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An Overview of Trade and Investment in ASEAN

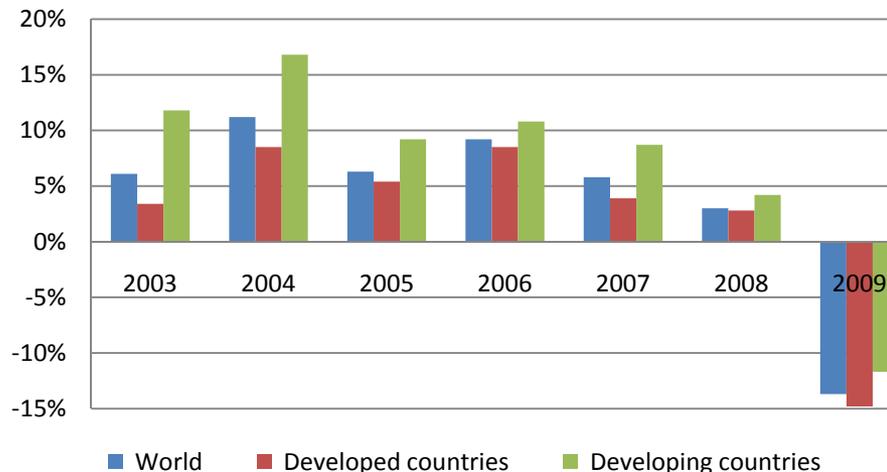
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Programming for Greater Impact
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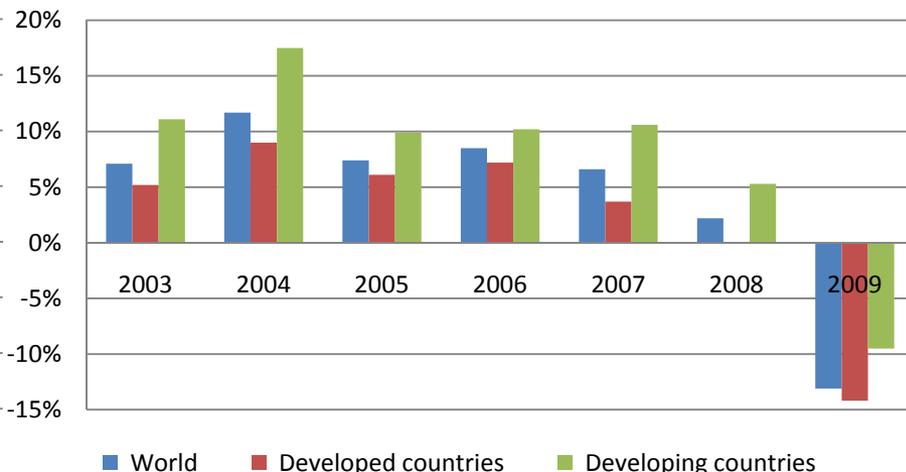
Part I : Trade Trends

Global Trade Trends

Growth in Export Volumes



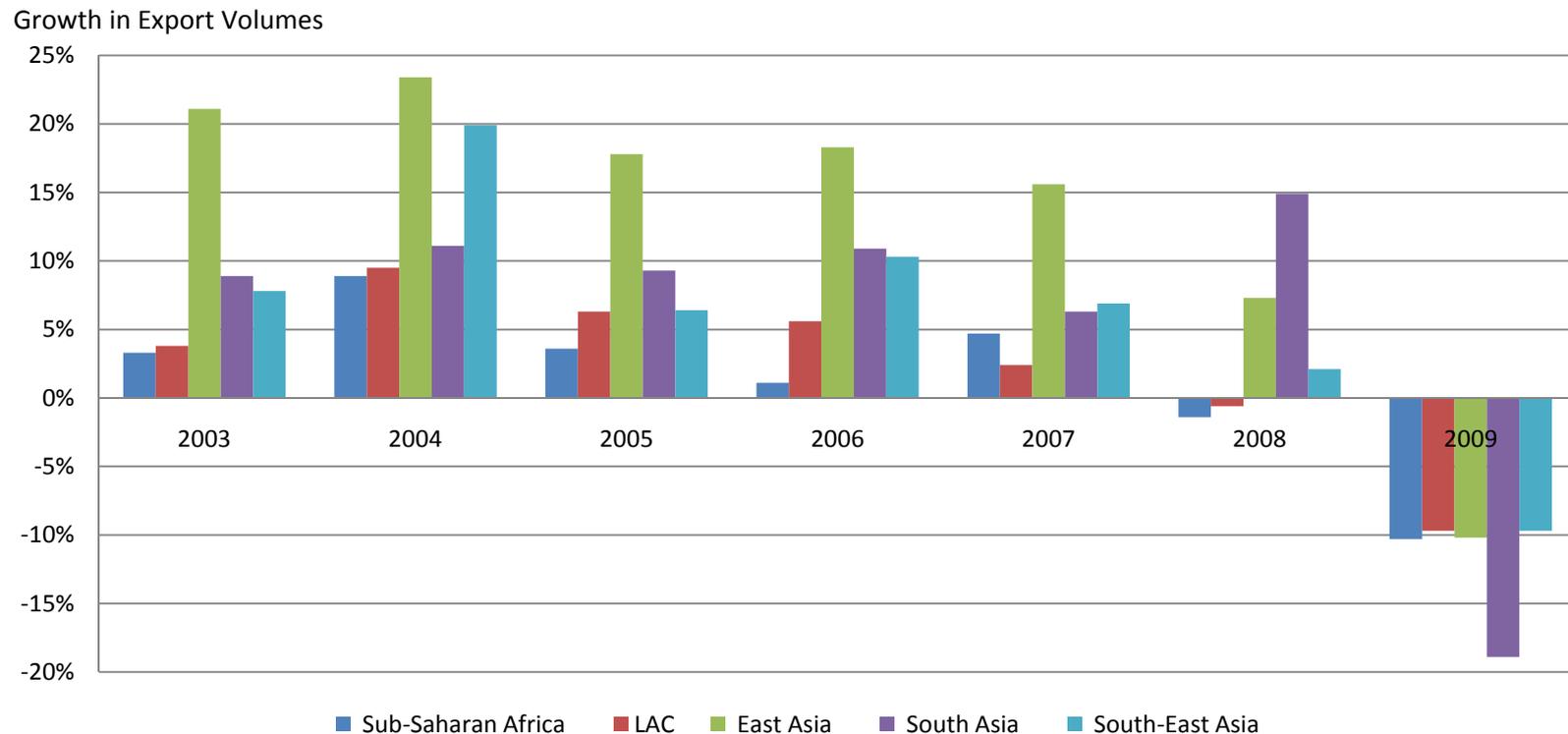
Growth in Import Volumes



Source: Trade and Development Reports, 2009 and 2010

- Developing countries have seen the fastest growth in trade – both exports and imports.
- Trade in developing countries has also shown relative resilience in the face of the recent financial crisis, but all countries have been affected.

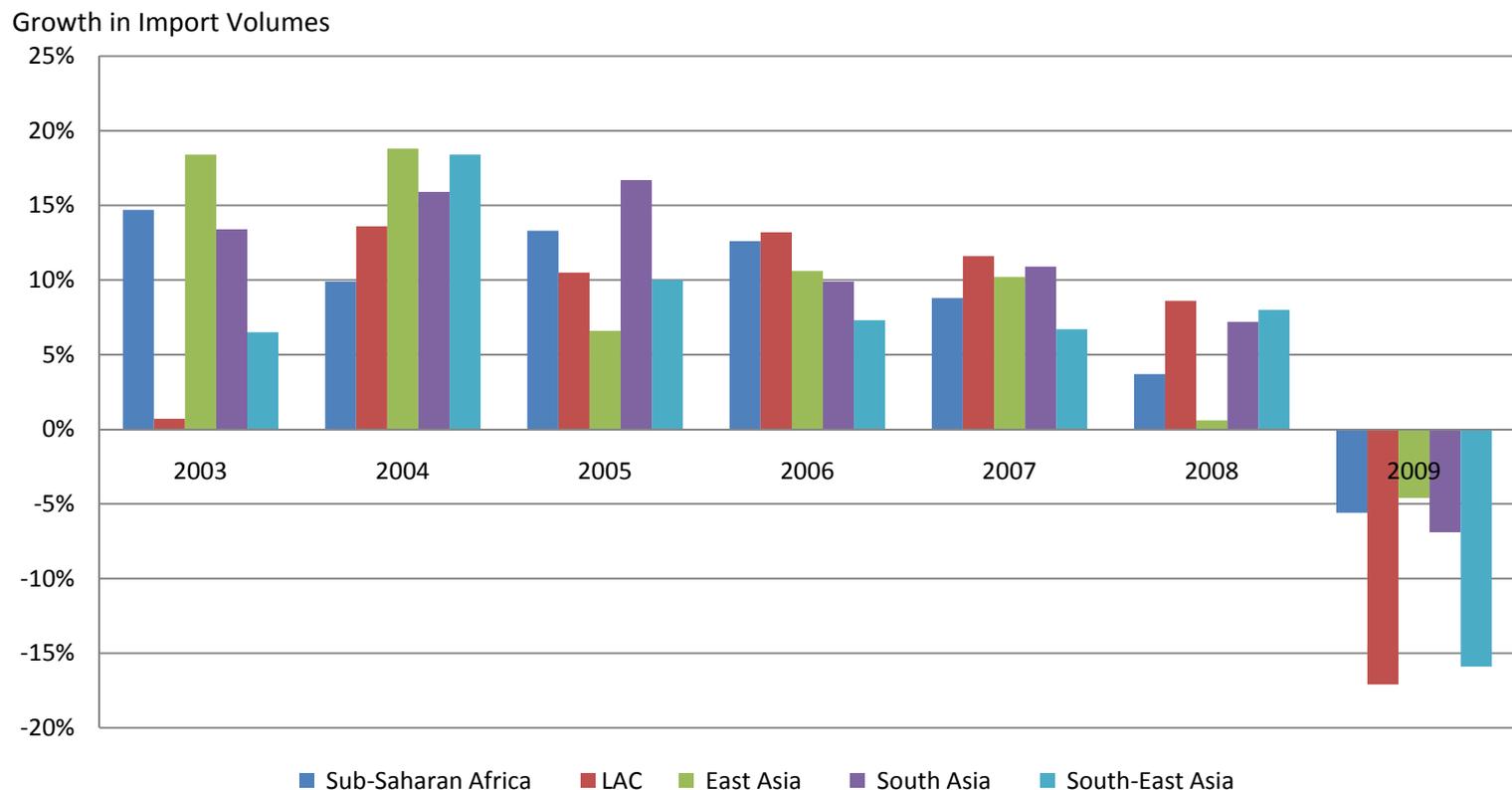
Developing Economies Trade Flows – Export Growth



Source: Trade and Development Reports, 2009 and 2010

- East Asia is far ahead of other developing economies in export growth (in terms of volume), dominated by exports from China.
- Asia weathered financial crisis quite well until 2008, but exports declined in 2009.

Developing Economies Trade Flows – Import Growth



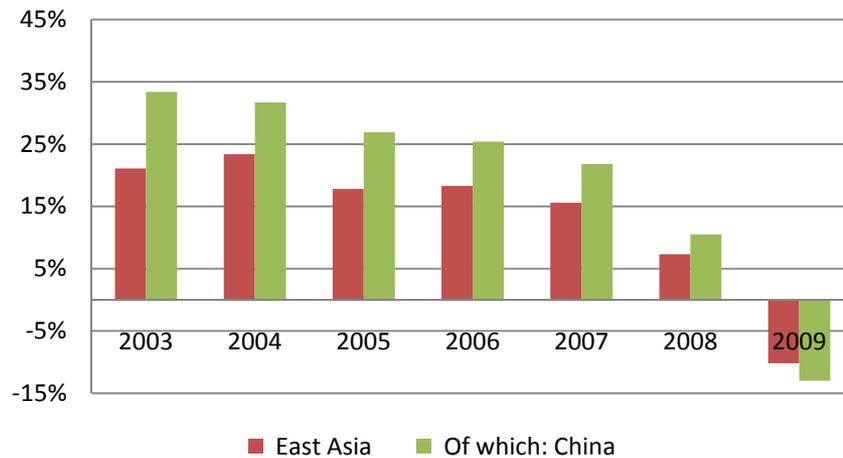
Source: Trade and Development Reports, 2009 and 2010

- Consumption demand in Asia driving imports, which has shown signs of slowdown in late 2008/ early 2009 due to the financial crisis.

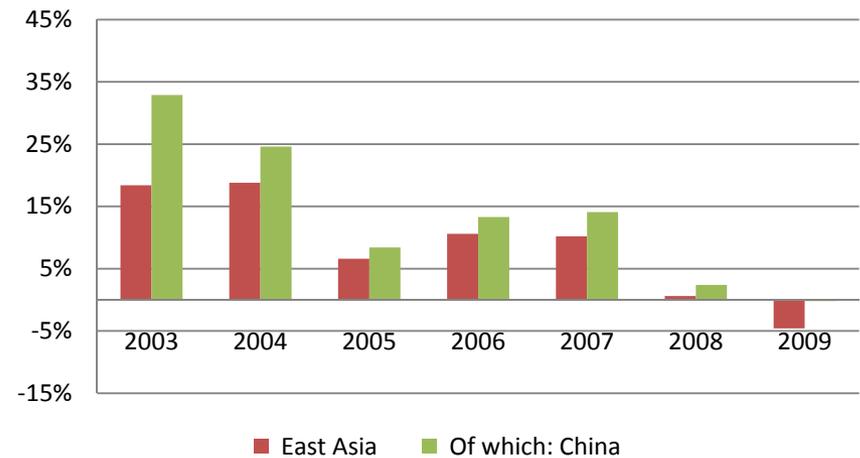


China in East Asian Trade

Growth in Export Volumes



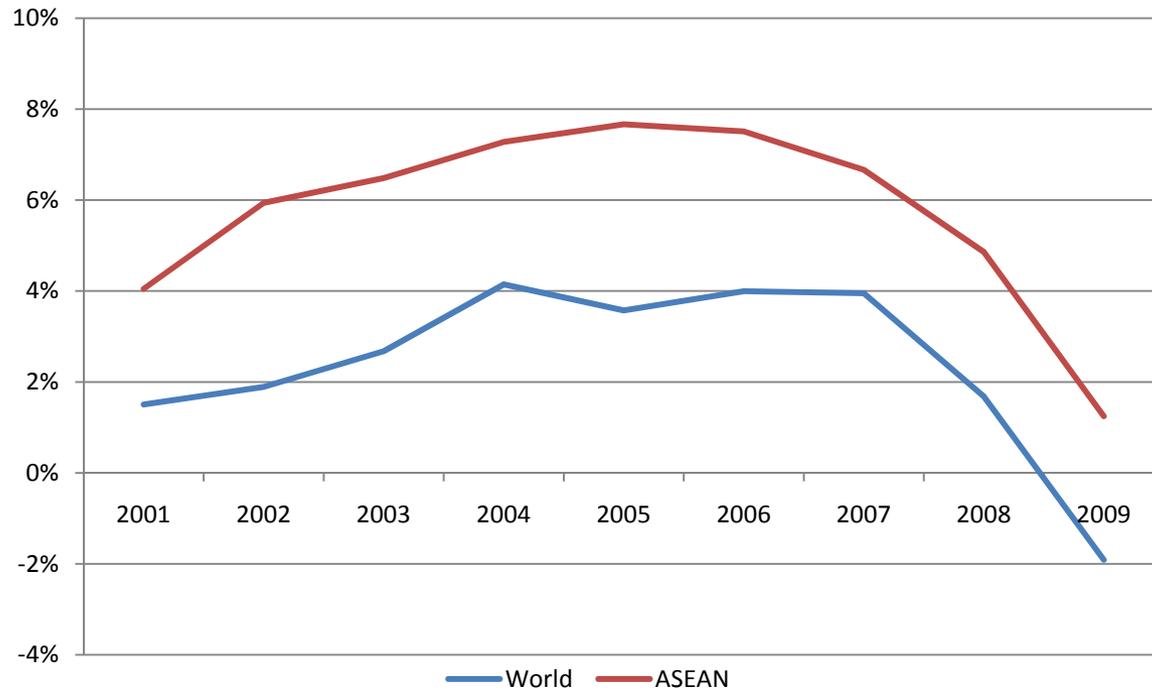
Growth in Import Volumes



Source: Trade and Development Reports, 2009 and 2010

- China is clearly a dominant player in East Asian trade, as well as world trade.

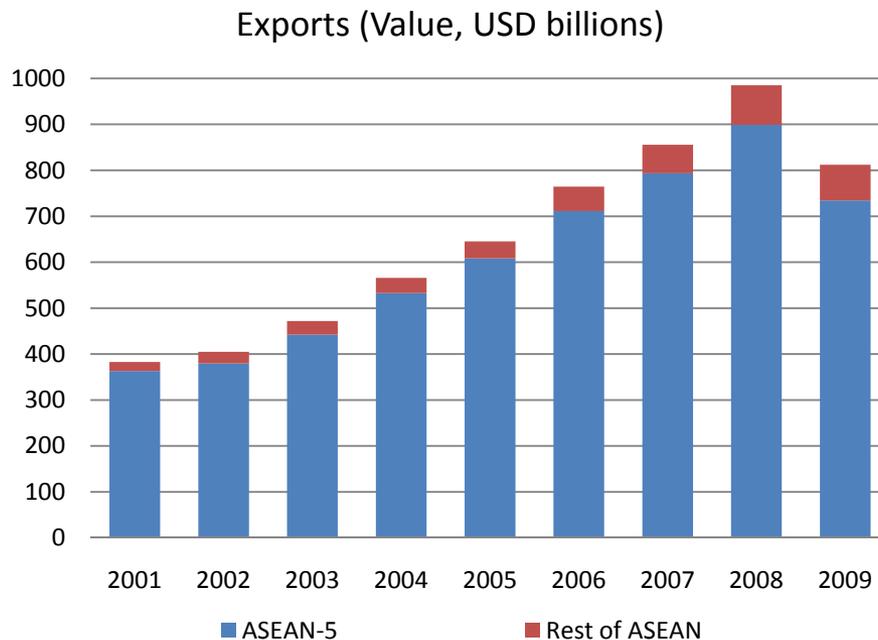
GDP Growth



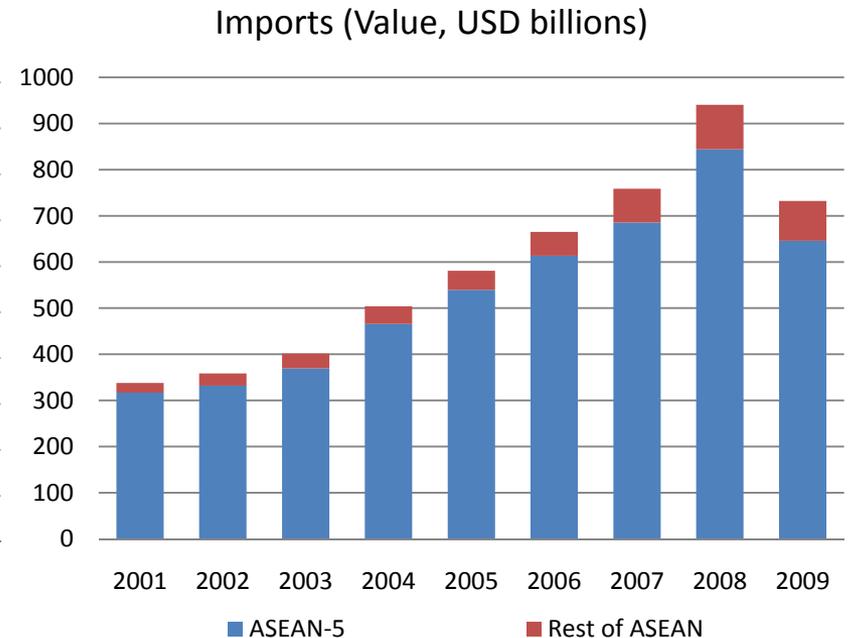
Source: World Bank, World DataBank, 2010

- ASEAN has had impressive growth rates in the past few years, growing at a rate far exceeding the rest of the world.

ASEAN Trade Growth



Source: ITC Trademap Database, Nathan calculations. Values based on USD billions

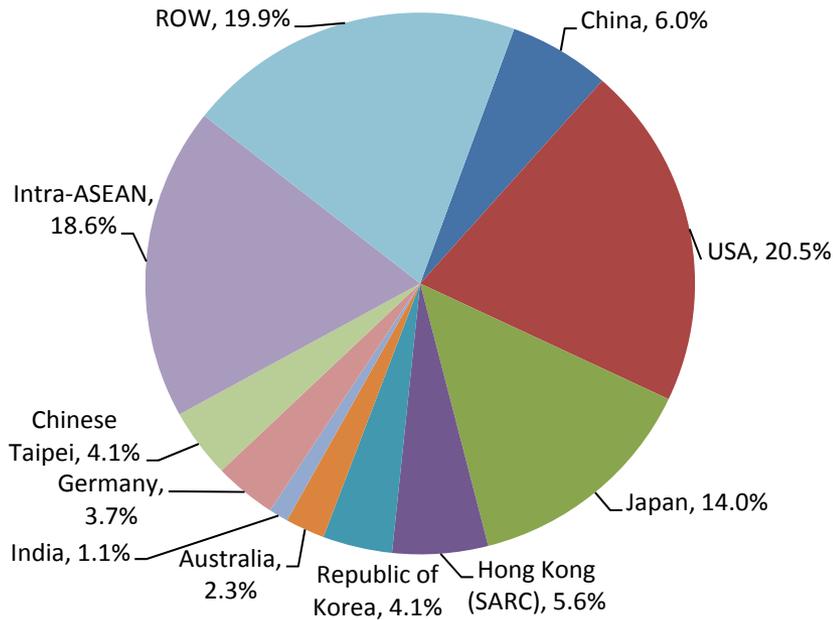


Source: ITC Trademap Database, Nathan calculations. Values based on USD billions

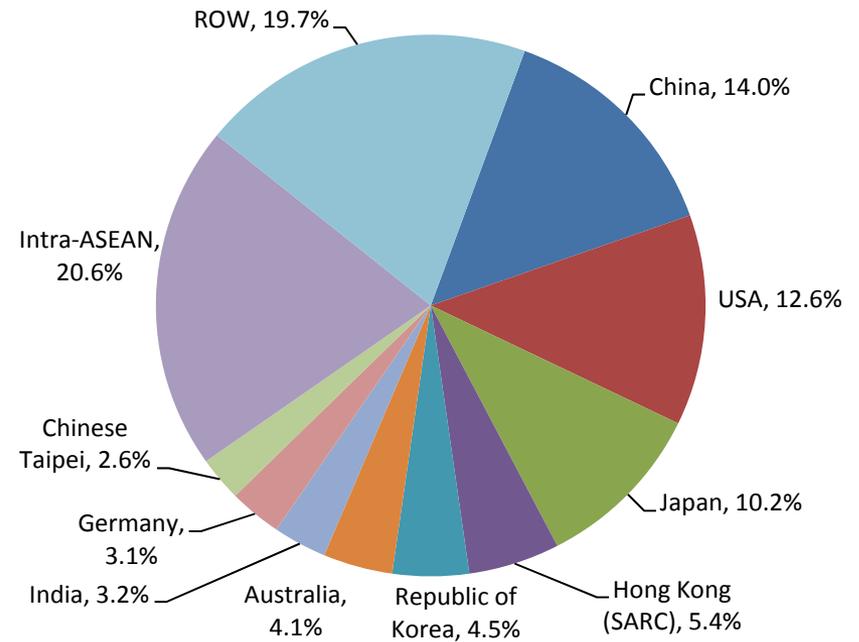
- Significant rise in exports and imports in ASEAN, driven largely by ASEAN-5 economies that have shown impressive growth rates.
- Slowdown in 2009 because of financial crisis which affected trade credit.

ASEAN's Trading Partners – Destination of Exports

2001



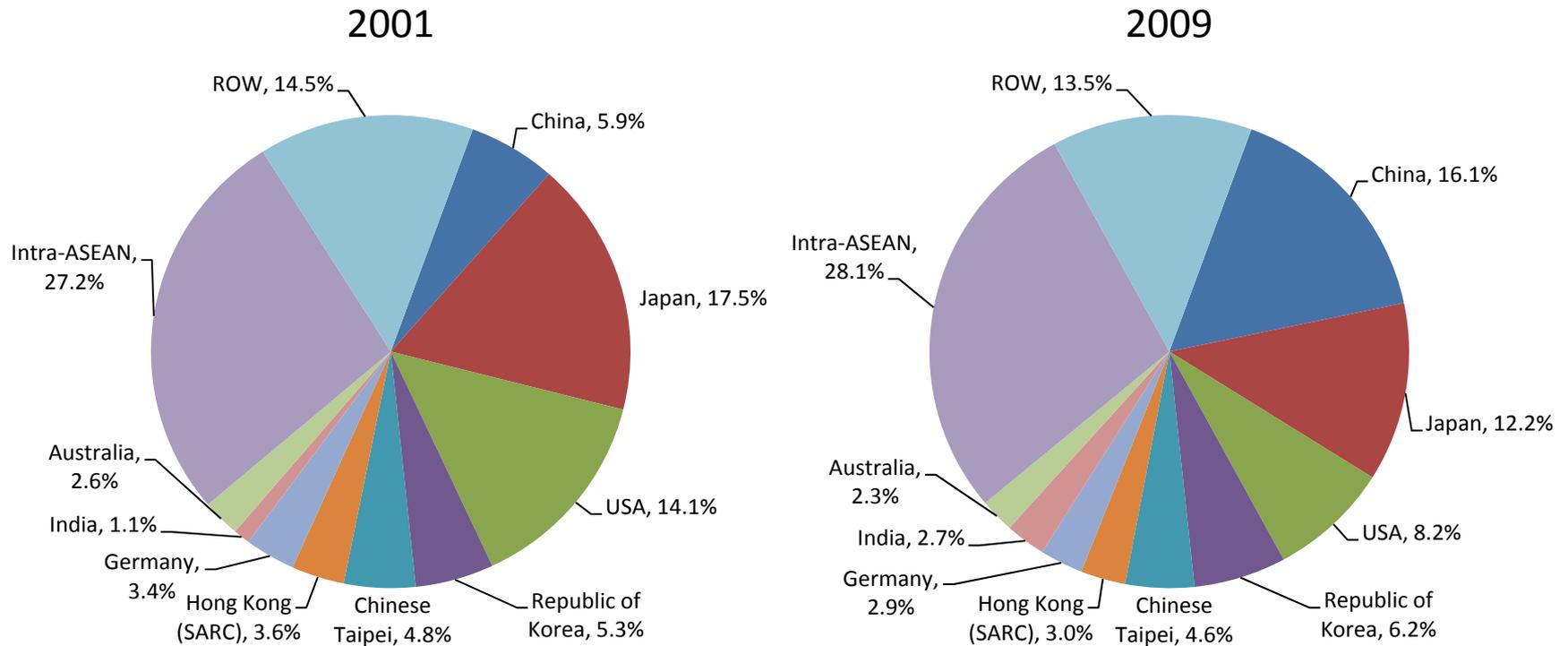
2009



Source: ITC Trademap Database, Nathan calculations. Values based on USD billions

- As expected – China is an increasingly important trading partner. In fact, it is now the largest individual export market for ASEAN.
- Intra-ASEAN trade remains significant.

ASEAN's Trading Partners – Source of Imports



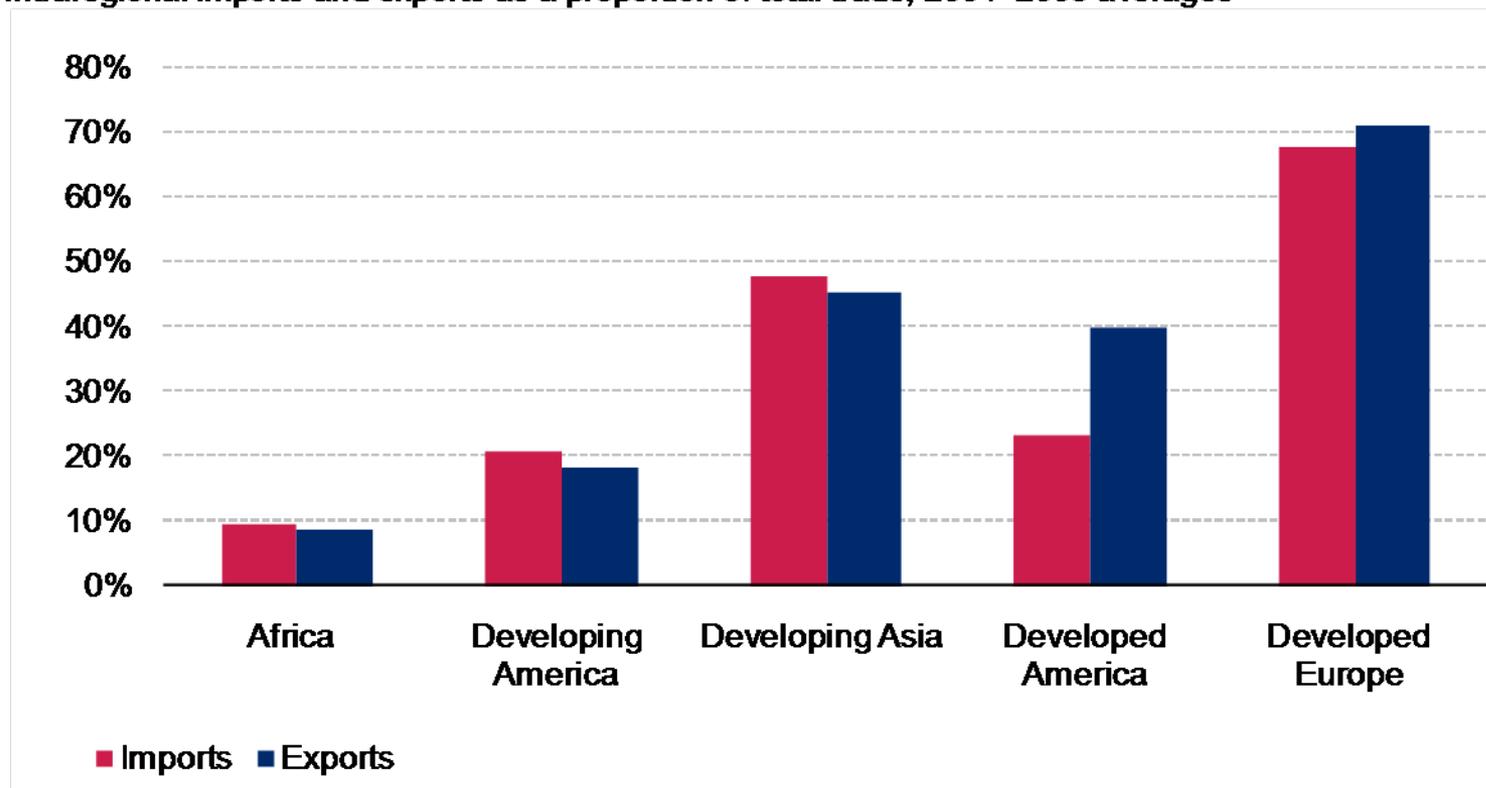
Source: ITC Trademap Database, Nathan calculations

- China now constitutes the largest individual import market for ASEAN, substituting market shares of both Japan and the United States.
- Intra-ASEAN imports remain significant.



Intra-regional trade

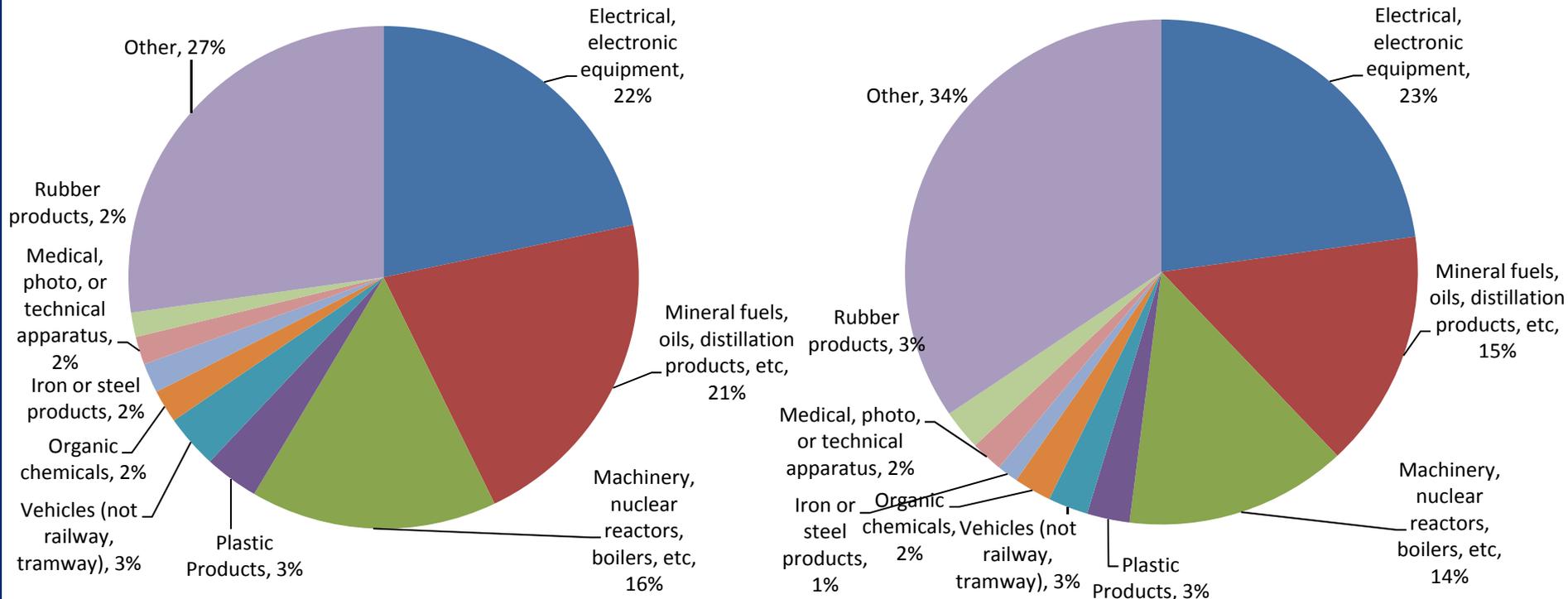
Intraregional imports and exports as a proportion of total trade, 2004–2006 averages



Source: UNCTAD (2009), *Economic Development in Africa Report, 2009*

- Developing Asian countries trade far more with each other than other developing regions

ASEAN's Export Patterns in 2009



Source: ITC Trademap Database, Nathan calculations

- ASEAN's intra-regional as well as total exports are diversified between primary and intermediate products.



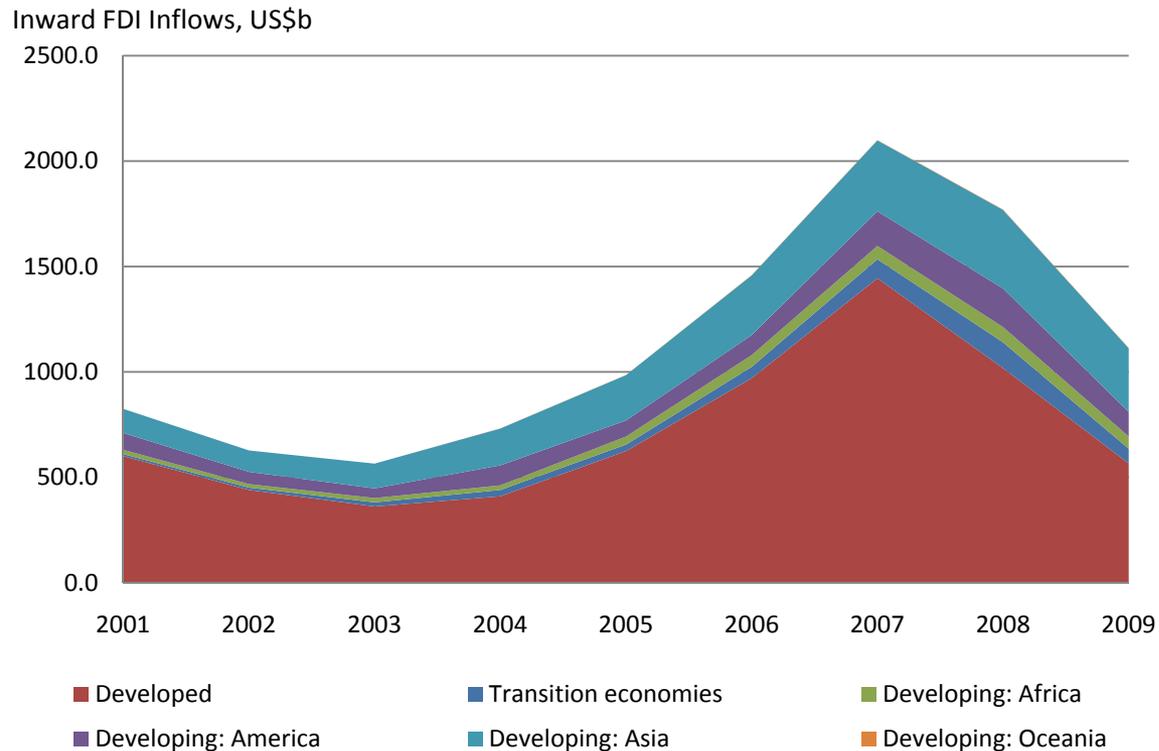
Part II : Investment

Review of FDI Concepts

- Various financial components
 - Equity capital: *comprises of the shares of companies in countries foreign to that of the investor.*
 - Reinvested earnings: *includes the earnings not distributed to shareholders but reinvested into the company.*
 - Intra-company debt: *relate to financial transactions between a parent company and its affiliates*
- FDI Data
 - Stock: *refers o the value of capital and reserves plus net indebtedness*
 - Flow: *refers to capital provided by or received from a foreign direct investor to an FDI enterprise (inflow/outflow)*
- Types
 - Merger & Acquisition: *A foreign company acquires an existing home based company.*
 - Greenfield: *a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up*



Global Trend in FDI Inflows

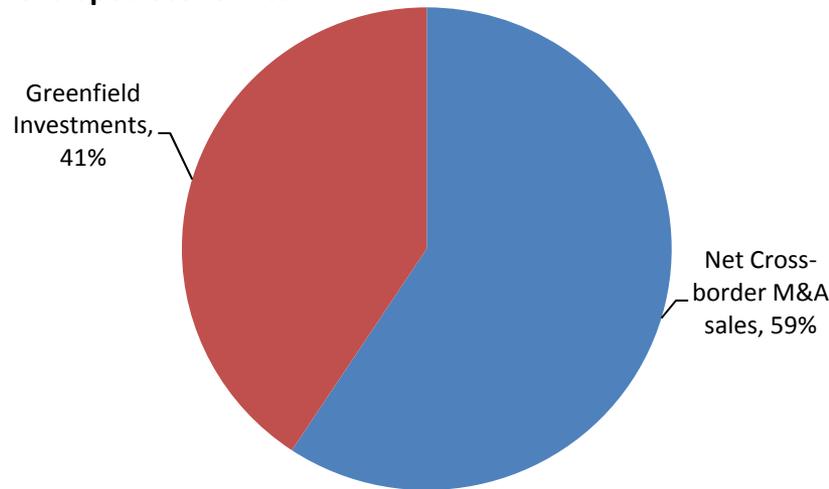


Source: UNCTAD Stat, Values based on USD billions

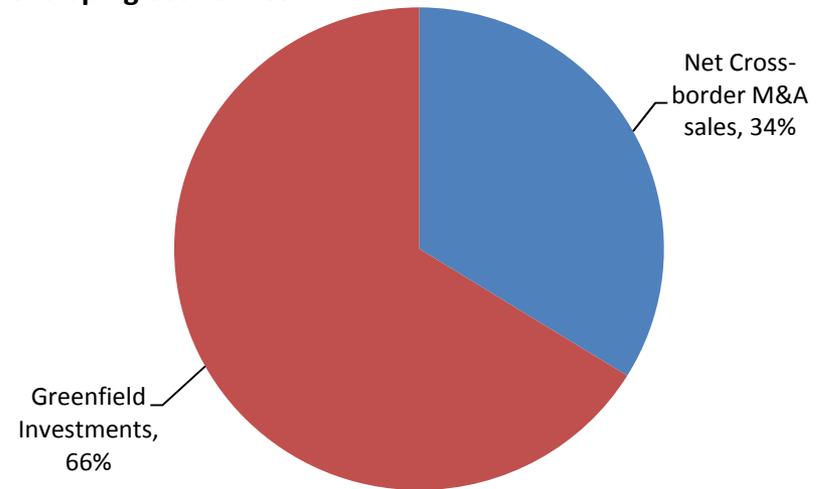
- Developed economies dominate the market for FDI inflows.
- Among developing economies, Asia has the largest share of FDI inflows.

FDI by Type: M&A Vs. Greenfield Investments, 2007-2010^a

Developed economies



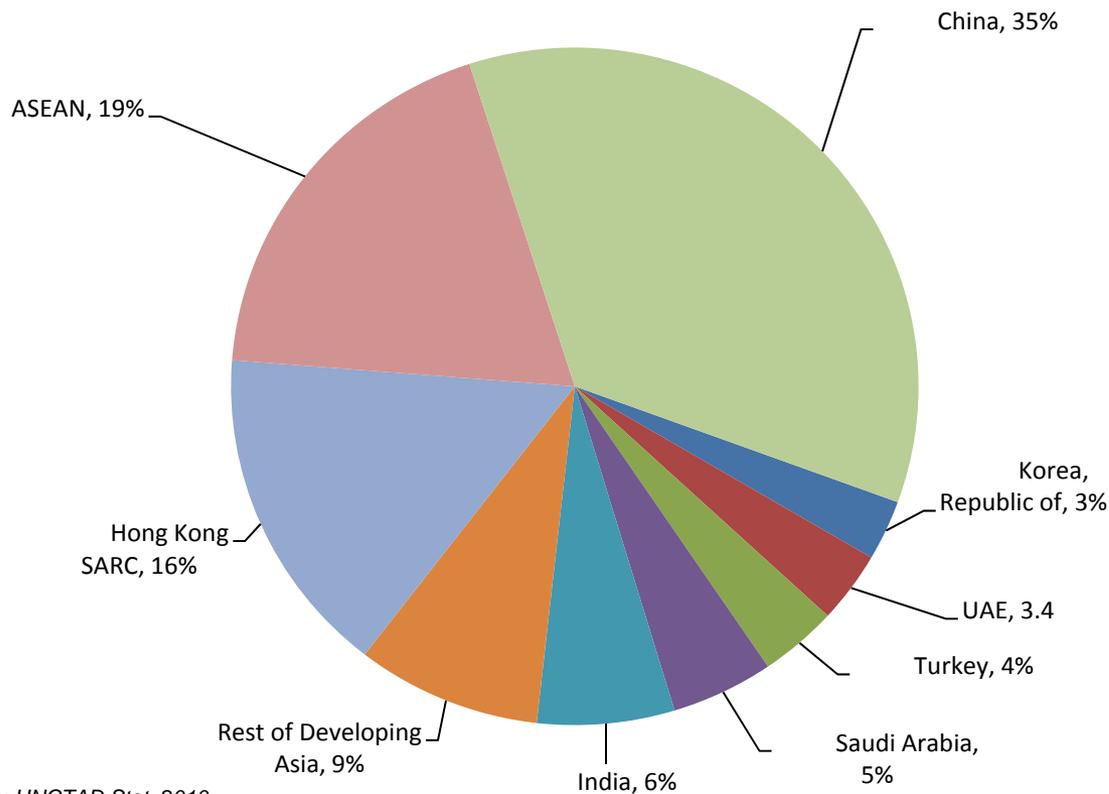
Developing economies



Source: World Investment Report 2010, Nathan calculations
a/ 2010 data cover January to May for M&As and January to April for Greenfield investments.

- Difference between the type of FDI flowing into developed and developing economies.
- Recent evidence suggests that M&A sales FDI into developing countries has gradually been increasing because of less expensive acquisitions in developing countries.

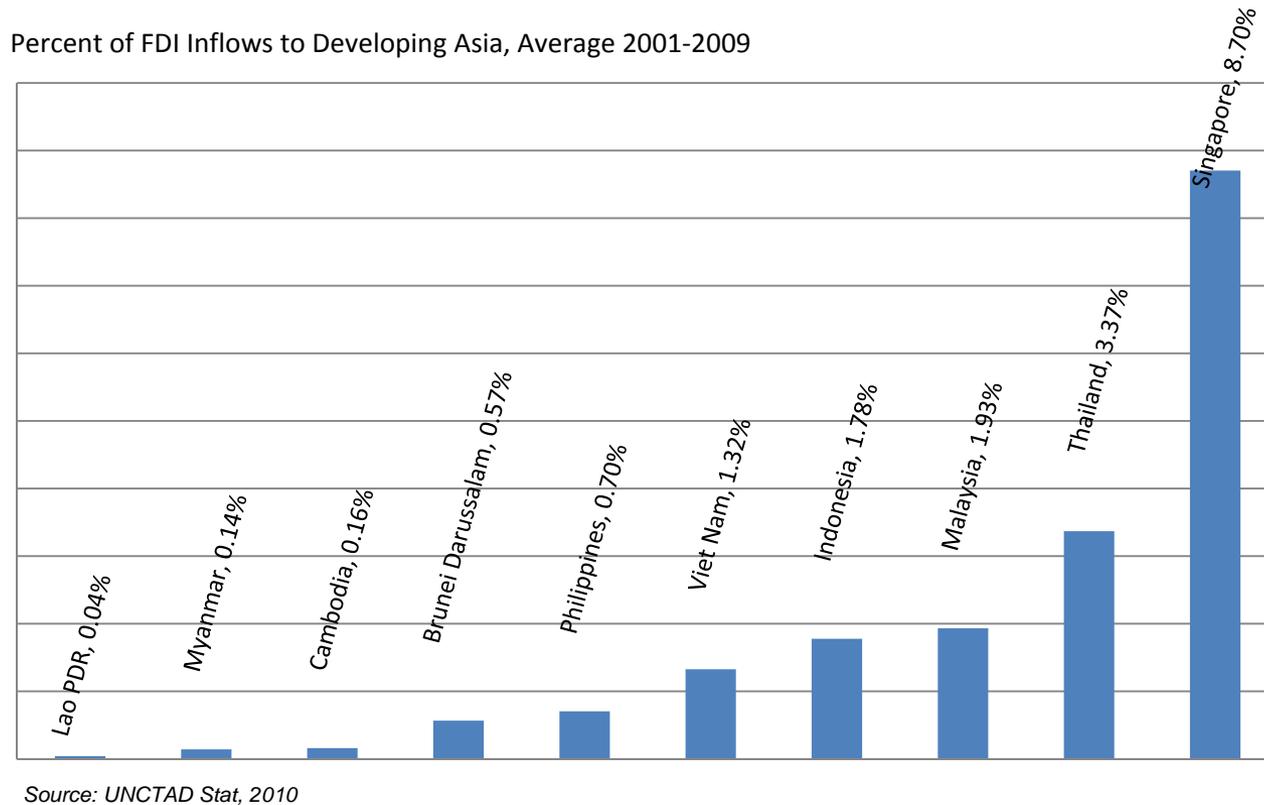
Which developing economy in Asia receives the most FDI?



Source: UNCTAD Stat, 2010

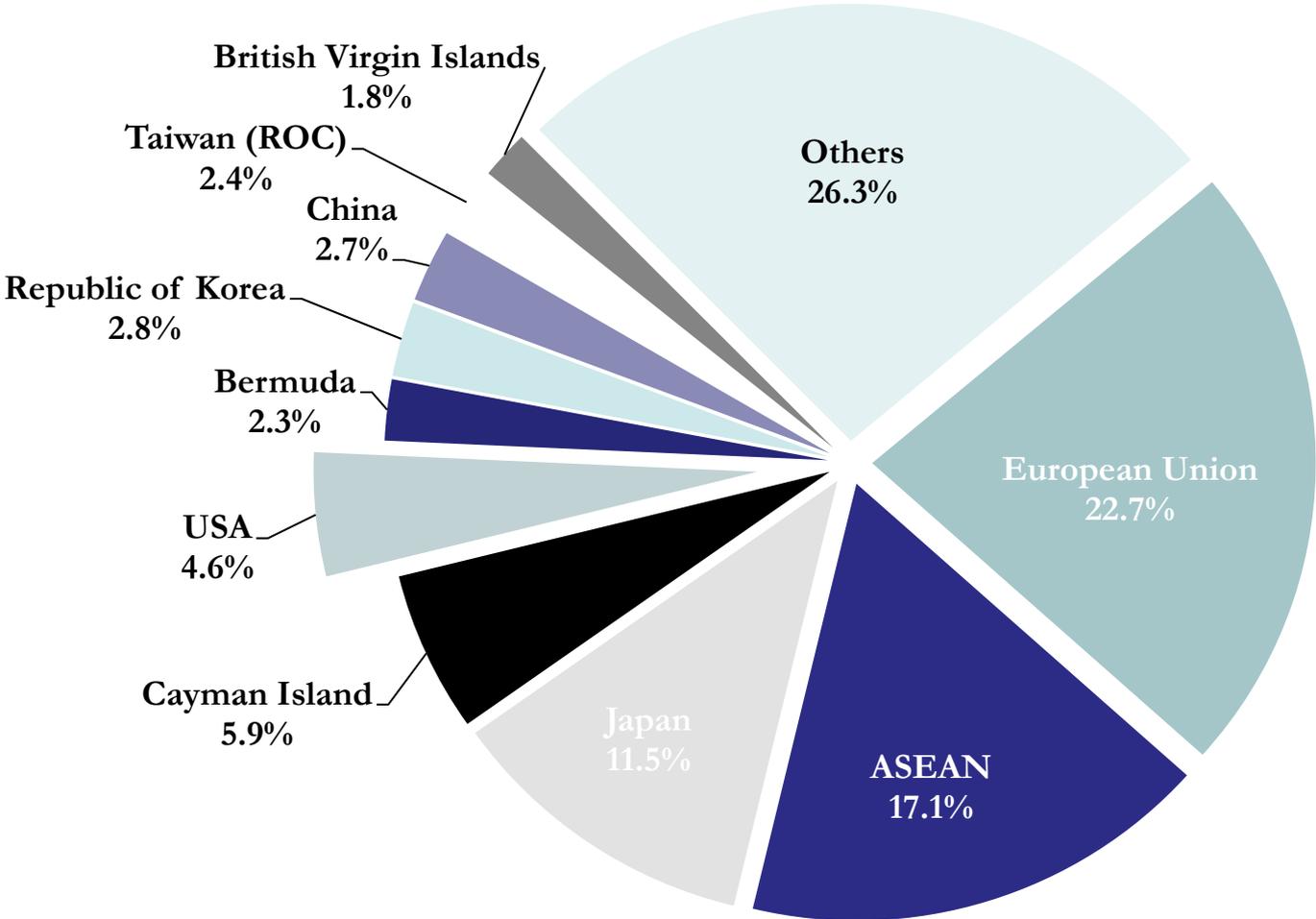
- No surprise – FDI inflows concentrated in China and Hong Kong.
- ASEAN, with the largest share of FDI inflows to Singapore, makes up almost one-fifth of FDI to developing Asia.

FDI Inflows into ASEAN



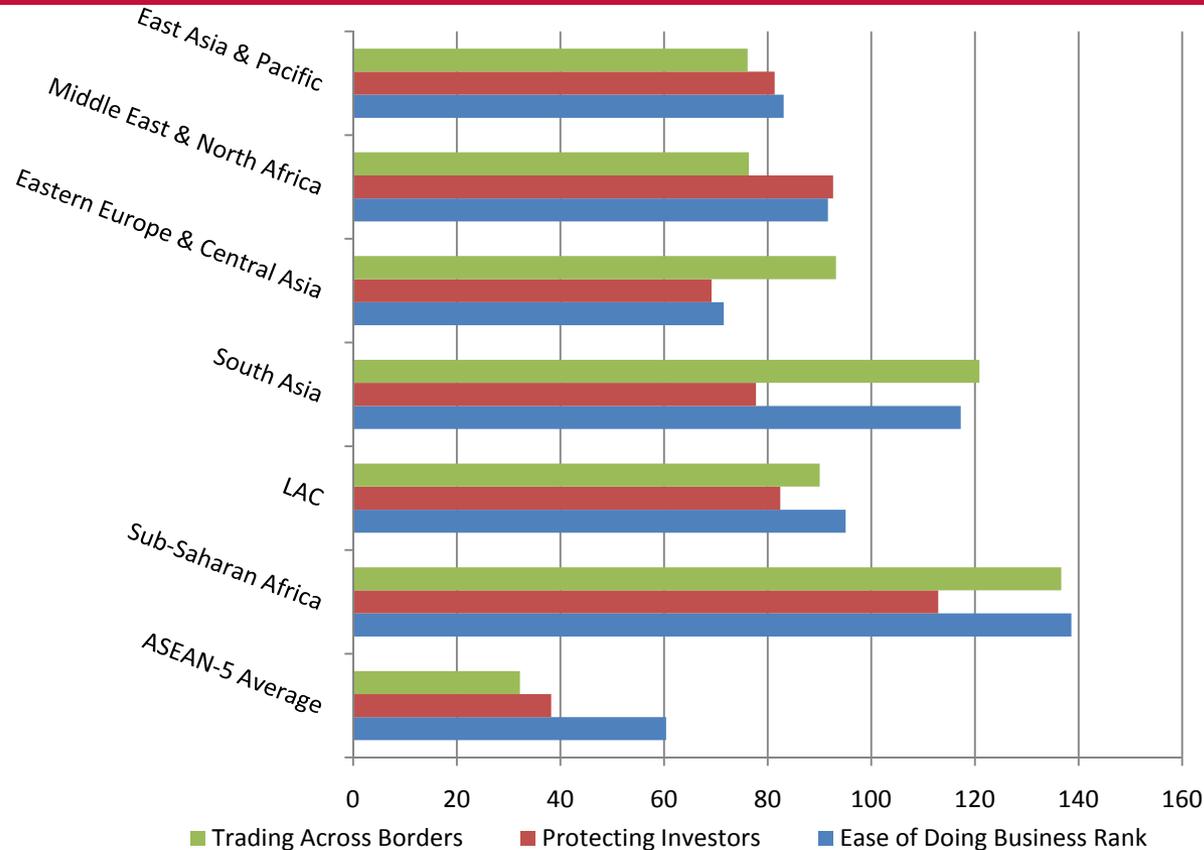
- Singapore constituted nearly 9 percent of FDI flowing into developing Asia, and is clearly the most attractive destination for FDI in ASEAN.

Source of FDI Flows Into ASEAN



Source: ASEAN Secretariat Database

Doing Business – Average Rankings (2010)



Source: World Bank Group, *Doing Business Indicators, 2010. Averages of Individual Country Rankings*

- It is easy to see why ASEAN enjoys a generous flow of FDI based on an overview of average rankings of the Doing Business Indicators

ASEAN Trade and Investment – what can we conclude?

- ASEAN has seen significant real GDP growth, reflected in both its demand for imports and rise in exports. Much of this growth attributable to ASEAN-5 economies.
- As expected, China is an increasingly important trading partner with ASEAN, both for exports and imports.
- But, ASEAN has also managed to keep a diversified portfolio of trade partners, including significant intra-regional trade flows.
- ASEAN's portfolio of trade commodities is also diverse – including both primary and intermediate goods – insuring against external shocks in one market or industry.
- ASEAN constitutes a major share of FDI flowing into developing Asia.
- Enabling investment climate and growing proportion of educated labor force makes ASEAN an attractive FDI destination.

Data Sources

- UNCTAD Stat
www.unctad.org/
- TradeMap
<http://www.trademap.org>
- World Bank World DataBank
<http://data.worldbank.org/data-catalog>
- World Investment Report, 2010
- Trade and Development Report, 2009 and 2010