Asia-Pacific Trade and Investment Report 2016

Why in news?

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The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) recently released Asia-Pacific Trade and Investment Report 2016.

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What is ESCAP?

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- The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) is the regional development arm of the United Nations for the Asia-Pacific region.
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- It was established in 1947 with its headquarters in Bangkok, Thailand.
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- Made up of 53 Member States and 9 Associate Members, with a geographical scope that stretches from Turkey in the west to the Pacific island nation of Kiribati in the east, and from the Russian Federation in the north to New Zealand in the south, the region is home to 4.1 billion people or two thirds of the world's population.
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What is the condition of Asia Pacific?

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- Asia-Pacific trade flows were **uncertain during sluggish global economic and trade growth**, downward movement of world commodity prices and an uncertain policy environment.
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- Sluggish growth in trade is expected to continue **through to the end of 2016**.
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- Rebounding somewhat, exports from Asia-Pacific are expected to increase by 4.5 per cent and imports by 6.5 per cent in developing countries of Asia and the Pacific in 2017, but the Report forecasts more modest growth in exports and imports in volume terms, at 2.2 per cent and 3.8 per cent, respectively.
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- The report revealed that the region had improved its market share in the commercial services trade, with the services trade more than doubling between 2005 and 2015, from just under $600 billion to close to $1,400 billion.
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- These aggregates, however, conceal the fall in the region's export and import of services by 4.5% and 4.9% in 2015, respectively, compared with the previous year.
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- This fall was mainly due to persisting economic uncertainty resulting in the global decline in merchandise trade and a depressed demand for the services sector including transport.
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What is the status of India?

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- ESCAP said **international and intra-regional trade costs of India remained higher** compared with the trade costs of best-performing economies in Asia and the Pacific.
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- However, it said in addition to India's robust economic growth and large domestic market, the Government's "Make in India" initiative and easing of FDI regulations for about 15 sectors including aviation, defense and pharmaceuticals may contribute to **the FDI attractiveness of India**.
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- On the other hand, overseas investment from India contracted considerably by 36 per cent, which may reflect FDI diversion as Indian investors start to **invest more at home than overseas**.
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- FDI inflows to India **expanded by 10%** on average during 2010-2015, while in 2015 inflows recorded an even stronger expansion at 27.8 per cent, which was significantly higher than the Asia-Pacific region's average 5.6 per cent.
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- The services, construction development, computer software and hardware, and telecommunications sectors attracted the highest investments.

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- In 2015, Indian goods **exports shrank by 17.2%**, which was close to twice as much as the Asia-Pacific region decline of 9.7%.
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- However, it added that India was the largest partner with several economies in South Asia, such as Bhutan, Nepal and Sri Lanka. Since India is the fastest-growing emerging economy, it is somewhat expected to start filling the void in demand for intraregional exports that will emerge with the rebalancing of China's trade patterns.
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What are the restrictive policies in operation?

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- A worrying trend on another front is the increased usage of restrictive trade policies, especially non-tariff measures, within the Asia-Pacific region, which is partly driven by past distortive trade measures and current excess capacity in several key sectors.
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- Additionally, the region is seeing a proliferation of preferential trade agreements (PTA), with Asia and the Pacific rim contributing to almost 63 per cent of world PTAs, curbing a momentum towards region-wide free trade, it added.
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Source: The Hindu

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