



Eurasian and Global Prospects: Regional Workshop
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The Asia-Pacific Trade and Investment Report 2014

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Overview

- United Nations ESCAP: Introduction
- APTIR 2014: Main Findings
 - Merchandise Trade
 - Services Trade
 - Foreign Direct Investment
 - Trade Facilitation
 - Trade Policy
 - Preferential Trade Agreements
- Trade Performance of Russian Federation and North and Central Asia





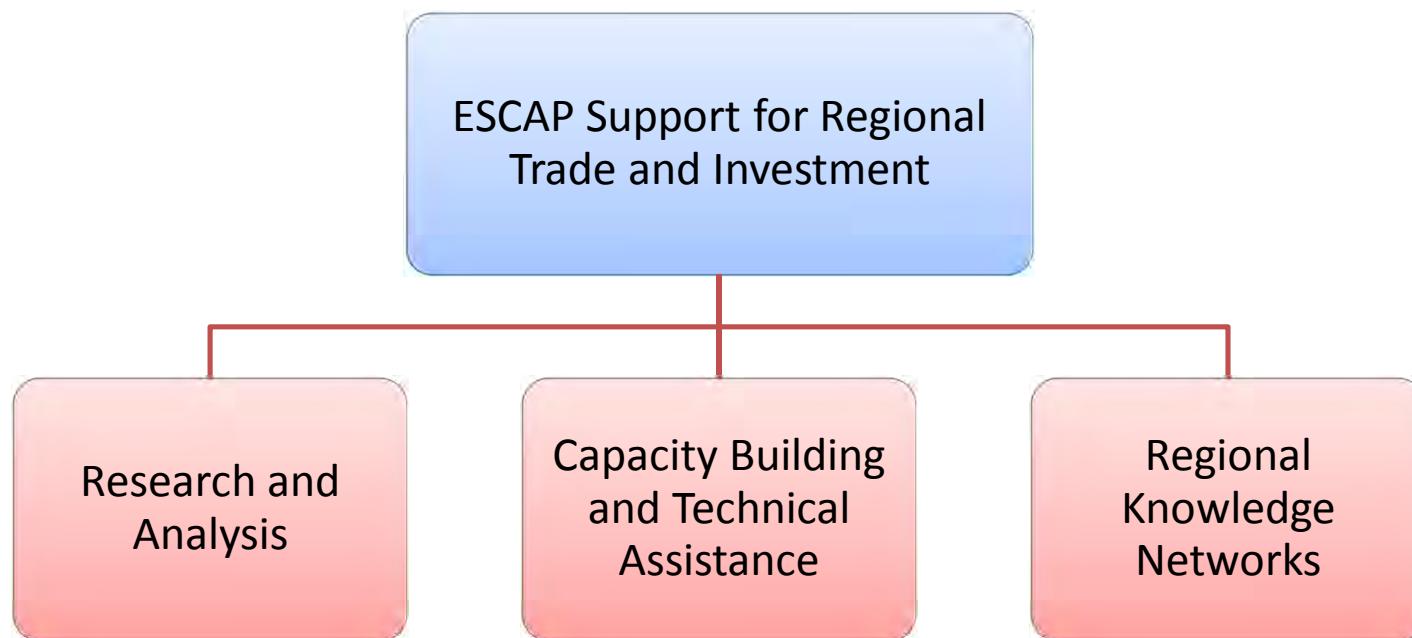
United Nations Economic and Social Commission for Asia and the Pacific

ESCAP is the regional development arm of the United Nations, playing a unique role as the only intergovernmental forum for all countries and territories of Asian and the Pacific region.



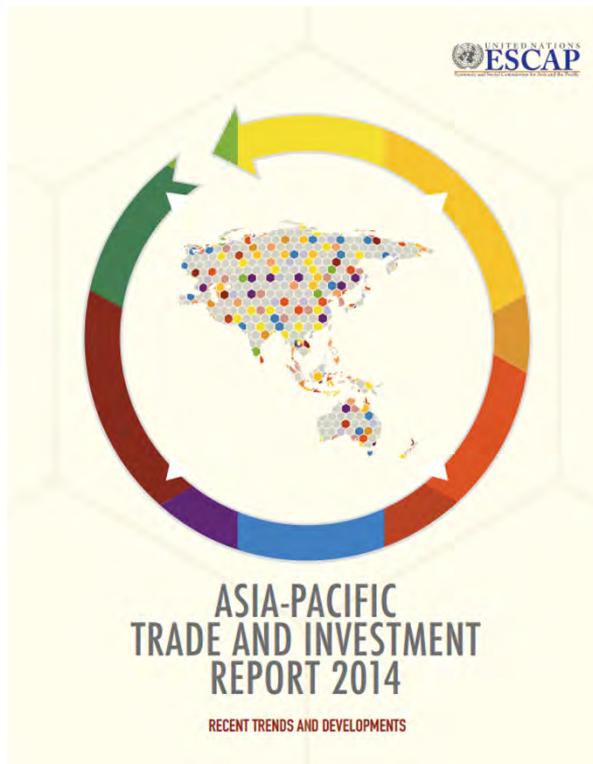


ESCAP's work on trade and investment





Asia-Pacific Trade and Investment Report 2014



- Annual flagship publication of ESCAP Trade and Investment Division
- Comprehensive assessment of recent trends and developments in regional trade; FDI; trade policy; trade facilitation; trade agreements
- Available free online: www.unescap.org



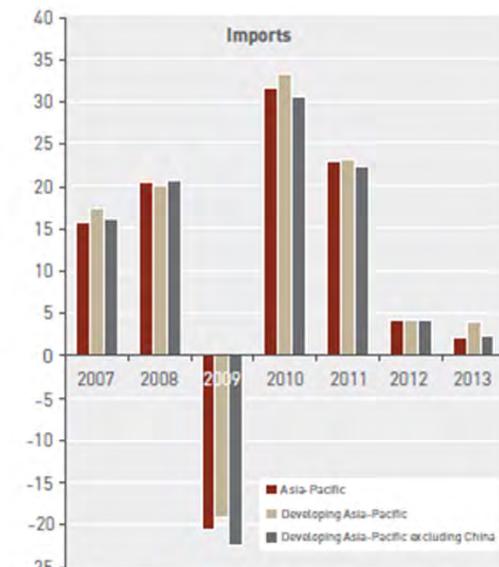
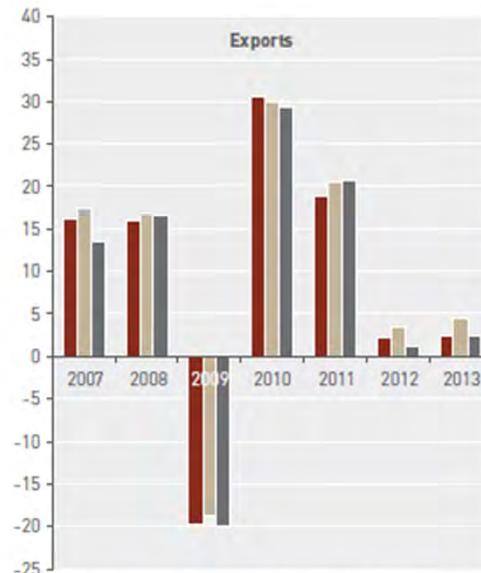


APTR 2014: Merchandise Trade

Regional trade growth slow in 2013 and 2014

- Asia-Pacific region remains the most dynamic pole of the global economy.
- But growth in trade and investment flows is yet to return to its levels of strength prior to the global financial crisis.
- Total exports and imports from the region grew by just over 2% in 2013 and were weak in the first half of 2014.
- Growth in 2015 is expected to increase to 7%, but considerable uncertainties in global macro-economic prospects.

Asia-Pacific, Export and Import Growth %



Source: ESCAP calculation, based on country data from the World Trade Organization, International Trade Statistics Database (accessed September 2014). Country data are available from the ESCAP online statistical database.





APTR 2014: Merchandise Trade

Global uncertainties weigh on the growth outlook

- Global uncertainties remain a threat to trade growth in 2014.
- Expectations of flat export growth for China in 2014 will undermine the prospects for countries supplying intermediate inputs to China
- Likewise, countries exporting mineral resources, raw materials, and machinery to China will not be able to rely on Chinese import demand
- Growth of merchandise trade by developing Asia-Pacific economies expected to be slow for the remainder of 2014, with average growth of 4.8% for exports and 3.7% for imports.

Prospects for merchandise exports and imports, selected Asia-Pacific Economies

Economy	Exports			Imports		
	2013	2014 ^b	2015 ^b	2013	2014 ^b	2015 ^b
Australia	6.8	8.0	6.6	-3.7	1.1	5.2
China	5.8	5.6	8.1	6.4	5.9	9.2
Hong Kong, China	8.8	4.2	7.9	10.3	4.6	7.9
India	7.7	4.1	6.4	-1.7	2.5	6.0
Indonesia	5.0	4.0	13.5	0.9	3.0	15.0
Japan	-0.6	6.3	6.0	3.3	6.6	2.6
Malaysia	-0.7	6.4	4.6	0.8	6.2	4.7
Philippines	-3.8	6.8	6.5	-0.4	10.2	12.2
Republic of Korea	4.5	4.7	6.3	1.2	3.7	6.5
Russian Federation	3.1	1.7	1.7	0.1	-4.4	1.3
Singapore	3.6	6.8	6.2	1.2	7.7	5.3
Taiwan Province of China	3.3	3.3	5.8	4.0	4.8	7.5
Thailand	0.2	3.0	4.2	1.8	-6.8	3.0
Turkey	-1.2	7.3	5.6	8.5	1.4	7.3
Asia and the Pacific ^c	4.1	5.1	6.7	3.4	4.3	6.7
Developing Asia-Pacific ^c	4.6	4.8	6.8	3.7	3.7	7.3

Source: ESCAP estimates based on projections at country level from Oxford Economic global model as of July 2014, except for the Russian Federation as of September 2014.

* The growth rates are estimated based on constant prices and exchange rates.

^b Projections.

^c Regional trade growth is the trade-weighted average growth rates.



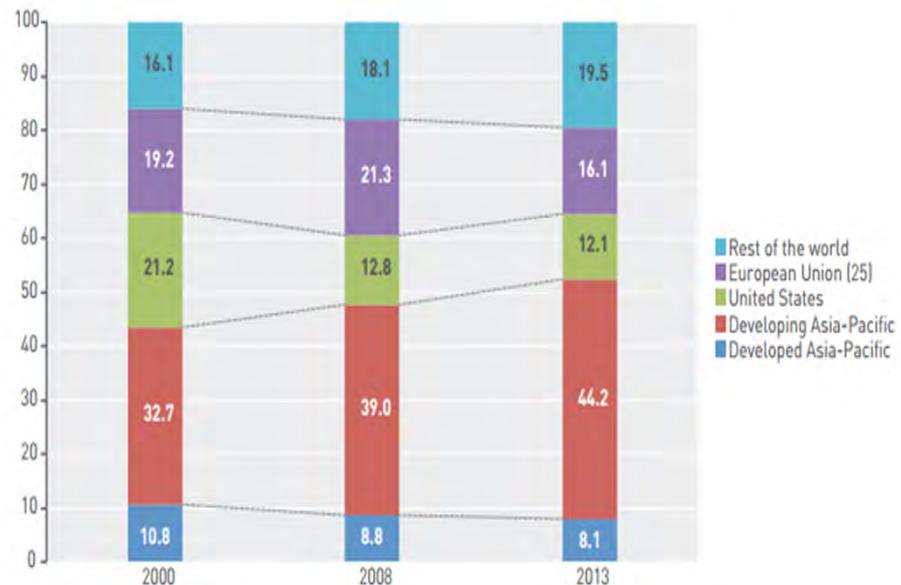


APTR 2014: Merchandise Trade

Intraregional trade growing in importance for Asia-Pacific

- The share of intraregional trade increased during the past decade, especially on the export side.
- The share of intraregional exports increased from 44% of total Asia-Pacific exports in 2000 to 52% in 2013 (figure 1.5).
- The increase was driven by exports to developing Asia-Pacific countries whose share increased from 33% to 44% during the same period.
- At the same time, the share of exports going to developed markets – principally the United States, the European Union and developed Asia-Pacific countries – declined from 51% to 36%.

Destinations of Merchandise Exports from Asia-Pacific



Source: ESCAP calculation, based on United Nations Comtrade data accessed through the World Bank, World Integrated Trade Solution (WITS) Database (accessed July 2014).



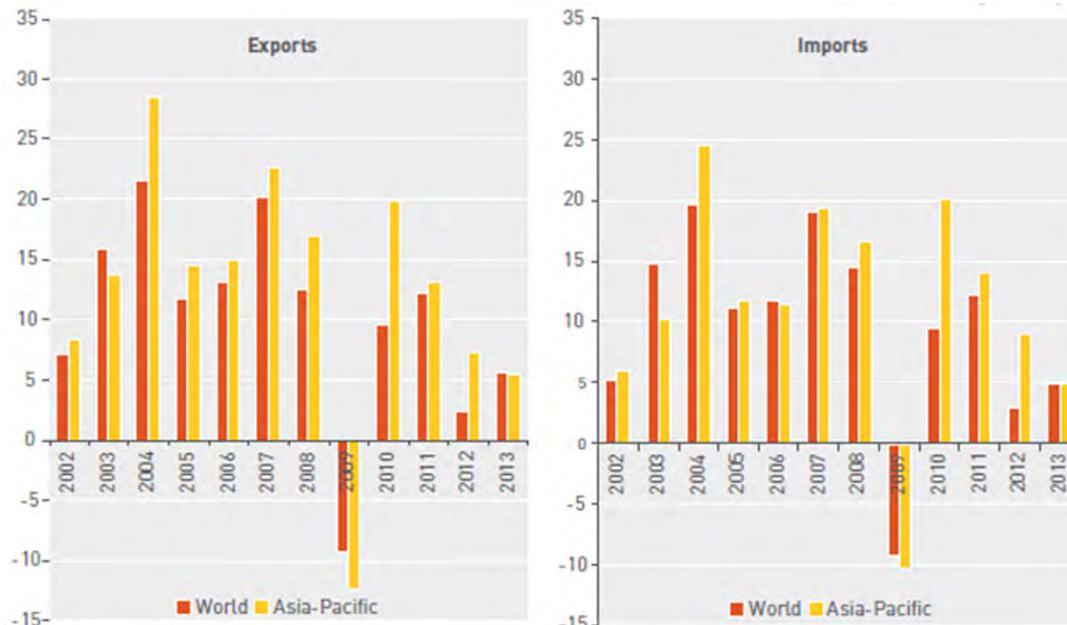


APТИR 2014: Services Trade

Regional services trade lagging behind global growth

- Growth in commercial services exports from the Asia-Pacific region at 4.9 per cent lagged behind the world total of 5.5 per cent in 2013.
- 65 per cent of all services exports from the Asia-Pacific region are attributable to just six economies: China, India, Japan, the Republic of Korea, Singapore and Hong Kong, China.
- Large gaps remain between countries in terms of their trade competitiveness and level of diversification

Asia-Pacific, Services Export and Import Growth %



Source: ESCAP calculation, based on data from the WTO International Trade Statistics Database (accessed September 2014).

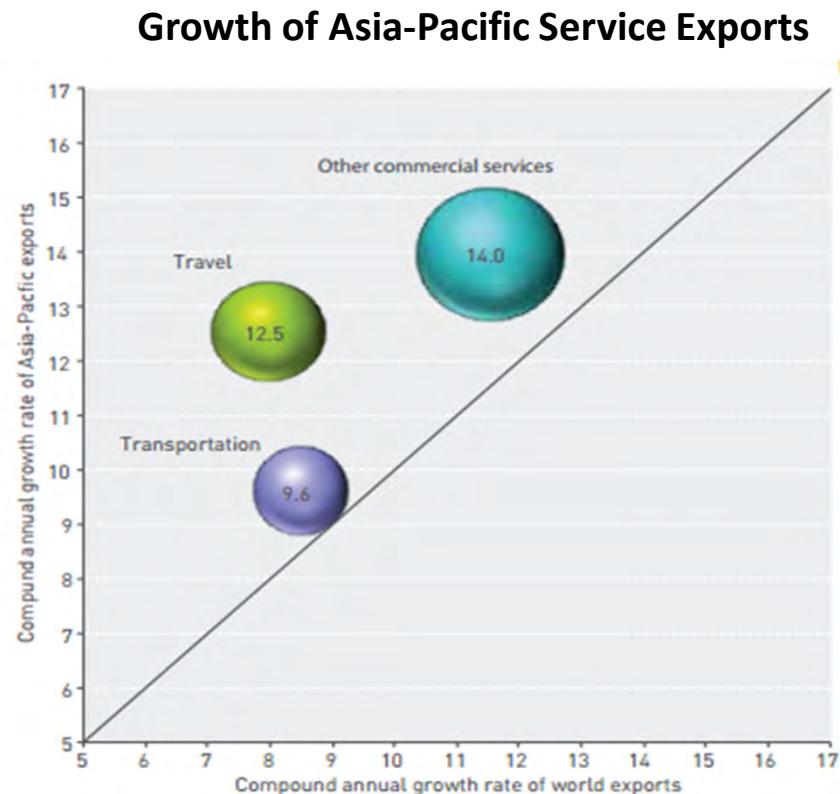




APТИR 2014: Services Trade

Asia-Pacific gaining world market share in commercial services

- From 2001 to 2013, Share of other commercial services in total exports increased from 43% to 50% at the expense of transportation services
- Exports of other commercial services, travel and transportation higher than the growth of global exports by those categories
- Asia-Pacific region captured increased share of the global exports of commercial services, up from 21% in 2001 to 29% in 2013.



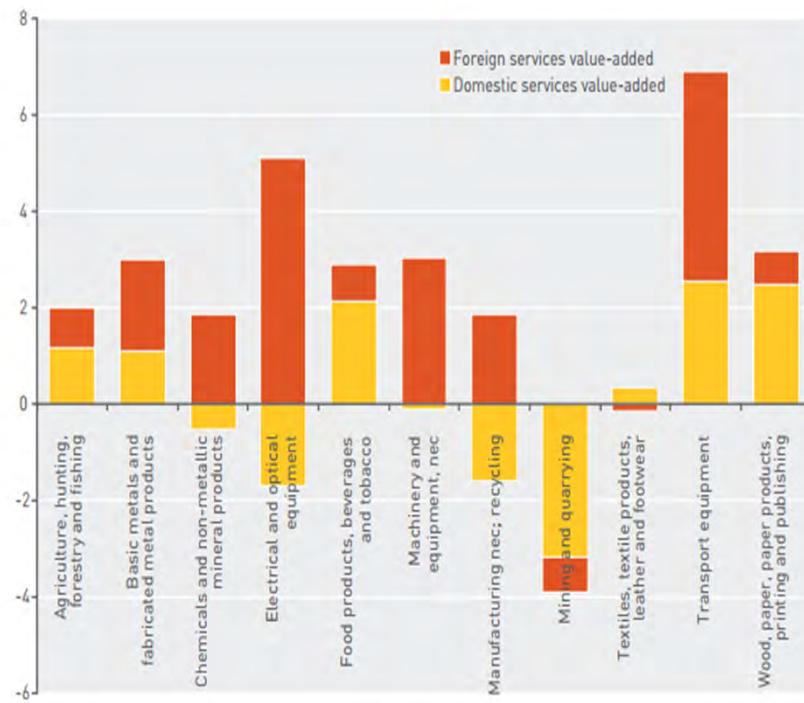


APТИR 2014: Services Trade

Global value chains making services inputs crucial for value-added

- Expansion of global value chains has contributed to services becoming a critical component linking and facilitating international production networks for industrial exports.
- According to the trade value-added data, services contributed 29% to the global industrial exports in 2009
- Exports of high-tech industrial sectors participating in global value chains, especially transport equipment, tend to have higher services content than other sectors (37%).
- The share of total services value in industrial exports has increased over time, especially in the transport sector
- The significant increases of foreign services content compared with domestic services content reflects a rapid pace of international “servicification”, especially in capital and technologically-intensive sectors

Change in shares of services value added in gross exports (1995-2009)



Source: ESCAP calculation based on OECD-WTO TIVA database (2013).

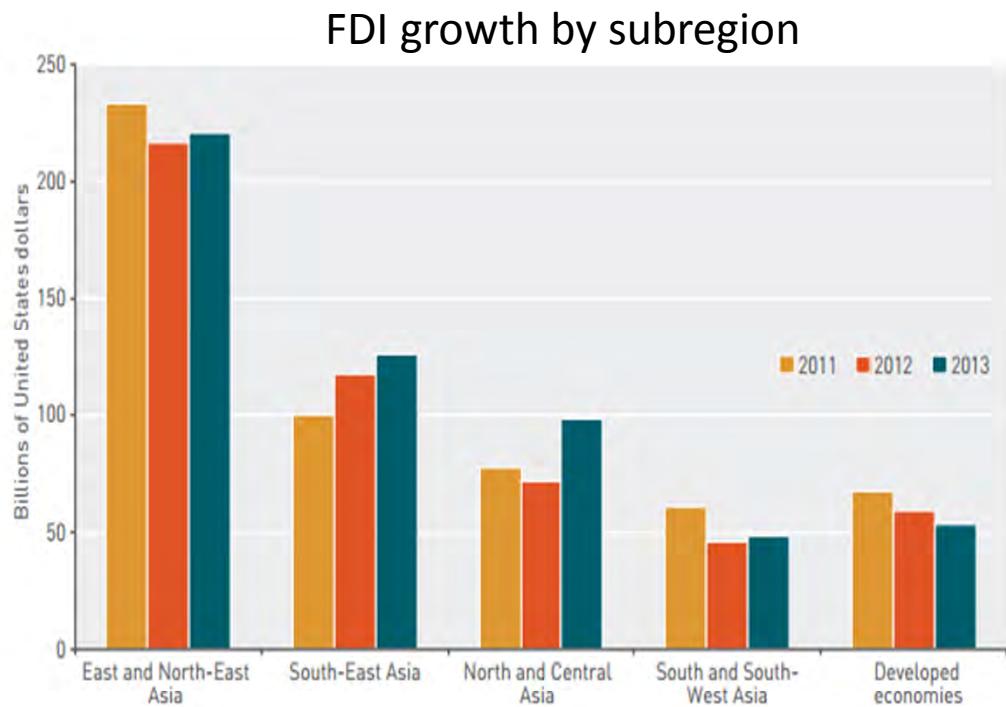




APТИR 2014: Foreign Direct Investment

Investment growth strong but slower than global increase

- The Asia-Pacific region attracted \$549 billion of FDI in 2013; a rise of 6.6%
- The Asia-Pacific accounted for almost 38% of global inflows, but lower than the global increase and lagged behind other fast-growing regions such as Latin America.
- Noticeable diversification in the destination of FDI within the region – with new locations and smaller players now attracting more foreign investors, and on a larger scale.



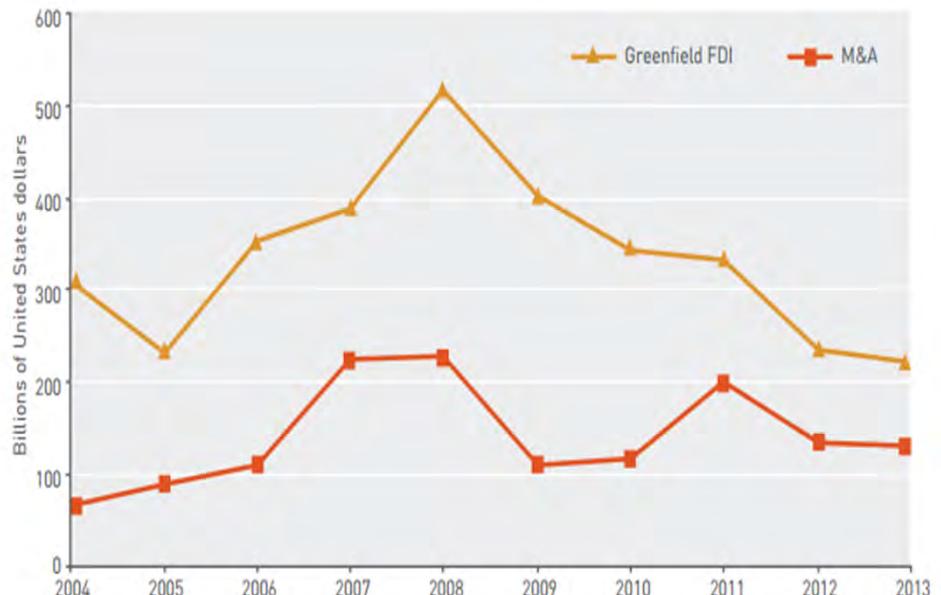


APТИR 2014: Foreign Direct Investment

Mergers and acquisitions gaining importance

- Since 2004, the region has attracted more than \$3 trillion in greenfield FDI compared with \$1.4 trillion through M&A
- Greenfield FDI has decreased by 43% between 2011 and 2013.
- From 2008 to 2013, outflows from the U.S. and U.K. to the Asia-Pacific region declined by more than 50% while outflows from Germany and Japan fell by more than 30%.

FDI inflows to the Asia-Pacific by type (2004-2013)



Source: ESCAP calculation based on fDi intelligence and Thomson Reuters.

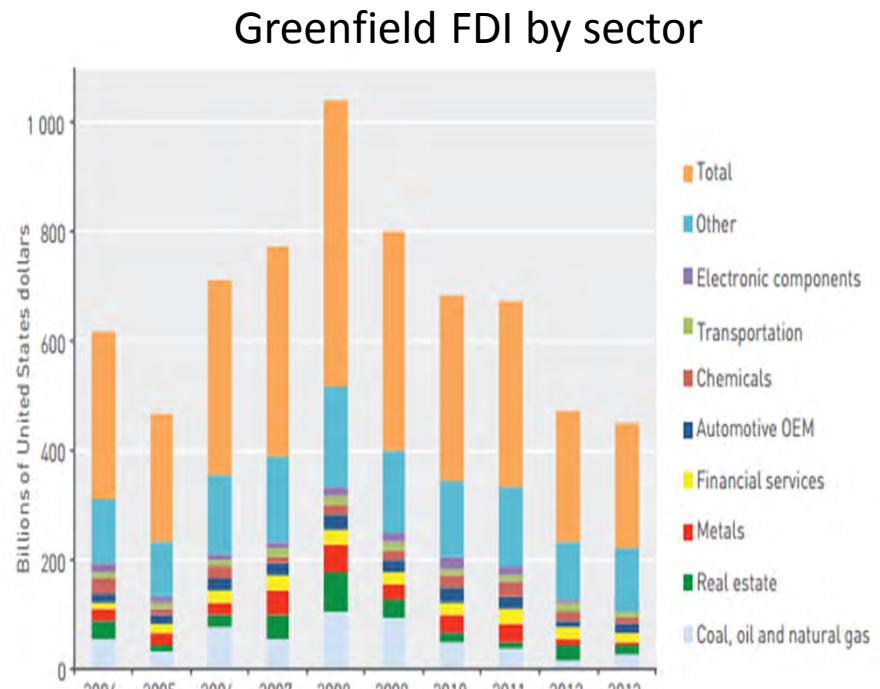




APТИR 2014: Foreign Direct Investment

Energy is top sector for Greenfield FDI

- Significant differences in the industries targeted by greenfield and M&A FDI.
- Greenfield FDI tends to be spread over multiple industries
- From 2004 to 2013, the top industry of coal, oil and natural gas accounted for a 16.3% share of total greenfield FDI
- Most M&A activity from 2004 to 2013 took place in the financial industry, followed by consumer products and energy and power
- The top seven industries accounted for 82% of total M&A.



Source: fDi Intelligence.



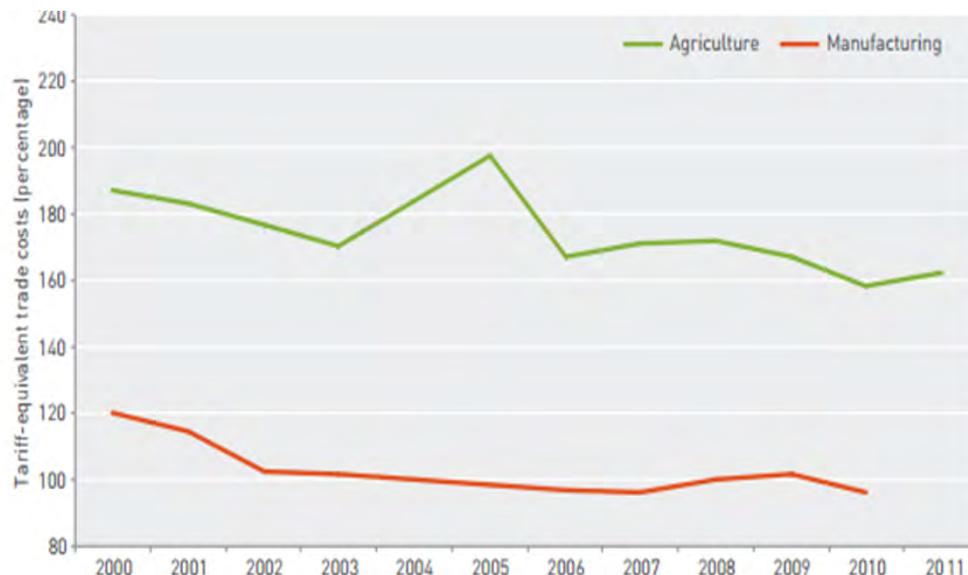


APТИР 2014: Trade Facilitation

Trade costs in agriculture remain high

- The trade costs of agricultural products often higher than those of other products
- Severity and type of procedural barriers to agricultural trade vary from country to country.
- Analysis of trade procedures can pinpoint potential areas for improvement.

Tariff equivalent trade costs



Source: ESCAP-World Bank Trade Cost Database, updated August 2013.

Note: Average costs in this figure refer to average costs between China and selected countries in the region (Georgia, India, Indonesia, Japan, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Malaysia, Nepal, Philippines, Republic of Korea, Russian Federation, Sri Lanka, Thailand, Turkey and Viet Nam).





APТИR 2014: Trade Policy

Regional trade policy continues in restrictive direction

- Importance of countries remaining open to imports, and not resorting to unnecessarily trade-restrictive measures.
- Worrying trend of increasingly restrictive measures across the region, dominated by behind-the-border non-tariff measures

New trade restrictive measures, Oct 2012- Nov 2013

Type of measure	World	Asia-Pacific
Import	153	55
<i>of which, tariffs</i>	106	28
Export	27	17
Other	10	0
Total	190	72

New trade liberalizing measures, Oct 2012- Nov 2013

Type of measure	World	Asia-Pacific
Import	101	35
<i>of which, tariffs</i>	82	21
Export	6	2
Total	107	37



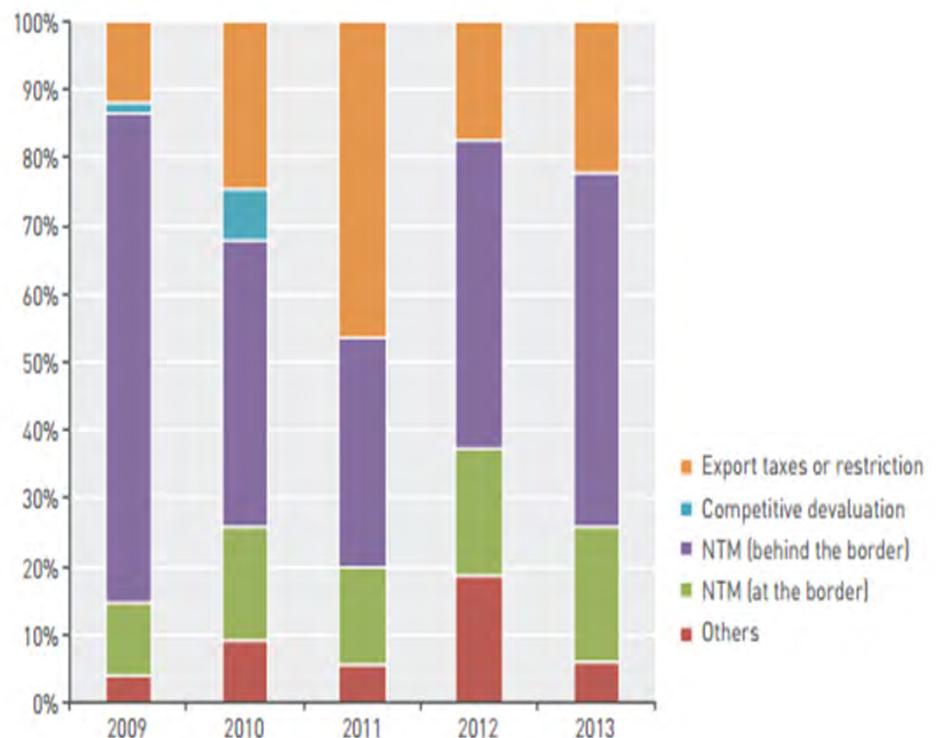


APТИR 2014: Trade Policy

Trade restrictive policies affecting regional LDCs

- Measures impacting LDCs over 60% higher in 2013 than in 2011.
- Despite a fall in new measures in 2010 and 2011, there has been a recent rebound in trade-restrictive measures
- New measures in 2013 were dominated by behind-the-border NTMs, in contrast with 2011 when export taxes and restrictions were more prevalent.

Types of measures affecting Asia-Pacific LDCs



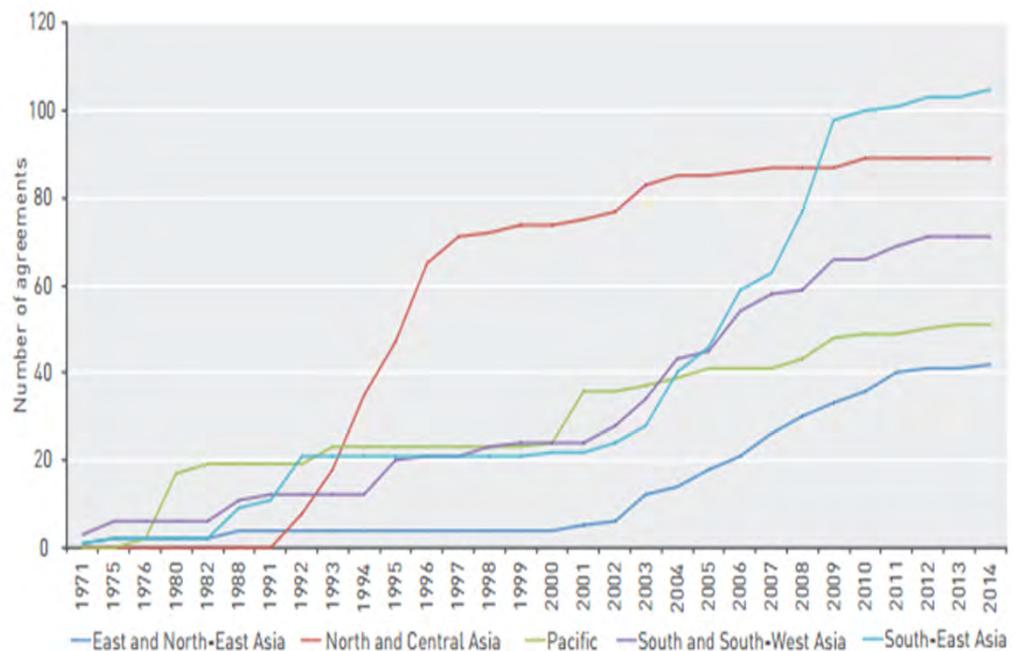


APТИR 2014: Trade Agreements

Countries continue to explore preferential trade deals

- After a temporary slow-down in 2012, the proliferation of preferential trade agreements (PTAs) is continuing.
- Reasons:
 - lack of progress in multilateral trade negotiations;
 - contracting import demand in most of the developed country markets;
 - recognition of the benefits of South-South PTAs.
- Recent PTAs increasingly include areas outside multilateral obligations, such as competition, government procurement and investment

Preferential trade agreements by subregion



Source: ESCAP calculation, based on data from APTIAD.

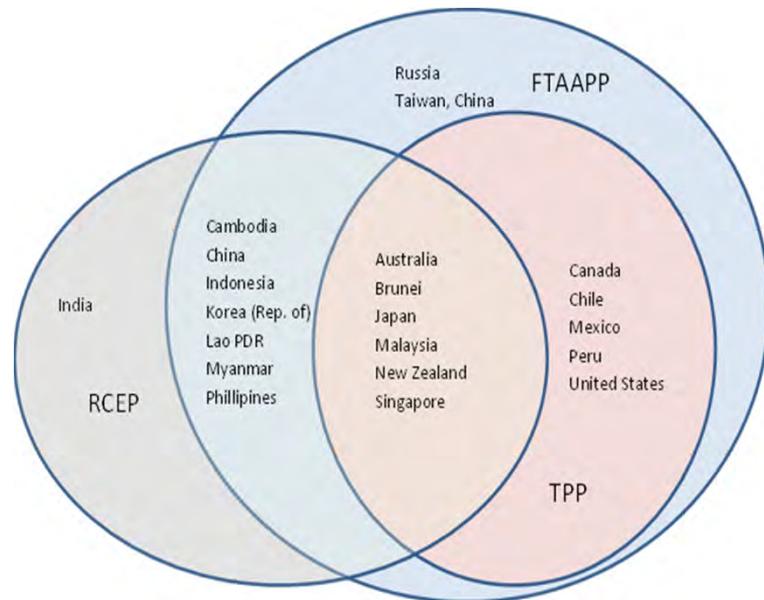




APТИR 2014: Trade Agreements

Focus of policymakers increasingly on 'mega-regionals'

- Two 'mega-regional' arrangements in the Asia region under discussion:
 - Trans-Pacific Partnership (TPP)
 - Regional Comprehensive Economic Partnership (RCEP)
- Progress of these two deals will heavily influence the future of regional integration
- Possible pathways towards broader liberalization in FTAAP?



	TPP	RCEP	FTAAPP
Number of Economies	12	16	21
Aggregate share of world GDP	38%	29%	58%
Aggregate share of world exports	24%	30%	46%

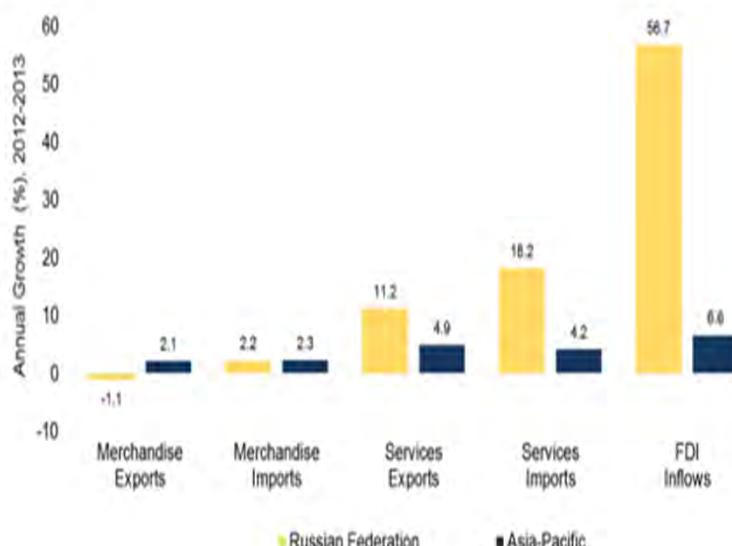




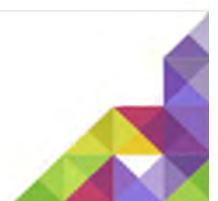
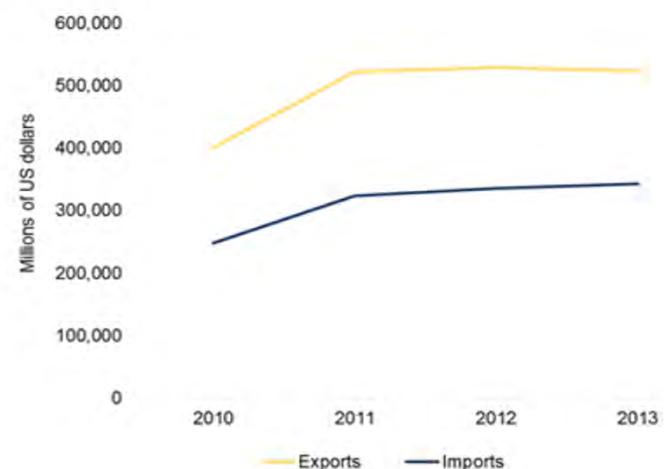
APТИР 2014: Russian Federation and North and Central Asia

Trade growth broadly flat in 2013

Russian Federation, Key trade and investment indicators, 2013



Russian Federation, Merchandise Imports and Exports, 2010-2013

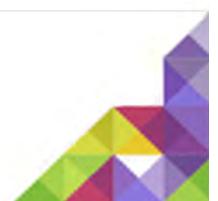
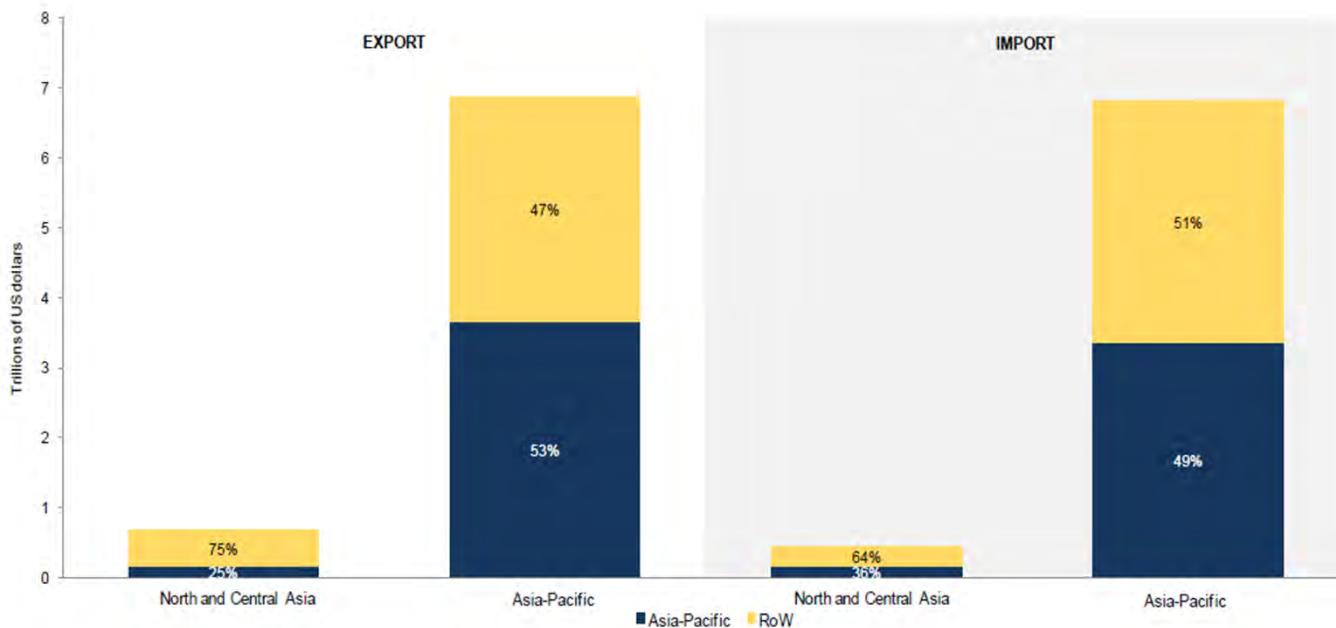




APТИР 2014: Russian Federation and North and Central Asia

Intra-regional trade less important for North and Central Asia

North and Central Asia, Intraregional exports as a share of total exports





APТИР 2014: Russian Federation and North and Central Asia

Preferential arrangements less utilized in North and Central Asia

- Russian Federation has 16 trade agreements in force, which is more than double the regional average of 7.2
- However, PTA partners account for only 12% of its exports and 14% of its imports, much less than the Asia-Pacific average of 38% for exports and 45% for imports.
- This shows scope for the Russian Federation to further explore PTAs with its major trading partners

Trade coverage under preferential arrangements, % average

	2007-2009		2010-2012	
	Export	Import	Export	Import
Asia-Pacific	37.66	45.72	38.10	38.64
North and Central Asia	45.39	46.50	13.78	21.16
Armenia	78.90	63.05	25.19	31.51
Azerbaijan	20.46	46.18	13.34	43.54
Georgia	51.39	46.82	45.89	44.67
Kazakhstan	22.50	47.03	17.84	49.12
Kyrgyzstan	55.71	59.99	42.71	54.40
Russian Federation	15.00	13.81	12.21	14.14
Tajikistan	40.03	46.54	51.54	40.92
Turkmenistan	59.31	46.73	15.46	52.61
Uzbekistan	65.20	48.39	65.61	42.72



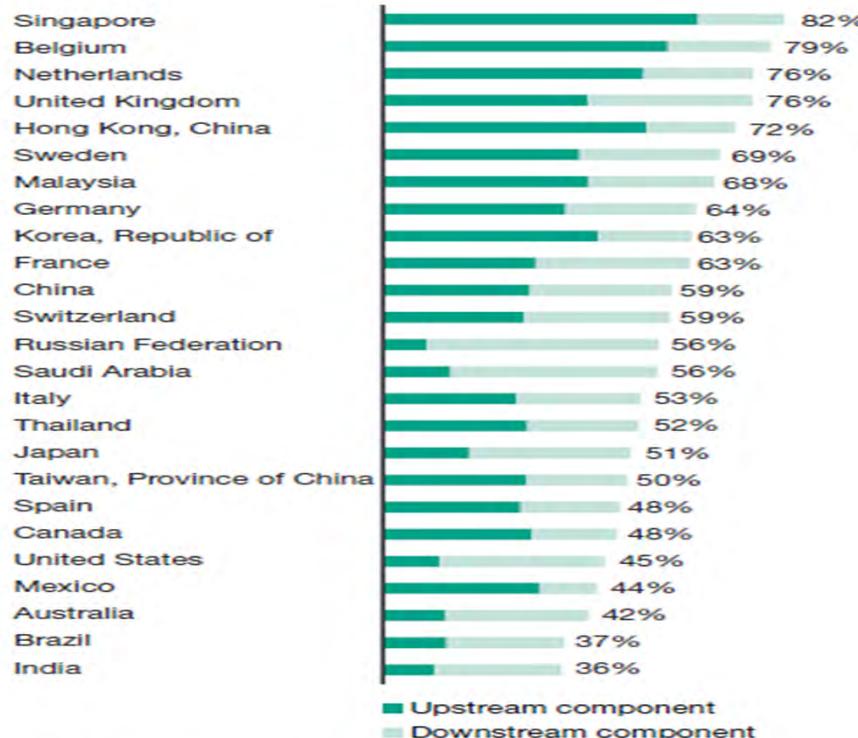


APТИР 2014: Russian Federation and North and Central Asia

Preferential arrangements less used in North and Central Asia

GVC participation rate of top 25 exporting economies

- GVC participation can be measured by the value and share of exports that depend on GVCs, either because of:
 - upstream links (foreign value added in exports)
 - downstream links (exports that are incorporated in other products and re-exported)
- Russian federation has low upstream component – typical of resource exporting countries



Source: UNCTAD-Eora GVC Database.





Asia-Pacific Trade and Investment Report 2014: Summing Up



- Asia remains the most dynamic region within the global economy
- Growth has been driven by trade and investment flow
- Substantial falls in poverty in recent years
- But challenges remain, particularly from rising inequalities
- Supported by the emergence of international production networks and global value chains
- These networks depend on both soft and hard connectivity
- Further efforts needed to maintain open trade policies and boost trade facilitation





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