

Trade and Investment Coherence in the context of the AEC 2015

Dialogue on Trade and Investment Coherence:
Enabling Thai SMEs for AEC 2015

22 January 2013
Bangkok, Thailand

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“ ASEAN’s cooperation in political development aims to strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms, with due regard to the rights and responsibilities of the Member States of ASEAN. ”

ASEAN Political-Security Community Blueprint

“ The AEC Blueprint will transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. ”

ASEAN Economic Community Blueprint

“ ASEAN is committed to enhancing the well-being and the livelihood of the peoples of ASEAN through alleviating poverty, ensuring social welfare and protection, building a safe, secure and drug free environment, enhancing disaster resilience and addressing health development concerns. ”

ASEAN Socio-Cultural Community Blueprint

ASEAN: Population, Territory and Economy, 2010

Country	Total land area (sq km)	Total population (thousand)	Gross Domestic Product at current prices		Product per capita	
			(US\$ Mn)	(PPP\$ Mn) ^{2/}	(US\$)	(PPP\$)
Brunei Darussalam	5,765	415	12,402	19,406	29,915	46,811
Cambodia	181,035	15,269	11,168	28,985	731	1,898
Indonesia	1,860,360	234,181	708,032	1,030,998	3,023	4,403
Lao PDR	236,800	6,230	6,508	16,105	1,045	2,585
Malaysia	330,252	28,909	238,849	415,157	8,262	14,361
Myanmar ^{1/}	676,577	60,163	43,025	76,601	715	1,273
Philippines	300,000	94,013	189,326	351,686	2,014	3,741
Singapore	710	5,077	223,015	291,934	43,929	57,505
Thailand	513,120	67,312	318,709	585,698	4,735	8,701
Viet Nam	331,051	86,930	107,650	291,260	1,238	3,351
ASEAN	4,435,670	598,498	1,858,683	3,107,829	3,106	5,193
CLMV ^{3/}	1,425,463	168,592	168,351	412,951	999	2,449
ASEAN6 ^{4/}	3,010,207	429,907	1,690,332	2,694,878	3,932	6,269

Source: ASEAN Community in Figures 2011

Economic Divide

- The total GDP of ASEAN is about **US\$2 trillion** compared to the EU's **US\$16 trillion**
- The EU: the ratio between the highest GDP per capita (PPP), Luxembourg, and that of its lowest, Bulgaria, is approximately **7:1** in 2011
- ASEAN: the ratio between the highest GDP per capita, Singapore, and the lowest GDP per capita, Myanmar, is approximately **63:1**
- **Integrating the Markets will be very difficult.**

ASEAN: Total Trade and Share to the GDP for periods indicated

Country	1998	2000	2003	2008	2009	2010
(In US\$ million)	576,108	759,101	824,539	1,897,127	1,536,878	2,045,731
Brunei Darussalam	3,200	3,237	4,563	12,775	9,602	10,999
Cambodia	-	2,772	5,022	8,776	8,887	10,480
Indonesia	76,185	95,639	93,609	266,218	213,339	293,442
Lao PDR	-	-	482	2,631	2,962	4,509
Malaysia	138,075	177,802	188,502	338,795	280,221	363,534
Myanmar	-	3,413	6,307	10,415	10,191	11,798
Philippines	59,156	72,569	73,728	105,671	83,869	109,660
Singapore	211,299	273,033	296,116	657,956	515,617	699,273
Thailand	88,193	130,636	156,210	352,534	286,267	385,041
Viet Nam	-	-	-	141,357	125,922	156,993
(In percent share to GDP)	129.5	133.8	120.8	125.4	102.7	110.1

Source: ASEAN Community in Figures 2011

ASEAN & Trade

- In 2010, trade made up 110% ASEAN's GDP
- ASEAN economies are very trade dependent
- However, intra-ASEAN trade is only about 25% and is not growing significantly as compared to intra-EC trade which comprised nearly half of members' trading activity from 1958-1972
- AEC Blueprint: free movement of goods, services, **skilled** labour, and **freer** movement of capital
- However, intra ASEAN Market Integration is not a major driver of ASEAN Integration

ASEAN with Selected Trade Partners: Total Trade^{1/} (in percent share)
for periods indicated

Country	1998	2000	2003	2008	2009	2010
(In percent share to total)						
Intra-ASEAN	21.0	22.0	25.1	24.8	24.5	25.4
China	3.5	4.3	7.2	10.4	11.6	11.3
EU-27	14.5	13.5	12.3	11.0	11.2	10.2
Japan	14.1	15.3	13.8	11.3	10.5	10.1
USA	20.1	16.1	14.3	9.8	9.7	9.1
Republic of Korea	3.0	3.9	4.1	4.1	4.9	4.8
India	1.2	1.3	1.5	2.6	2.5	2.7
Australia	2.2	2.3	2.3	2.8	2.9	2.7
Canada	0.7	0.6	0.6	0.6	0.6	0.5
Russia	0.2	0.2	0.3	0.5	0.4	0.4
New Zealand	0.3	0.3	0.3	0.4	0.3	0.4
Pakistan	0.3	0.5	0.2	0.3	0.3	0.3
Rest of the World	18.9	19.8	18.0	21.5	20.6	22.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

What is Traded in ASEAN?

ASEAN: Top 20 Export Commodities^{1/}
2010

HS Codes	Commodities	Value (US\$Mn)	Share (%)
8542	Electronic integrated circuits and microassemblies	97,644	9.1
2710	Petroleum oils, not crude	61,945	5.8
8471	Automatic data processing machines; optical reader, etc	40,779	3.8
2711	Petroleum gases	34,107	3.2
2709	Crude petroleum oils	28,699	2.7
8473	Parts/acc. of computers & office machines	26,646	2.5
1511	Palm oil & its fraction	26,057	2.4
4001	Natural rubber, in primary form or plates	20,512	1.9
2701	Coal, briquettes, ovoids & similar solid fuels manufactured from coal	19,852	1.9
8541	Diodes/transistors & similar semiconductor devices, etc	17,109	1.6
8443	Printing machinery; machines used for ancillary to printing	12,926	1.2
7108	Gold, unwrought or in semi-manufactured forms	11,468	1.1
8708	Parts & access of motor vehicles	10,140	0.9
8517	Electric appliance for line telephony (incl. current line system)	9,854	0.9
8528	Television receivers (incl. video monitors & projectors)	8,613	0.8
8703	Motor cars & vehicles for transporting persons (except public transport motor vehicles)	8,606	0.8
2603	Copper ores and concentrates	7,658	0.7
1006	Rice	7,351	0.7
8523	Prepared, unrecorded media (no film) for sound etc.	6,679	0.6
8536	Electrical appliances for electrical connection (i.e. fuse, switch, etc), not exceeding 1000 volt	6,593	0.6
Top 20 export commodities		463,240	43.3
Others		607,701	56.7
Total		1,070,941	100.0

1/ Based on 4-digit Harmonised System codes.

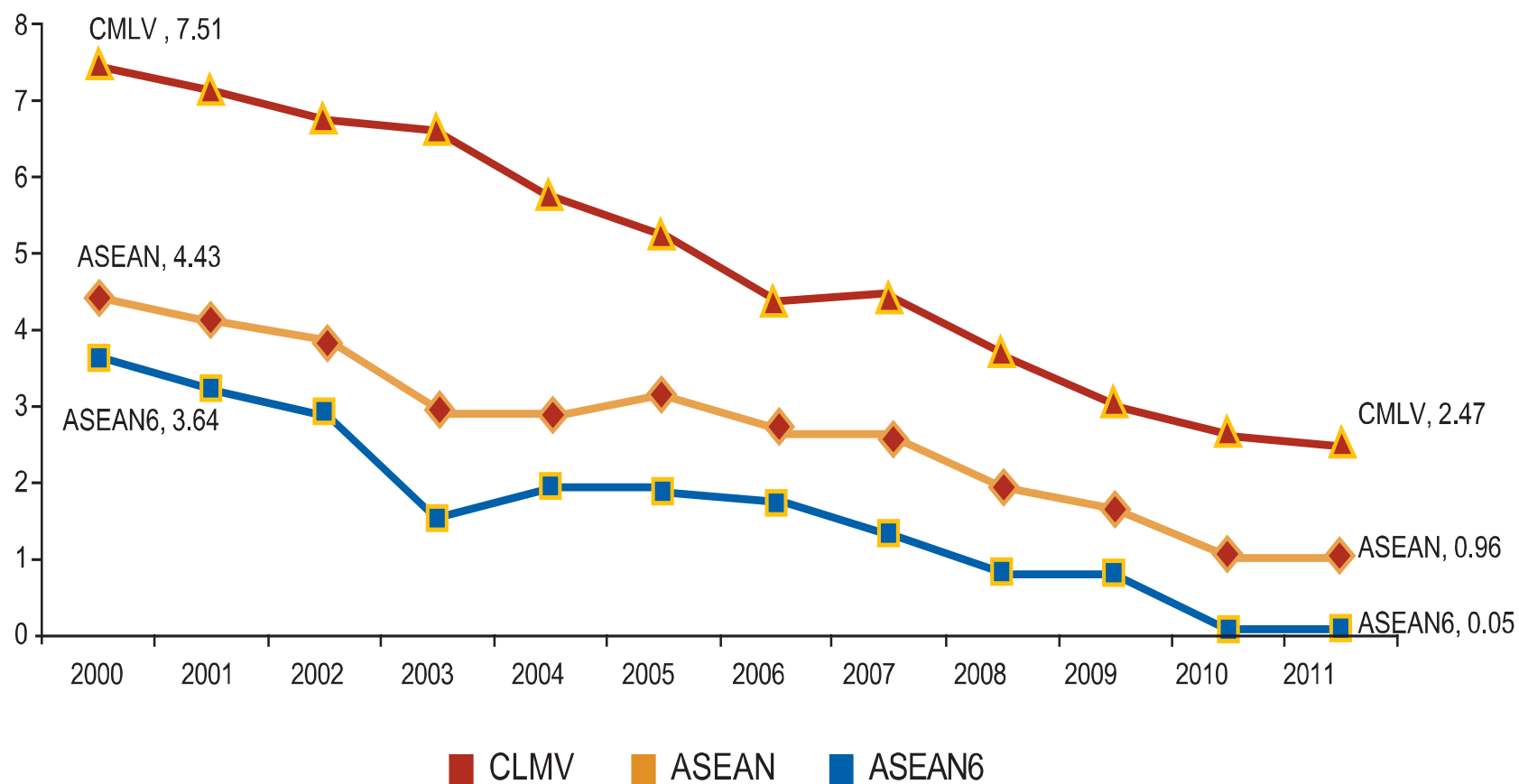
ASEAN: Top 20 Import Commodities^{1/}
2010

HS Codes	Commodities	Value (US\$Mn)	Share (%)
8542	Electronic integrated circuits and microassemblies	92,766	9.5
2710	Petroleum oils, not crude	82,656	8.5
2709	Crude petroleum oils	31,731	3.3
8471	Automatic data processing machines; optical reader, etc	20,605	2.1
8473	Parts & accessories of computers & office machines	20,548	2.1
8517	Electric appliance for line telephony (incl curr line system)	17,747	1.8
7108	Gold, unwrought or in semi-manufactured forms	12,694	1.3
8703	Motor cars & vehicles for transporting persons (except public transport motor vehicles)	12,202	1.3
8708	Parts & accessories of motor vehicles	11,058	1.1
8541	Diodes / transistors & semiconductor devices; etc	10,188	1.0
8443	Printing machinery; machines for uses ancillary to printing	8,043	0.8
8529	Part suitable for use solely/principally with televisions	7,664	0.8
8704	Motor vehicles for transport of goods	7,601	0.8
4001	Natural rubber in primary form or plates	7,403	0.8
8802	Aircraft, powered; spacecraft & launch vehicles helicopters, satellites	7,105	0.7
8431	Parts of machinery (for lifting, handling, loading, unloading, scraping, boring, extracting, leveling)	6,929	0.7
8536	Electrical appliance for electrical connection (i.e. fuse, switch, etc.), not exceeding 1000 volt	6,858	0.7
1006	Rice	6,344	0.7
8411	Turbo-jets, turbo-propellers and other gas turbines	6,198	0.6
8479	Machines and mechanical appliances having individual functions, not specified or included elsewhere	5,477	0.6
Top 20 import commodities		381,817	39.2
Others		592,973	60.8
Total		974,790	100.0

Source: ASEAN Community in Figures 2011

Average tariff rates on imports of ASEAN

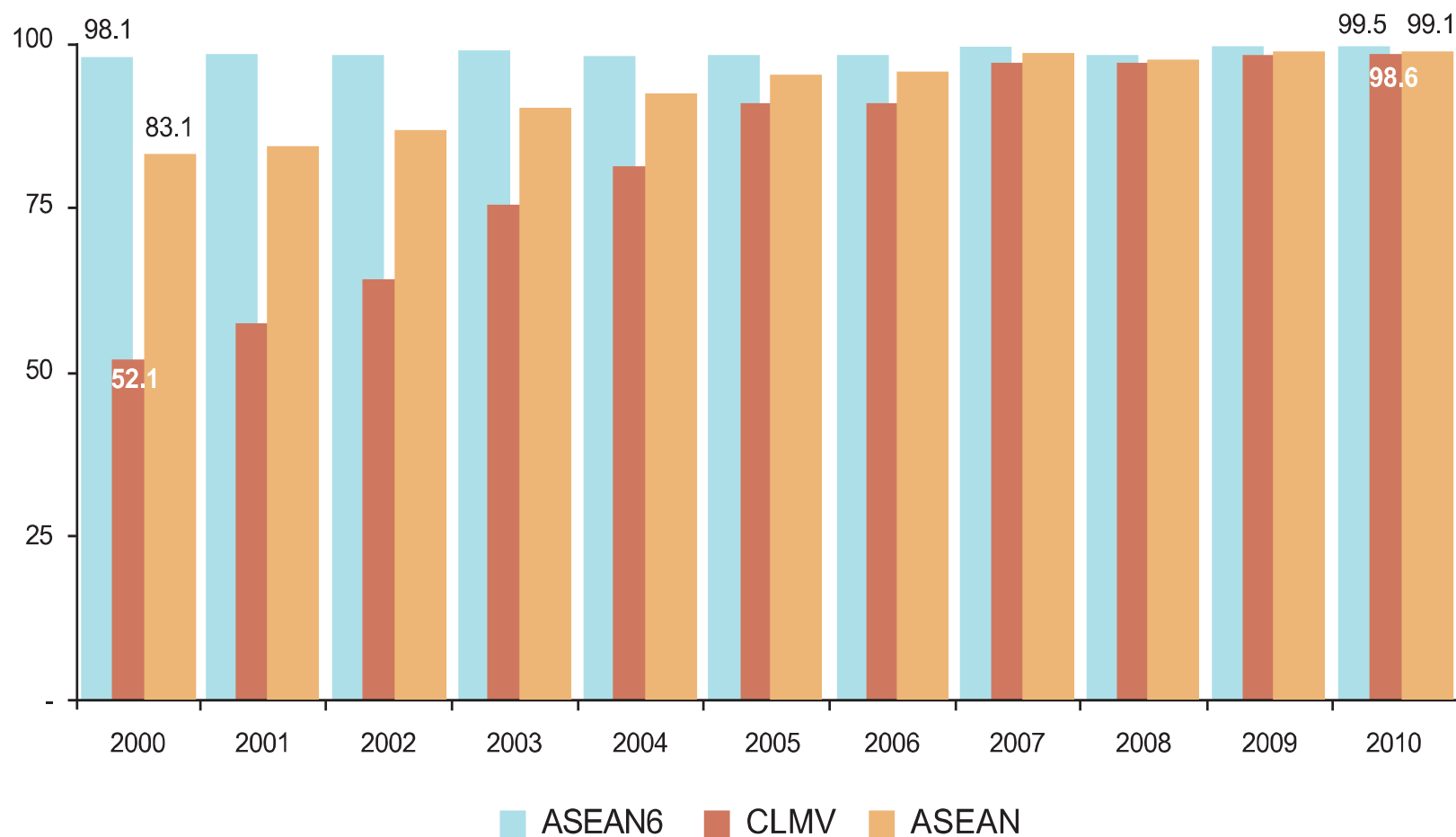
in Percent



Source: ASEAN Community in Figures 2011

Percent of tariff lines in the CEPT* Inclusion List (IL)

in Percent



Trade in Goods

- Mainly components and raw materials
- Electronics and auto parts
- Palm oil, petrol and rubber
- Tariffs are lowering for most items
- However, agricultural products tend to be still on the Sensitive Lists

ASEAN: Foreign Direct Investment (FDI) inflows for periods indicated

Categories	2003	2006	2007	2008	2009	2010 ^{p/}
In US\$ million						
Total	24,511.8	56,647.6	75,650.3	47,075.6	38,266.0	76,207.9
Intra-ASEAN	2,711.6	7,875.8	9,625.5	9,449.3	5,270.7	12,279.2
Rest of the World	21,632.2	47,174.8	65,057.8	37,317.3	32,995.3	63,928.7
Unspecified	168.0	1,597.0	967.0	309.0	0.0	0.0
In percent share to total						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Intra-ASEAN	11.1	13.9	12.7	20.1	13.8	16.1
Rest of the World	88.3	83.3	86.0	79.3	86.2	83.9
Unspecified	0.7	2.8	1.3	0.7	0.0	0.0

ASEAN: FDI inflow, by host country (in US\$ million)
for periods indicated

Host Country	2003	2006	2007	2008	2009	2010 ^{p/}	%Share 2010 ^{p/}
Brunei Darussalam	3,123	434	260	239	370	629	0.8
Cambodia	84	483	867	815	539	783	1.0
Indonesia	-596	4,914	6,928	9,318	4,877	13,304	17.5
Lao PDR	20	187	324	228	319	333	0.4
Malaysia	2,473	6,072	8,538	7,248	1,381	9,156	12.0
Myanmar	291	428	715	976	963	450	0.6
Philippines	491	2,921	2,916	1,544	1,963	1,713	2.2
Singapore	11,941	29,349	37,033	8,589	15,279	35,520	46.6
Thailand	5,235	9,460	11,330	8,539	4,976	6,320	8.3
Viet Nam	1,450	2,400	6,739	9,579	7,600	8,000	10.5
Total ASEAN	24,512	56,648	75,650	47,076	38,266	76,208	100.0
CLMV	1,845	3,498	8,645	11,597	9,421	9,565	12.6
ASEAN6	22,667	53,149	67,006	35,478	28,845	66,643	87.4

ASEAN FDI & Growth

- Low Capital Endowments
- Significant Poverty Rates
- FDI needed for growth and political stability
- Singapore receives about 46% of the FDI
(partially can be explained as a hub economy)
- Intra-ASEAN FDI accounts for only about 16%
- Challenge from China (and to a lesser extent, India) for extra-ASEAN FDI

ASEAN: FDI inflow, by source country (in US\$ million)
for periods indicated

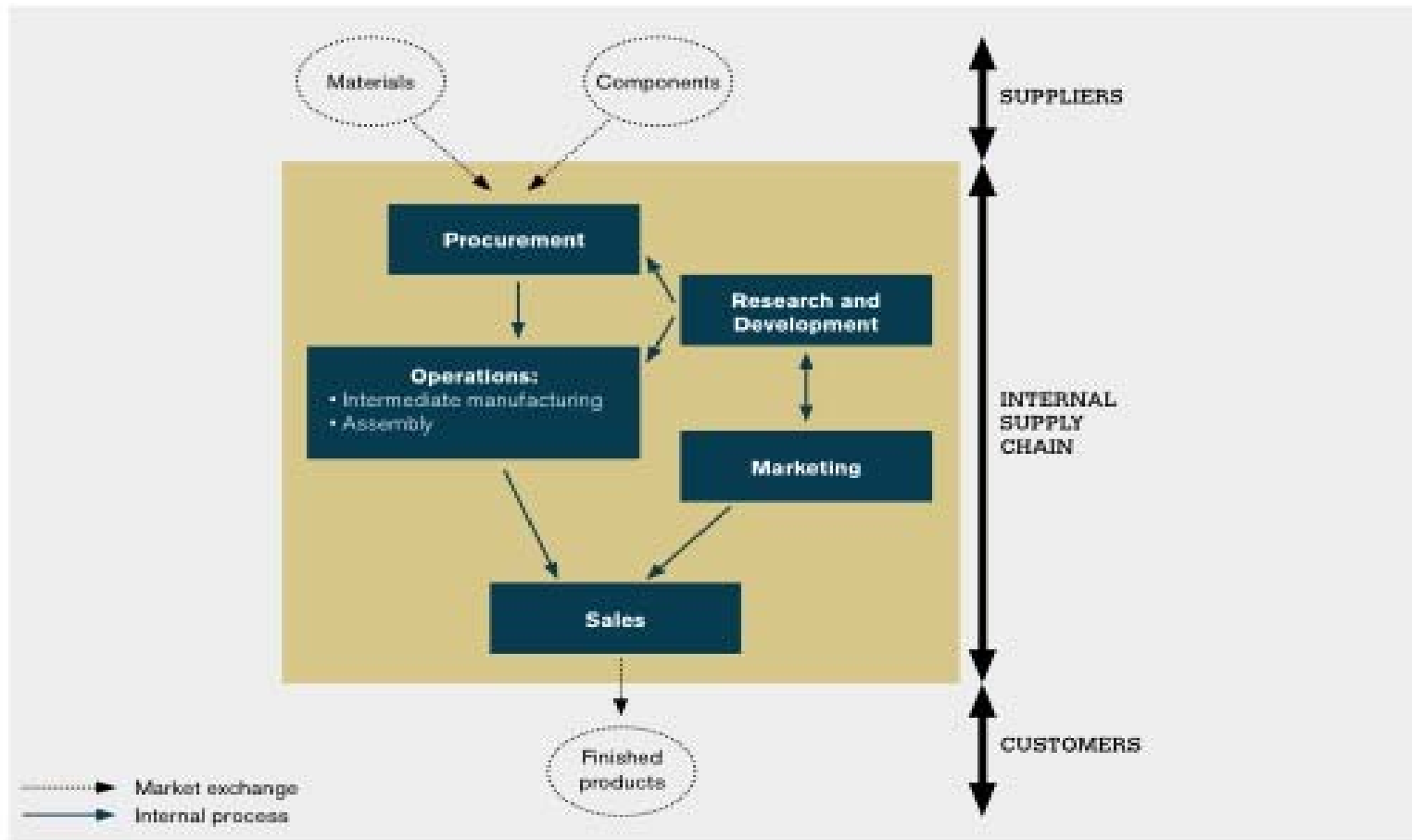
Source Country	2003	2006	2007	2008	2009	2010 ^{p/}	%Share 2010 ^{p/}
Intra-ASEAN	2,712	7,876	9,626	9,449	5,271	12,279	16.1
Australia	155	467	1,491	787	776	1,765	2.3
Canada	82	252	391	661	504	1,641	2.2
China	201	1,035	1,741	1,874	4,158	2,861	3.8
EU-27	6,866	13,387	18,611	7,010	9,132	17,066	22.4
India	104	-282	1,453	547	811	2,584	3.4
Japan	3,903	10,413	8,844	4,129	3,763	8,386	11.0
New Zealand	83	-209	99	-82	263	93	0.1
Pakistan	2	10	21	6	9	31	0.0
Republic of Korea	552	1,256	2,714	1,596	1,347	3,770	4.9
Russia	n.a	1	31	81	157	61	0.1
USA	1,363	3,041	8,340	3,518	4,087	8,578	11.3
Rest of the World	8,489	19,401	22,288	17,499	7,989	17,093	22.4
Unspecified	168	1,597	967	309	-	-	0.0
Total	24,512	56,648	75,650	47,076	38,266	76,208	100.0

Source: ASEAN Community in Figures 2011

Trade and Investment Coherence

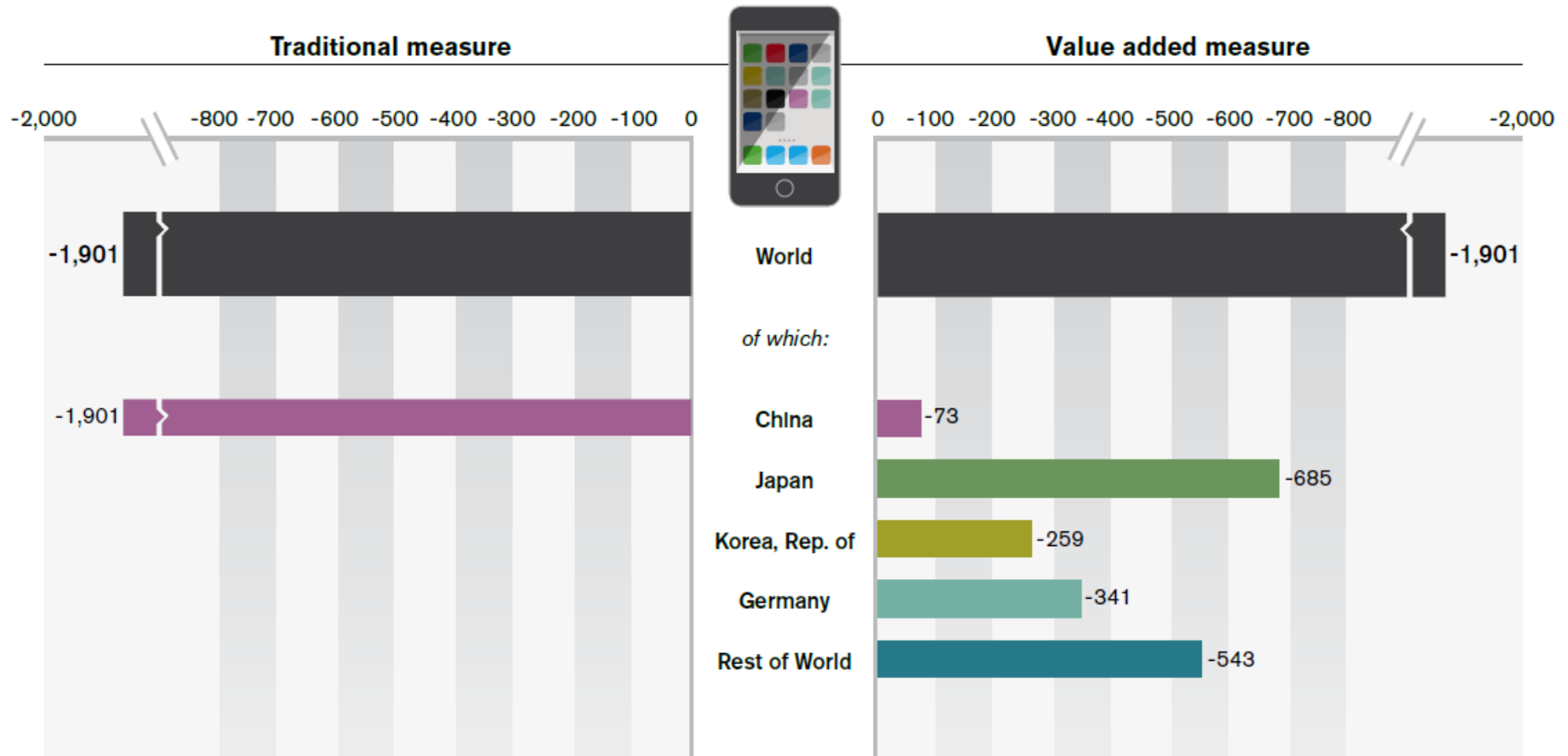
- With the Slowdown of the Western economies, we are already experiencing a slowdown of trade and investments from the West.
- China is also slowing down.
- So what is the gain for AEC 2015?
 1. Limited intra-ASEAN trade gains.
 2. Limited intra-ASEAN investment gains
 3. Productivity gains through production integration.

Production Integration not Market Integration



Source: WTO Secretariat.

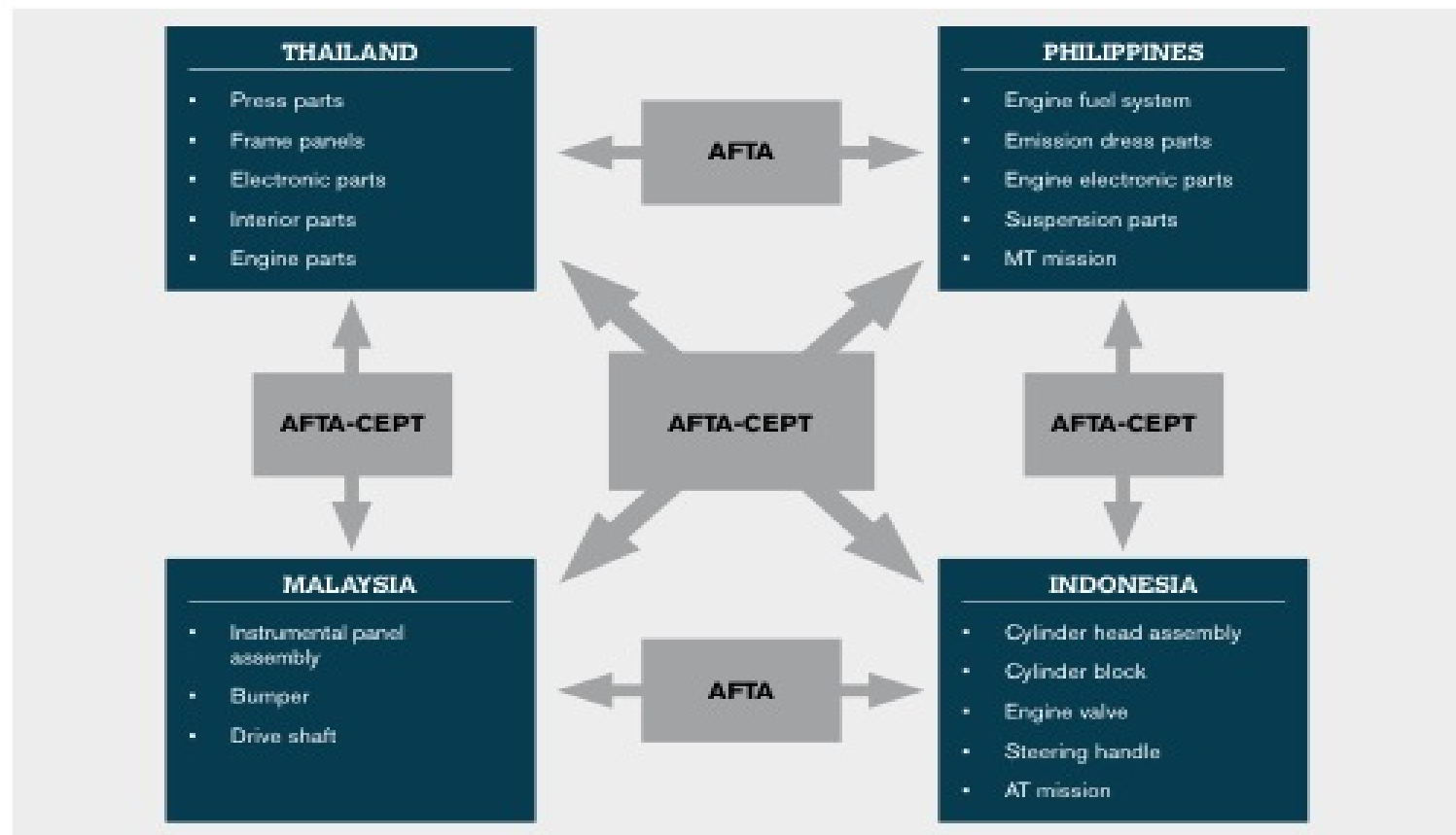
Made in the World



Source: Meng and Miroudot, based on Xing and Detert (2010)

ASEAN IPN for Automobiles

Complementary parts supply system of an automobile assembler in ASEAN



Note: the ASEAN Free Trade Area - Common Effective Preferential Tariff (AFTA-CEPT) is a cooperative arrangement among ASEAN member states to reduce intra-regional tariffs and remove non-tariff barriers.

Source: Hiratsuka (2010).

Conclusion

- Laws and regulations have to be enacted with a focus on promoting this production integration.
- There should be coherence between industrial policies and trade and investment policy.
- This coherence can come about by calibration by the government as well as creating a regime that allows for private enterprise to enforce its rights.