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Asia-Pacific Trade and Investment Trends 2020/2021

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Trade in goods

The world and AP in 2020 saw the largest trade decline since 2008.

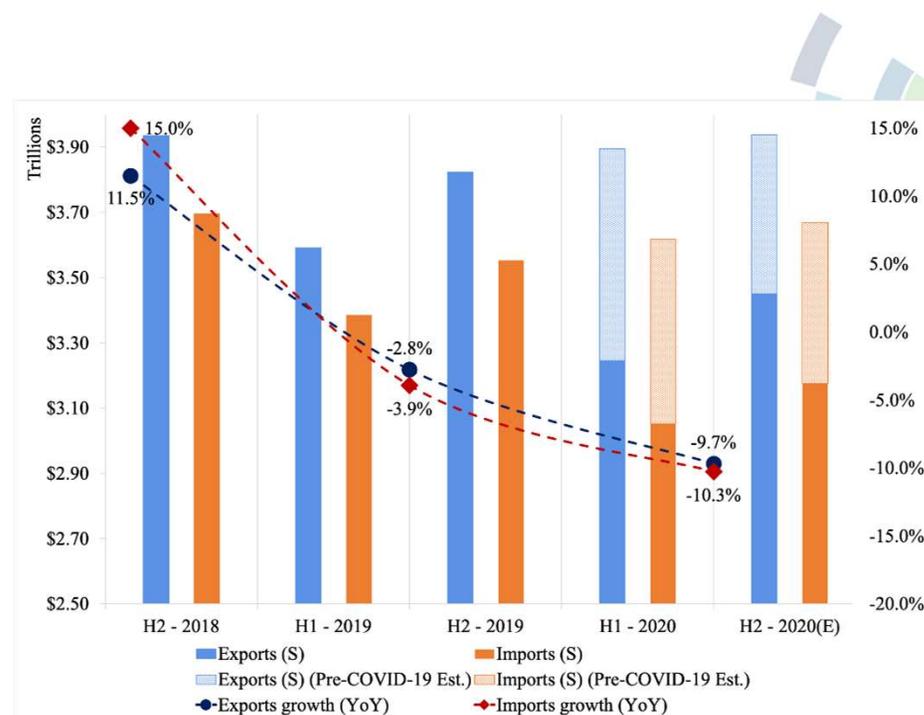
- Global: a contraction of 14.5% in trade value
- AP: 9.7% and 10.3% (imports).
- Developing AP(exclude China): 15%-17%

Growing optimism for 2021, but high uncertainties remain.

- ESCAP forecasts **trade volume** to rebound in 2021: 7.2% (world), and 5-6% (AP)

Two major trends : GVCs restructuring and the digitalization of the global economy

- New opportunities to countries with digital readiness.
- Widening gaps within and between countries



Merchandise trade in Asia-Pacific

Trade in commercial services

Commercial services were hit harder than goods

-Global: a 19-20% drop in trade value (half year)

-AP: Half-year trade value declined by 22%

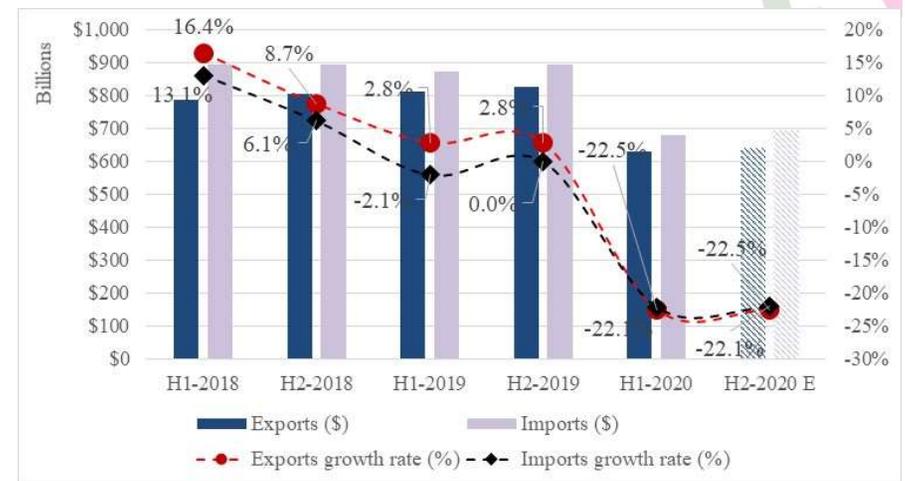
A partial trade recovery is expected for 2021, but it will be diverse across sectors and economies.

- Transport services will lead and bright prospects for ICT services

- Travel services may recover but remain below pre-pandemic level.

Digitalization increasingly define how and whom services will be traded

- New opportunities for economies being ready to utilize the potential of digital trade



Commercial services trade in Asia-Pacific

PTAs

AP continues to be the largest contributor to the worldwide build-up of PTAs.

- Over 50% of all 305 currently in force PTAs involving at least one AP economy

The pandemic has slowdown the pace of new PTAs signed.

- Only 4 PTAs were signed in 2020 (There were 10 and 11 PTA signed in 2018 and 2019).

Despite the overall slowdown, the signing of RCEP marks the most important milestone.

- The world's largest plurilateral free trade agreement covering 30% of the global GDP and world population.
- Its 20 chapters go beyond traditional areas to include new issues, such as IPR, Competition, and E-commerce.

Going forward, new PTAs tend to be increasingly comprehensive and emphasize issues surround digital trade.

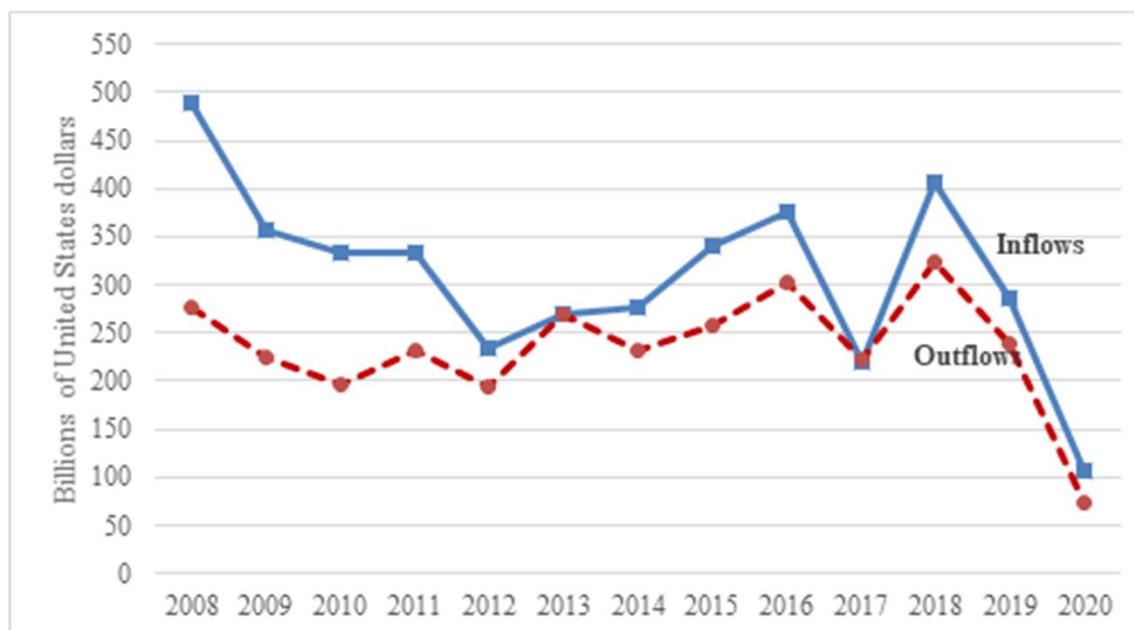
- Eight (out of 15) PTAs signed between 2019-2020 have a dedicated provision on E-commerce.
- Three Digital Trade Agreements has been signed since 2019

Trends in inward and outward FDI

- Asia-Pacific attracted 35% of global FDI inflows in 2019, down from 45% in 2018
- The region was the source of 41% of global outflows of investment, down from 52% in 2018
- Despite investment decelerations, Asia-Pacific has been the largest **source** of FDI globally since 2018



Announced greenfield foreign direct investment flows to Asia and the Pacific region, 2008-2020

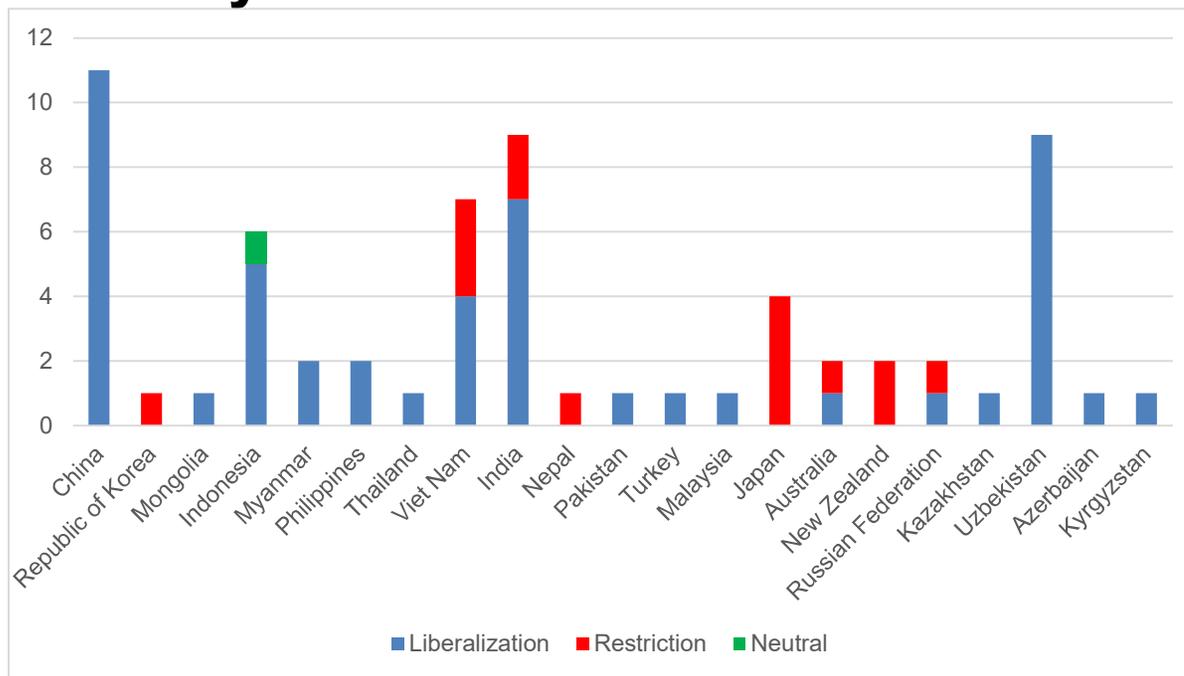


Source: ESCAP calculations based on fDi Intelligence data (accessed October 2020).

Note: Values for 2020 refer to the period January-August 2020



Number and type of investment policy changes in Asian and Pacific countries, January 2019-October 2020



Source: UNCTAD (2020) Investment Policy Hub. Geneva.
 Available at: <https://investmentpolicy.unctad.org/country-navigator>.

Policy Priorities for Supporting FDI

Investment Outlook: Uncertain and hard to predict beyond 2021 as its dependent on the rate of recovery within the region and also on countries outside the region.

Key Policy Priorities to Support Investment Rebounding:

- Developing and implementing a green growth recovery strategy with a robust role for both inward and outward FDI.
- Putting in place policy measures to support both local *and* foreign SMEs in supply chains.
- Focusing on boosting digital competitiveness.
- Introducing sunset clauses to restrictive measures.



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