

Regional Economic Integration and Inclusive Growth

The Story Line

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Outline

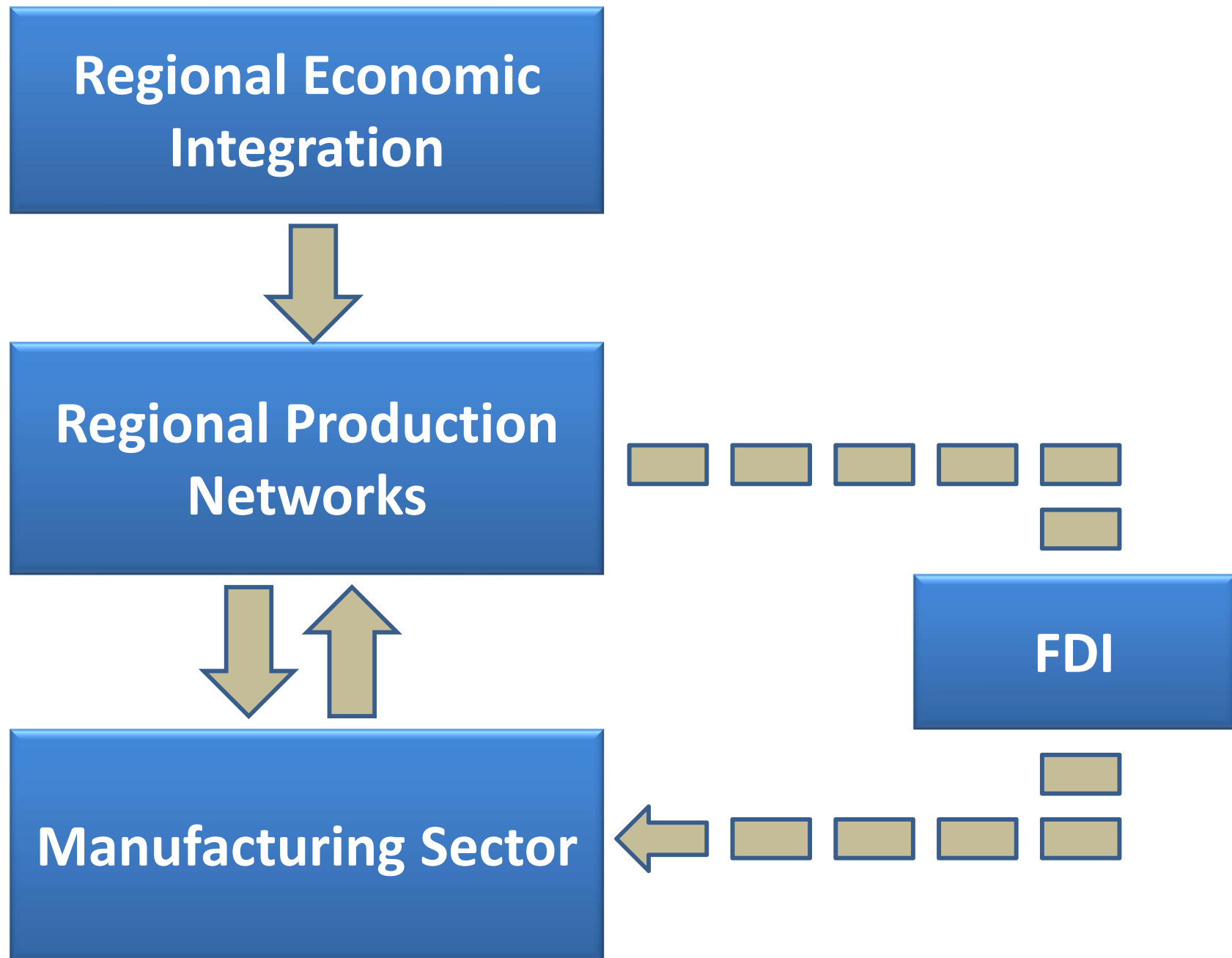
- **Trends in Regional Economic Integration**
- **Role of Regional Production Networks**
- **Impact on the Manufacturing Sector**
- **Poverty trends in the Philippines and East Asia**
- **Why has not economic growth been inclusive? A view based on the employment structure of the manufacturing sector**

Economic Integration in East Asia has been deepening

Intra-Regional Trade in East Asia (as a percentage of total trade based on exports)					
	1980	1990	2000	2005	2010
ASEAN (X)	17.4	18.8	24.7	27.2	26.4
ASEAN+3 (X)	29.0	29.4	37.3	38.8	39.5
ASEAN+5 (X)	NA	43.1	52.2	55.3	54.7

Source: IMF Direction of Trade Statistics (DOTS) and ARIC Website

Regional Integration Anchored on Regional Production Networks



Role of Regional Production Networks Has Been Increasing and Expanding

Percentage Share of Parts and Components in Total Manufacturing Trade, 1992-2009

	Export (%)			
	1992/93	2000/01	2005/06	2008/09
ASEAN 6	27.4	38.6	40.2	18.1
Philippines	34.4	58.2	66.6	21.6
China	5.2	14.2	20.2	15.5
Hong Kong (China)	18.8	27.5	26.5	14.9
Japan	26.9	34.1	32.4	24.4
Rep. of Korea	19.1	27.4	33.1	18.5
Taiwan	21.1	36.9	45.9	19.2

Source: Yamashita and Kohpaiboon (2011)

Role of Regional Production Networks Has Been Increasing and Expanding

Percentage Share of Parts and Components in Total Manufacturing Trade, 1992-2009

	Import (%)			
	1992/93	2000/01	2005/06	2008/09
ASEAN 6	34.6	48.8	43.4	24.9
Philippines	33.9	55.1	51.1	23.8
China	19.3	34.5	43.8	24.1
Hong Kong (China)	16.8	30.0	36.0	21.0
Japan	18.5	26.7	25.2	19.2
Rep. of Korea	29.2	36.7	31.9	19.4
Taiwan	30.5	39.1	37.7	17.6

Source: Yamashita and Kohpaiboon (2011)

...Largely through FDI

	FDI inward stock (million US\$)		
	1990	2000	2009
Indonesia	8,732	25,060	72,841
Malaysia	10,318	52,747	74,643
Philippines	4,528	18,156	23,559
Singapore	30,468	110,570	343,599
Thailand	8,242	29,915	99,000
Viet Nam	1,650	20,596	52,825

Source: UNCTAD, World Investment Report 2010

Main Beneficiary was Manufacturing Sector

Share of Manufacturing in GDP (%)

	1980	1985	1990	1995	2000	2006	2010
China	43.9	38.0	36.5	41.2	40.4	32.9	32.4
Indonesia	13.5	18.1	23.0	26.6	27.7	27.5	24.8
Malaysia	21.6	19.3	22.7	24.7	29.9	28.8	25.6
Philippines	27.7	27.0	26.8	24.7	24.5	23.6	21.4
Thailand	21.5	21.9	24.9	28.6	33.6	35.0	35.6
Viet Nam	16.1	16.4	12.3	15.0	18.6	21.2	19.7

Source: UN Statistics Division. [<http://unstats.un.org/unsd/snaama/dnlList.asp> ; accessed, 28 August 2012]

Economic development in the Philippines has not been as inclusive

Poverty and Inequality in East Asia

	Population in Poverty (in percent) ^{1/}	Proportion of Population Below \$1.25 (PPP) a Day (%)	Gini Coefficient ^{2/}
PRC	4.2 (2008)	15.9 (2005)	0.415(2005)
Indonesia	14.2 (2009)	18.7(2009)	0.368(2009)
Malaysia	3.6 (2007)	2.0 (2009) ^{3/}	0.462(2009)
Philippines	26.5(2009) ^{4/}	22.6 (2006)	0.448(2009) ^{4/}
Thailand	8.5 (2008)	10.8(2009)	0.536(2009)
Viet Nam	13.5 (2008)	13.1(2008)	0.376(2008)

Sources/Notes:

^{1/} http://www.adb.org/documents/books/key_indicators/2009/xls/MDG-1-01A.xls

One reason for the non-inclusivity...

- Less-educated persons have higher poverty incidence
- Manufacturing sector employs more 'less-educated' labor
- Manufacturing sector has more high-productivity, high-paying jobs
- **Philippine manufacturing sector did not benefit as much from economic integration**

Conclusion: A more dynamic manufacturing sector would have provided more higher-paying jobs to the less-educated workforce, thereby making poverty reduction faster.

Note: There are other reasons for non-inclusiveness and poverty – poor infrastructure, inequitable access to health and education, lagging performance of SMEs, and weak institutions.

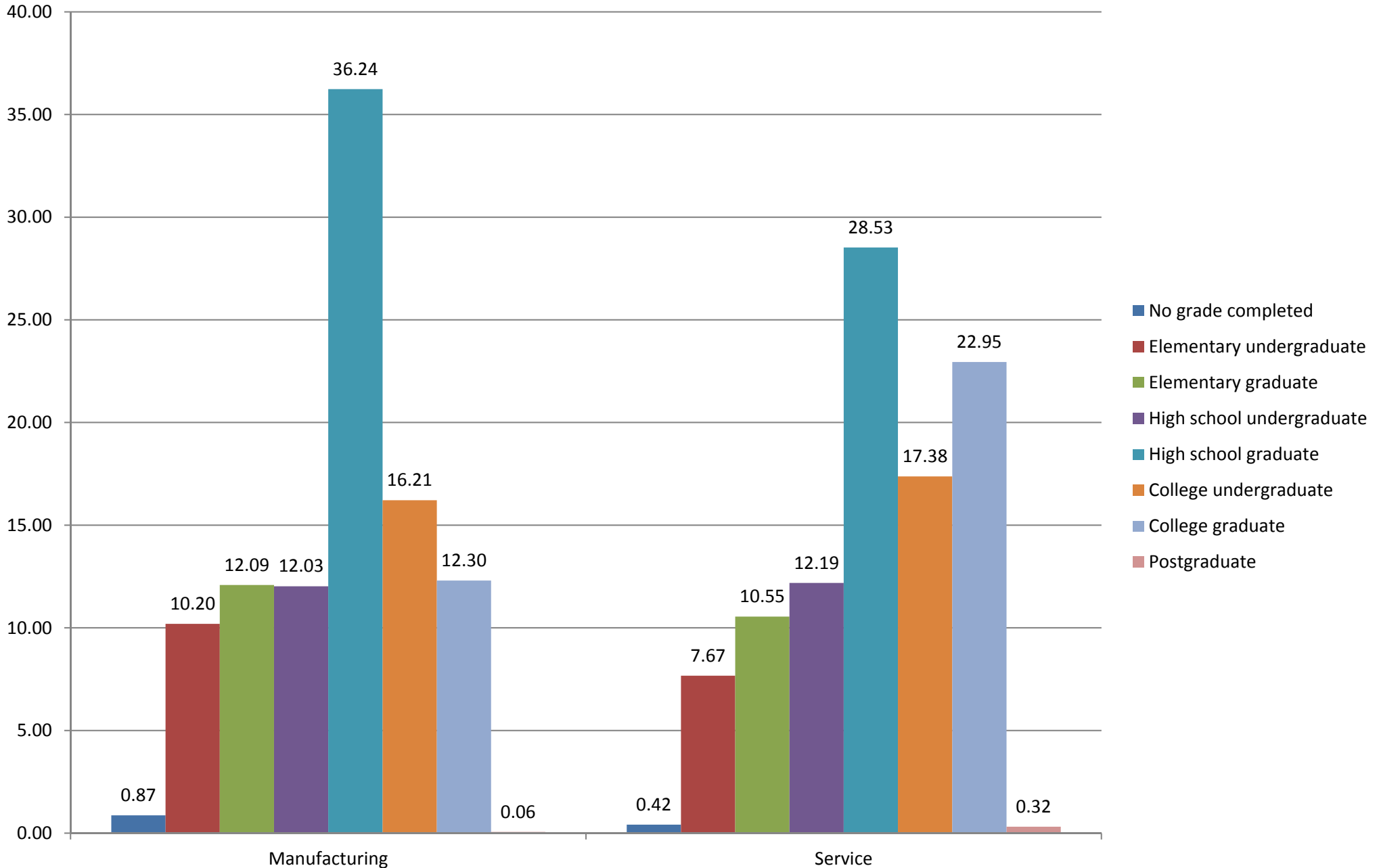
- ***Maraming Salamat!!!***
- ***Dios ti Agngina!!!***
- ***Dios mamajes dinio!!!***
- ***Dacal a salamat!!!***
- ***Salamat tunon!!!***
- ***Saeamat kimo!!!***
- ***Daghang Salamat!!!***
- ***Thank YOU very much!!!!***

Poverty incidence goes down with higher educational attainment

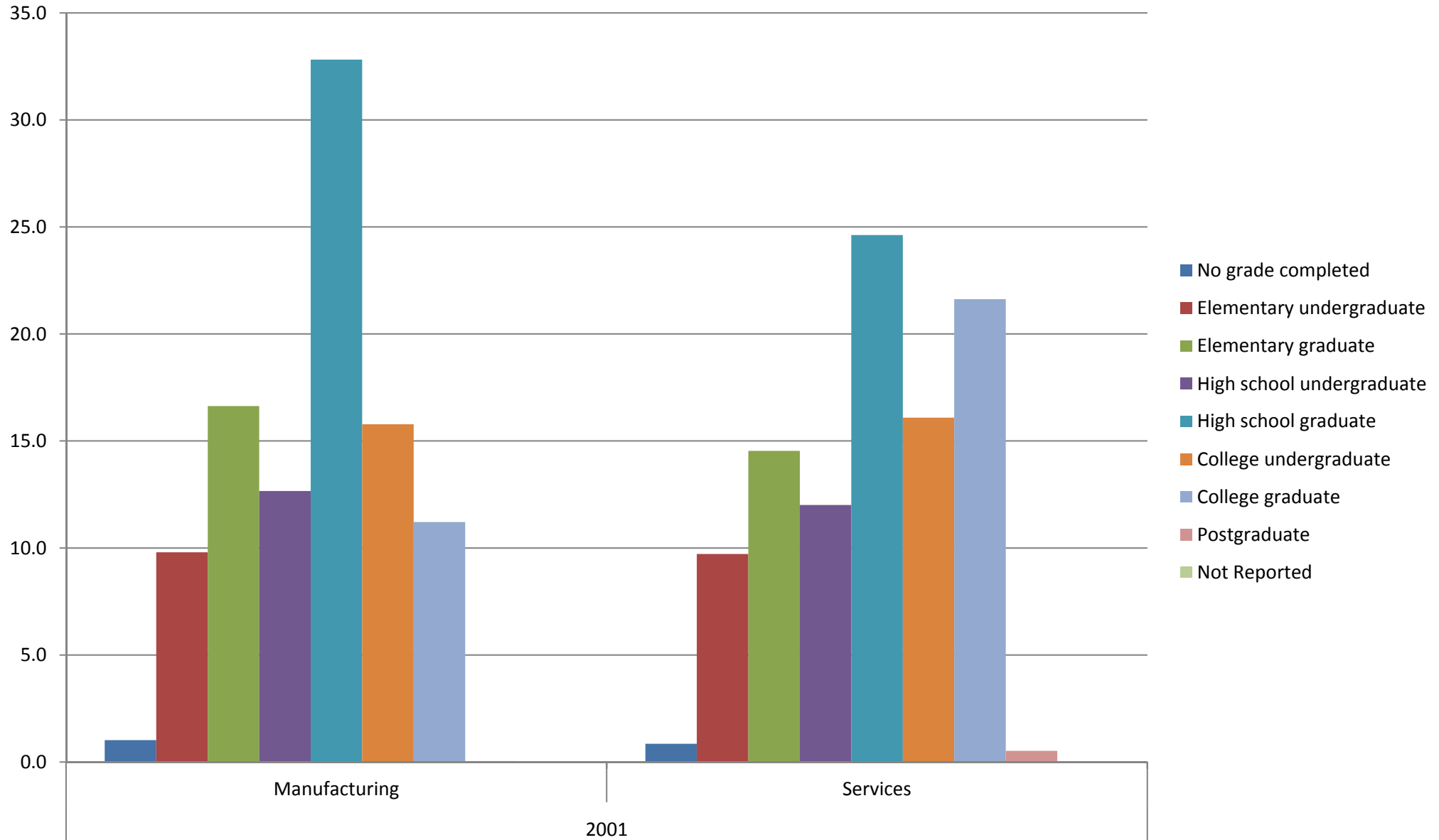
Poverty incidence by family size and educational attainment of the head			
Characteristic	Poverty Incidence, %		
	2003	2006	2009
<i>Family Size</i>			
All Families	20	21.1	20.9
1	4.7	3.6	3.3
2	7.2	7.6	7.2
3	9.9	9.8	9.8
4	14	14.3	14.1
5	20.1	22.6	22.8
6	28.3	30.3	31.9
7	36	37	39.4
8	40.3	42.9	42.5
9	45.3	49.6	46.8
10 or more	46.8	44.1	47.8
<i>Educational attainment of the head</i>			
All individuals	20	26.4	26.5
No Grade Completed	44.4	56.1	62.4
Elementary Undergraduate	36.8	44.6	46.6
Elementary Graduate	25.4	36	34.1
High School Undergraduate	20.7	28.3	30.3
High School Graduate	11.1	16.5	16.6
College Undergraduate	4.5	6.9	7.5
At least College Graduate	1	1.2	1.7
Post Graduate	0.8	0	0

Note: PIDS ESD Estimates; Sources of basic data: Family Income and Expenditure Survey (F

Education attainment of workforce, lower in manufacturing (2010)



Education attainment of workforce, lower in manufacturing (2001)



Productivity in Manufacturing Sector

2.5X Services, 5X Agriculture...

Real value added per worker, (in 1985 constant prices) ^{a/}

	Agriculture (pesos)	Ratio			
		Industry to Agr	Industry to Services	Mfg to Agri	Mfg to Services
1995	15,621	4.5	2.1	5.0	2.3
2000	18,385	4.1	2.2	4.6	2.5
2005	19,033	4.3	2.2	5.0	2.6
2009	21,473	4.3	2.3	5.2	2.8

Source of basic data: NSCB. National Accounts of Philippines; National Statistics Office Index of Labor Force Statistics

Note: a/ - Defined as Value added divided by Total employment in the sector.

Each entry is a three-year average of the year indicated, the previous year, and the succeeding year

... workers in Manufacturing sector on average have higher wages

**Average Daily Basic Pay of Wage Workers in 2010
(pesos)**

	Manufacturing Sector	Service Sector
Elementary graduates, elementary education	198	164.7
High school graduates, high school education	264.6	209.4