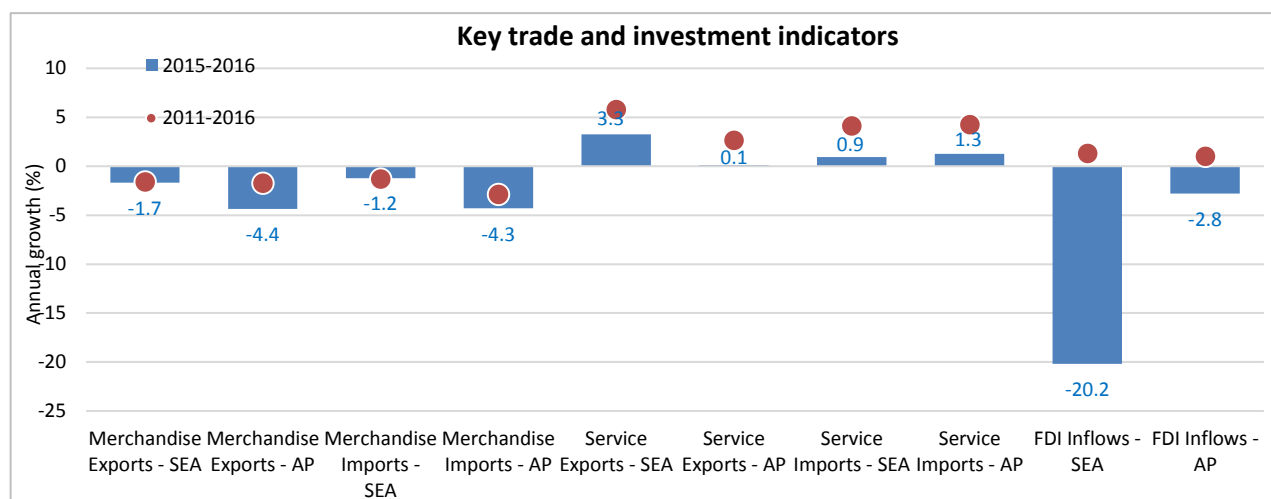




Asia-Pacific Trade and Investment Briefs South-East Asia

(Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Myanmar; Philippines; Singapore; Thailand; Timor-Leste; Viet Nam)



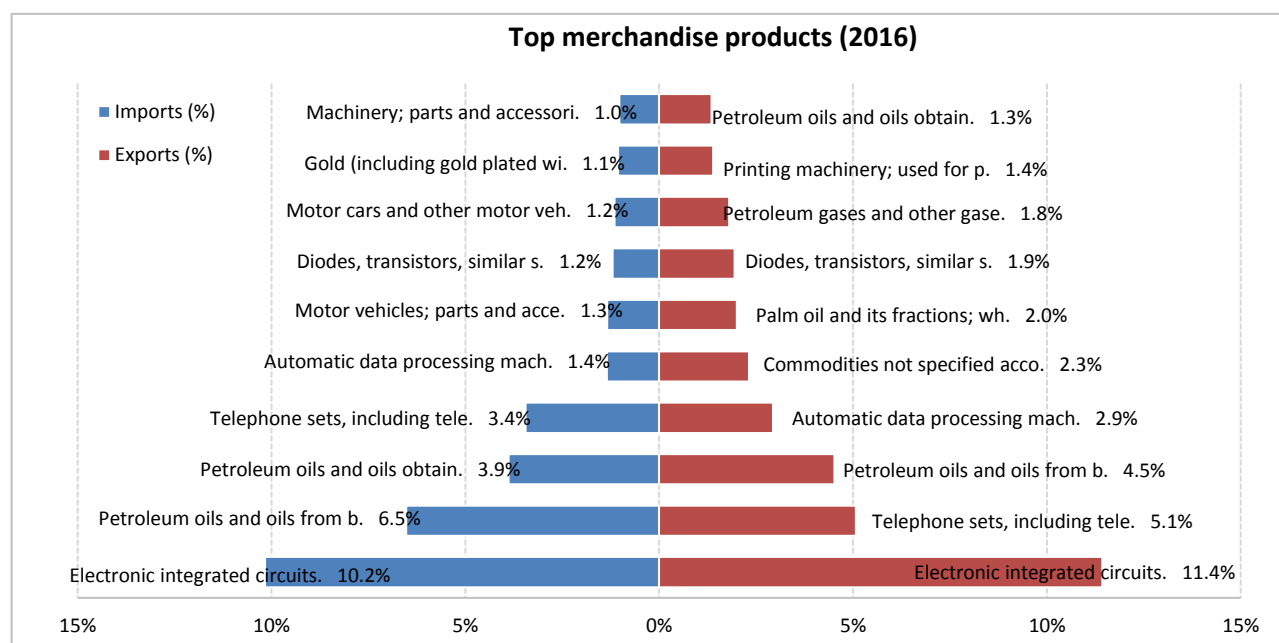
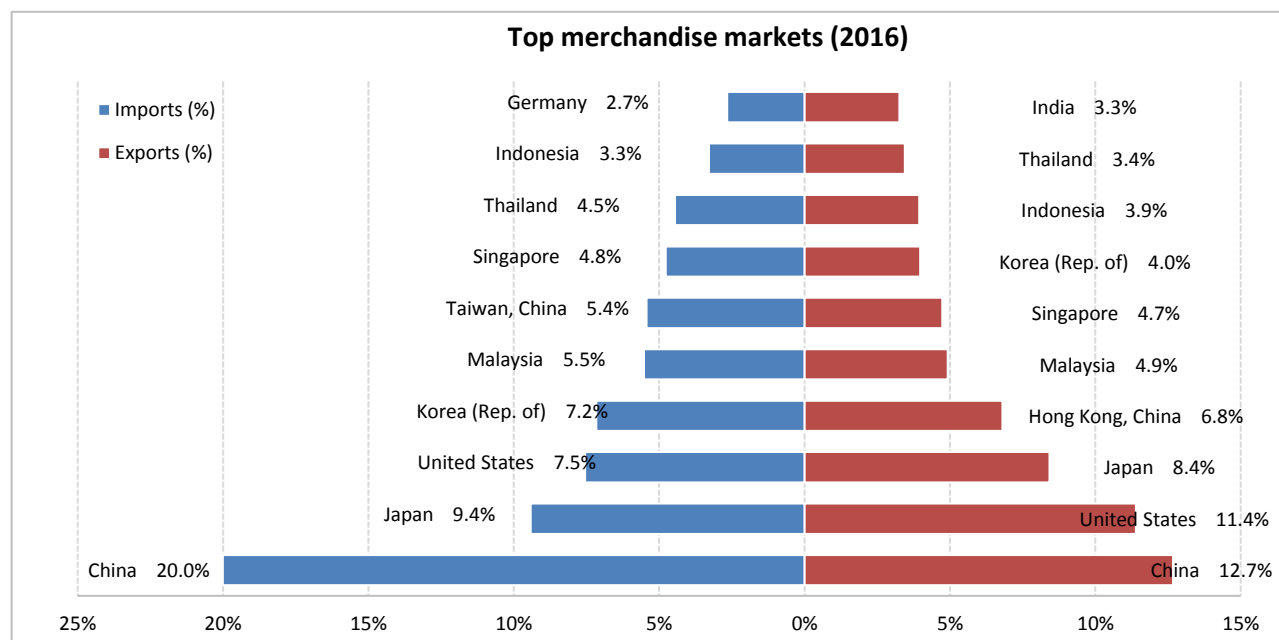
AP: Asia and the Pacific average

Merchandise trade: Unlike in other subregions, merchandise trade by the South-East Asia (SEA) economies spread more evenly, with Singapore, Thailand, Malaysia, Viet Nam and Indonesia accounting for 27.6%, 15.8%, 16.1%, 15.8% and 12.6% of the subregion's total merchandise trade, respectively. As a reflection of the subregion's high integration in regional value chains, trade by the subregion are mainly in parts and components of electronics and automotive machinery, with major destinations being countries in East and North-East Asia, and other economies in SEA. Collectively, SEA accounted for 7.2% of global exports in 2016, and 18.9% of intraregional exports. Average merchandise exports from 2011 to 2016 saw an average annual decline of 1.6%, with a 1.7% decline in 2016. However, SEA still performed better than the Asia-Pacific on average where exports fell 4.4% in 2016. Similarly, merchandise imports declined by 1.2% in 2016 – a better performance than the Asia-Pacific as a whole which saw imports decline by 4.3% in the same period.

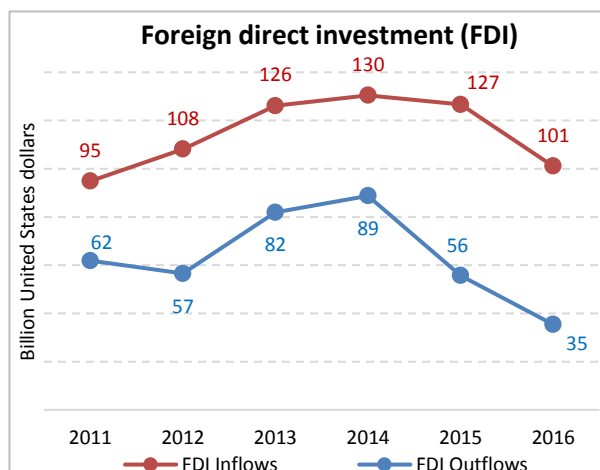
Services trade: The services trade share of total trade by the subregion reached 22.4% in 2016. The other commercial services subcategory accounted for 43.8% of the subregion's total commercial services trade, followed by travel and transport at 28.2% and 25.8%, respectively. The services trade performance of the subregion was largely driven by Singapore, which accounted for 47% of the subregion's services exports, and 50% of imports in 2016. While merchandise trade continued to fall, services trade has recovered with growth rates of 3.3% (exports) and 0.9% (imports) in 2016. The subregion's export recovery was stronger than the Asia-Pacific region on average where services exports grew by only 0.1%. The main growth driver was travel services which saw a 5.1% increase in exports. The export growth of travel services was especially pronounced in Indonesia, Singapore, Thailand, Timor-Leste and Viet Nam (13.4%, 11.0%, 11.1%, 13.0% and 12.2%, respectively). On the imports side, the SEA economies varied in performance. Overall, the subregion registered subdued growth of 0.9%. The decrease in demand for transport services by 2.9% was the most important contributor to overall lukewarm performance in commercial services imports.

Intraregional trade: As a result of the subregion's high integration to regional production networks, the SEA subregion trades substantially with intraregional markets. In 2016, 65.0% of merchandise exports from the subregion went to economies in the Asia-Pacific region. East and North-East Asia was the largest trading partner for the subregion, absorbing 31.8% of SEA's exports, with China alone taking 12.2% of the subregion's total exports. At the same time, exports to countries in the same subregion accounted for 24.0% of the total exports. Meanwhile, the shares of intraregional and intra-subregional imports were 64.4% and 21.7% in 2016, respectively.

Foreign direct investment (FDI): FDI inflows to the SEA subregion fell for two years in a row with an especially sharp decline in 2016. FDI inflows to the subregion fell dramatically by 20.2% in 2016, while FDI inflows to the Asia-Pacific region as a whole dropped by 2.8%. All major SEA economies including Indonesia, Thailand, Singapore and Malaysia, which accounted for 75% of FDI inflows to the subregion, saw a substantial decrease in FDI inflows in 2016. At the same time, FDI outflows from South-East Asia also fell by 37.5% due to the slowdown of investment by the major investors in the SEA subregion: Singapore and Malaysia.

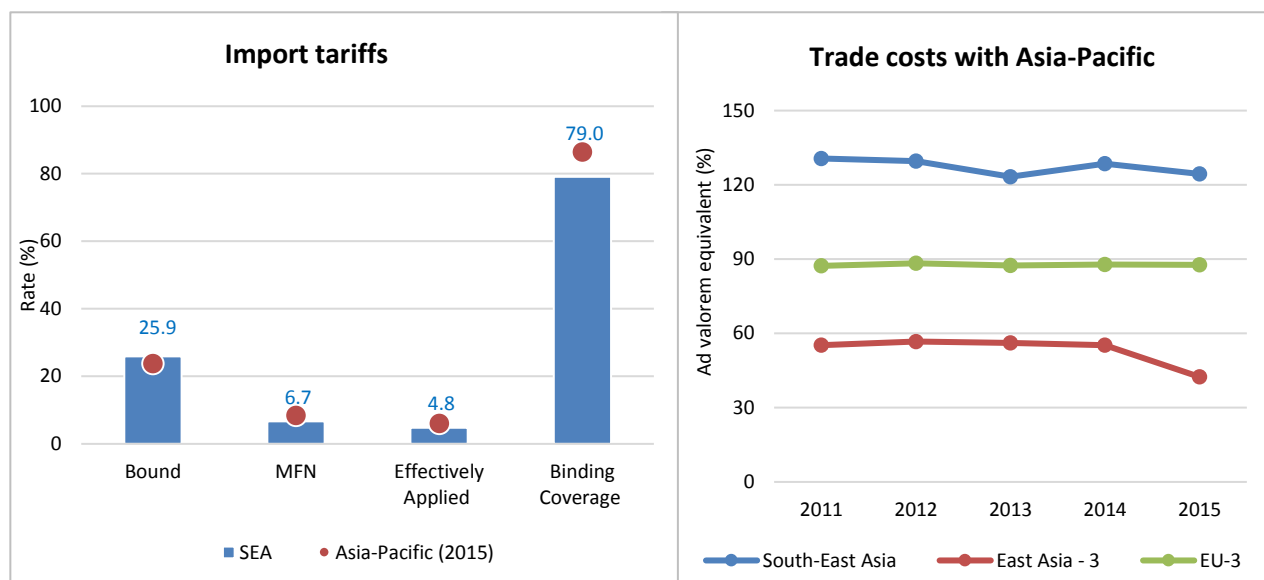


| Intraregional trade | | | | |
|---------------------------------------|----------------------------|------|----------------------------|------|
| Sources/ Destinations (% share) | South-East Asia imports | | South-East Asia exports | |
| | 2015 | 2016 | 2015 | 2016 |
| Asia-Pacific | 64.4 | 64.4 | 65.6 | 65.0 |
| East and North-East Asia | 36.7 | 37.6 | 31.6 | 31.8 |
| South-East Asia | 22.2 | 21.7 | 24.5 | 24.0 |
| South and South-West Asia | 2.2 | 2.3 | 5.3 | 5.1 |
| North and Central Asia | 1.1 | 0.6 | 0.4 | 0.5 |
| Pacific | 2.2 | 2.1 | 3.8 | 3.6 |



Tariffs: In 2015, average MFN applied, effectively applied tariffs and bound tariffs were very close to the regional averages of at 6.7%, 4.8% and 25.9%, respectively. The binding coverage was slightly lower at 79.0% - compared to the regional average of 86.5%.

Trade costs: Trade costs of the SEA subregion with four major developing economies in Asia and the Pacific (China, India, Indonesia and the Russian Federation) slightly decreased between 2011 and 2015. In 2015, SEA trade costs with these economies were 80 percentage points higher than those of the East Asia-3, which includes some of the most efficient traders in Asia and the Pacific. Trade costs of the European Union-3 incurred in reaching major developing Asian markets were, on average, lower than those of the SEA economies – mainly due to high trade costs of Cambodia, Lao People’s Democratic Republic, and Myanmar.



Sources: Trade and tariff data were accessed through WITS and IMF direction of trade database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Notes: Data are based on countries or regions for which data available only (e.g. trade cost data of Japan are missing for 2015). Merchandise trade data follow the HS2012 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries or regions with the Asian developing economies (China, India, Indonesia and Russian Federation). East Asia-3 comprises China, Japan and the Republic of Korea; European Union-3 comprises Germany, France and the United Kingdom. Average growth rate over a period means simple average growth rate.

Definitions: 1) Other commercial services include: Construction, Insurance and pension services, Financial services, Charges for the use of intellectual, Telecommunications & computer, Other business services, Personal & cultural & recreation. Other business services include: Research and development services, Professional & management consulting services, Technical & trade-related & other business services.

2) MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines.

For the full report, please visit:

<http://bit.ly/APTIR2017>

For more details, please contact escap-tiid@un.org