

# Asia's Trade: Trend, Value Chains and Trade Agreement

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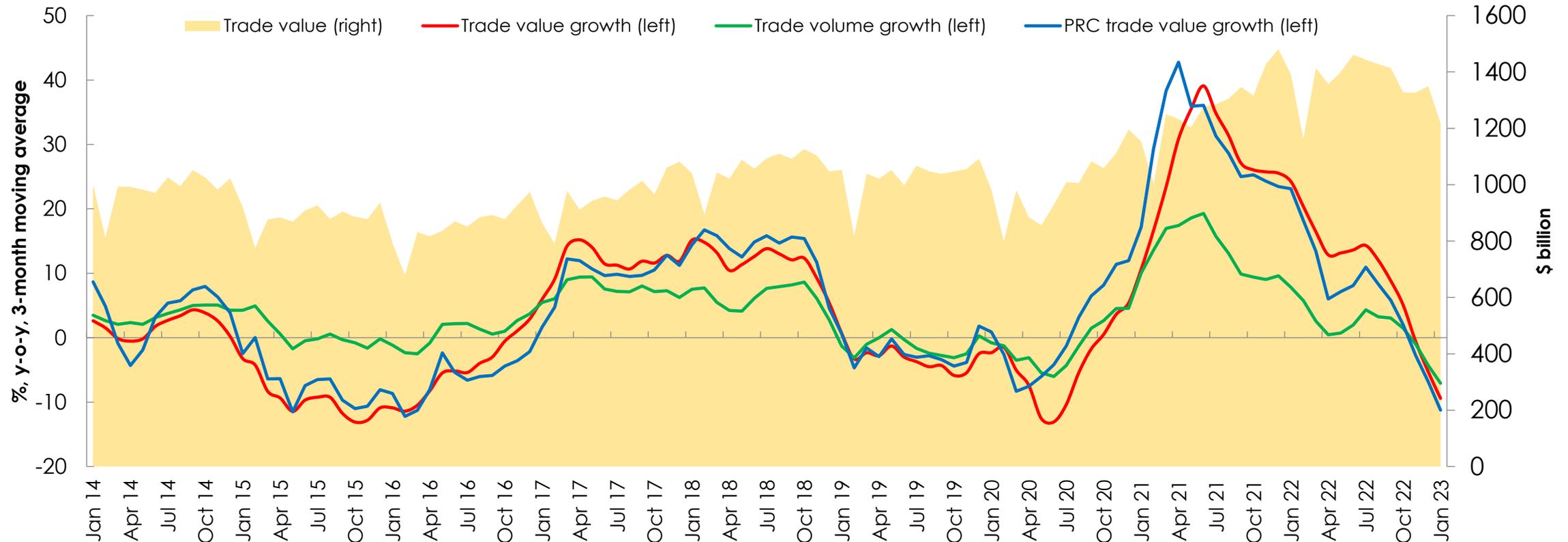


# Recent Trend in Asia's Trade and Value Chain



# Asia's trade growth is slowing amidst global economic downturn

## Monthly Merchandise Trade by Value and Volume—Asia and the Pacific



PRC = People's Republic of China, y-o-y = year-on-year.

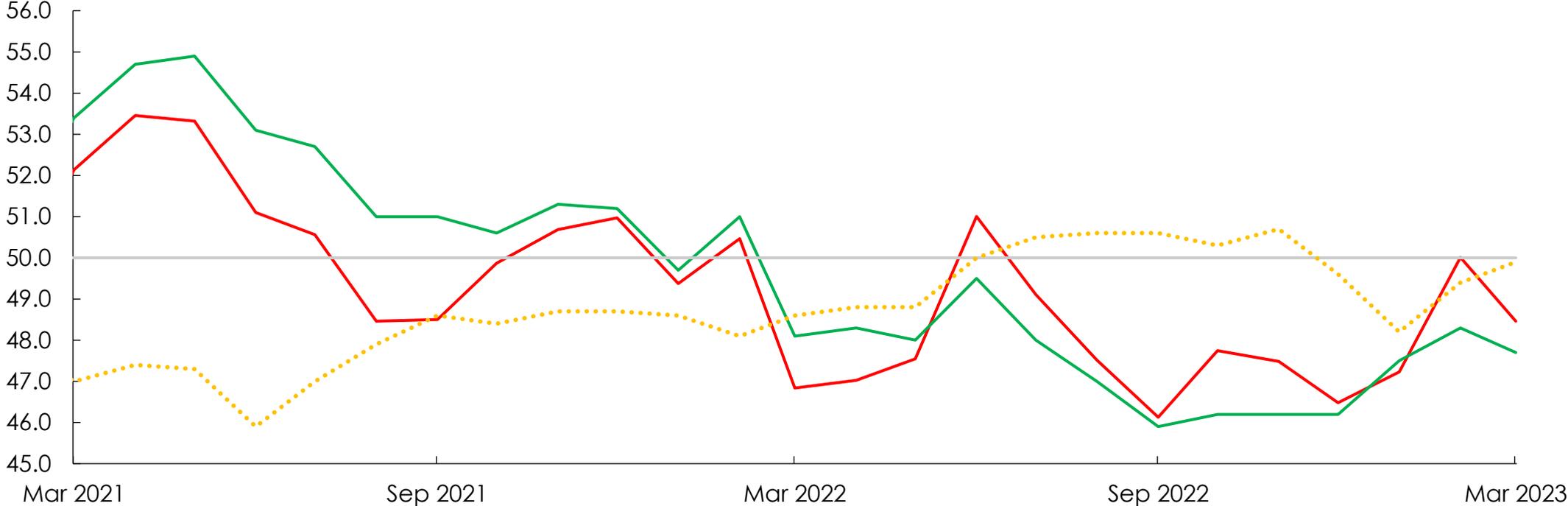
Notes: Trade volume growth rates were computed using volume indexes. For each period and trade flow type (i.e., imports and exports), available data include indexes for Japan, the PRC, and aggregate indexes for selected Asia and Pacific economies: (i) advanced economies excluding Japan (Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China); and (ii) emerging economies excluding the PRC (India; Indonesia; Malaysia; Pakistan; the Philippines; Thailand; and Viet Nam). The aggregate index for Asia and the Pacific was computed using trade values as weights.

Sources: ADB calculations using data CEIC Data Company; and CPB Netherlands Bureau for Economic Policy Analysis. World Trade Monitor. <https://www.cpb.nl/en/world-trade-monitor-march-2022> (accessed June 2022)

# Leading indicators also point to weakening trade environment

## Manufacturing Purchasing Managers Index

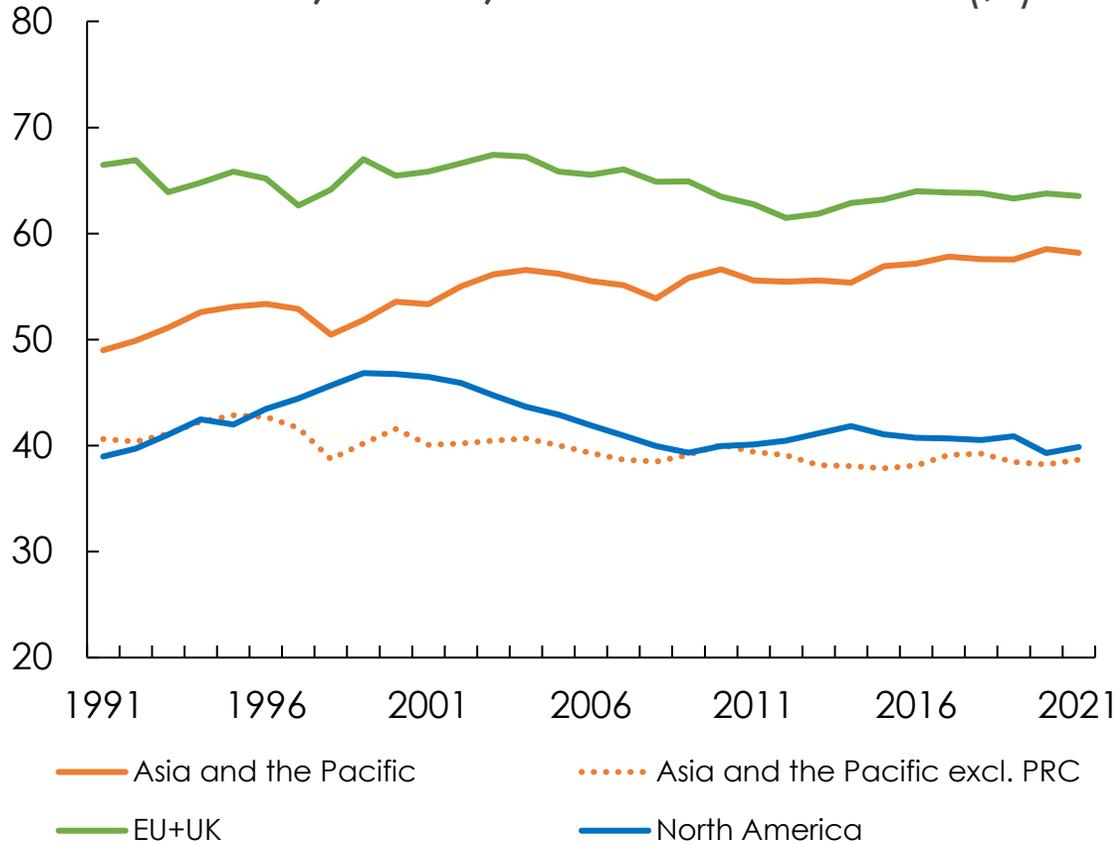
— Asia and the Pacific: Manufacturing PMI New Export Orders    — World: Manufacturing PMI New Export Orders  
 ..... World: Manufacturing PMI Stocks of Finished Goods



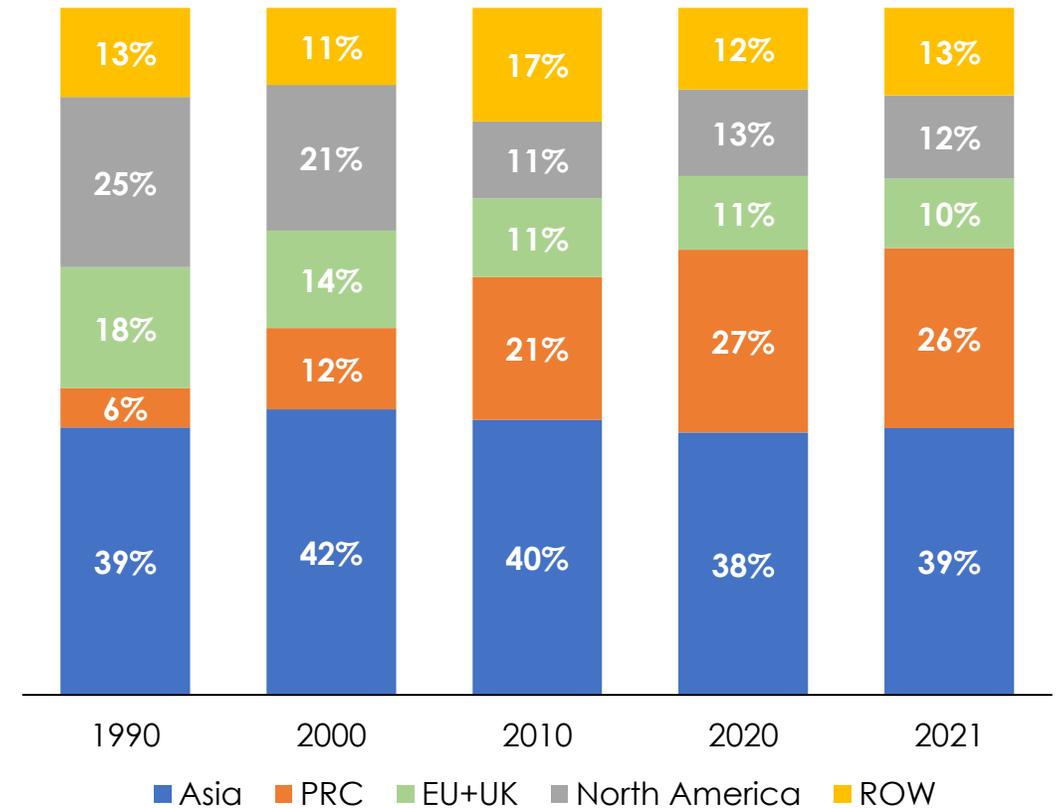
Notes: The PMI new export orders index for Asia and the Pacific is the weighted average of economy-level indexes for Australia, Indonesia, India, Japan, Malaysia, the People's Republic of China, the Philippines, the Republic of Korea, Taipei,China, Thailand, and Viet Nam, using export values as weights. A PMI reading over 50 indicates growth or expansion of the manufacturing sector as compared to the previous month, while a reading under 50 suggests contraction.  
 Sources: CEIC Data Company; and International Monetary Fund. Direction of Trade Statistics (all accessed April 2023).

# Regional trade integration remains robust, with further room to grow

## Intraregional Trade Share—Asia and the Pacific, EU+UK, and North America (%)



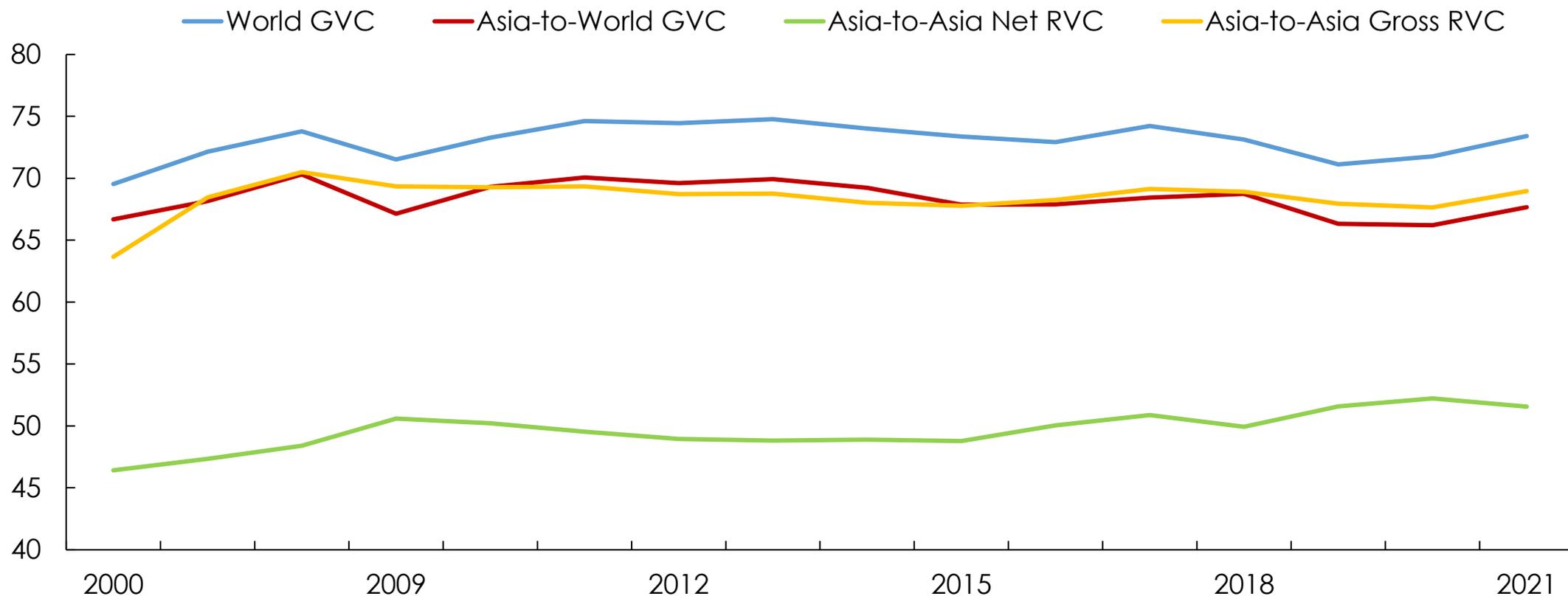
## Asia and the Pacific (ex. PRC)'s Trade Share with Other Economies (% of total)



EU = European Union (27 members), PRC = People's Republic of China, UK = United Kingdom, ROW = rest of the world.  
 Notes: Values expressed as percentage of the region's total merchandise trade (sum of exports and imports). North America covers Canada, Mexico, and the United States.  
 Source: International Monetary Fund. Direction of Trade Statistics. (accessed December 2022).

# Asia's global and regional value chain linkages are resilient

## Global and Regional Value Chain Participation Rates (%)



GVC = global value chain, RVC = regional value chain.

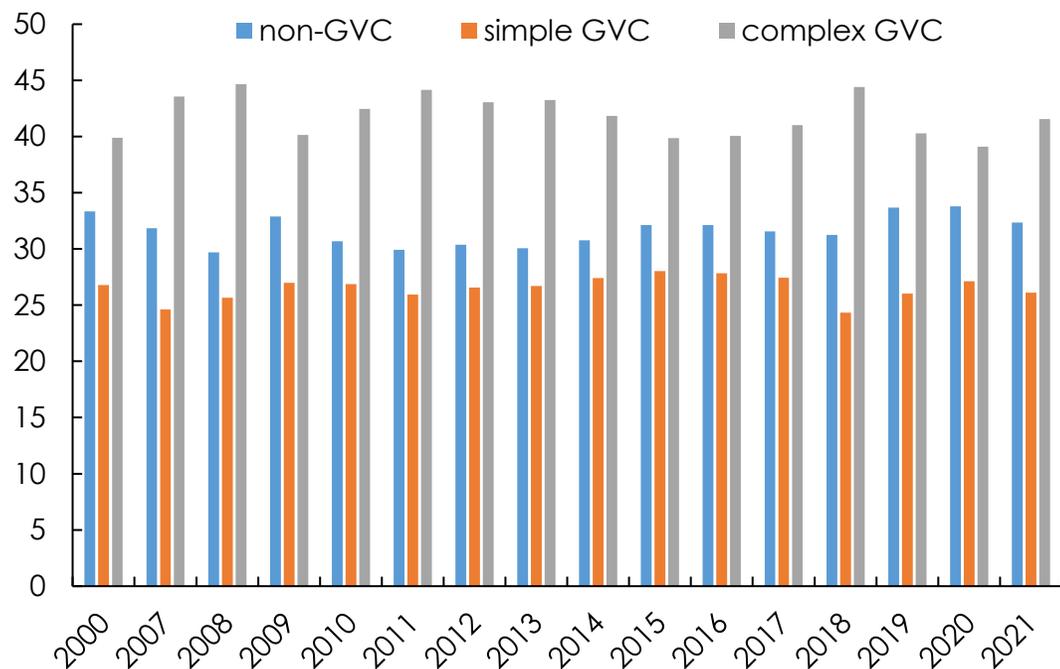
Notes: The GVC participation rate is the share of gross exports that involves production in at least two economies using cross-border production networks. The RVC participation rate is the same as that of GVC, except that it only involves economies of the same region.

Sources: ADB calculations using ADB data. Multi-Regional Input-Output Tables; and methodology by Borin and Mancini (2019).

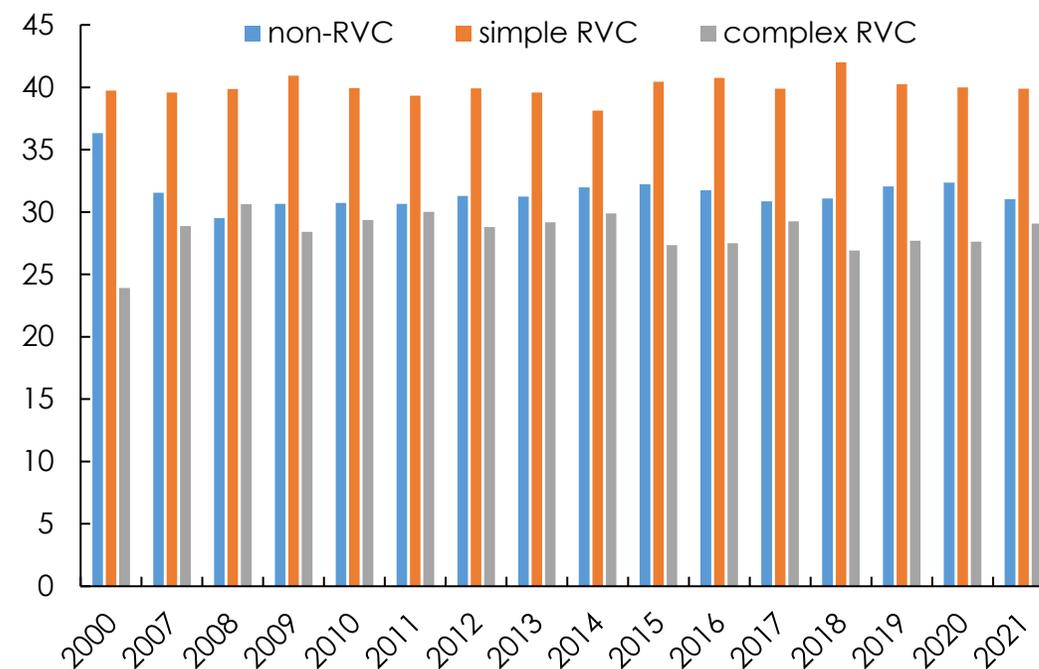
# Asia's RVCs are relying more on simple value chain linkages

## Global and Regional Value Chain Participation Rates—Asia and the Pacific (%)

### Asia-to-World GVC Participation Rate (%)



### Asia-to-Asia RVC Participation Rate (%)



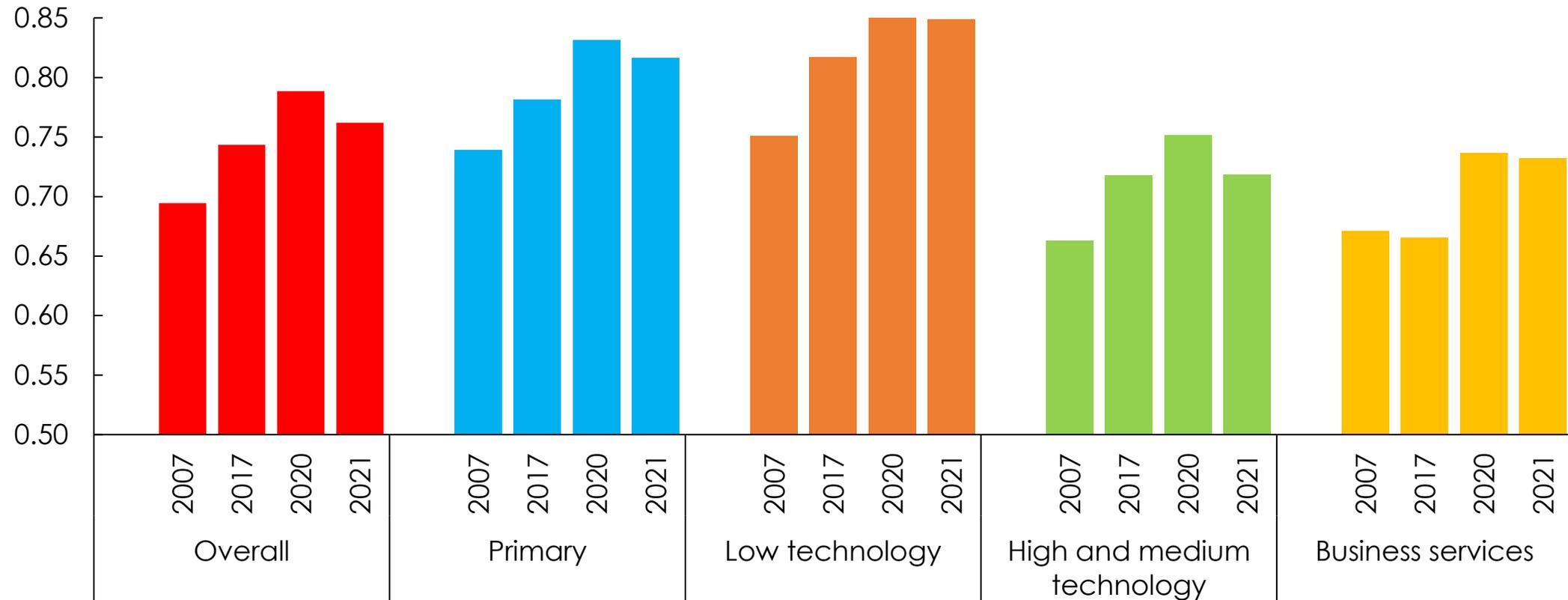
GVC = global value chain, RVC = regional value chain.

Notes: Gross RVC participation is the share of Asia's intraregional value chain exports to its intraregional gross exports but excluding all non-Asian third economies in gross exports. Non-GVC refers to final goods exports. Simple GVCs are intermediate goods exports that cross borders only once or absorbed by the direct importer economy. Complex GVCs are intermediate exports that cross borders at least twice.

Sources: ADB calculations using data from ADB, Multi-Regional Input–Output Tables; and methodology by Borin and Mancini (2019).

# Regional value chains weighted more in primary and low-tech sectors, with greater potential for growth in high-tech and services industries

RVC–GVC Intensity by Major Sector—Asia



GVC = global value chain, RVC = regional value chain.

Notes: RVC–GVC intensity is the ratio of RVC participation and GVC participation rates. Sectoral classification is based on [ADB \(2015\)](#). Business services includes personal and public services.

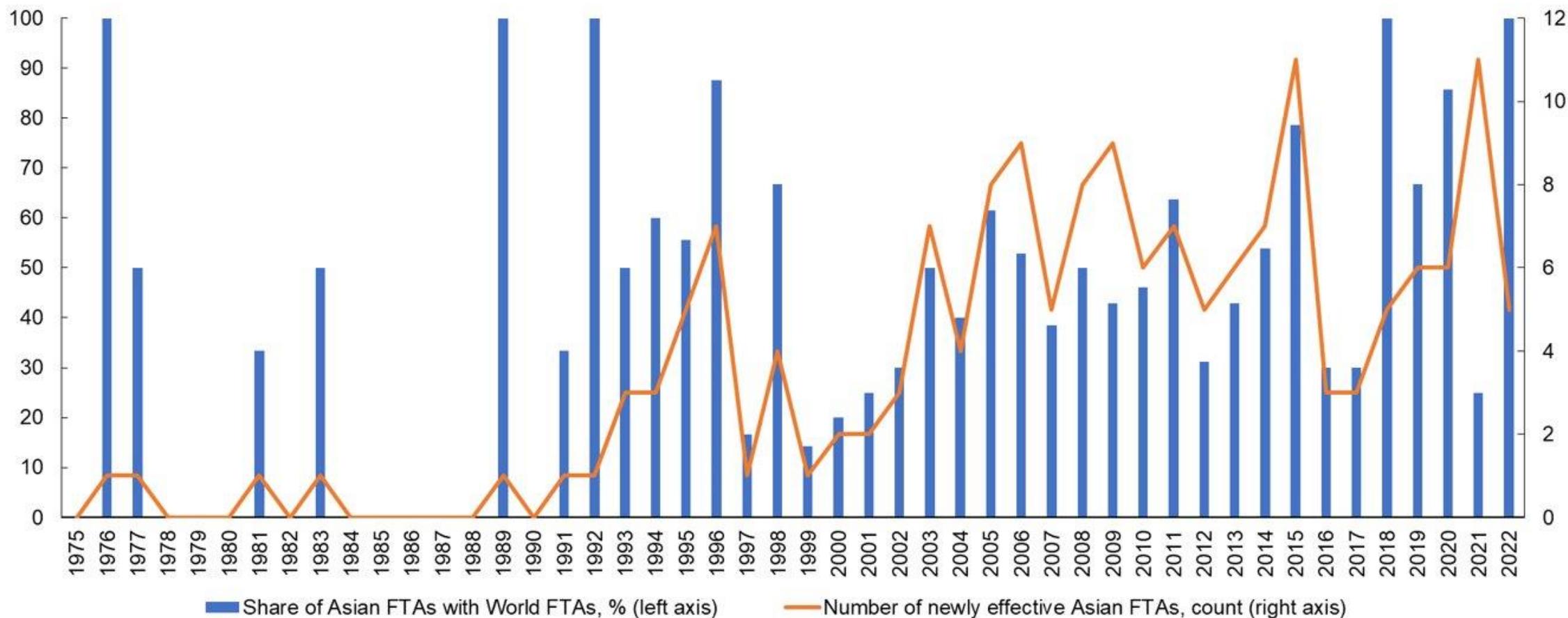
Sources: ADB calculations using data from ADB. Multi-Regional Input–Output Tables; and methodology by Borin and Mancini (2019).

# Trade and Digital Agreements



# Asia and the Pacific continues to forge trade partnerships within and beyond the region

## Newly Effective Free Trade Agreements—Asia and the Pacific



FTAs = free trade agreements. Note: The trends for the years 1975 – 2021 were derived using WTO RTA Information System. The number of FTAs in 2022 were derived using the ARIC FTA Database. Sources: ADB calculations using data from ADB. Asia Regional Integration Center FTA Database. <https://aric.adb.org/database/fta>; and World Trade Organization. Regional Trade Agreement Information System. <http://rtais.wto.org> (both accessed September 2022).

# Existing FTAs are upgraded and expanded, incorporating ‘beyond the border’ disciplines such as e-commerce and digital trade provisions

## Recently Upgraded/Expanded Trade Agreements in Asia and the Pacific

FTA	Entry into force	Recent Update	Remarks
<b>New Zealand-PRC FTA</b>	1 Oct 2008	7 Apr 2022	Implemented further tariff reduction; addressed compliance requirements on NTMs; established new areas of cooperation in competition policy, e-commerce, government procurement, and environment and trade.
<b>Australia-Singapore FTA</b>	28 July 2003	8 Dec 2020	Entry into force of the Australia-Singapore Digital Economy Agreement which upgrades the digital trade arrangements between Australia and Singapore under the CPTPP and the SGP-AUS FTA.
<b>Singapore-United Kingdom FTA</b>	11 Feb 2021	14 June 2022	Entry into force of the Singapore-UK Digital Economy Agreement which includes binding disciplines on data flows, as and cooperative elements in emerging and innovative areas such as Artificial Intelligence, FinTech and RegTech, digital identities and legal technology.
<b>Asia-Pacific Trade Agreement (APTA)</b>	17 June 1976	30 Sep 2020	Accession of Mongolia as seventh member of the APTA.
<b>ASEAN-Japan Comprehensive Economic Partnership (AJCEP)</b>	1 Dec 2008	1 Aug 2020	Entry into force of the First Protocol to Amend the Agreement. The Protocol added provisions concerning trade in services, movement of natural persons, and investment.

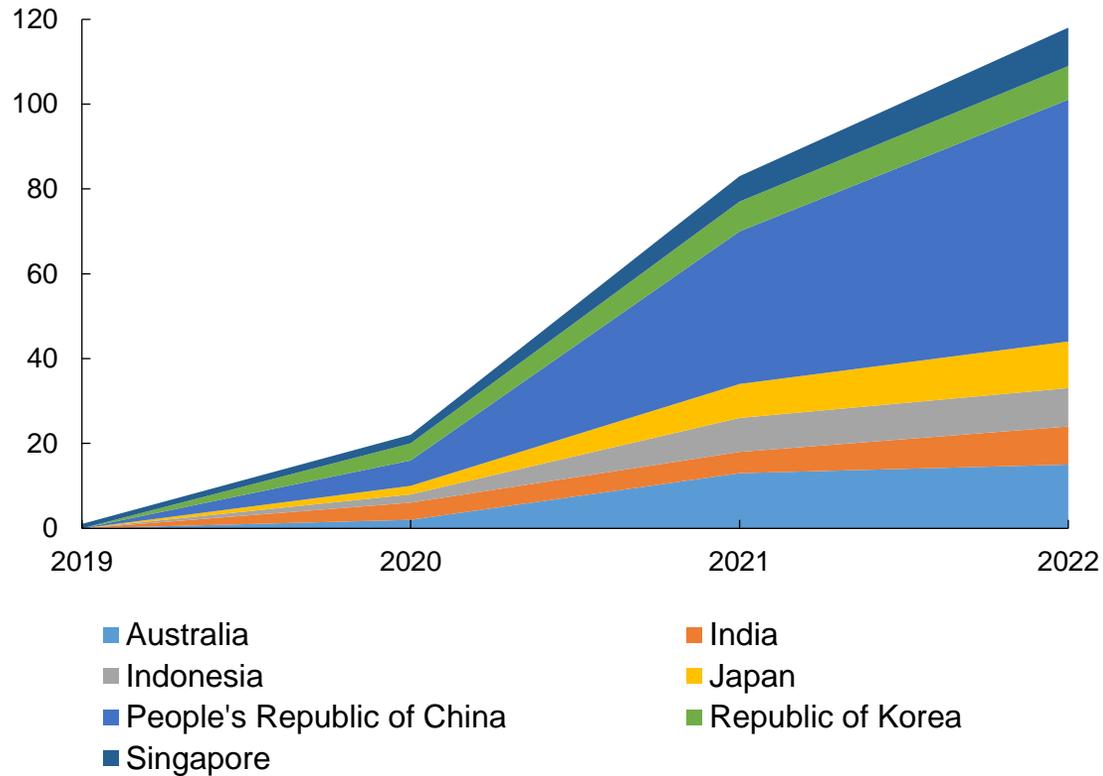
# Asia and the Pacific region exhibits a growing interest in establishing digital trade rules, as in the case of Digital Economy Agreements

Coverage of Select Digital Trade Agreements in Asia and the Pacific

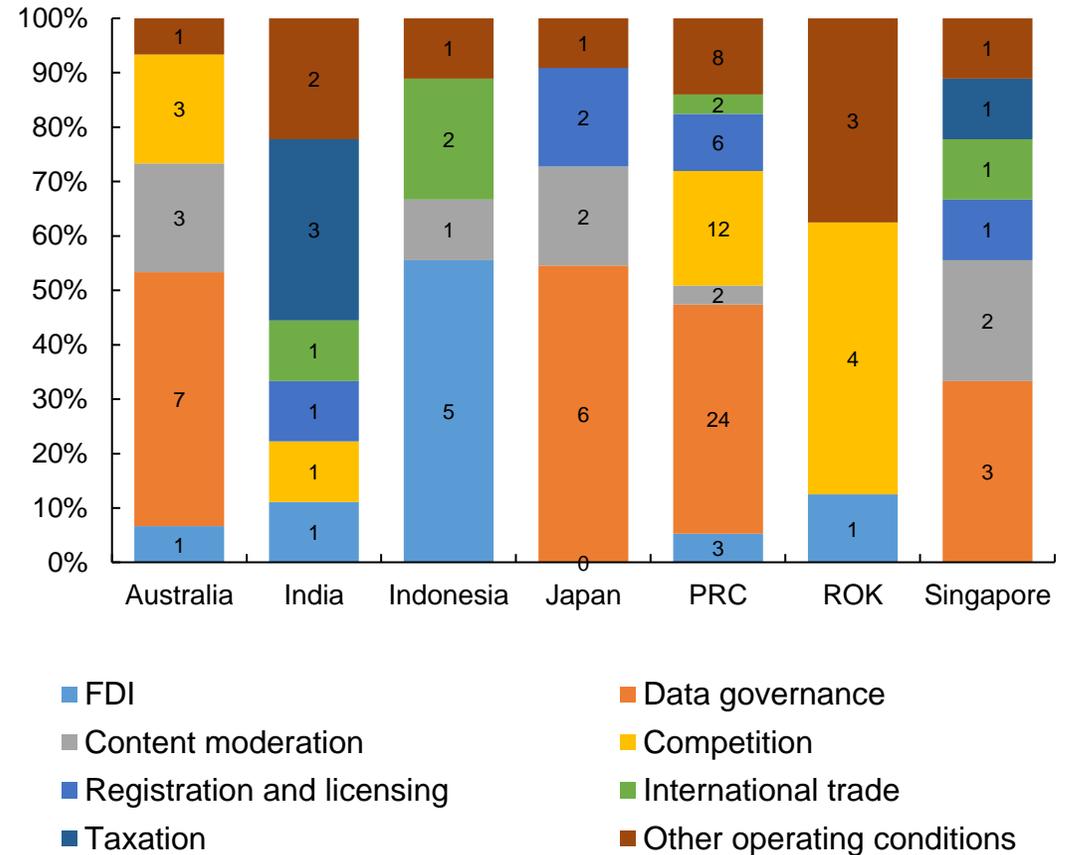
	SGP-UK (2022)	RCEP (2022)	ROK-SGP DPA (2021)	ASEAN e- commerce (2021)	SGP-AUS DEA (2020)	SGP-NZL- CHL DEPA (2020)	CPTPP (2018)	AANZ FTA (2010)
E-authentication	✓	✓	✓	✓	✓	✓	✓	✓
E-invoicing	✓		✓		✓	✓		
Paperless trading	✓	✓	✓	✓	✓	✓	✓	✓
Personal info protection	✓	✓	✓	✓	✓	✓	✓	✓
Cross-border info transfer	✓	✓	✓	✓	✓	✓	✓	
Open government info	✓		✓		✓	✓	✓	✓
Data innovation	✓		✓		✓	✓		
Cryptography policy	✓		✓		✓	✓		
Cybersecurity	✓	✓	✓	✓	✓	✓	✓	
Digital inclusion	✓					✓		

# Digital policy interventions are proliferating

Panel A. Number of Interventions (cumulative since 2019)



Percentage of Interventions, by type (2020 – 2022)



FDI = foreign direct investment, PRC = People's Republic of China, ROK = Republic of Korea.

Sources: ADB calculations using data from Digital Policy Alert. <https://digitalpolicyalert.org/activity-tracker> (accessed August 2022).

# Ways Forward

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- Amid the overlapping global crises on health, food, and energy, the risk of maintaining defensive trade regimes remains palpable. Asia and the Pacific region should remain steadfast in its resolve to **keep markets open to ensure stable, equitable access to necessities**.
- **WTO's MC12** developments present timely and valuable opportunities to address these global emergencies and **promote a more inclusive and sustained economic growth** (food insecurity, electronic commerce, intellectual property).
- Complementary international assistance and cooperation efforts beyond MC12 remain much needed by developing economies – especially the least-developed and geographically-challenged economies.
- **Aid for Trade (AfT)** plays a significant role in supporting DMCs in negotiating agreements and implementing domestic reforms necessary to catch up with the rapidly advancing global trends on digital trade and connectivity.

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**Thank you!**