

Global Economic Crisis and Aid for Trade

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ADB

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ADB and Aid for Trade

Messages

- Plummeting exports to drive ASEAN growth below 1% this year; but outlook bright if action swift
- Crisis an opportunity for dramatic trade and industrial restructuring
- Rebalancing sources of growth toward domestic demand will supplement export-led model
- Aid for Trade part and parcel to ADB's crisis response
- Greater resources and *Strategy2020* strengthens ADB's hand for AfT

I. What is Happening: A Look at ASEAN's Trade Landscape

ASEAN: Heart of “Factory Asia”

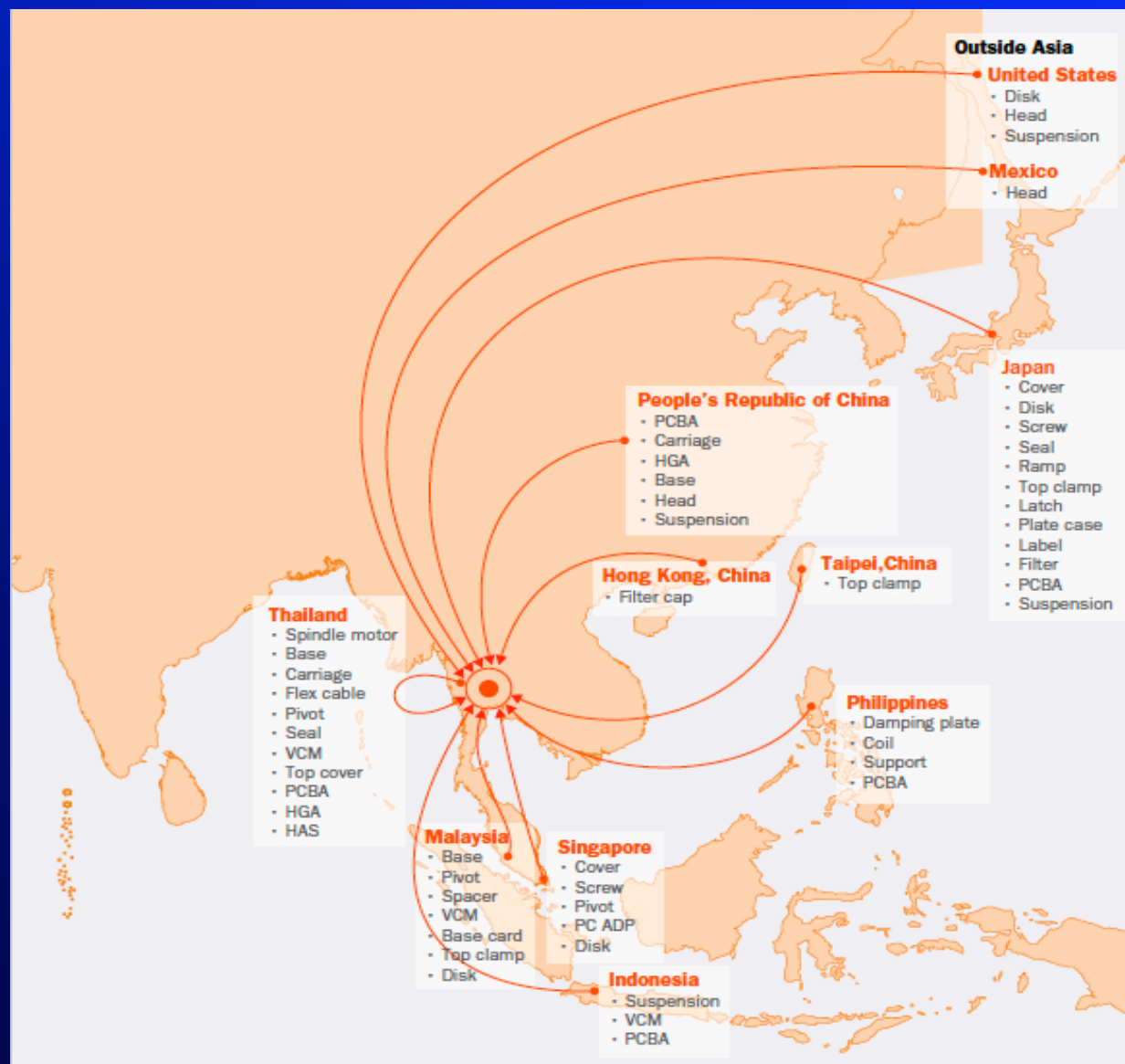
- Economic integration—ASEAN's comparative advantage
- Openness and export-led model created supply chains—forming a regional hub of global production networks.
- These boosted productivity and cut costs; enticing investment and technology transfer.



Note: Intraregional trade share is the percentage of intraregional trade to total trade of the region, calculated using export data. East Asia refers to ASEAN countries, PRC, Japan, Republic of Korea, Hong Kong, China, Taipei, China.

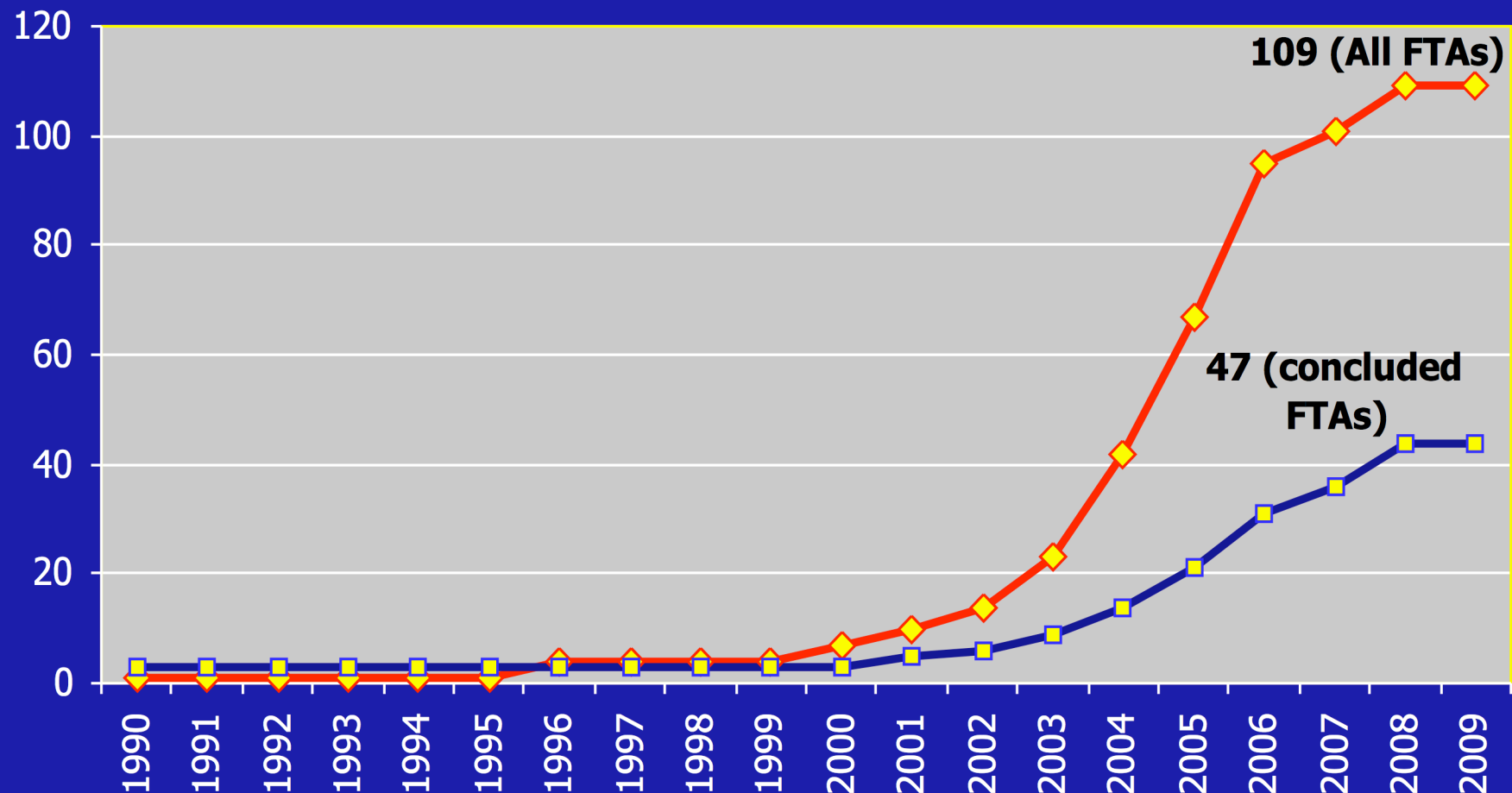
Sources: *Direction of Trade Statistics CD-ROM* (International Monetary Fund, data as of December 2008)

ASEAN — Asia's Production Hub



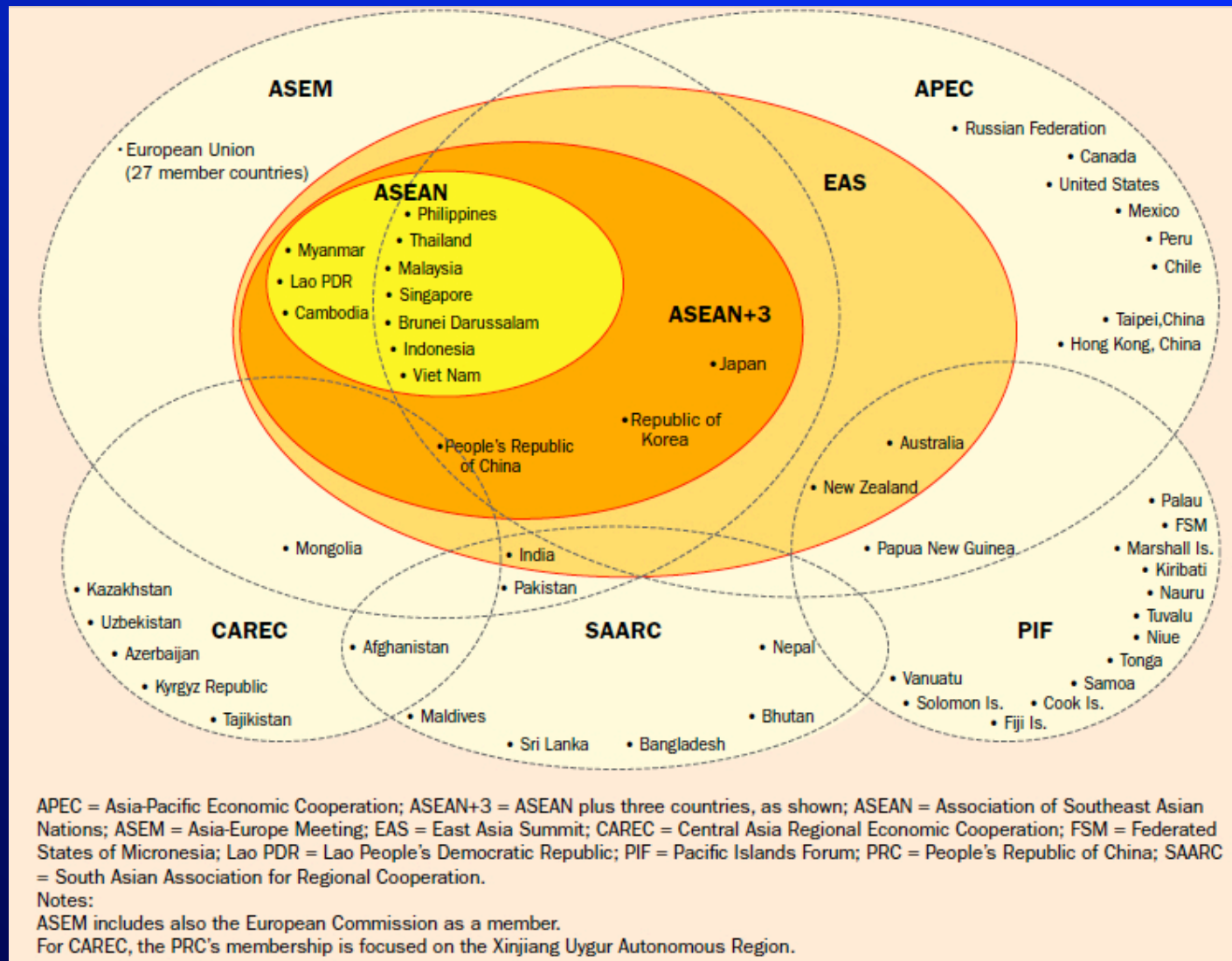
- Manufacturing disk drives in Thailand spans 9 Asian countries, mostly ASEAN.
- ASEAN Industrial Cooperation Scheme has approved 150+ regional supply chain projects.

Growing Number of FTAs in East Asia



All FTAs includes concluded FTAs, FTAs under official negotiation, and proposed FTAs in East Asia. East Asia covers the 10 ASEAN members; Japan; Korea, PRC; Hong Kong, China; and Taipei, China. Source: ADB FTA Database www.aric.adb.org (data as of April 2009)

ASEAN the Hub for Regional Trade Agreements



Source: *Emerging Asian Regionalism* (ADB 2008)

Recession Pummels Trade

Trade in goods and services, % change in volume

Trade Volume (% Change)	2000-2006 /a *	2007 **	2008 **	2009 /b **	2010 /b **
Total Trade — World	7.0	7.2	3.3	-11.0	0.6
Imports —Advanced Economies	5.7	4.7	0.4	-12.1	0.4
Exports — Developing & Emerging Economies	10.2	9.5	6.0	-6.4	1.2

Notes: /a indicates simple average of annual changes for that period. /b indicates projections for that year.

Sources: * World Economic Outlook (IMF WEO Database, October 2008;

** World Economic Outlook Update (IMF April 2009)

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ASEAN Exports Collapse

% change in value, year-on-year

Exports (Value, % Change)	2007	2008				2009 _{/a}
		Q1	Q2	Q3	Q4	Q1
World	15.1	22.1	25.2	21.0	-9.5	-29.1
People's Rep. of China	25.7	21.4	22.4	23.0	4.3	-19.7
ASEAN	11.2	17.0	18.8	18.9	-10.8	-24.5
Brunei Darussalam	0.5	50.5	29.1	33.8	30.9	-
Cambodia	14.1	97.2	45.8	5.3	-3.3	-
Lao PDR	12.1	36.2	15.7	42.7	4.9	-
Viet Nam	23.8	28.7	31.8	37.6	5.7	3.4
Malaysia	2.7	9.9	20.8	16.8	-7.5	-22.2
Philippines	6.4	2.8	5.5	4.1	-22.3	-39.9
Thailand	7.4	13.5	16.5	23.7	-9.7	-16.2

Note: a/ First quarter figures are estimates using latest available data. Data for PRC are actual values. - indicates data not available. Sources: ADB staff estimates based on national sources (CEIC database accessed March 2009) and Direction of Trade Statistics (IMF January 2009).

GDP Growth Plunges

% change, year-on-year

GDP Growth, %	2006	2007	2008	2009 _{/a}	2010 _{/a}
Asia and the Pacific	8.9	9.5	6.3	3.4	6.0
ASEAN	6.0	6.4	4.3	0.7	4.2
Brunei Darussalam	4.4	0.6	-2.7	-0.4	2.3
Cambodia	10.8	10.2	6.5	2.5	4.0
Indonesia	5.5	6.3	6.1	3.6	5.0
Lao PDR	8.3	7.8	7.2	5.5	5.7
Malaysia	5.8	6.3	4.6	-0.2	4.4
Myanmar	13.1	11.9	-	-	-
Philippines	5.4	7.2	4.6	2.5	3.5
Singapore	8.4	7.8	1.1	-5.0	3.5
Thailand	5.2	4.9	2.6	-2.0	3.0
Viet Nam	8.2	8.5	6.2	4.5	6.5

Note: a/ ADB forecasts. - indicates data not available.

Source: *Asian Development Outlook* (ADB 2009)

Small Low Income Economies Most at Risk

- High trade/GDP ratio
- Narrow export base; dependence on 1-2 commodities and G3 markets
- Emerging impacts:
 - Switching to low end within manufacturing
 - Consolidation to large firms as SMEs shutdown and FDI exits
 - Moves to agriculture, commodities, public sector

II. Trade Prospects: Policy Options for ASEAN

Current Challenges

Trade Finance drying up:

- Global trade finance shrunk 40% in last quarter of 2008 compared with 2007
- Trade credit shortfall \$25 billion with fewer suppliers
- SMEs being crowded out by large firms

Falling FDI flows with tighter credit, lower corporate profits and increased risk averseness.

Rising Protectionism:

- Some countries have raised tariffs, used NTMs, anti-dumping measures, and tightened standards
- Rising trade barriers merely compounds downturn and risks deeper and longer recession

Strategic Directions for ASEAN

- Rebalance growth — supplement export-led model by invigorating regional and domestic demand
- Build resilience for the future
 - ✓ Improve agriculture productivity and quality
 - ✓ Upgrade technological capabilities in manufacturing
 - ✓ Improve cross-border connectivity
- Avoid protectionism and improve trade surveillance of NTMs (e.g. MTSQ and SPS)
- Support Doha
- Consolidate free trade agreements for bigger gains

FTA Consolidation Brings Gains to East Asia Compared to Bilaterals

% change compared with 2017 baseline

FTA Scenarios	ASEAN + PRC FTA	ASEAN+3 FTA (EAFTA)	ASEAN+6 FTA (CEPEA)
World	0.17	0.45	0.54
Northeast Asia	0.11	1.85	1.93
ASEAN	3.72	5.23	5.66

Notes: ASEAN includes Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. ASEAN+3 includes the 10 ASEAN members plus People's Republic of China, Japan, and Republic of Korea. ASEAN+6 includes ASEAN+3, Australia, India and New Zealand. Northeast Asia includes Japan, Republic of Korea and People's Republic of China.

Source: CGE simulations in Francois and Wignaraja (2009)

III. Responding to the Global Crisis: ADB and Aid for Trade

Strategy2020: ADB's Long Term Strategic Framework

- Three Strategic Agendas (including RCI)
- Five Core Operational Areas (including RCI)
- Corporate Results Framework (includes targets on RCI)

See <http://www.adb.org/Strategy2020/>

ADB Lending, Grants & TAs*

(2004–2008, \$ billions)



Notes: * Based on approved loans, TAs, and grants. 2008 are estimates. Lending includes ADF+OCR; TA includes TASF+JSF.

Source: ADB

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GMS Results

As of end of 2008...

41 investment projects
(\$3.8 b total ADB lending of which \$3.3 in transport sector)

179 technical assistance projects (\$208 m)

- GMS: Kunming-hai Phong Transport Corridor (\$896 m)
- GMS: Phnom Penh-Ho Chi Minh City Highway (\$140 m)
- GMS: Southern Coastal Corridor (\$75 m)
- Enhancing Transport & Trade Facilitation in the GMS (\$1.75 m)

2008



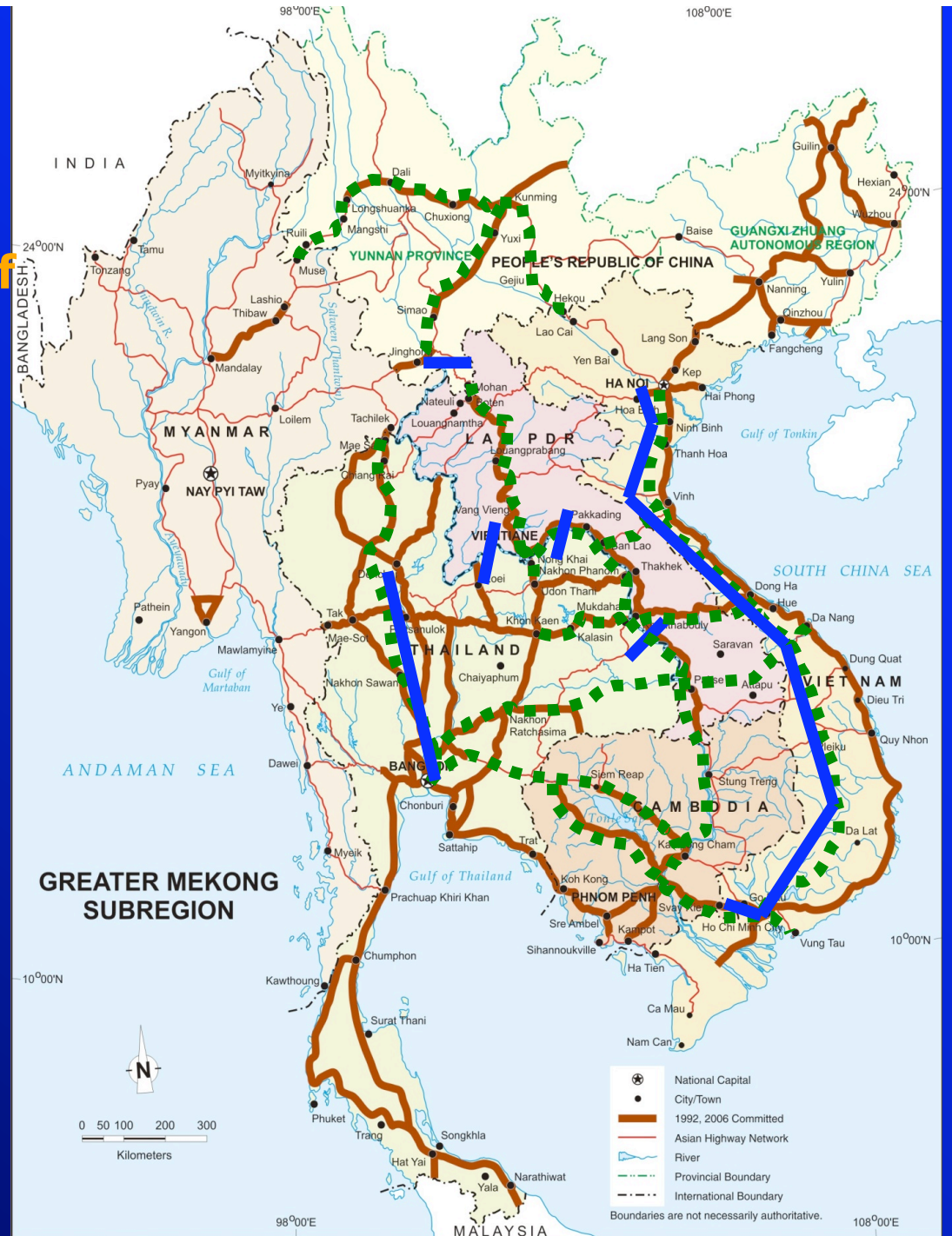
Roads



Telecommunications



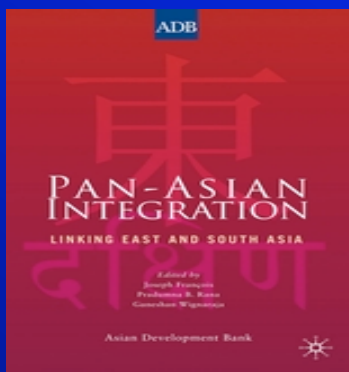
Power Transmission Line



Aid for Trade Coordination via Regional Technical Group

- From First Global Review Meeting & part of 2009 Aid for Trade Roadmap
- RTG Key Tasks:
 - Regional forum for discussing WTO Aid for Trade
 - Sharing good practices, future Aid for Trade programs and build partnerships
 - Formulate integrated approach to operationalize Aid for Trade for the medium term
- ADB President reports to Second Global Review Meeting (6–7 July 2009, Geneva) and regional forums

ADB's Knowledge Products



Pan Asian Integration: Linking East and South Asia (March 2009)

- Recommends more investment in trade-related infrastructure; FTA consolidation
- An FTA for East and South Asia could generate some \$260 billion
- Stronger economic ties and open trade regimes would cushion future shocks by boosting trade, investment, and interregional collaboration.



Infrastructure for a Seamless Asia

- Flagship study by ADB Institute and ADB
- Examines key issues facing infrastructure development in Asia, particularly regional or cross-border infrastructure
- Examples of best practices: roads, railways, airways (transport), and electricity and gas (energy)
- May interest other developing regions

Web Portal and Resources



ADB's Aid for Trade Web Portal:

<http://www.aric.adb.org/aid-for-trade-asia/>