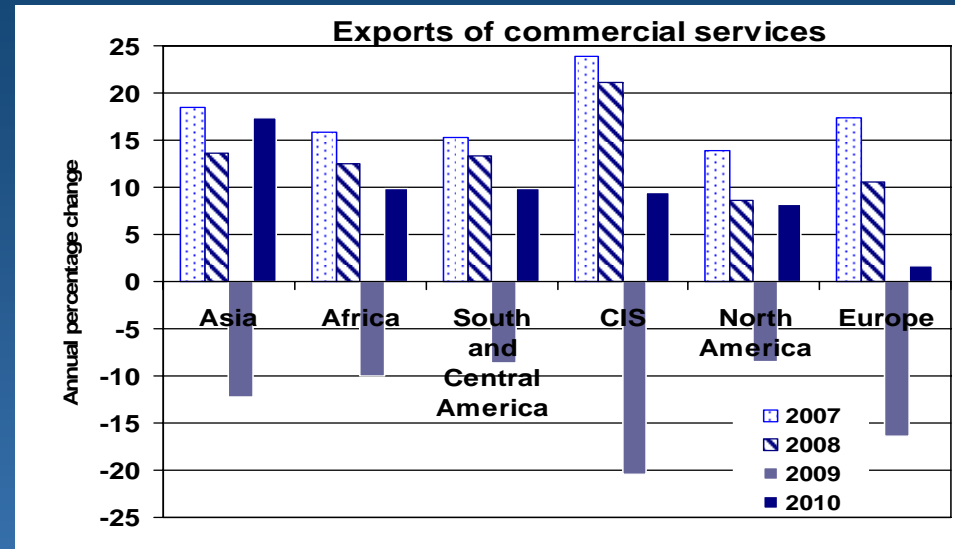
Trade led regional recovery

- Exports and imports reached pre-crisis level
 - 2010: exports \$5.5 trillion, and imports \$5.1 trillion.
- Intraregional trade picked up
- With China at the centre
 - As a major export destination (20%) for the region



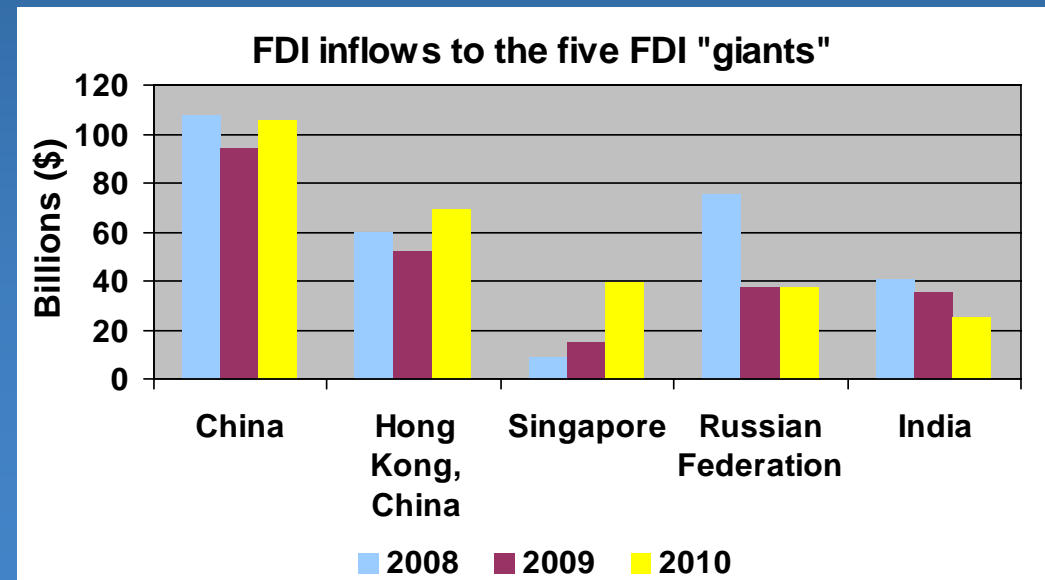
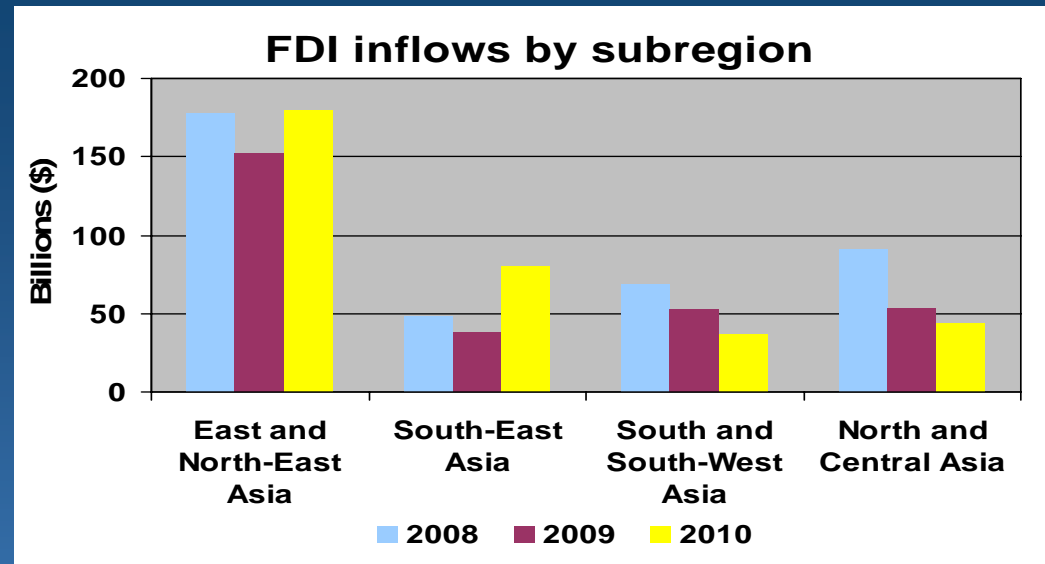
Services trade also recovering

- AP economies enjoyed the fastest growth in global services exports in 2010
 - Led by China, Hong Kong, China; Singapore and India
- Concerns:
 1. AP trade in services is mainly with outside the region
 2. AP still have low share of services in total export



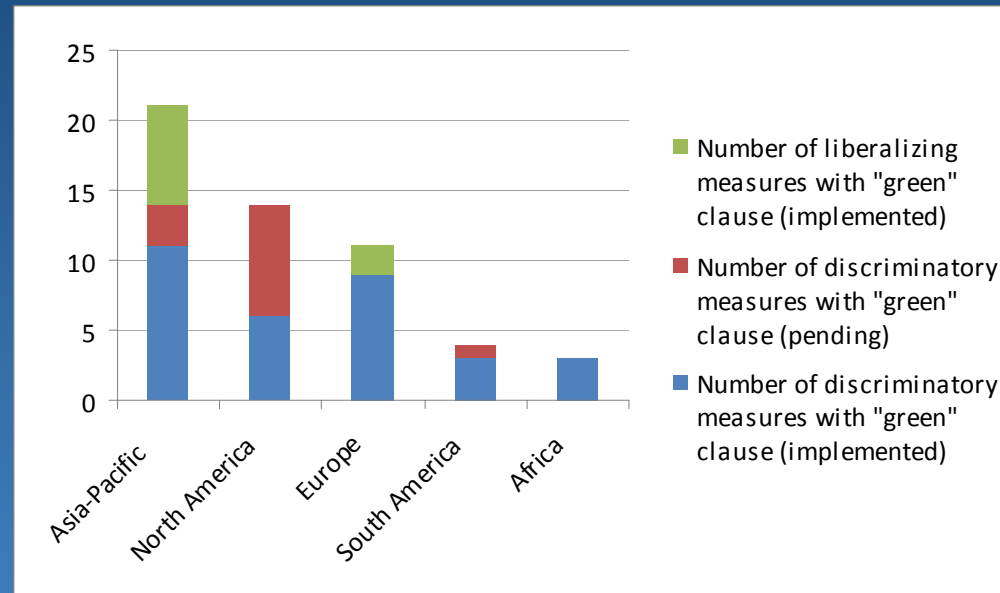
FDI returned to the region

- Mostly to East and South-East Asia
- 75% of all FDI inflows went to five “giants”
- Intra-regional FDI play increasing role
 - Shares of East and South-East Asia in FDI inflows of China, ASEAN, and India rising



Protectionism still a risk

- Weak recovery in many OECD countries
- Tougher competition among developing countries
- Non-tariff barriers (NTB) instrument of choice
 - hidden protectionism (such as “green clauses”)
 - “murky protectionism” on the rise in AP



Post-crisis trade and investment opportunities

1. High potential from intraregional demand

- High growth potential of developing Asia
- 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

2. Untapped potential in services trade

- Labour-intensive, low-skill activities: tourism, back office ICT, construction



3. 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
- Additional investment of \$600 billion/year required during 2010-2050 for AP to reduce emission to desired levels (450ppm CO₂)—new opportunities



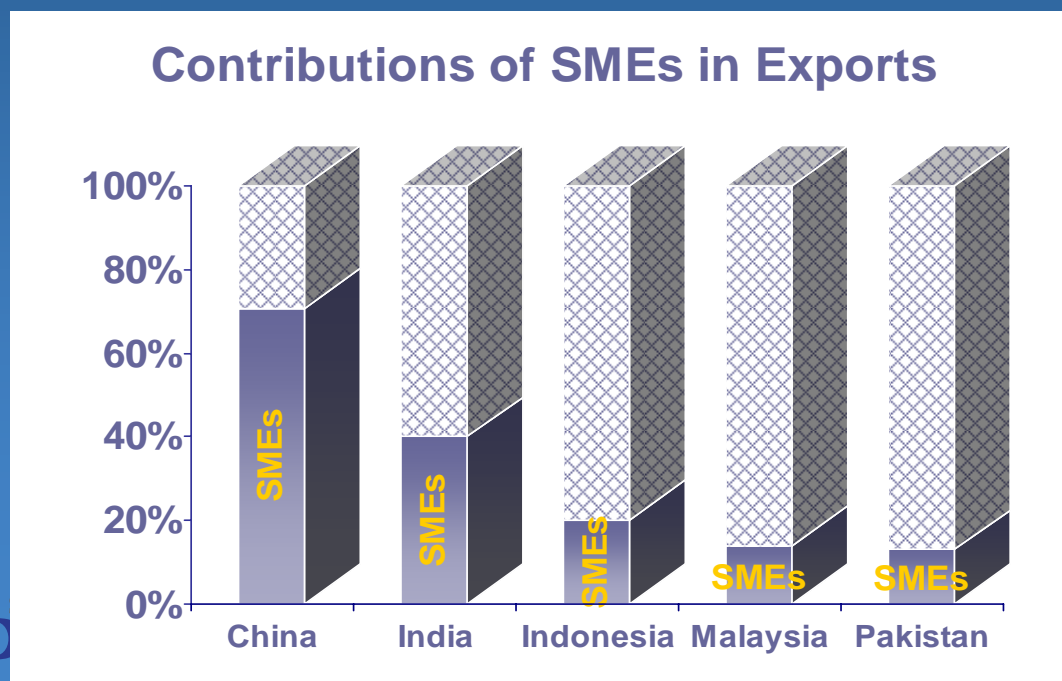
More efforts needed on trade facilitation

- At least 90% of trade costs come from non-tariff barriers
- Trade costs of Asian developing countries with each other are much higher than their trade costs with EU and USA
 - Trade costs between ASEAN and North-East Asian countries are 30% higher than those between ASEAN and EU or USA



Integrate SMEs into global value chains

- A more systematic and comprehensive policy framework is required.
- Moving from lip services to action!



Strengthen regional cooperation

- Despite the proliferation of RTAs, only 38% of AP exports are with RTA partners
- To be effective, RTAs need to have rationalized rules of origin (RoO)
 - Estimated costs of overlapping and complex RoO range from 3% to 8% of export values
- Possible steps to make RTA more effective
 - Time-bound exceptions to MFN
 - Coherence with MTS
 - Financial compensation for losses in low-income /LDC
 - Inclusion of smaller and low-income countries into the cooperative arrangements



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 could replace a lacking process in WTO, but not (some) areas of rules in MTS



...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
- More equitable distribution of benefits/cost from trade through deeper integration



Thank you!

To find the Report and accompanying material,
please visit:

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

