



Mia Mikic

[mikic@un.org](mailto:mikic@un.org)

# Supporting equitable development in ASEAN: Impact of regional integration on CLMV countries

## **Session 1: Recent trends in trade, investment, GVCs and implications for ASEAN economies**

# Outline

- Selected global and regional trends and stylized facts
  - Global trends
  - Regional trends
  - Some features of ASEAN trade
- Given those trends, could we still consider trade as a key driver of global growth, income convergence, and poverty reduction? [NB Trade is one of the main means of implementation for the SDGs]
  - depends on how do we characterize trade-GDP relationship and what we know about factors driving that relationship
  - role of protectionism
- China



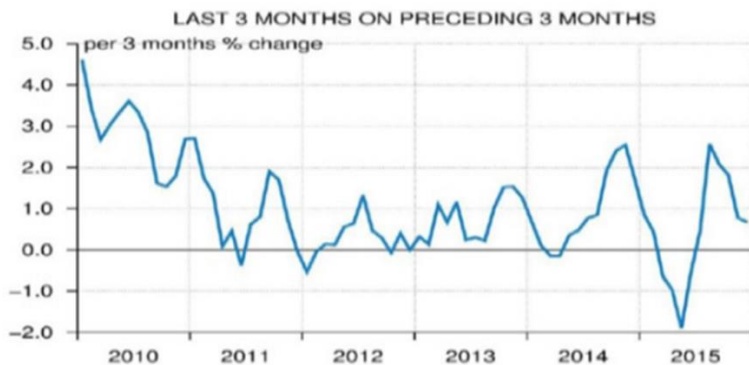
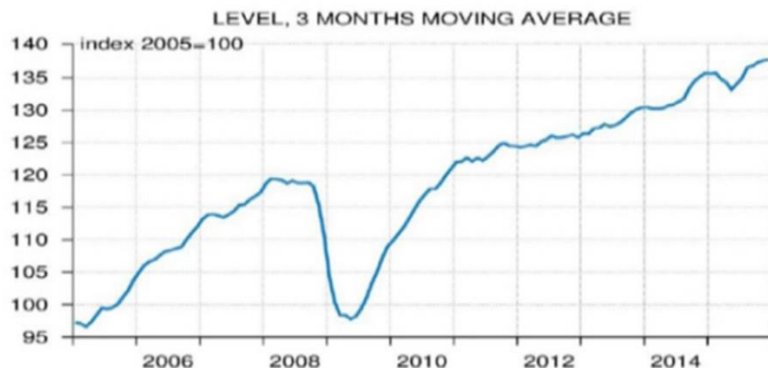
# Main points

- Global and regional trade halted; investment and GVCs that were crucial in expanding trade, are also slowing down
- ASEAN moved to AEC; still very much linked to extra-AEC
- It is important to understand factors behind the current directions of trade, FDI and vertical specialization (i.e. cyclical vs. structural)
- Empirical literature points towards the 2008/9 collapse being more due to cyclical factors, but sees the slowdown in recent years as a result of the change in trade-GDP relationship, with long-term trade elasticity decline
- Implication is that even if GDP growth picks-up, trade growth might not
- Main factors behind changed trade elasticity:
  - Protectionism
  - Aggregate demand
  - Structure of trade- changes in vertical specialization
- ASEAN weathering China's rebalancing



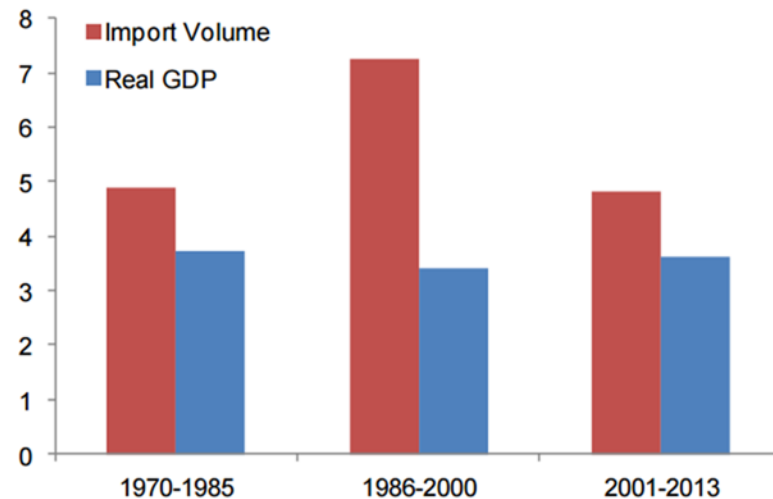
# Selected trends and stylized facts (1)

## Contraction in merchandise trade

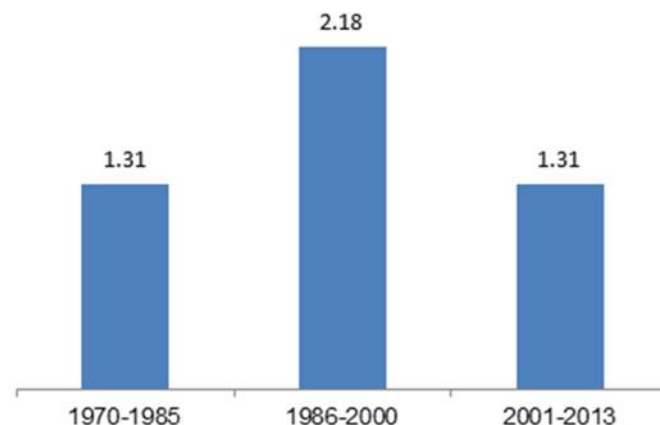


**Figure 1: World Merchandise Trade Volume**

Source: Netherlands Bureau of Economic Policy, World Trade Monitor, December 2015.



**Figure 2. Long-term trade elasticity with respect to GDP**



Source: IMF WEO and authors' calculations.

# Selected trends and stylized facts (2)

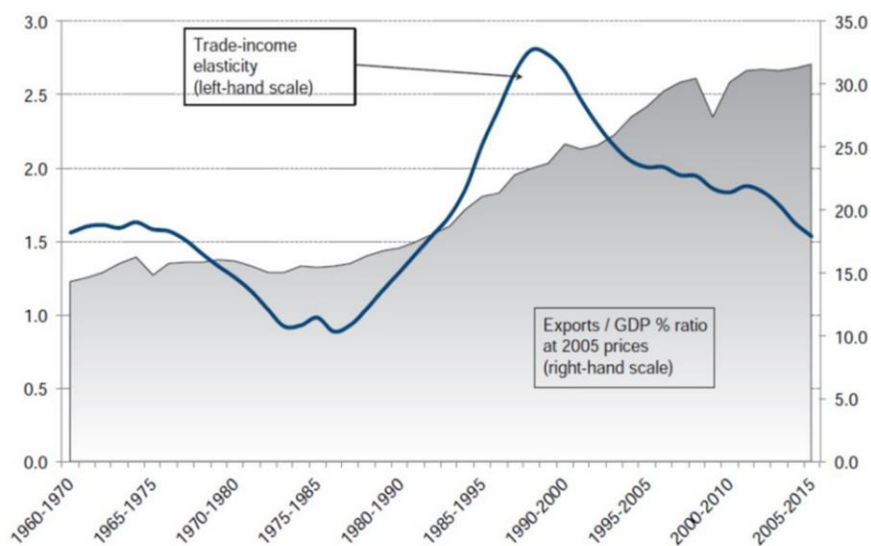
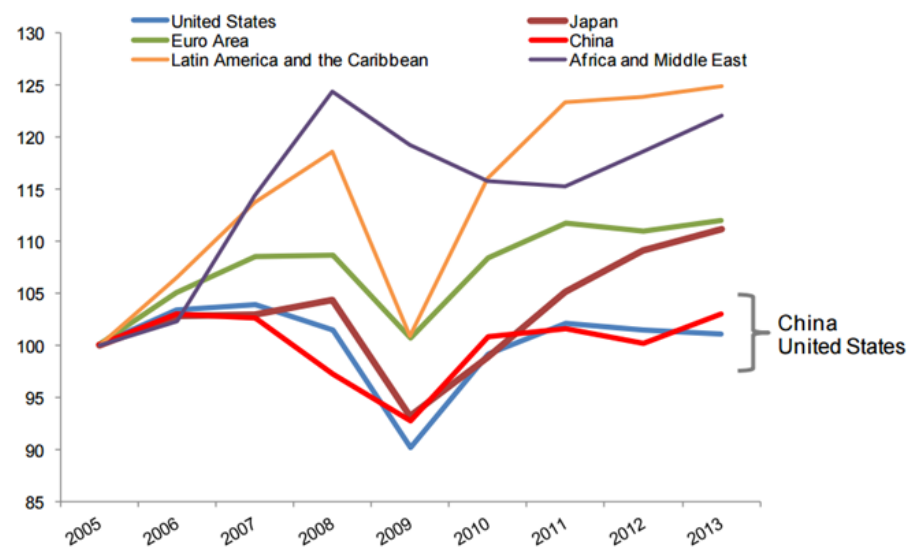


Figure 2: Trade-income elasticity and Exports-GDP ratio - global economy  
Source: Escaith and Miroudot, ch. 7 in Hoekman (2015).

Figure 4. Share of Import Volumes in Real GDP (Levels, 2005=100)



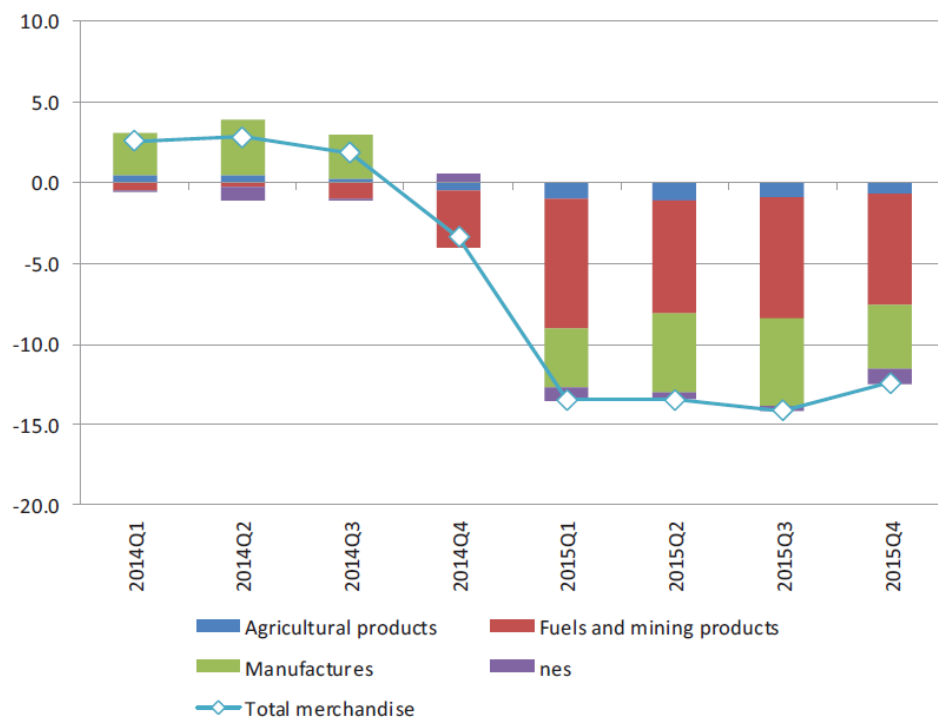
Source: IMF World Economic Outlook

# Selected trends and stylized facts

## (3)

Chart 4: Contributions to year-on-year growth in world merchandise trade by product, 2014Q1-2015Q4

Year-on-year % change in current dollar values



Source: Secretariat estimates based on mirror data for available reporters in the Global Trade Atlas database.

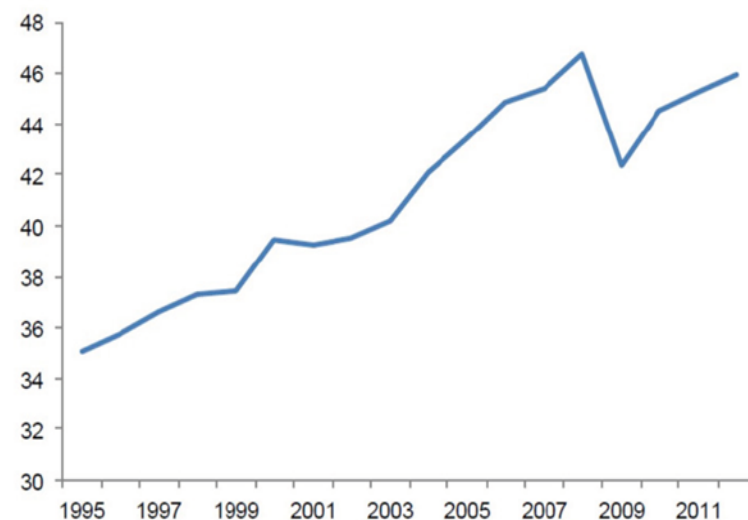


Figure 3: Ratio of Foreign Value Added to Domestic Value Added in World Gross Exports (%)

Source: Constantinescu et al (2015).

# Reviving growth (IMF)

- Structural reforms, aided by fiscal policy, should support economic transitions and bolster potential growth. Monetary policy should remain focused on supporting demand and addressing near-term risks, including from large exchange rate depreciations and deflationary shocks. Policies to manage risks associated with high leverage and financial volatility will play an important role, including exchange rate flexibility, targeted macroprudential policies, and in some cases, capital flow measures. Finally, policy recalibration should not lead to a buildup in vulnerabilities.

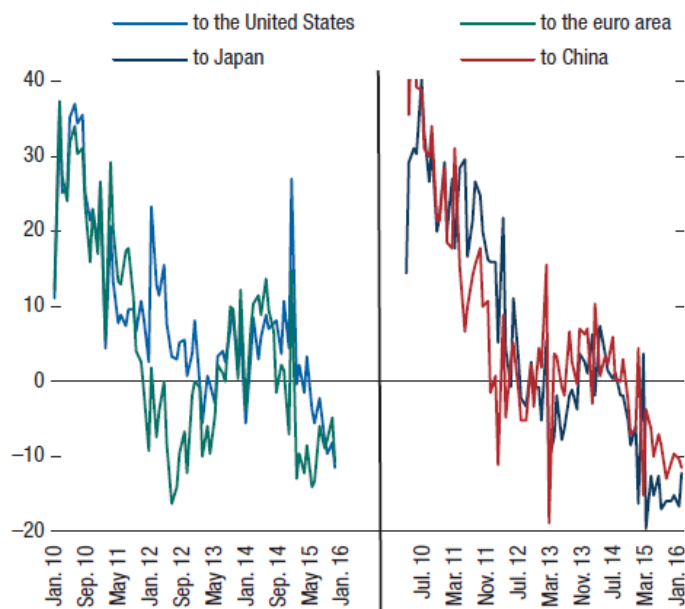
# Reviving trade growth (ESCAP)

- (i) Reducing trade costs and improving trade facilitation.
- (ii) Improving market access for LDCs and enhancing their competitiveness.
- (iii) Supporting integration through better monitoring of bilateral and regional preferential trade agreements.
- (iv) Creating the environment for flourishing digital trade.
- (v) Lifting absorptive capacity for technology and investment



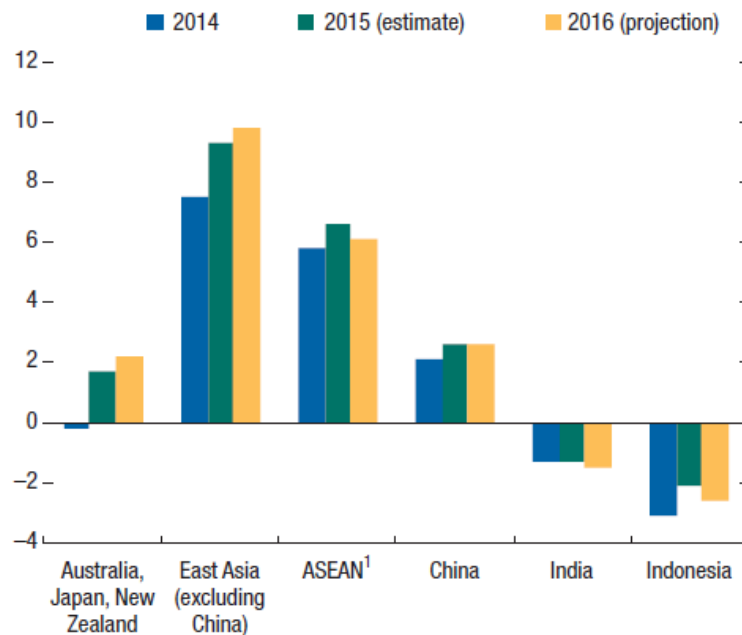
# Selected Asian trends (1)

**Figure 1.18. Selected Asia: Exports to Major Destination**  
(Year-over-year percent change)



Sources: CEIC Data Co. Ltd.; Haver Analytics; and IMF staff calculations.  
Note: Selected Asia includes China, Hong Kong SAR, Japan, Korea, Malaysia, Taiwan Province of China, Thailand, the Philippines, Singapore, and Vietnam. Indonesia is excluded because of data lags.

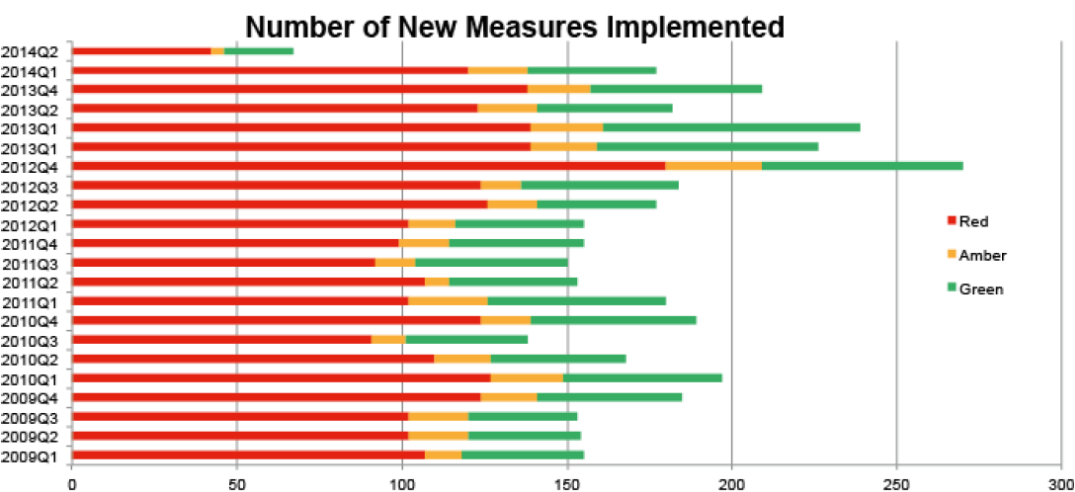
**Figure 1.22. Asia: Current Account Balances**  
(Percent of GDP)



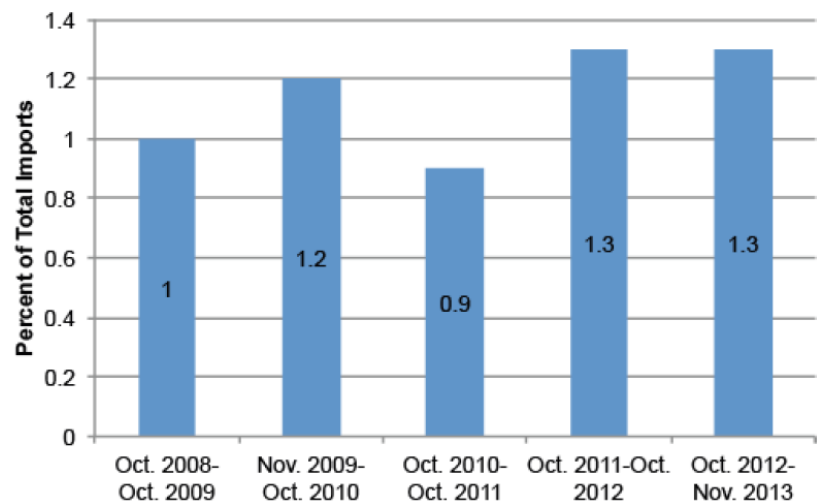
Sources: IMF, World Economic Outlook database; and IMF staff calculations.  
<sup>1</sup>ASEAN includes Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

# Selected trends and stylized facts (4)

## Protectionism



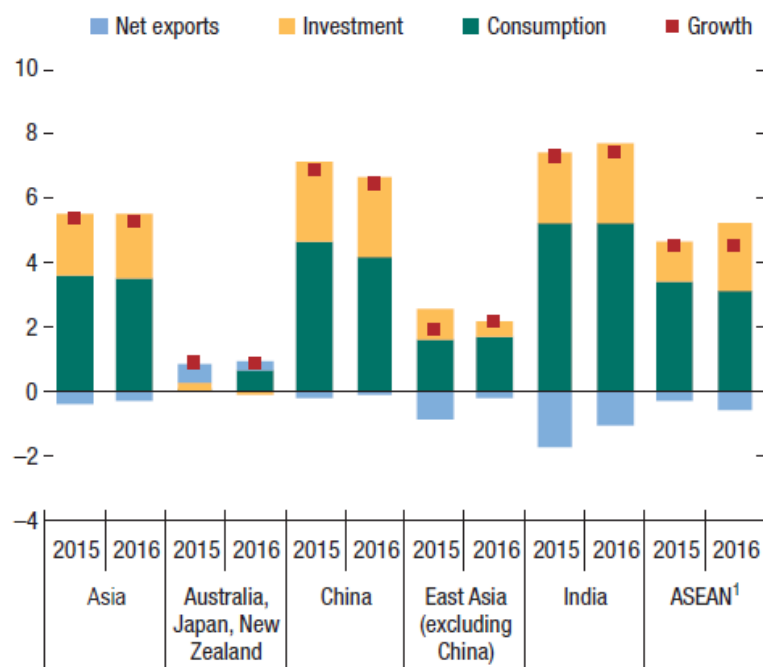
Source: Global Trade Alert.



Source: WTO.

# Selected Asian trends (2)

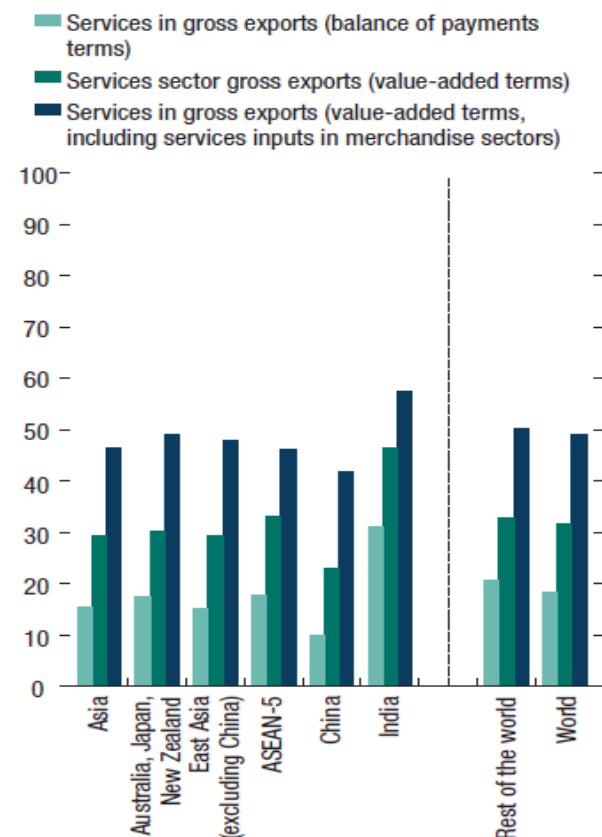
**Figure 1.23. Selected Asia: Contributions to Projected Growth**  
(Year-over-year; percentage points)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

<sup>1</sup>ASEAN includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam

**Figure 1.7.1. Share of Services Exports in Trade, 2011**  
(Percent of total)

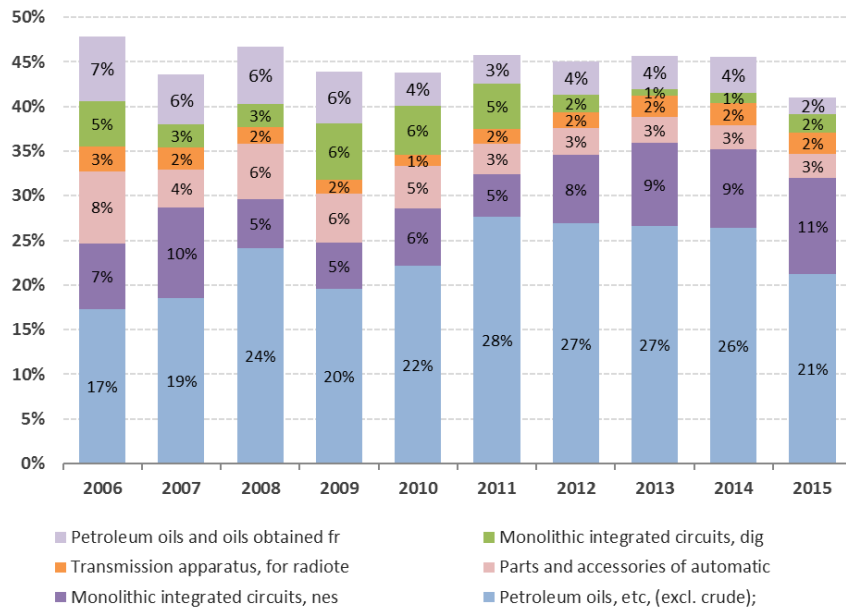


Sources: Center for Research on Epidemiology of Disasters, International Disaster Database; and IMF staff estimates.

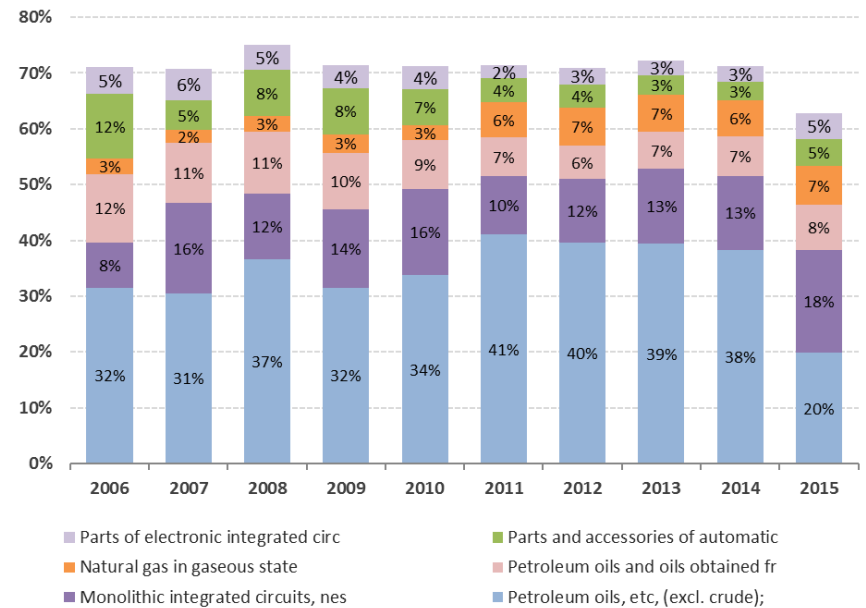
Note: The averages refer to 1960–2014. ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

# Intra-ASEAN most trade products

ASEAN share of export by product

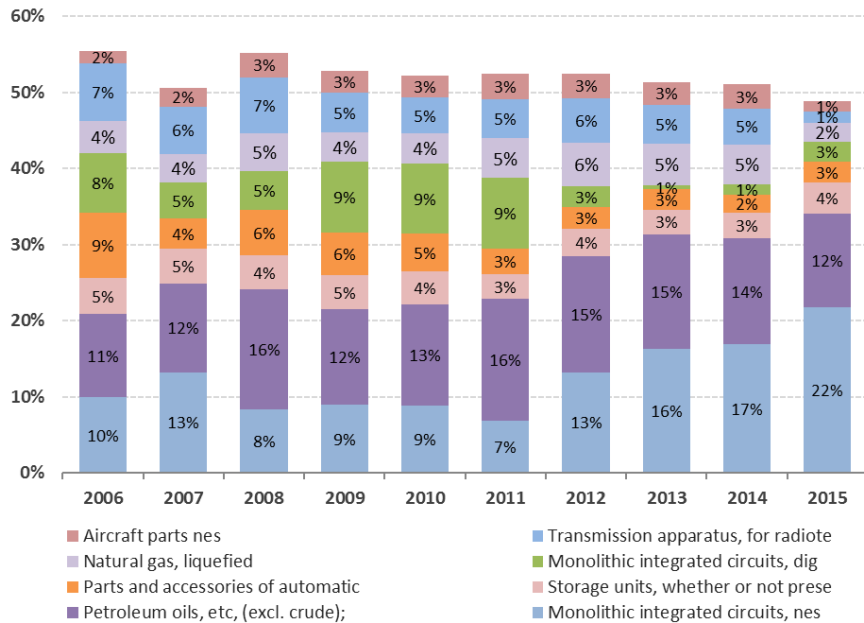


ASEAN share of import by product

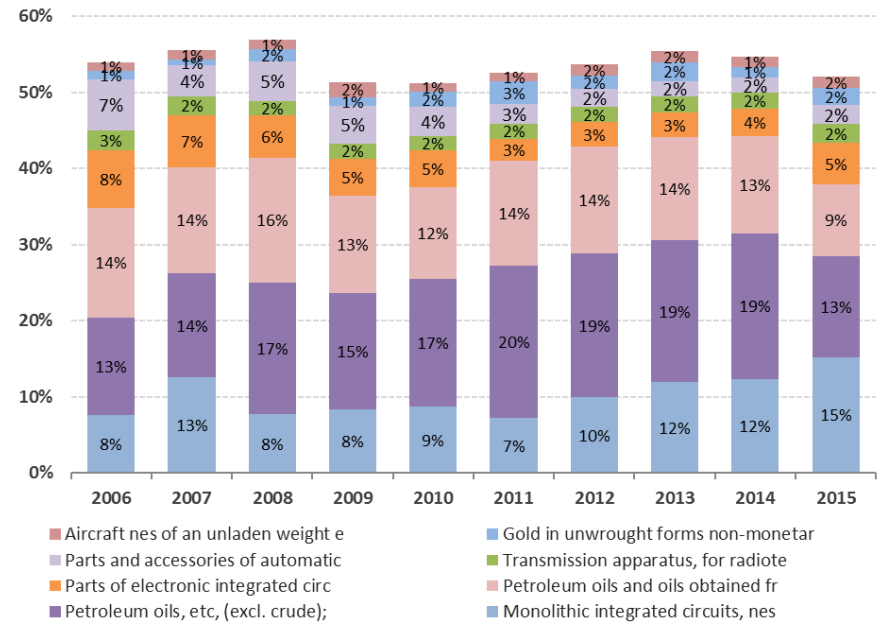


# ASEAN - most traded with the world

ASEAN share of export by product



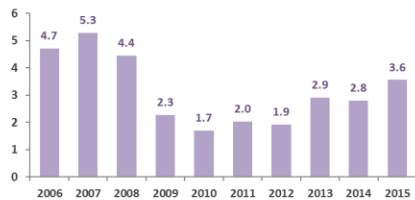
ASEAN share of import by product



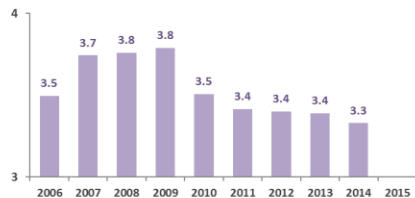
# Trade intensity - ASEAN

Trade Intensity  
Brunei Darussalam - ASEAN

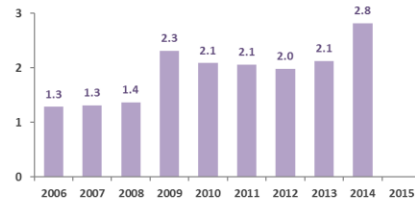
*\*mirror data*



Trade Intensity  
Indonesia - ASEAN



Trade Intensity  
Cambodia - ASEAN

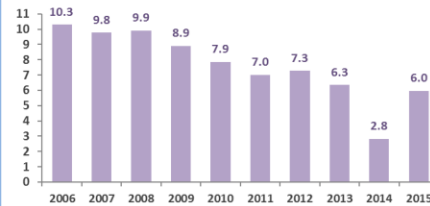


Trade Intensity  
Malaysia - ASEAN



Trade Intensity  
Myanmar - ASEAN

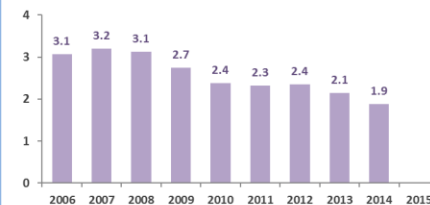
*\*mirror data*



Trade Intensity  
Singapore - ASEAN



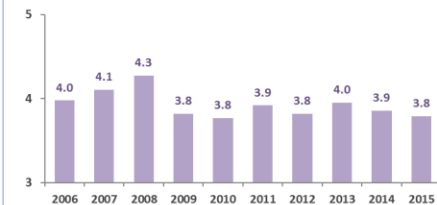
Trade Intensity  
Viet Nam - ASEAN



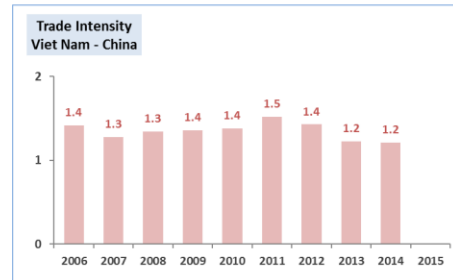
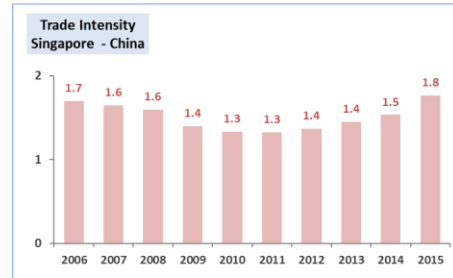
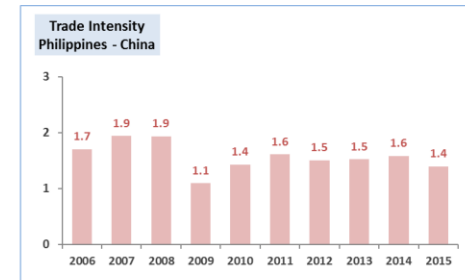
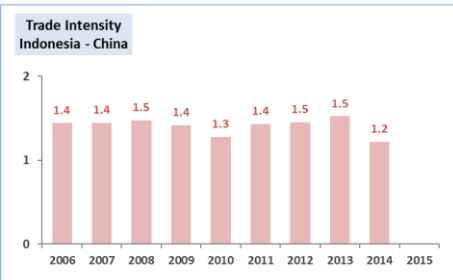
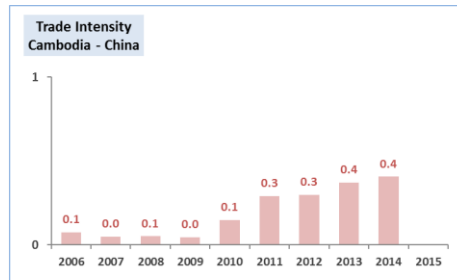
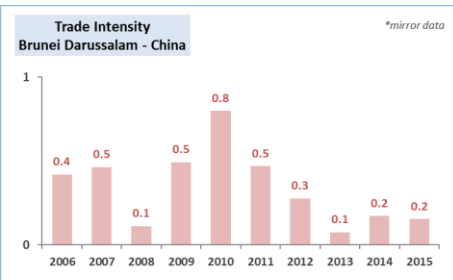
Trade Intensity  
Philippines - ASEAN



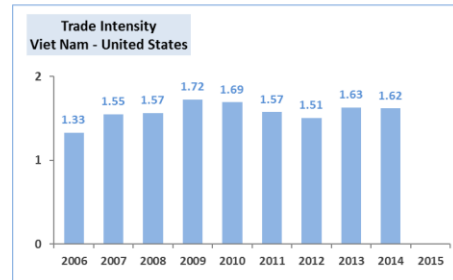
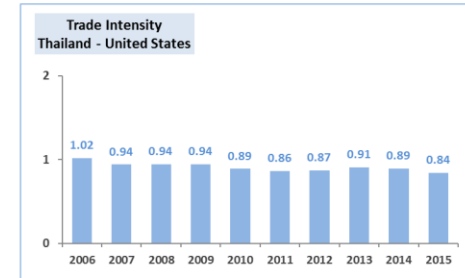
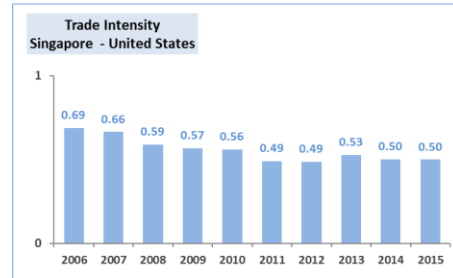
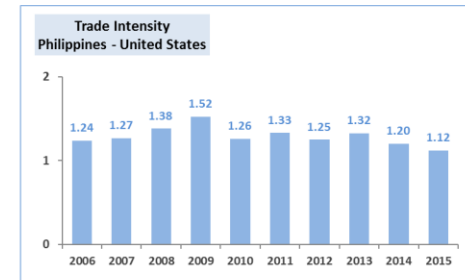
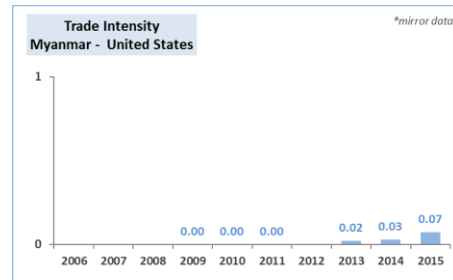
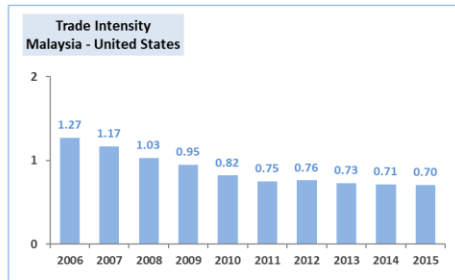
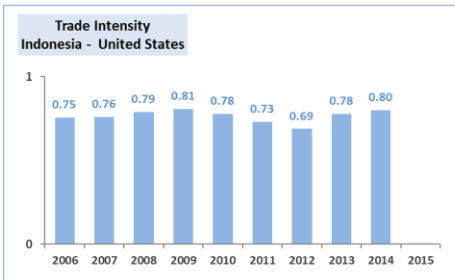
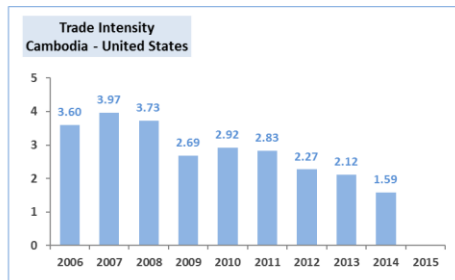
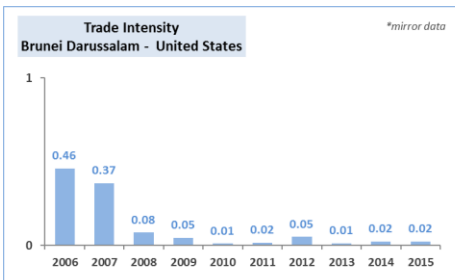
Trade Intensity  
Thailand - ASEAN



# Trade intensity - China

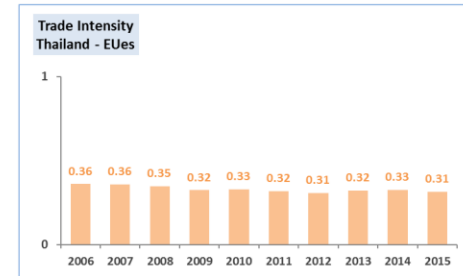
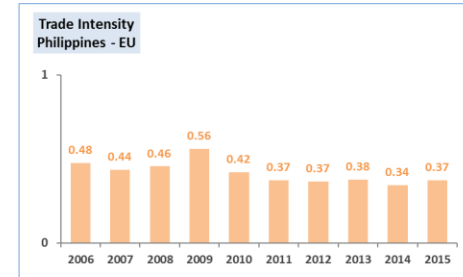
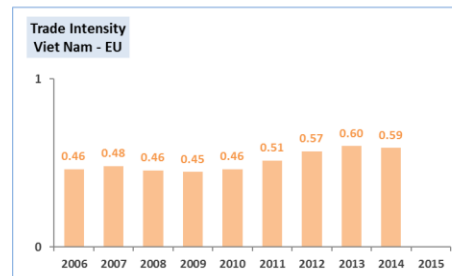
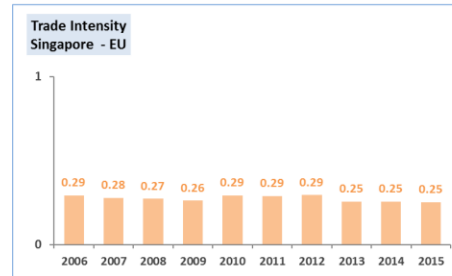
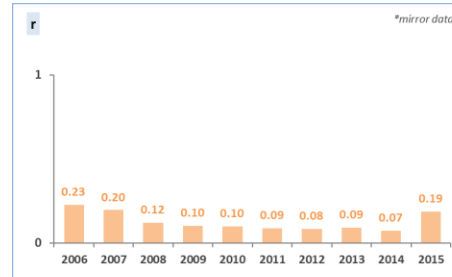
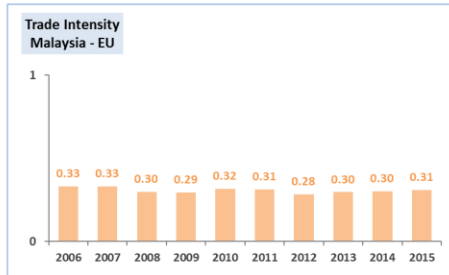
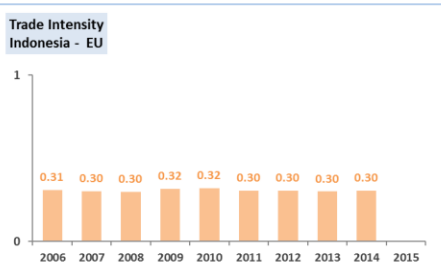
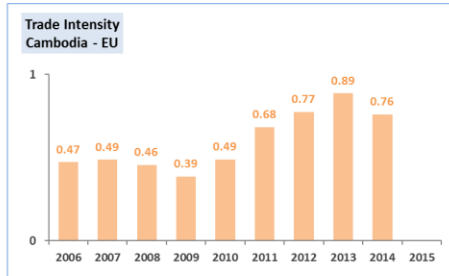
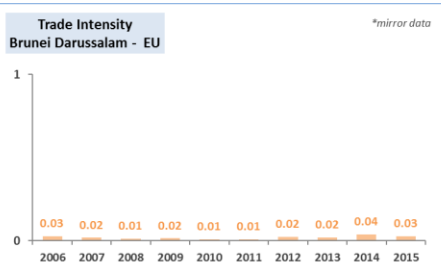


# Trade intensity - US

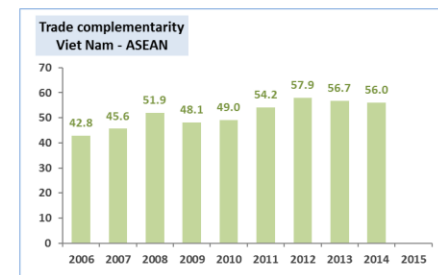
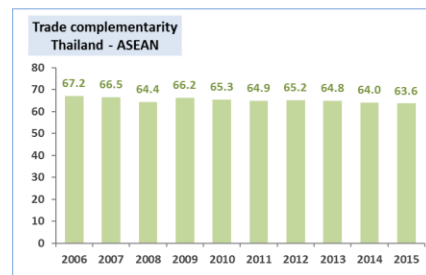
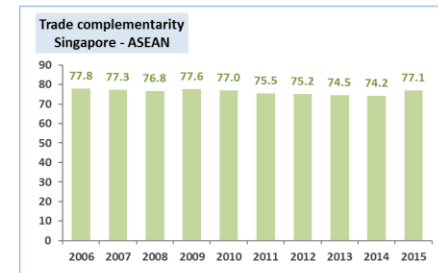
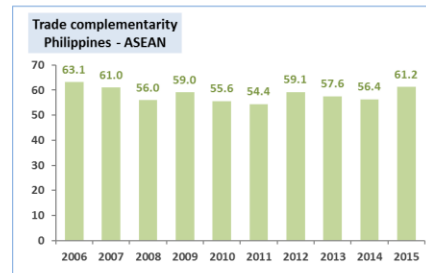
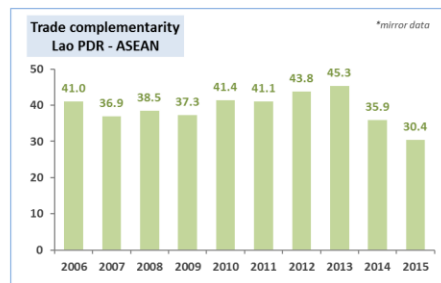
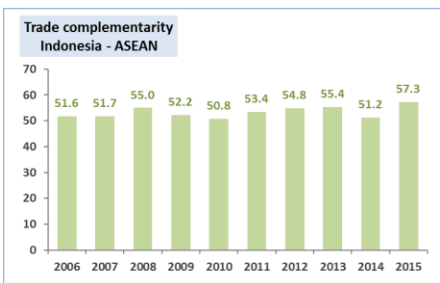
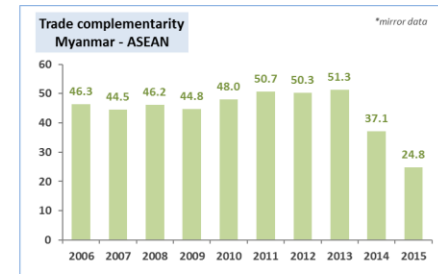
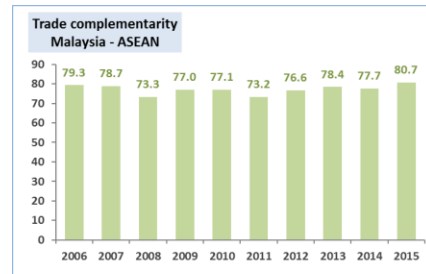
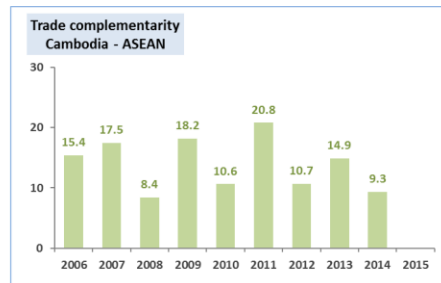
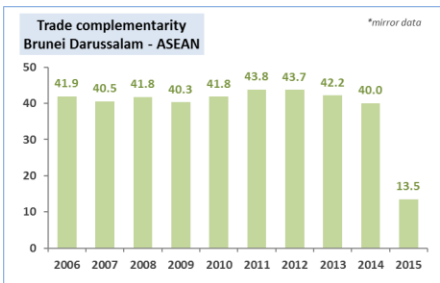




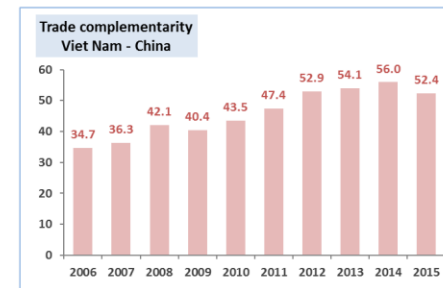
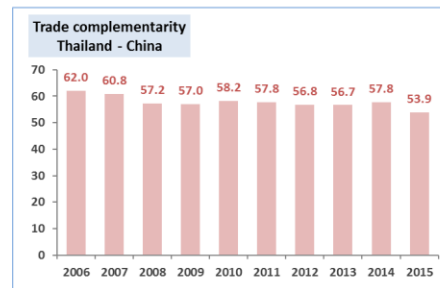
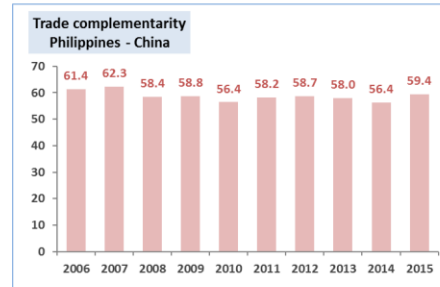
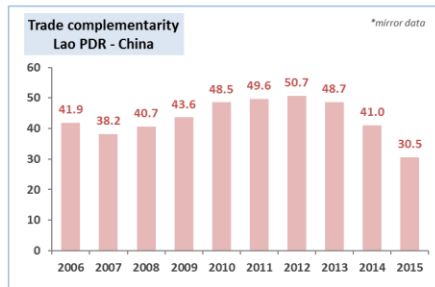
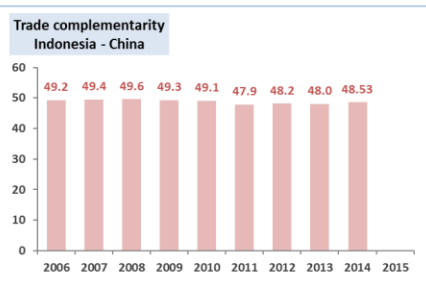
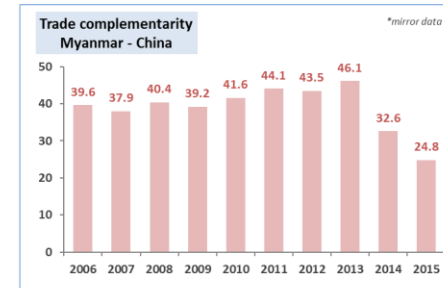
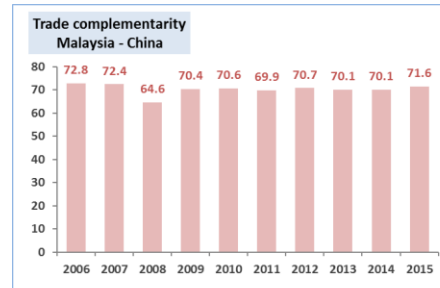
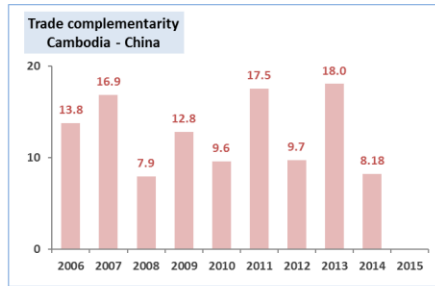
# Trade intensity - EU



# Trade complementarity- ASEAN



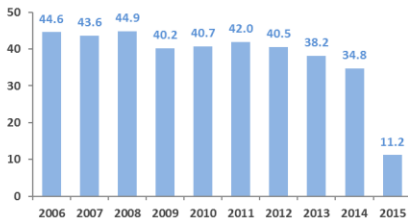
# Trade complementarity- China



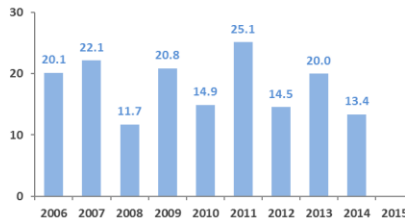
# Trade complementarity – US

Trade complementarity  
Brunei Darussalam - United States

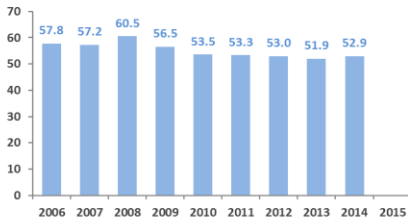
\*mirror data



Trade complementarity  
Cambodia - United States

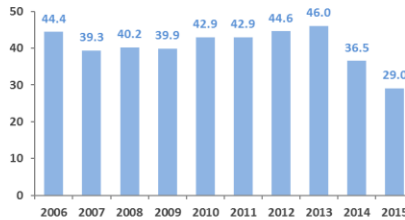


Trade complementarity  
Indonesia - United States

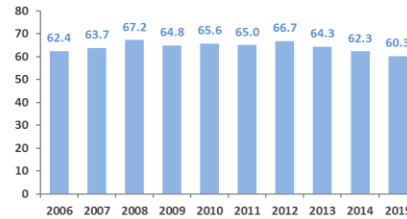


Trade complementarity  
Lao PDR - United States

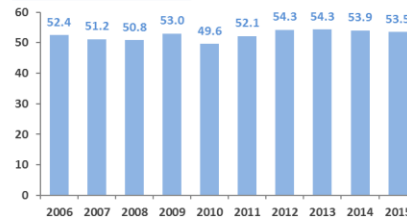
\*mirror data



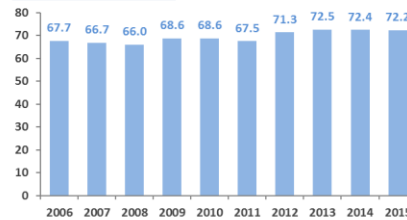
Trade complementarity  
Malaysia - United States



Trade complementarity  
Philippines - United States

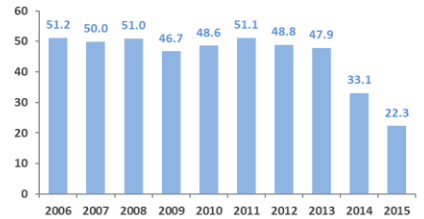


Trade complementarity  
Thailand - United States

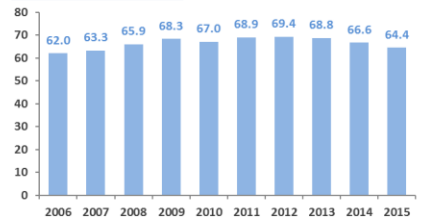


Trade complementarity  
Myanmar - United States

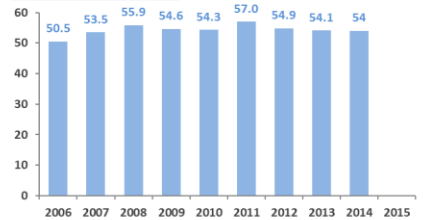
\*mirror data



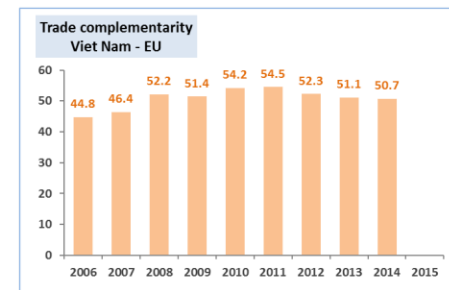
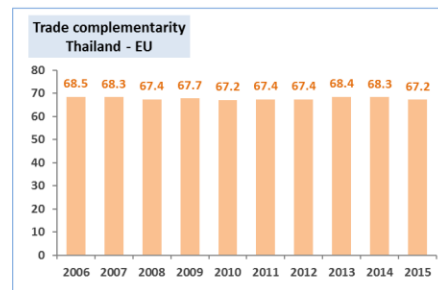
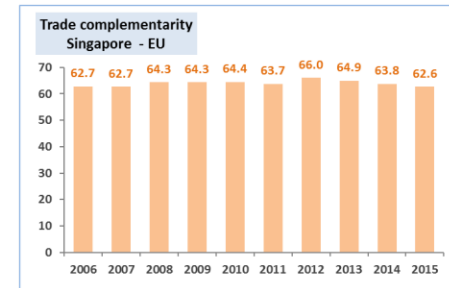
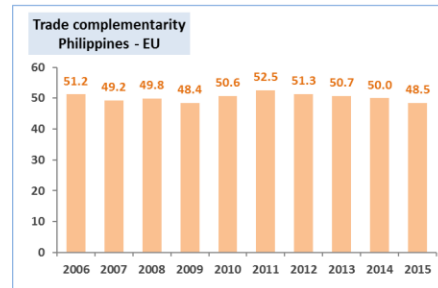
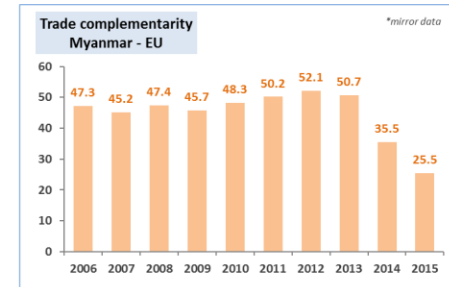
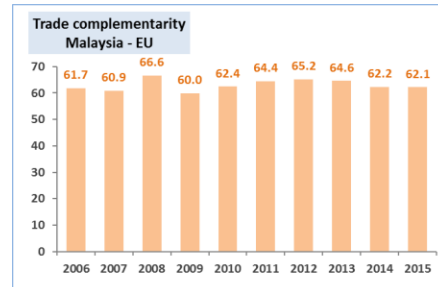
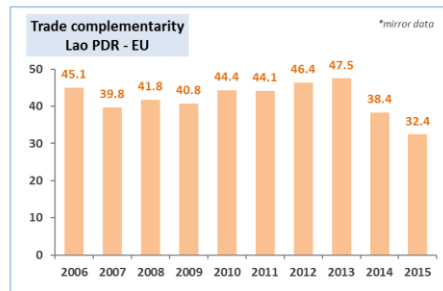
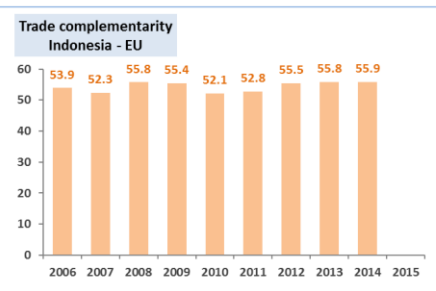
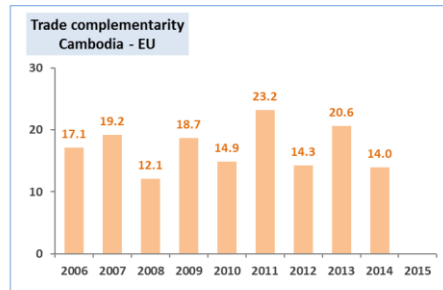
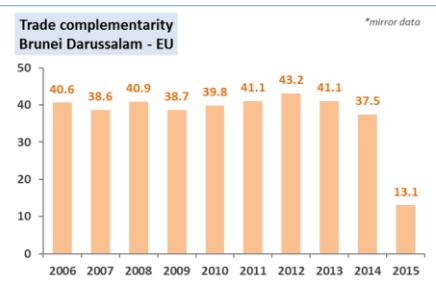
Trade complementarity  
Singapore - United States



Trade complementarity  
Viet Nam - United States



# Trade complementarity - EU

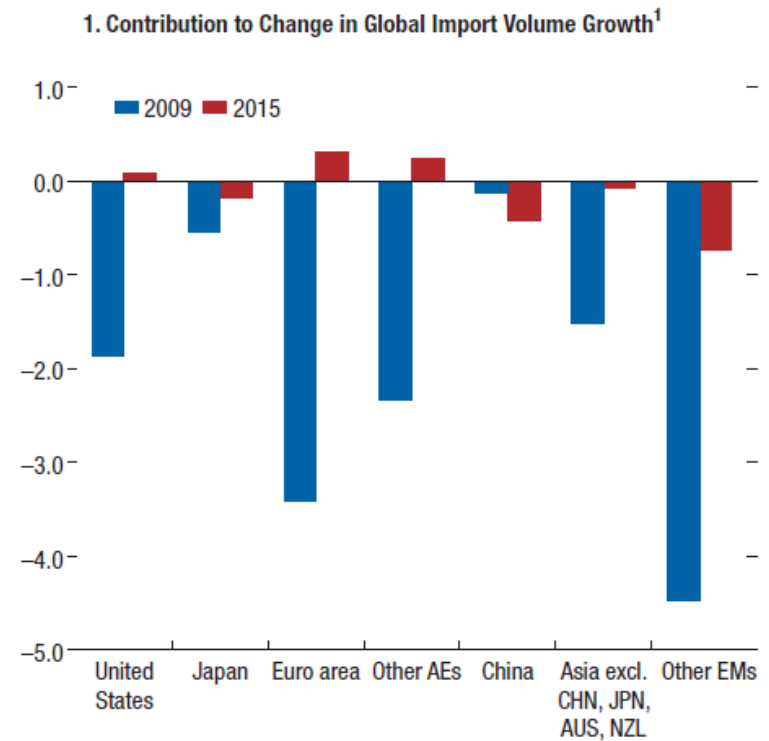
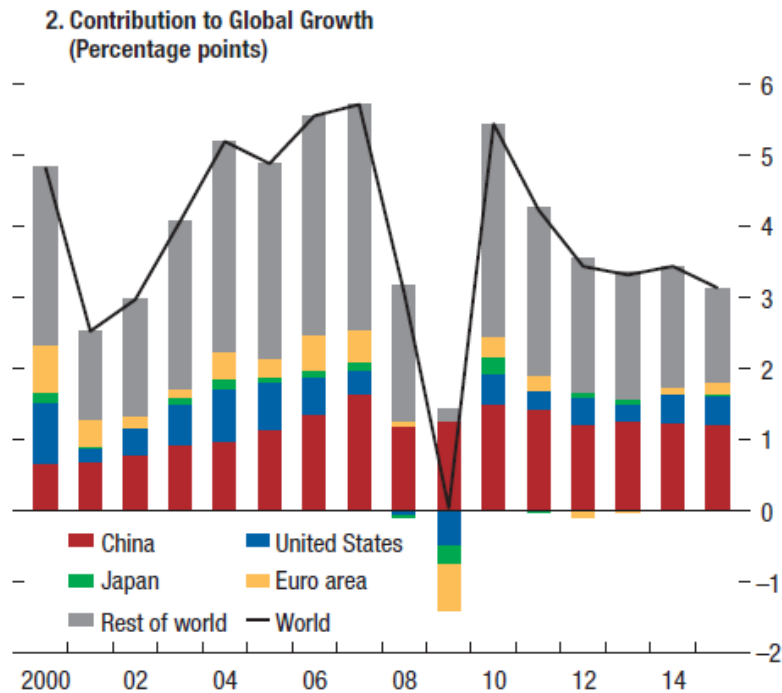


# China

- China's transition to a new growth path is contributing to trade volatility today and will shape trade opportunities tomorrow
- Some of the effects are temporary; others are more structural. Manufacturers (especially in east Asia) suffered significant declines in export quantities but are now recovering; commodity producers were hurt primarily by lower export prices, which persist; and services exporters have benefited in a way that could presage future opportunities (the share of services has grown—from about 15% at the beginning of 2011 to close to 22% in the first half of 2015.)
- In the longer term, the recovery of global trade will be limited by diminished growth in demand in China; however, it will be boosted by the relocation of production away from China toward other lower-cost economies.
- Rebalancing from investment to consumption is likely to create opportunities for exporters of final goods and may also eventually boost upstream intermediate and capital goods sectors that are now adversely affected.
- Rebalancing from investment to consumption is likely to create opportunities for exporters of final goods and may also eventually boost upstream intermediate and capital goods sectors that are now adversely affected.



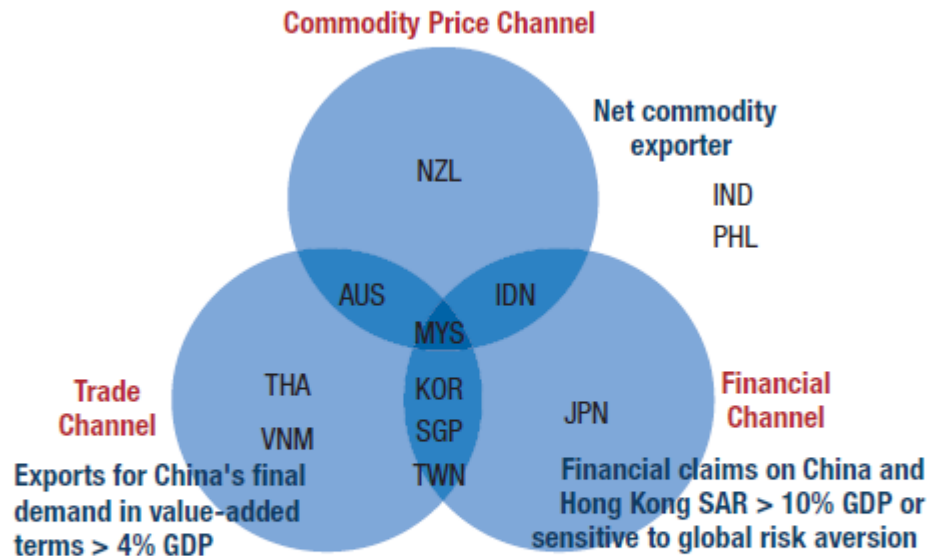
# China



Sources: Bloomberg, L.P.; IMF, World Economic Outlook database; and IMF staff calculations

# China spillover channels

Figure 2.3. Channels of Spillovers from a Slowdown in China



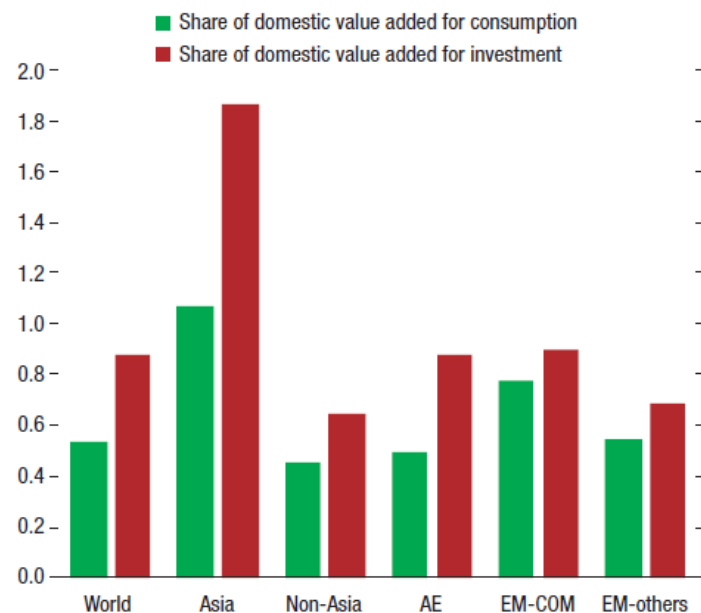
Source: IMF staff estimates.

Note: AUS = Australia; IND = India; IDN = Indonesia; JPN = Japan; KOR = Korea; MYS = Malaysia; NZL = New Zealand; PHL = the Philippines; SGP = Singapore; THA = Thailand; TWN = Taiwan Province of China; VNM = Vietnam.



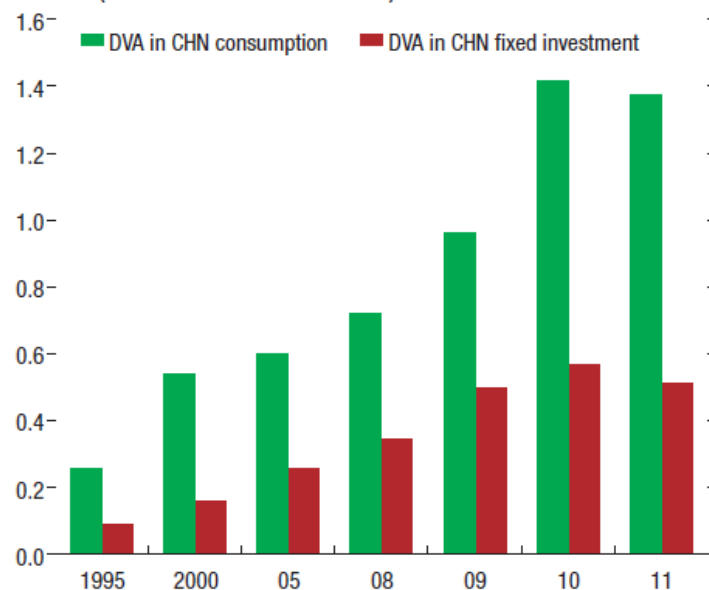
# China

**Fig 2.4. Share of Domestic Value Added Exported for China's Final Demand**  
(Percent of GDP)

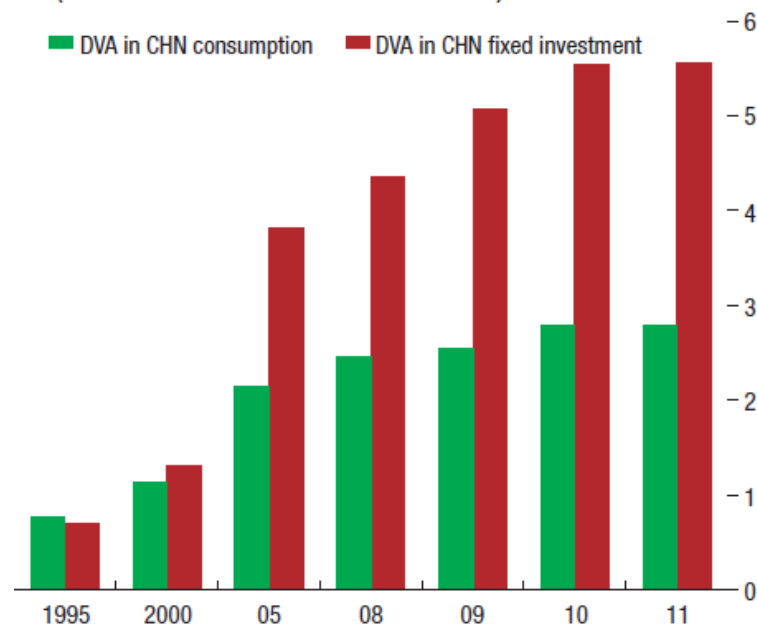


Sources: Organisation for Economic Co-operation and Development and World Trade Organization, Trade in Value Added database; and IMF staff calculations.  
Note: AE = advanced economies; EM-COM = commodity-exporting emerging markets; EM-others = other emerging markets.

**1. New Zealand: Domestic Value Added Exported for Chinese Ultimate Demand—Consumption vs. Investment**  
(Percent of New Zealand's GDP)



**2. Taiwan Province of China: Domestic Value Added Exported for Chinese Ultimate Demand—Consumption vs. Investment**  
(Percent of GDP of Taiwan Province of China)



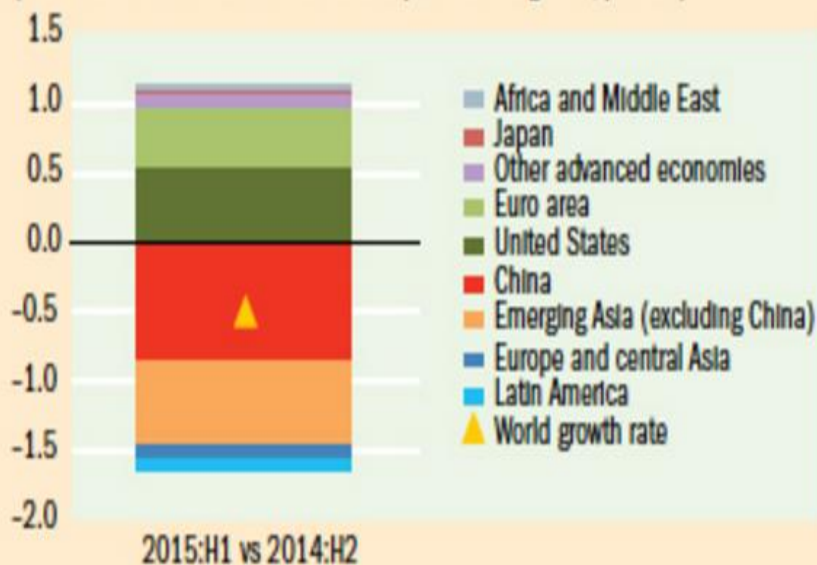
# China

Chart 2

## Chinese influence

China has had the most influence on changes in world merchandise imports.

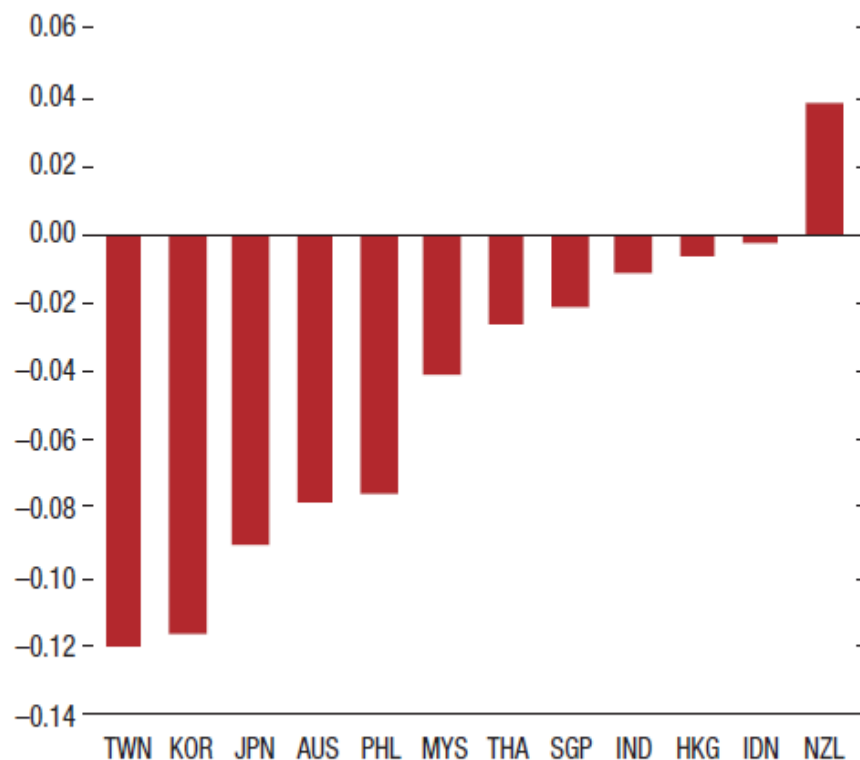
(contributions to world merchandise import volume growth, percent)



Sources: CPB Netherlands Bureau of Economic Policy Analysis; and World Bank Global Economic Monitor.

**Figure 2.6. Change in Value-Added Exports to China after China's Rebalancing**

(Impact in percentage points due to a 1 percentage point increase [decrease] in China's consumption [investment] growth)

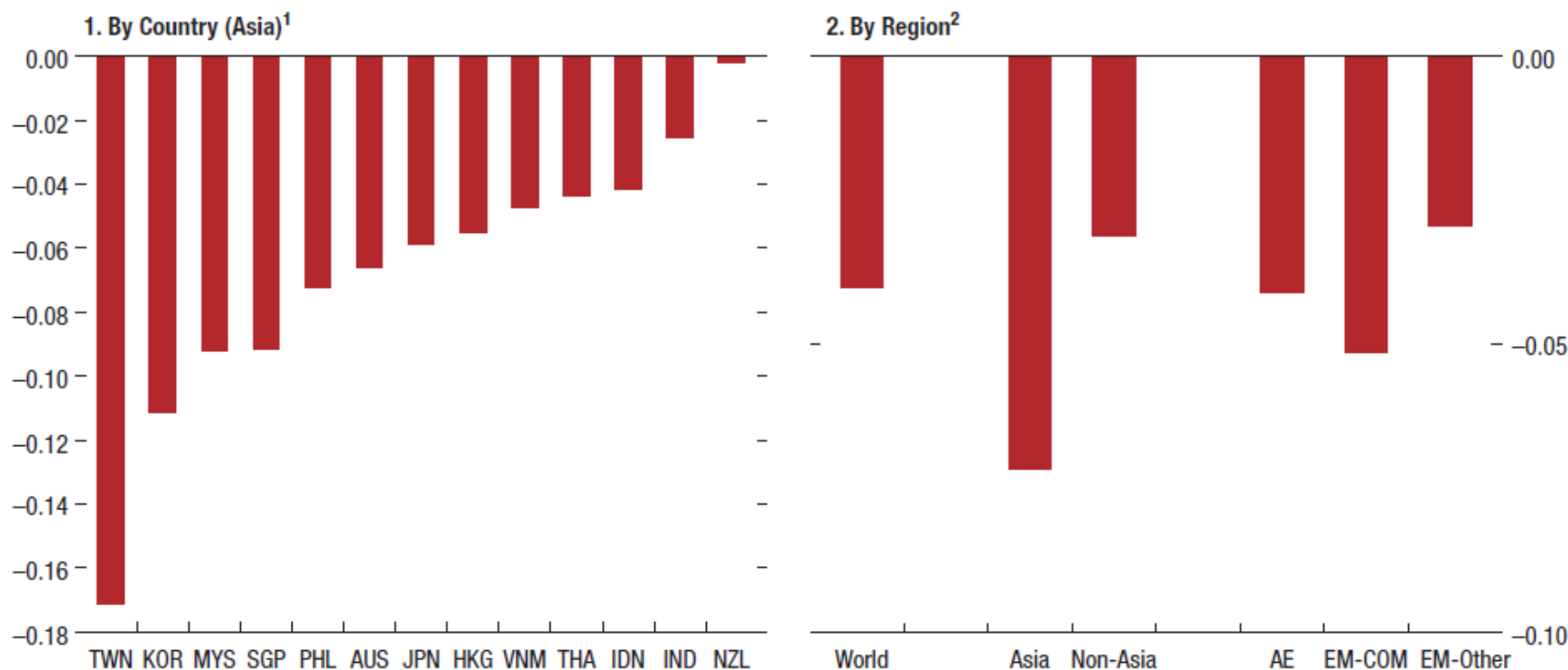


Source: IMF staff estimates.

Note: AUS = Australia; HKG = Hong Kong SAR; IND = India; IDN = Indonesia; KOR = Korea; MYS = Malaysia; NZL = New Zealand; PHL = the Philippine; SGP = Singapore; TWN = Taiwan Province of China; THA = Thailand.

# China – trade channel

**Figure 2.7. Estimated Impact of China Rebalancing on Partner-Country Growth Transmitted Through the Trade Channel**  
*(Impact in percentage points, due to a 1 percentage point increase [decrease] in China's consumption [investment] growth)*



Source: IMF staff estimates.

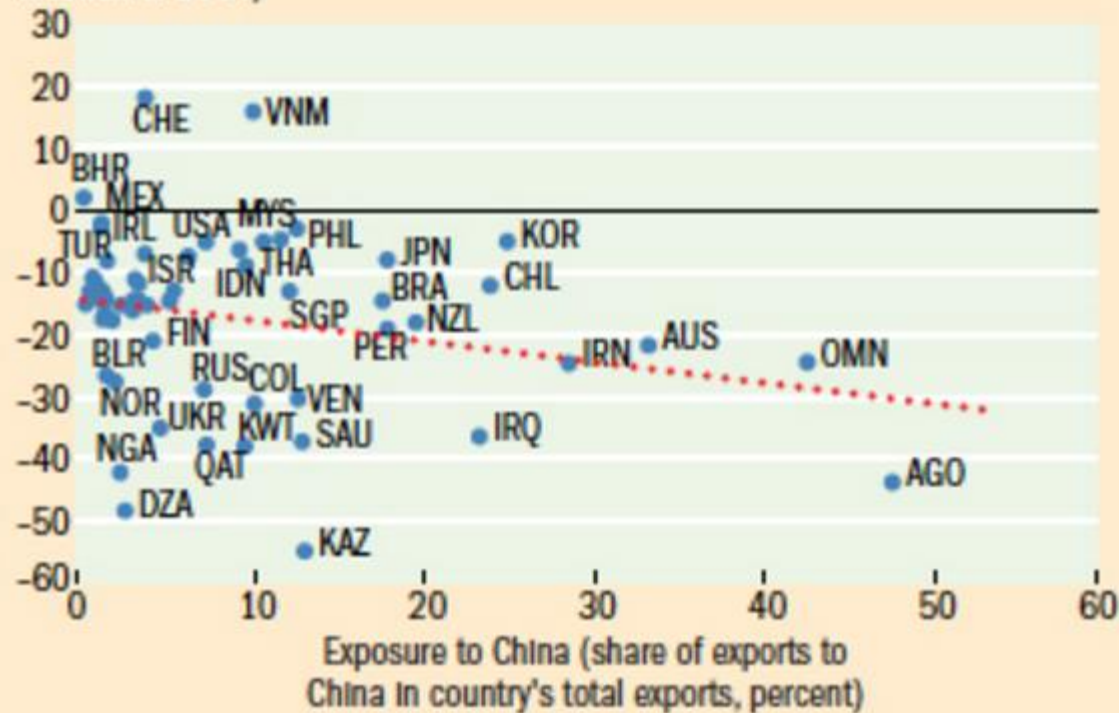
<sup>1</sup>AUS = Australia; HKG = Hong Kong SAR; IND = India; IDN = Indonesia; JPN = Japan; KOR = Korea; MYS = Malaysia; NZL = New Zealand; PHL = the Philippines; SGP = Singapore; THA = Thailand; TWN = Taiwan Province of China; VNM = Vietnam.

<sup>2</sup>AE = advanced economies; EM-COM = commodity-exporting emerging markets; EM-Other = other emerging markets.

## Contractions exposed

Countries more exposed to China saw a greater contraction in the value of their exports in the first half of 2015 versus the first half of 2014.

(growth in total merchandise export values, first half of 2015 relative to first half of 2014)



Source: IMF, *Direction of Trade Statistics*.

Note: Data labels in the chart use International Organization for Standardization (ISO) country codes.

A 1 percent higher exposure to China meant a 0.3 percent greater contraction in the growth of value of a country's exports.

# Selected references

Cristina Constantinescu, Aaditya Mattoo, and Michele Ruta (2015) “The Global Trade Slowdown: Cyclical or Structural?”, IMF Working Paper WP/15/6

ADB (2016) Asian Development Outlook 2016

IMF (2016) Regional Economic outlook: Asia and Pacific

ESCAP (2015) Asa-Pacific Trade and Investment Report

Otavio Canuto (2016) “What happened to world trade?”, OCP Policy Center, Policy brief, PB16/15, June

Emine Boz, Matthieu Bussière, Clément Marsilli (2014) “Recent slowdown in global trade: Cyclical or structural”, [vox.eu.org](http://vox.eu.org)





# Thank you

Q&A

Mia Mikic  
[mikic@un.org](mailto:mikic@un.org)