

Source: CIA World Factbook.

East & Southeast Asia

Situation Analysis

The varied social, economic and political characteristics within East and Southeast Asia epitomize the diverse nature of this sub-region. It includes China, the world's fourth largest economy, and four least developed countries (LDCs): Cambodia, Lao PDR, Myanmar and Timor-Leste. Economic forecasts have estimated that in 2007 GDP growth is expected to reach 8.0% and 5.6% in East and Southeast Asia respectively and for 2008, the same level for East Asia, but a slight increase for Southeast to 5.9%.

East and Southeast Asia are becoming a dominant part of international production networks and supply chains. Between 1995-2004 East and Southeast Asia experienced more rapid growth in trade than the world economy during the same period. Intra-Asian trade has increased at the same pace as trade with the world between 1995 and 2004 and the emergence of China has proved to be the most forceful element in intraregional trade growth and is booming as a base for low-cost production. Manufacturing and exports are also growing rapidly in other parts of Asia. Taken together, the Republic of Korea, Taiwan Province (China), India and the Association of Southeast Asian Nations (ASEAN) as a whole increased their share of global manufacturing from less than 7% to more than 9% in the decade to 2003.

A decade after the financial crises of 1997, the East Asian economies are now much more affluent, with people in \$2-a-day poverty down from half the population to 30%. Only the services sector has not regained the dynamism of the years prior to the crisis.

Trade performance depends on the vibrancy of the private sector. Small and medium-sized enterprises account for approximately 90% of all firms in the subregion including Japan. They are the largest source of employment, providing livelihoods for over three-quarters of the region's workforce, especially women and youth. The SME sector will remain the backbone of virtually every economy in this subregion. Trade support institutions (TSIs) in

some East and Southeast Asian countries face inadequate human resource and management capacity, which results in the weak provisions for SMEs' export activities. There is a strong need to provide institutional capacity building to support TSIs in some countries with direct assistance focusing on the legal and the institutional frameworks.

There has been a flurry of Free Trade Agreements (FTA) in the region. In addition to ASEAN, bilateral FTAs are being sought with countries outside the region, either individually or as a group, adding to the complexity of the 'spaghetti bowl.'

Export performance in East and Southeast Asia; generally buoyant

Country	Exports (US\$ million)	Exports to GDP (%)	Exports per capita (US\$)	Growth of export value (% p.a.)	Share of exports to the region (%)	HDI ranking (out of 177)
China	761,820	46	584	30	29	81
Hong Kong (SARC)	292,072	117	42,064	11	53	22
Korea, Rep. of	284,326	42	5,887	17	37	26
Singapore	229,600	114	52,765	17	53	25
Malaysia	140,926	75	5,560	13	42	61
Thailand	110,044	67	1,713	14	38	74
Indonesia	85,628	33	388	11	36	108
Philippines	41,165	48	496	6	39	84
Viet Nam	33,915	75	409	24	26	109
Brunei Darussalam	6,148		16,446	14	42	34
Myanmar	3,673		73	7	66	130
Cambodia	3,091	67	220	17	6	129
Korea D.P.R.	1,333		59	11	52	
Mongolia	1,063	70	416	24	55	116
Lao P.D.R.	513	21	87	20	52	133
Timor-Leste	72	21	74	100	36	142
Total for the region	1,995,389		1,031	19	38	

Source: ITC TradeMap, WB, UNDP Human Development Indicators. Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.

Trade Challenges

ITC's Strategic Objectives



Trade Policy and Regulations

Insufficient business dimension in trade negotiations

The majority of the countries within the sub-region are WTO members (Viet Nam having become a member as recently as 2007). Cambodia is the only LDC in the sub-region to have acceded and Lao PDR is currently in the process of accession. To be effective, trade policy formulation as part of trade negotiations requires the private sector to have a voice. Apart from the ASEAN FTA, other regional and bilateral initiatives have only recently been negotiated and are still quite limited in their impact on the direction of trade. Dialogue can be enhanced through public-private sector partnerships and national consultation mechanisms, which can improve the business and trade environment. There remains a need for the development of national export strategies in some countries to help draw up comprehensive frameworks for the promotion of exports.

Support policy-makers in integrating the business sector into the global economy

Trade Development

Lack of necessary provisions for enterprises' trade growth activities

Despite being measured and benchmarked at the industry, sectoral or national levels, the foundations of competitiveness lie at the micro-level. It is fundamental that the capacity of TSIs is developed in the LDCs and further reinforced in the more advanced trading countries like China to enable them to provide necessary support to the business sector. TSIs in Southeast Asia currently have limited data for monitoring and comparing the evolving capabilities and potential of SMEs in priority sectors and industries over time within the region. A deficit in such expertise hinders the accurate identification of needed competencies of the SMEs and the scope for capacity building. TSIs need capacity and information in order to help SMEs realise their trade opportunities regionally and globally.

Develop the capacity of trade service providers to support businesses

Building Production Capacity

Limited capacity to diversify products and markets

SMEs in East and Southeast Asia and particularly in the LDCs, are insufficiently equipped with business, supply chain and export management skills. Building capacity and skills of SMEs would lead to increased levels of competitiveness of products and a wider diversification in the international marketplace. Among the smaller economies, Cambodia's main challenge is to diversify its sources of growth, given the economy's high dependence on clothing and tourism. However, efforts are in place to improve the environment for private sector activity and the discovery of oil and gas reserves has raised the prospects of substantial revenues for the Government in the medium term. Similarly, Lao PDR and Myanmar also benefit from large receipts from natural resources and they, too, need to promote the development of agriculture and rural small businesses to lift more people out of poverty.

Strengthen the international competitiveness of enterprises

ITC Responses

Trade Policy and Regulations

Private sector having a stronger voice in trade policy formulation

ITC's responses in this area aim to enhance the capacity of policymakers in the development of export strategies, design, management and implementation. ITC has customized programmes that accommodate Asia's export leaders like China, Singapore and Thailand as well as the subregion's LDCs. ITC is supporting closer trade ties among Thailand and its neighbours. There are significant ITC initiatives currently under way and planned in response to the trade policy and regulation challenges in the subregion. In Mongolia ITC is helping in the design and management of a National Export Development Strategy. In Lao PDR ITC is building research and advisory capacity for the Economic Research Institute for Trade and providing training for the ASEAN region in trade capacity building for market analysis. In Viet Nam, ITC is supporting the implementation of trade defence instrument regulations and practices and upgrading the country's legal multilateral trade framework. In the case of Viet Nam, a newly acceded WTO member, these initiatives have enabled decision-makers to integrate the business dimension into WTO trade negotiations and improved the management and working processes regarding accession to multilateral trade treaties.

Trade Development

Equipping TSIs to cater for trade-related needs of the private sector

ITC is currently responding to the institutional needs of TSIs in Lao PDR and Viet Nam and proposals have also been designed to address the lack of knowledge about effective and affordable information and communications technology (ICT) and e-business solutions for SMEs. ITC's response aims to improve access to e-business network opportunities and resources. In addition to the normal range of TSI services required to enhance trade development, ITC can bring specialist inputs that support TSIs in providing supply chain management. In LDCs such efforts can help reduce transport and logistics costs and facilitate export competitiveness. In the area of trade information, ITC supports the establishment of nationwide information networks benefiting from existing inexpensive, user-friendly data and communications technologies. Currently, ITC is strengthening international purchasing and supply management capacity in ASEAN and South Asian countries to enable TSIs to deliver fee-based supply chain management training and professional certification services on a regular basis to their countries' business communities.

Building Production Capacity

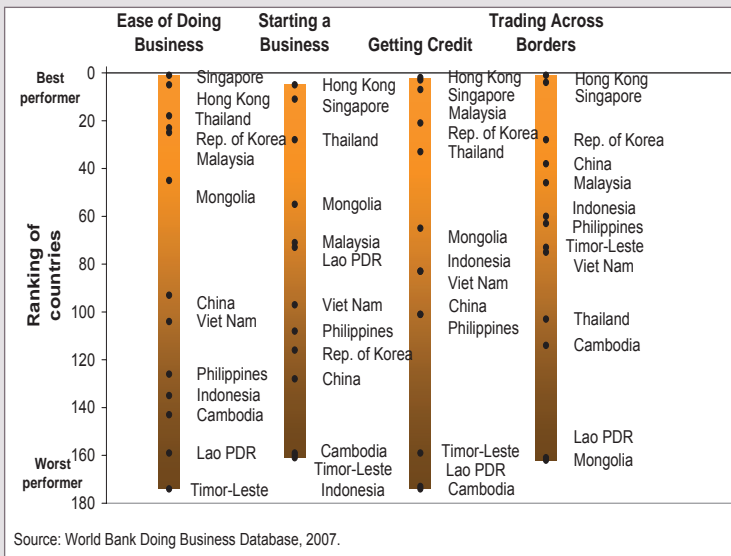
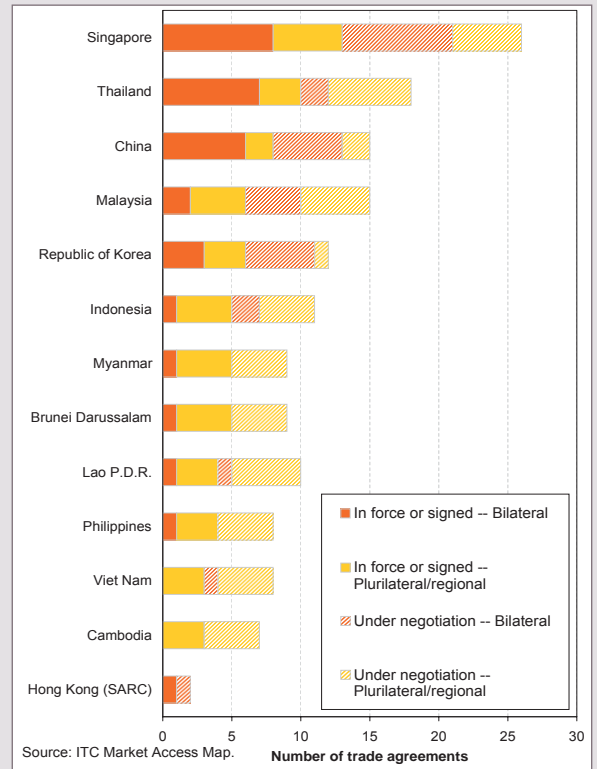
Enterprises formulate national, regional and international export strategies

In the ASEAN region ITC is empowering SMEs to enable them to formulate international business strategies. A sector-wide silk strategy for Cambodia has been developed by ITC in line with the national development plans with the ultimate objective to reduce poverty through building productive capacity of enterprises. Under the Asia Trust Fund scheme ITC, in partnership with the European Union, has also undertaken the following activities to strengthen the capacity of SMEs in the subregion. In Mongolia helping SMEs to enhance their exports through Geographical Indications and GSP+; in China the development of hand-knotted carpet exports from Tibet; in Indonesia improving the inspection capabilities and status of vessels and establishments in the fishery sector and in the Democratic People's Republic of Korea building capacity of SMEs to export. There are other ongoing and planned initiatives to enhance the competitiveness of enterprises through sector-level studies and activities, training and provision of guides on market requirements and trade information. Enterprises are enabled to manage supply chains effectively, to diversify their products and to promote exports of services.

Strengthening Links

Trade Agreements in Force or under Negotiation

Singapore leads East and Southeast Asia in FTAs initiatives together with the other major trading countries; the majority of these are bilateral. The remaining countries, and in particular the LDCs, are pursuing trade negotiations at the plurilateral and/or regional levels.



Doing Business

Representative Indicators

The business environments of Singapore, Hong Kong and Malaysia are among the world's best. However, there is a wide variance within the subregion.

Concentrated or Diversified?

Product and Market Concentration

- China is by far the largest exporter in East and Southeast Asia but is not the most diversified.
- With the lowest export value in 2005, Timor-Leste, Brunei Darussalam, Mongolia and Myanmar show the highest degrees of product and market concentration.

