



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

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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

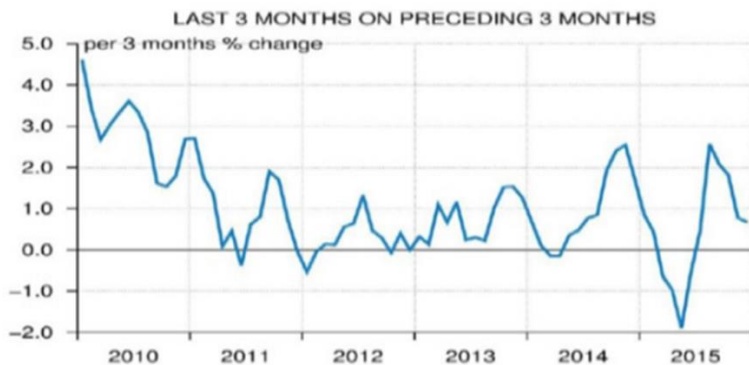
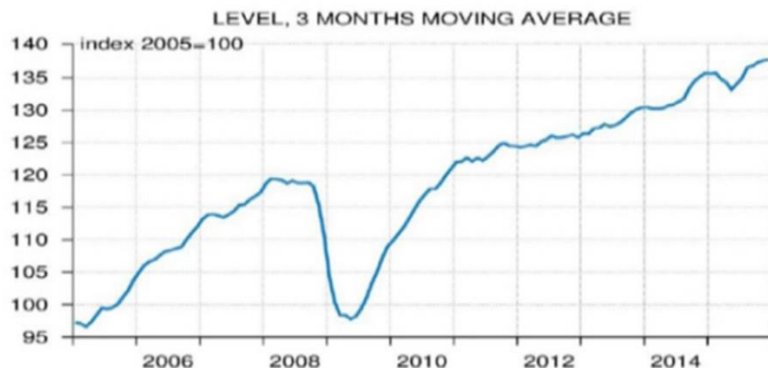


Figure 1: World Merchandise Trade Volume

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

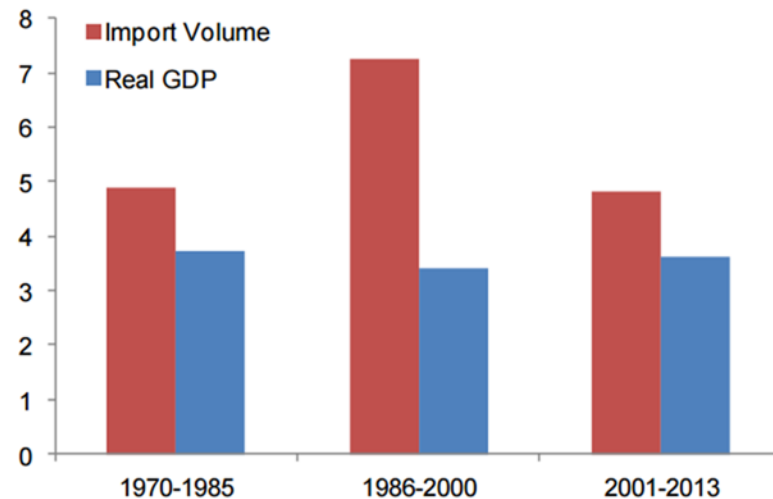
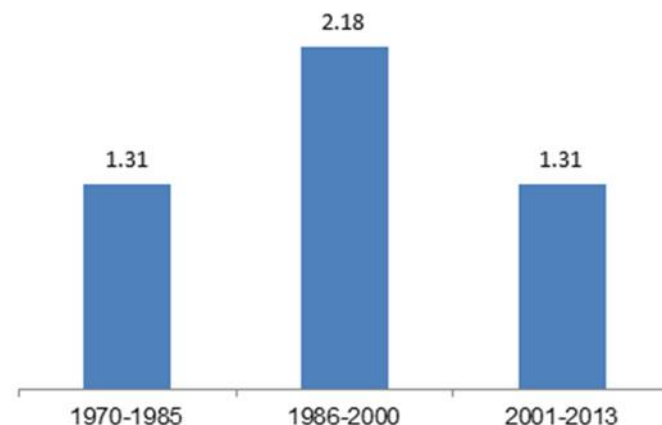


Figure 2. Long-term trade elasticity with respect to GDP



Source: IMF WEO and authors' calculations.

Selected trends and stylized facts (2)

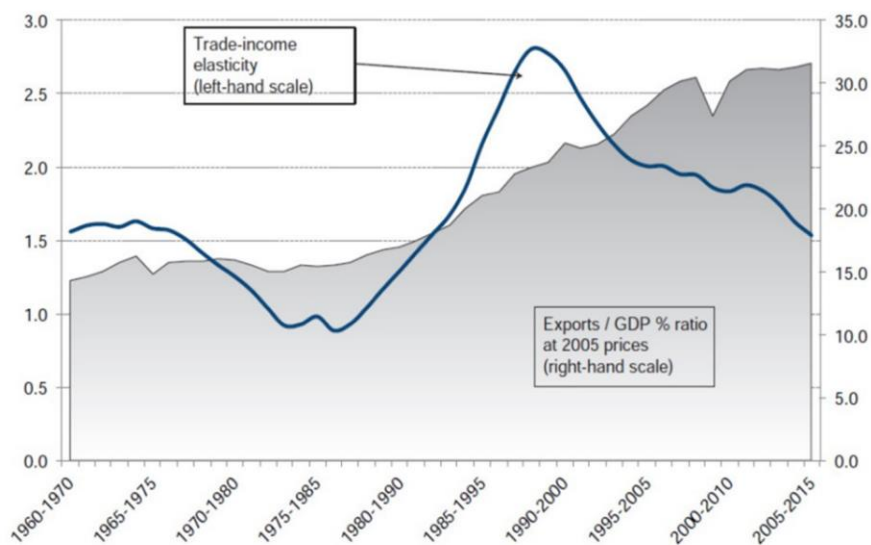
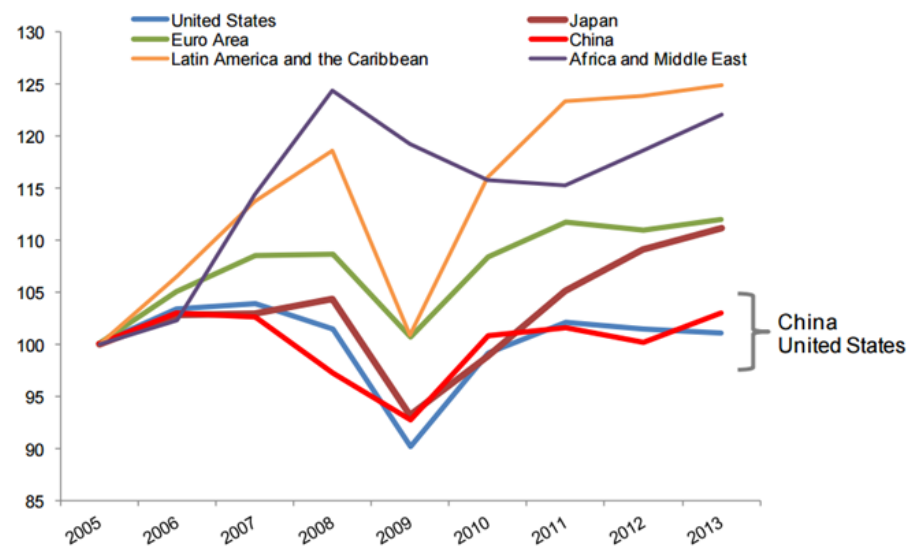


Figure 2: Trade-income elasticity and Exports-GDP ratio - global economy
Source: Escaith and Miroudot, ch. 7 in Hoekman (2015).

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



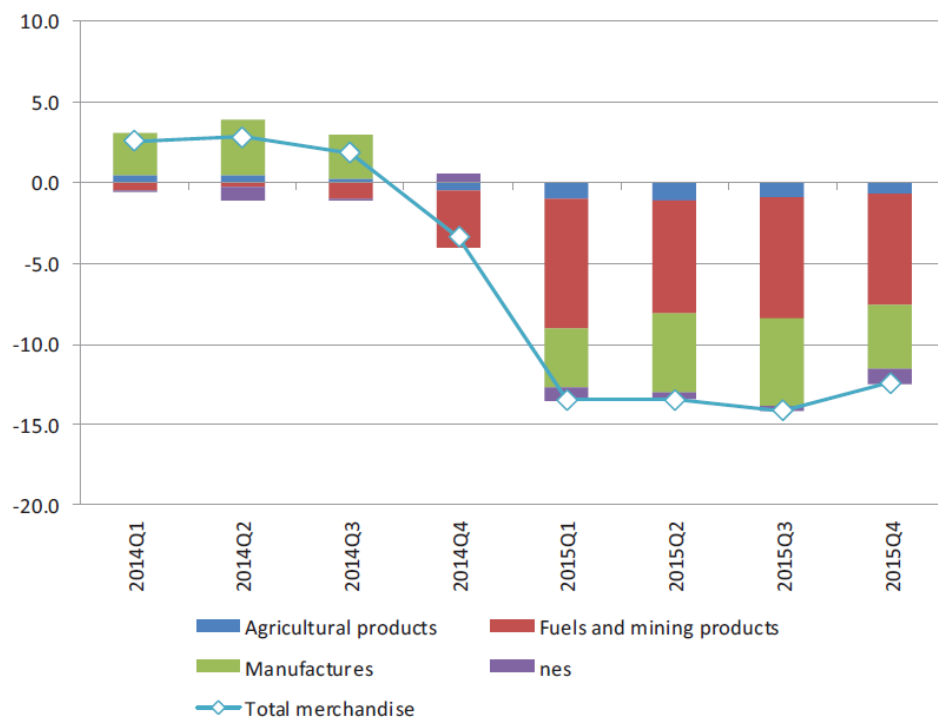
Source: IMF World Economic Outlook

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.

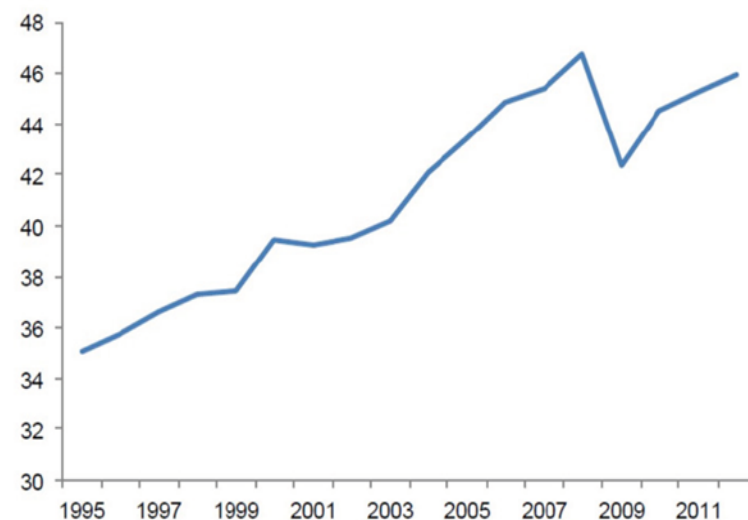


Figure 3: Ratio of Foreign Value Added to Domestic Value Added in World Gross Exports (%)

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.

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