

Strong Asian Intraregional Trade and Investment Improve Economic Resilience

SAWADA Yasuyuki

Chief Economist, Asian Development Bank (ADB)

According to the “AEIR: Asian Economic Integration Report 2017”, one of the latest reports from the Asian Development Bank (ADB), amid an uncertain global economic and trade policy environment, cooperation in trade and investment within the Asia-Pacific region is expanding, and the resilience of the intraregional economy is heightening. In the survey report, the ADB has verified a trend of regional integration in recent years, introduced a new regional integration index, and I will summarize the current situation and challenges for Northeast Asian economic integration based on the picture in the report.

Solid intraregional trade and investment is playing the role of shock-absorber for the uncertainty of global trade and economic growth for the Asia-Pacific region. The share of Asia’s intraregional trade on a monetary basis increased from an average 55.9% for the period 2010–2015 to 57.3% in 2016, a record high.

In 2016, the inflow of foreign direct investment (FDI) from the other regions of the world into Asia decreased by 6%, but Asia’s intraregional FDI reached US\$272.0 billion (in absolute value). The share of intraregional FDI within total FDI in the region increased from 48% in 2015 to 55% in 2016. If Asia’s intraregional FDI contributes to the development of the value chain in the world as a whole or in the region, the expansion of trade in the Asian region will probably be strengthened on a global scale. The Asian economy continues to increase its presence globally. FDI from Asia increased 11% in 2016 and reached US\$482.0 billion, principally due to investment in renewable energy, natural resources, semi-conductors, and information technology.

In this report, I have introduced a new composite indicator, the Asia-Pacific Regional Cooperation and Integration Index. The index—with the six components of trade and investment, money and finance, regional value chain, infrastructure and connectivity, movement of people, and institutional and social integration—measures the degree of regional integration. The index deepens the understanding of policymakers regarding measures for promoting further regional integration and cooperation, and takes as its objective being able to ascertain the circumstances thereof. Now I will introduce the Asia-Pacific Regional Cooperation and Integration Index in particular, and also what has been constructed regarding Northeast Asia including Russia, and discuss the current status of and challenges for Northeast Asian economic integration.

In any case, amid the uncertainty in the direction of global economic and trade policy, the Northeast Asian region, as well as the Asia-Pacific region as a whole, are driving the global trade recovery and sustaining vigorous growth. The continuation of the integration and cooperation of Northeast Asia and the world as a whole will support future regional economic growth and financial resilience.

[Translated by ERINA]