

# Dynamics of Trade Agreements, Trade and Investment in South, Southeast and East Asia

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## Abstract

South, Southeast and East (S, SE and E) Asian economies comprise a number of emerging economies that are significantly contributing to the world market. Asian economies are coming up with strong policy frameworks to strengthen trade and investment. Simultaneously, Asian economies (S, SE and E regions) are strategically negotiating a number of vital intra-regional as well as extra-regional trade agreements (RTAs) with an intent to not only boost trade but also to provide an environment for investors to stimulate foreign direct investment (FDI) flows. The study examined the trends and dynamics of regional integration, trade and investment in the said Asian region. The trend for RTAs indicates that economies in S, SE and E Asian regions have negotiated a significant number of bilateral and plurilateral trade agreements. Moreover, export values of three significant RTAs (Association of Southeast Asian Nations [ASEAN], Asia Pacific Trade Agreement [APTA], and South Asian Association for Regional Cooperation [SAARC] trading bloc) in the region suggest that export performance of ASEAN and APTA vis-à-vis intra-bloc and the world at large has been far better than the SAARC trading bloc. The dynamics of trade and investment suggest that East Asian economies are contributing a significant percentage to world trade and investment, and Southeast Asian economies are slowly improving trade and investment trends. However, Southern Asian economies need to revisit and revamp existing trade and investment policies to gear up trade and investment flows.

## Keywords

Trade, FDI, trade agreements, Asian

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## Introduction

Each economy is unique having distinctive features in terms of geographical distribution, cultural heritage, historical diversity, technological development and political arrangements (Shu, 2018). Economies either produce or import (Thirlwall & Gibson, 1992) depending upon the indigenous expertise of an economy. In the case of expertise, economies prefer self-production whereas economies do import wherein limitations associated with domestic production are viewed. Hence, a global market for trade and investment is inevitable. In addition, to facilitate the global market, economies world over are working towards reducing trade barriers. Moreover, globalisation wave has encouraged economies world over to actively participate in trade agreements (Bhasin & Manocha, 2014), tax treaties, investment treaties and other measures to boost the global market. Trade agreements and investment treaties not only act as a tool of navigating foreign markets but also provide benefits associated with reduction of barriers (tariff and non-tariff).

‘The World Trade Organization (WTO<sup>1</sup>) is the only global international organisation dealing with the rules of trade between nations’. Regional trade agreements (RTAs) (also popularly known as free trade agreements [FTAs]) are trade agreements negotiated under the aegis of WTO among nations to liberalise tariff and non-tariff barriers to facilitate the flow of goods and services. Hence, RTAs are building blocks (Baldwin, 2006). With the changing dynamics on the world map RTAs currently negotiated under WTO not only cover trade-related liberalisation measures but also capture the norms to stimulate investment and service flows among nations. New age RTAs are getting expanded and hence ‘new regionalism’ era (Cihelkova & Frolova, 2014; Cihelková & Hnát, 2008) can be identified and, therefore, more coverage and attributes can be stated as follows:

1. Coverage of ‘new integrations’ are getting more elaborated and, hence, along with trade other significant aspects such as environment, investment, technical barriers, services, intellectual property and various other dimensions are enveloped.
2. Second, RTAs formed are more diversified and sophisticated in nature. Along with trade-in-goods agreements, trade-in-services/economic integration agreements (EIAs) are also gaining popularity.
3. Third, RTAs are not only restricted to a given geographical boundary or cultural similarity. New regionalism has facilitated RTAs among countries across the ocean and cultural frames, hence, cross-regional (Crawford & Florentino, 2005) and inter-regional RTAs can be negotiated.
4. Moreover, trading partners are negotiating multi-phase (bilateral, multilateral, and plurilateral) RTAs.
5. Last, RTAs are negotiated among economies with social, cultural and economic diversity and, hence, developed and developing economies are equally negotiating trade agreements in order to promote trade without barriers across the globe.

Therefore, economies across the globe can experience various advantages, namely, reduction in the price associated with distribution and consumption of goods and services; ease in the flow of factors of production, goods and associated services; extended markets; and better trading mechanisms across the globe which in turn has promoted global productivity and supply chains (Thomas, 2014). Moreover, trade blocs have been promoting an environment wherein the members of a bloc are encouraged to jump the boundaries of the partner countries (due to supportive policy measures among the members of a bloc) and, hence, stimulate investment along with trade (Park & Park, 2008). Hence, trade blocs are platforms that promote trade and investment-friendly environment among member nations.

## **Rationale of the Study**

Following the world trends (post-liberalisation era), Asian economies have also taken a number of initiatives to stimulate trade and investment via various policy measures and, hence, have actively participated in the formation of various intra-regional and extra-RTA. As per the Asian economic integration report (ARIC, 2023), Economic Union (EU) and North American intra-regional trade remained stagnated over the last three decades whereas Asia's intra-regional trade has witnessed a steady rise. Further, the report stated that Asian global value chains and regional value chains have seen a massive boost in the said region. Hence, a linkage in trade; production process; investment opportunities; capital flows; liberalisation measures; and deeper economic integrations are gaining momentum. In the given scenario, Asian economies are significantly contributing to trade, investment and other macroeconomic variants. As per Finance and Development<sup>2</sup> (a quarterly magazine of IMF), Asia is emerging as one of the key players in the world economy with three major (China, Japan and India) boosting economies and with a share of more than 35% of the world's GDP. Workman (2022) suggested that Asian economies accounted for USD 8.512 trillion in exports to the world in 2021 leading to a growth of 34.1% growth of Asian exports since 2017. Similarly, as per ESCAP-75 (2019), the share of Asia-pacific world FDI (foreign direct investment) inflow share has dropped to 35% (in 2019) from 45% (in 2018) and FDI outflow share has decreased to 41% (in 2019) from 52% (in 2018) but the region still manages to bag the largest share of world FDI flows. Further, as per ESCAP (2021), Asia has emerged as the top most destination for FDI inflows as China (in East Asia) and India (in South Asia) have seen a rise of 23% and 20% since the last two decades. Therefore, to study the changing dynamics of emerging economies of Asia, the coverage of our study extends to identify the role, nature and trends of trade, investment and trade agreements for South, Southeast and East (S, SE and E) Asian economies.

## **Literature Review**

The present study attempts to examine the trends and changing dynamics of trade, investment and trade agreements in S, SE and E Asian economies. Therefore, we

divide our LR into three subsections, namely, studies examining trade trends; studies capturing investment trends; and studies roping trends of RTAs.

### *Studies Capturing Trade Trends*

We were able to have our hand on a few studies that have examined trade trends for country-specific and region-specific sample sizes. Starting with the studies examining country-specific trade trends, Adebayo (2019) examined the trade trends and policies for Nigeria over the period of 1981–2017, and the results depicted that trade trends are compatible with sustainable development of Nigeria. Rafiq et al. (2016) evaluated the trends of trade balances for Pakistan over the period of 1972–2015 and the forecasts suggested that policymakers need to work towards improving trade balances. Shree and Sridhar (2016) evaluated the trends of livestock products for India over the period of 20 years and stated that both the exports and imports of livestock products have increased for India largely due to an increase in income and changes in the preference for dairy products. Kunze (1972) evaluated the trends of trade between Britain and Eastern EU countries over the period of 1960–1971. The results suggested that the rise in trade is largely due to consistent efforts on the part of Britain's government and Britain's corporate houses. Islam (2019) captured the trends of trade between Bangladesh and India over the period of 2009–2016 and concluded that India holds a strong place in Bangladesh's international trade. Taneja et al. (2019) explored India-Pakistan trade trends over the period of 2012–2017 and suggested that informal channels rather than formal channels are dominating India-Pakistan trade. Manocha and Bhasin (2022) studied the trends of India-UK trade over the period of 1991–2021 and stated that both counties are strategically working to enhance trade.

Few studies have also captured the trends of trade with region-specific sample sizes. Dimitris and Pinna (2013) examined the trade trends between the EU and its neighbouring economies over the period of 1991–2011 and stated that the EU can explore exponential trade with its neighbouring countries in the years to come. Similarly, Oehler-Sincai (2009) explored the trends and structure of trade-in-goods for EU countries over the period of 2004–2008 and indicated that EU trade is more inclined towards manufacturing goods both for exports and imports. Straubhaar (1986) explored the nature and trends of trade between developing economies over the period of 1969–1983. Borin et al. (2018) examined the world trade trends over the period of 2011–2016 and suggested that cyclical factors have contributed to weakness in world trade. Similarly, Nikoloski and Paceskoski (2015) evaluated the trends of world trade over the period of 1937–2013.

### *Studies Capturing the Investment Trends (FDI Trends)*

Like trade, investment-related trends have also been explored by a few researchers both for country-specific and region-specific sample sizes. Sahiti et al. (2020) examined the trends of FDI inflows for Kosovo over the period of 2006–2017 and

concluded that FDI received in Kosovo is catering to business sector, rental sector and real estate. Ergano and Rambabu (2020) examined the pattern and trends of FDI inflows of Ethiopia from India and China over the period of 1997–2016. Molla (2018) studied the trends of FDI for Bangladesh over the period of 2008–2018 and suggested that FDI inflows are significantly contributing towards the sectors that are contributors of economic growth. Bista (2017) explored the trends of FDI inflows for Nepal over the period of 1982–2007 and suggested that liberalisation and privatisation measures are contributing towards FDI inflows in Nepal. Rao and Dhar (2011) studied the trends of FDI inflows for India and stated that liberalisation policies and mergers and acquisitions have strengthened FDI flows for India.

Regional-specific FDI flows have also been explored by a few researchers. Chattopadhyay et al. (2022) examined the trends of FDI inflows for BRICS economies over the period of 1990–2020 and concluded that BRICS economies need to bring better and enhanced reforms to attract FDI inflows in future. Similarly, Bose and Kohli (2018) examined the trends of FDI for BRICS economies over the period of 1990–2015. Hattari and Rajan (2008) evaluated the trends of FDI inflows into developing Asian economies and stated that developing economies are emerging hubs for FDI inflows. Daisuke (2006) evaluated outwards FDI from Association of Southeast Asian Nations (ASEAN) economies and intraregional ASEAN investment trends and suggested that ASEAN countries are emerging as regional and global players of FDI. Like global trade trends, global investment trends have also been examined by a few researchers. Banik and Bhaumik (2006) evaluated the global FDI trends and concluded that FDI inflows and outflows are enhancing the world over but the growth rate of FDI inflows has declined in 2003 as compared to FDI inflows in 2000. Fischer (2000) examined the global FDI trends since 1990 and suggested that economic integrations are supporting interdependent production and service networks and, hence, an increase in FDI trends on the world map can be seen.

### *Studies Associated with Trends of RTA*

This section of the literature review captures studies that have discussed the trends of RTAs. Haokip (2012) examined the trends of RTAs for India starting from the end of the Cold War and stated that India's Look East policy is the result of India's attempt to expand regional integrations with East and Southeast Asian countries. Sapkota et al. (2018) examined the trends of RTAs in the Asian region over the period of 1990–2015 using a sample of 34 Asian countries and revealed that integrations are increasing within Asian region. Kirillov and Paweta (2014) examined the changing trends of work economic integrations and the study employed a few major RTA and concluded that countries that are geographically near and with similar economic development tend to form unions. Sakakibara and Yamakawa (2003) examined the challenges and opportunities of regional integration in East Asia and stated that the East Asian region is stimulating both global and intra-regional RTAs. Park et al. (2021) examined the integrations in the Asian and European regions and stated that Asian economies are opting for loose

cooperation whereas the European region is strengthening institutionalisation with a single currency setup. Kawai and Wignaraja (2010) evaluated the trends and challenges of FTAs in the Asian region and suggested that political considerations are required to come up with better and strong FTAs in the said region.

An insight into the literature indicates that studies have either captured trends for trade, or investment, or RTAs by employing varied sample sizes. Talking about the Asian region, both country-specific and region-specific studies are accessible. Rafiq et al. (2016) evaluated trade trends for Pakistan; Islam (2019) studied the trade trends between India and Bangladesh. Similarly, Molla (2018) studied the FDI trends for Bangladesh; Bista (2017) explored the FDI trends for Nepal; Rao and Dhar (2011) studied the FDI trends for India. Further, Hattari and Rajan (2008) evaluated the FDI trends for developing Asian economies. Sapkota et al. (2018) and Kawai and Wignaraja (2010) examined the trends of RTAs in the Asian region. But an aggregate study capturing the trends for trade, investment and RTAs for S, SE and E Asia was not found; therefore, the current study attempts to capture the changing dynamics of trade, investment and regional integrations in the said region.

## Data Source

To study the trends and changing dynamics of RTAs in S, SE and E Asian regions vis-à-vis trade, investment and trade agreements, the data was collected from varied sources. RTA-associated data was collected from the WTO database over the period of 1991–2022. To gather intra-ASEAN, intra-SAARC (South Asian Association for Regional Cooperation), intra-APTA (Asia Pacific trade agreement) export values, data was collected from the trade map (ITC) database over the period of 2002–2021 (based on the availability of data). To study the regional flow of imports and exports, data was collected from the UNCTAD database over the period of 1991–2021; and to study the trends of FDI inflows and outflows of S, SE and E Asian region, data was gathered from FDI statistics UNCTAD database over the period of 1991–2021.

## Scope of the Study

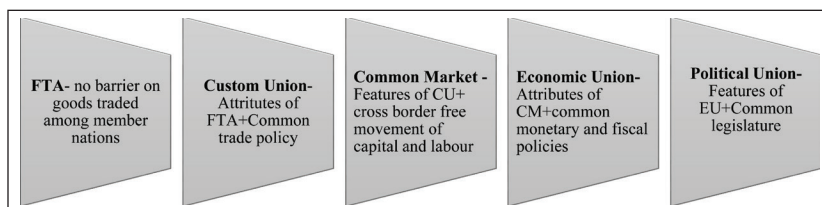
To study the changing dynamics of S, E and SE Asian trade and investment markets since 1991, the current study intends to talk down the trends of trade, investment and trade agreements in the said region. Moreover, the study aims to study the changes in the nature (quantity and quality) of trade agreements in the region. Hence, we can list the objectives of the study as follows:

1. To identify the trends of trade agreements in S, E and SE Asian regions with major emphasis on three major RTAs, namely, SAARC trading bloc; APTA; and ASEAN.
2. To tabulate and identify the changing dynamics of trade and investment in the said region.

## Trade Agreements (Trade Blocs) in S, E and SE Asian Regions

Trade agreements are negotiated to stimulate trade, liberalise trade barriers and enhance market access (Mukherjee et al., 2019). Countries negotiating trade agreements under the umbrella of WTO have an intent to provide more and better access to the member countries of the bloc towards the domestic market vis-à-vis the rest of the world. However, trade agreements may differ in nature/type depending on the extent and depth of liberalisation among the member countries (World Bank, 2005). The most elementary and easily negotiable trade agreement is FTA wherein the member countries opt to liberalise tariff barriers among the member nations either for a few or all goods. The next level of integration can be associated with Custom Union (CU). CUs are like FTA but member nations part of CU further extend the liberalisation measures and tend to enforce common trade policies among the member nations. As compared to FTA, CUs are more difficult to conclude. The next stage of integration is associated with Common Market (CM) wherein not common trade policies are structured but also a free movement of labour and capital among the bloc members is promoted. Though CM requires a major negotiation platform, this stage of integration provides no restriction on immigration, emigration and cross-border free movement of labour and capital among member countries. A deeper stage of integration in form of the EU can also be recognised. EU supports a common monetary and fiscal policy among nations of the bloc and supports identical tax structures, fixed exchange rates, free currency convertibility and free movement of capital for all members of the bloc. The last and deepest stage of integration is associated with Political Union (PU). With PU, member countries tend to form a common government and single constitution, but a major dilution of the sovereignty and democratic rights of the member countries is registered. Apart from the above-stated integration, Partial Scope Agreements (PSA) are also negotiated under the umbrella of WTO. PSA also known as preferential trade agreements (PTA) are like FTA wherein the member nations try to reduce tariff barriers for a few products rather than *all* traded products. In addition to the above, EIAs are also noted with WTO that cover trade in services, unlike FTAs that are largely associated with trade in goods. Figure 1 depicts a pictorial representation of various trade agreements based on the stage (and nature) of integration.

Each stage of integration has its own attributes and advantages, and with the depth of integration more intra-bloc liberalisation among the members of the bloc can be seen. As per WTO,<sup>3</sup> currently (as of 31st March 2022) 354 trade agreements are in force that corresponds with 577 notifications and separating counting goods, services and accessions. The sizeable number of RTAs on the world map indicates an urge among the economies to open gates for investment, goods, services and various other parameters of the global market. Further, the new generation (currently) RTAs that are more diversified in nature and have coverage of not only trade-in-goods but also other dimensions of the global market such as trade-in-services, environment and investment provisions (Wu et al., 2017) are seen.



**Figure 1.** Stages of Integration.

**Table 1.** RTAs Negotiated (and in Force) in South, Southeast and East Asia (Cumulative Year-Wise 1991 Onwards).

Year	Cum # of RTAs (Intra- and Extra-Regional)
1991	4
1994	6
1999	7
2001	9
2003	16
2005	26
2007	41
2009	55
2010	62
2012	72
2013	77
2015	83
2016	86
2017	88
2018	92
2019	99
2020	102
2021	109
2022	110

**Source:** Based on the data collected from the WTO RTA database.

Following the world trends, a diverse range of RTAs are also negotiated (and are in force) in the Asian subcontinent where a number of emerging economies (India, China, Japan, Korea, Singapore, Thailand, etc.) are trying to strengthen growth parameters vis-à-vis world at large and, hence, are coming with a reasonable number of intra-regional as well as extra-regional RTAs. More than 100 RTAs are negotiated (and in force) in S, SE and E Asia (see Table 1).

An upsurge in the number of RTAs negotiated in the region indicates an environment that boosts trade, investment, economic growth and social welfare. A number of significant bilateral (Japan-India, Republic of Korea-India, Japan-Malaysia, Japan-Indonesia and many more) and multilateral (ASEAN, APTA, SAPTA, RCEP [Regional Comprehensive Economic Partner]) RTAs have been negotiated in the said region. Furthermore, the countries within S, SE and E Asia are not only negotiating intra-regional RTAs but are also actively participating in



**Table 2.** Region-Wise Countries.

Regions →	Southeast Asia	East Asia	South Asia
Countries →	Brunei Darussalam; East Timor; Cambodia; Laos; Myanmar (Burma); Philippines; Thailand; Vietnam; Singapore; Malaysia; and Indonesia.	China; Republic of Korea; Mongolia; Japan; and Taiwan	India; Afghanistan; Iran; Bangladesh; Bhutan; Maldives; Nepal; Sri Lanka; and Pakistan

**Source:** Based on data collected from the UN geographical regional classification.

negotiating RTAs with economies world over/cross-regional (Japan-UK, New Zealand and Japan-Australia). Moreover, Asian economies are looking for deepening the existing integrations, SAPTA (a regional bloc among SAARC countries) formed FTA, South Asian Free Trade Agreement (SAFTA) in 2006 and similarly, ASEAN expanded its country coverage in 2022 to form RCEP. As per World Bank,<sup>4</sup> regional integrations world over are getting deeper and more expanded, and hence are better devices for trade and non-trade cost reduction and global supply chain boosters (de Melo et al., 2020). They are also coming up with a cross-country policy balancing platform, especially for member countries. Furthermore, to stimulate economic growth, Asian economies are trying to minimise divergence. As per the WTO database, Asian economies are registering as the second largest hub of RTAs followed by European countries. Therefore, they are actively stimulating the quality and quantity of RTAs, bilateral investment treaties, investment and environment agreements, and EIA in the said region.

As the study tries to briefly capture the changing dynamics of regional integration in S, SE and E Asian regions therefore few subsections have also been captured to discuss the emerging and existing RTAs region-wise (SE, S and E Asia). Therefore, the study tabulates and discusses the number of RTAs negotiated (and in force) for countries within the regions under study and also tries to talk about significant and grooming RTAs in S, SE and E Asia. To identify countries within each region, the United Nations' geographical regional classification has been opted for. Table 2 tabulates countries region wise.

### *RTAs in Southeast Asia*

The Southeast Asian region is not only acting participating in strengthening trade and investment relations but also significantly contributing towards negotiating some vital RTAs both intra- and extra-regional (such as ASEAN, RCEP and others). Table 2 depicts the countries that constitute Southeast Asia, and Table 3 tabulates the number of RTA in force and negotiated country wise within Southeast Asian economies. Table 3 depicts that not only Singapore has negotiated the highest RTAs in SE Asia but countries such as Brunei, Myanmar, Laos, Vietnam,

**Table 3.** RTAs Negotiated by Southeast Asian Economies (as of 30th September 2022).

Type of RTA → Country ↓	Trade in Goods (Including Accession) (Including Both PSA and FTA)	Trade in Services (Including Accession)
Brunei Darussalam	10	8
Cambodia	7	5
Philippines	11	7
Thailand	14	9
Viet man	15	11
East Timor	0	0
Indonesia	13	8
Laos	10	6
Malaysia	16	11
Myanmar	8	5
Singapore	27	24

**Source:** Based on the data collected from the WTO RTA database.

Malaysia, Thailand and Philippines are also following the race with 10 or even more than 10 RTAs negotiated as of 30th September 2022.

Furthermore, 10 leading economies of Southeast Asia have negotiated a vital RTA, ASEAN Free Trade Area (AFTA) in 1992. AFTA was initially negotiated among six Southeast Asian economies, namely, Brunei Darussalam; Malaysia; Indonesia; Thailand; Philippines; and Singapore but subsequently, Vietnam became part of ASEAN in 1995; Laos and Myanmar joined in 1997; and Cambodia entered in 1999. Currently, ASEAN has 10 signatories from the Southeast Asian region, namely, Brunei Darussalam; Laos; Philippines; Malaysia; Indonesia; Singapore; Thailand; Vietnam; Myanmar; and Cambodia. Furthermore, as of 30th September 2022, ASEAN is one of the signatories of six vital RTAs, out of which one is plurilateral RTA (ASEAN-Australia-New Zealand negotiated and in force since 2010) and five are bilateral RTA, namely, ASEAN-China (in force since 2005); ASEAN-India (in force since 2010); ASEAN-Japan (in force since 2008); ASEAN-Hong Kong, China (in force since 2019) and ASEAN-Republic of Korea (in force since 2010). ASEAN countries are stretching their arms to cover various intra-regional as well as extra-regional economies to facilitate trade (and investment) in compatible environment.

ASEAN has also worked upon various expansion forums, namely, RCEP (a platform for ASEAN+6) and ASEAN plus three (APT) (China, Japan and the Republic of Korea). APT is currently a cooperation forum initiated to address the financial crisis in the East Asian region and the forum is committed to taking care of issues such as energy, reduction of economic inequalities, inter-country labour mobility, poverty concerns, environmental and sustainability issues, transnational criminal activities and many more.<sup>5</sup>

However, RCEP was a step ahead to further strengthen Southeast economies and to provide more meaning to ASEAN economic potentials. Japan took the lead to establish a trade agreement among 10 ASEAN members and 6 vital economies. In 1992 at the ASEAN summit, negotiations for RCEP formally began. RCEP was

initially proposed FTA among ASEAN and six emerging economies, namely, Japan; China; New Zealand; Australia; India; and Republic of Korea. However, India stayed away from the RCEP, and RCEP came into force (in 2022) with 15 countries (10 ASEAN and Japan; China; New Zealand; Australia; and the Republic of Korea). With RCEP, the socio-economic coverage of ASEAN enhanced as RCEP covers 30% of the world population and accounts for 30% of the world GDP<sup>6</sup> leading to the formation of a strong regional integration in the Asian Continent.

RCEP came into force in 2022; therefore, potential gains and growth of the regional bloc can be studied in the years to come. However, currently, we can tabulate intra-ASEAN exports, and ASEAN export trends vis-à-vis world at large. A tabulation (see Table 6) of intra-ASEAN exports suggests that ASEAN exports among ASEAN economies have grown around 4.02 times since 2002. Moreover, intra-ASEAN exports account for around 20% of ASEAN world exports in 2021. Though the agreement has large regional diversity among member nations but intra-ASEAN export trends indicate that the agreement is likely to emerge as one of the most durable and successful RTA in the years to come (Hill & Menon, 2010).

### RTAs in East Asia

People's Republic of China; Republic of Korea; Mongolia; Japan; and Taiwan constitute Eastern Asian economies. The region carries three most significant economies, namely, China; Korea; and Japan. These three economies are leading the tally of RTAs negotiated in the region (see Table 4).

As of 30th September 2022, these three major economies of the East Asian region have negotiated more than 15 RTAs individually (see Tables 3 and 4). Furthermore, China; Republic of Korea and Japan have bilateral RTAs with ASEAN and are also members of currently negotiated (in 2022) RCEP. Such trends suggest an intent of Eastern Asian economies to extend trade liberalisation measures towards all neighbouring economies of Asia and even, collaborate with cross-continent economies to negotiate trade agreements. The trends also suggest that East Asian economies are looking for better trade partners to emerge as vital and strong economies of Asia. Eastern region also accounts for various significant intra-regional as well as extra-regional RTAs namely, China-Singapore; Japan-Korea;

**Table 4.** RTAs Negotiated by Southeast Asian Economies (as of 30th September 2022).

Type of RTAs → Country ↓	Trade in Goods (Both FTA and PSA) (Including Accession)	Trade-in-Services (Including Accession)
Japan	18	17
Korea	21	18
Mongolia	0	0
People's Republic of China	17	16
Taiwan	0	0

**Source:** Based on the data collected from the WTO database.

and many more. However, countries like Mongolia and Taiwan still need to gear up towards trade progressive measures.

### *RTAs in Southern Asia*

As per UN geographical regional division, India; Afghanistan; Iran; Bangladesh; Bhutan; Maldives; Nepal; Sri Lanka; and Pakistan comprise of South Asia.

Tabulation (see Table 5) of RTAs in South Asia depicts that India has negotiated the largest number of RTAs and, currently, India is member of 20 trade-in-goods agreements and 8 trade-in-services agreements. Countries like Afghanistan and Maldives are still struggling to open gates for trade liberalisation and, hence, have negotiated very few RTAs as of 30th September 2022. Furthermore, in comparison to Southeast and East Asian economies, the South Asian region has negotiated lesser RTAs but almost all South Asian economies are members of the SAARC trading bloc. SAARC was a political platform formed in 1985 to stimulate regional strength and economic synergy among South Asian economies. SAARC was initiated with an intent to provide a political and economic forum for South Asian economies to build a strong, healthy and progressive environment in the region. However, in 1995, SAARC countries decided to initiate trade liberalisation measures and, hence, negotiated a PTA, SAPTA (Chowdhury, 2005). SAPTA came into force in December 1995 and had seven member nations of South Asia as its members (Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; and Sri Lanka). To further boost growth, SAARC countries in 2006 negotiated an FTA, South Asian Free Trade Area (SAFTA). SAFTA was a deeper integration wherein all members agreed to systematically reduce trade duties. In 2007, Afghanistan joined the SAARC club and became the eighth member of SAFTA. The key aspect of SAFTA formation was to promote the tariff liberalisation program wherein the member countries were committed to substantially reduce and remove tariff structure among the bloc members (Raghurampatruni et al., 2021). Table 6 shows that the intra-SAARC export value has increased 10 times in 2021 since 2002 but the intra-SAARC export to the world export is still as low as 7%. Currently (in 2021), total intra-SAPTA exports amount

**Table 5.** RTAs Negotiated by South Asian Economies (as of 30th September 2022).

Type of RTA→ Country↓	Trade in Goods (Including Accessions) (Included PSA and FTA)	Trade in Services (Including Accessions)
Afghanistan	3	0
Bangladesh	7	1
Bhutan	4	0
India	20	8
Iran	3	0
Maldives	3	0
Nepal	4	0
Pakistan	11	2
Sri Lanka	8	1

**Source:** Based on the data collected from the WTO database.

**Table 6.** A Comparative Tabulation of Intra-SAARC, Intra-APTA and Intra-ASEAN Exports (2002–2021).

Year	Intra-SAARC Exports (in USD)	Intra-APTA Exports (in USD)	Intra-ASEAN Exports (in USD)
2002	3,281,985	49,936,447	91,933,999
2003	5,544,193	70,655,317	116,864,444
2004	6,650,179	99,462,078	142,080,557
2005	8,881,239	128,151,973	166,106,846
2006	9,726,940	154,979,212	192,318,298
2007	11,990,903	193,084,109	217,684,856
2008	15,086,305	235,269,203	253,516,864
2009	11,772,902	205,139,525	200,519,633
2010	16,280,481	278,141,160	265,006,767
2011	19,734,108	324,758,185	316,202,214
2012	19,983,900	325,087,034	327,120,263
2013	22,644,611	347,666,280	339,384,519
2014	25,852,608	366,229,746	331,479,171
2015	22,860,858	357,955,204	281,633,360
2016	22,474,793	338,544,689	271,572,728
2017	26,082,163	383,451,528	311,535,430
2018	31,728,444	429,230,690	348,755,616
2019	29,146,973	402,030,593	331,188,548
2020	24,703,070	385,014,970	297,612,268
2021	39,081,084	513,766,461	370,479,081
Increase in intra-bloc exports since 2002 (proportional increase)	11.9077583	10.2884064	4.02983755
Bloc to world exports (in 2002)	60,328,961	548,300,271	401,129,095
Bloc to world exports (in 2021)	493,662,063	4,472,824,827	1,794,612,574
% Share of intra-bloc exports to world exports (in 2002)	5.440%	9.107%	22.919%
% Share of intra-bloc exports to world exports (in 2021)	7.917%	11.486%	20.644%

**Source:** Based on the data collected from [www.trademap.org](http://www.trademap.org).

to 39 million USD of which India contributed 30.7 million USD.<sup>7</sup> Hence, India contributes around 78.7% (in 2021) of intra-SAPTA exports (a significant share). India holds a predominant position in SAARC and is highly committed to the bloc (Jain, 2005), which might be because India is one the largest and emerging market of Asia. Moreover, the bloc's contribution to world exports is too insignificant (only 7%) as the bloc is highly exposed to political and cross-border disturbances (Gauchan & Sarin, 2018).

The study also talks about a plurilateral trade agreement, APTA negotiated between a few countries of South, Central and East Asian regions. APTA also

known as the Bangkok agreement is one of most effectively operational and oldest PSA (Manocha, 2018) negotiated in June 1976. The agreement had Bangladesh, Korea, India, Sri Lanka and Laos as its original signatory member, and China joined APTA in 2002. APTA has drawn the best of three major markets in Asia, namely, India; Republic of Korea; and China. The bloc is working well towards developing a trade and investment-supportive environment. Table 6 reflects that intra-AFTA exports have grown 10 times in 2021 since 2002 and APTA exports to the world have been 10.2% in 2021.

Table 6 also provides a comparative tabulation of intra-SAARC, intra-ASEAN and intra-APTA exports since 2002. The trends of intra-bloc(s) indicate that intra-bloc export growth rate of APTA and ASEAN is much more than the intra-SAARC export growth. Table 6 also summarises the percentage of intra-bloc exports as a percentage of world exports for each bloc under study. The trends show a significant upsurge in the share of ASEAN followed by APTA and SAARC. However, Asian economies still need to strengthen the intra-bloc operations to generate better trends of exports in the years to come. In the nutshell, we can state that S, E and SE Asian economies are fast promoting trade via negotiating meaningful and significant RTAs (both bilateral and plurilateral) but the magnitude and impact of each RTA for exports is varied. ASEAN is fast expanding and growing RTA with intra-ASEAN export as 20% of total world exports (in 2021), whereas SAARC exports to world export is just 7%.

## **Trade and Investment in South, Southeast and East Asia**

This section of the article talks about the trends of trade and investment in S, SE and E Asia. Trends of RTA along with the changing dynamics of trade and investment will help us to understand changing markets and economic structures of Asian economies. This section tabulates the trends of trade (export and import) and investment (inward and outward stock) for the region under study. We also try to provide a pictorial trend of trade and RTA, and investment and RTA for S, SE and E Asian regions.

### ***Trade Trends in South, Southeast and East Asia***

This subsection captures the trends of exports and imports in the S, SE and E Asian regions. Starting with the exports, Table 7 depicts that Asian share in world export has grown from 27.5% (in 1991) to 43% (in 2021), and S, SE and E Asian regions have been consistently contributing around 80% of total Asian exports since 1991. Hence, Asian countries (especially S, SE and E Asian countries) are significantly contributing to the world exports and S, SE and E Asian economies have the lion's share of Asian exports. Trends also depict that East Asian exports to world exports have also grown from 18.1% (in 1991) to 26.4% (in 2021). Similarly, an upsurge in Southeast Asian exports to world exports from 4.7% (in 1991) to 7.7% (in 2021) has been seen. However, the share of South Asian exports to world exports has been insignificant and, hence, a growth of only 1.2% since 1991 (in aggregate 2.5% in 2021) is registered.

Similar trends for imports were also depicted. Table 7 depicts that Asian imports as a percentage of world imports have also grown to 39.1% (in 2021) as compared to 25% (in 1991). Like exports, imports of S, SE and E Asian regions have been around 85% of Asian imports since 1991. A remarkable growth in East Asian imports to world imports is registered, and a rise from 15.2% (in 1991) to 23% (in 2021) is seen. However, the share of world imports of Southeast Asia and South Asia in 2021 has been 7.2% and 3.6% (2021) respectively. The trends of imports and exports for the said region of Asia have been more or less the same.

Hence, we can summarise the reason for growth of exports and imports in S, SE and E Asian regions as follows:

1. First, the region has a number of countries (India, Pakistan, Vietnam, China, Japan, Korea and others) with huge coastal borders and, hence, can take geographical advantages of sea routes. Moreover, these economies have sincerely worked towards developing sea routes for trade since last 2–3 decades (Chaudhury, 2022; Idris & Ramli, 2018) and such efforts have led to an increase in commercial shopping (and connectivity) via seaports.
2. Second, the region comprises emerging and developing economies such as India, China, Korea, Singapore, Malaysia and others that have significantly contributed towards institutional and global changes to boost trade (Shimada, 2019).
3. Third, the economies in the said region are becoming significant production centres (Yang, 2016) with strong global value chains and global production networks.
4. Moreover, emerging economies are working towards macro-level stability; trade openness and tariff reduction; and various trade-supportive reforms (Dorosh, 2002).
5. Furthermore, a number of Asian economies are still developing and, hence, the demand (and import) of consumable and intermediary products is high. Growth of IT has further boosted retail outlets and ultimate consumer demand in Southeast Asia (Ahmed, 2021).
6. Asian region is trying to boost infrastructure and, hence, import goods to support both the quality and quantity of infrastructure. Karymshakov and Sulaimanova (2021) suggested that quality and quantity of infrastructure have strengthened trade in Asian economies.
7. Asian continent is the largest in terms of GDP and population growth and, hence, significant demand (imports) for varied goods and services can be seen.
8. Last, Asian economies are working towards rapid industrialisation, therefore, to feed the increasing industrial needs, the region is expected to import more.

The region is opening gates for trade with intra-Asian economies as well as the rest of the world and, hence, boosting trade-related infrastructure, trade-supportive policies and tariff reduction measures via negotiating significant RTAs both intra-regional and extra-regional to fetch trade for the region. A pictorial representation of RTA and trade trends of S, SE and E Asian are depicted in Figure 2.

**Table 7. Export and Import Trends of South, Southeast and East Asian Regions (1991–2021).**

Exports in (US Dollars at Current Prices in Millions)														
Year	1991	1995	2000	2001	2005	2010	2011	2015	2016	2017	2018	2019	2020	2021
<b>Economy</b>														
<b>World</b>	3516771.7	5176362.2	6452629.9	6195303.9	10502734.9	15297248.8	18335025.4	16554294.6	16035882.5	17740888.4	19549334.9	19014314.5	17648467.5	22328176.6
<b>Asia</b>	967020.2	1560988.6	2067262.9	1882035.3	3590206.9	5953663.5	7207188.5	6864004.5	6561804.5	7291151.7	8051121.4	7814475.4	7449204.4	9595073.6
<b>Eastern Asia</b>	637694.1	1007301.3	1258589.7	1140645.6	2136742.6	3495528.4	4050001.4	4231135.6	4044245.3	4411859.9	4742835.2	4622248.2	4648754.3	5892860.4
<b>South-eastern Asia</b>	165586.5	321409.3	430202.5	387045.7	656581.8	1050067.4	1239482.7	1167101.5	1144035.8	1316371.8	1446018.4	1423332.5	1385504.7	1720642.0
<b>Southern Asia</b>	47176.8	64979.7	93118.5	90205.0	189229.8	378956.5	497279.3	405321.6	405097.5	463142.0	505373.2	467530.6	391528.1	555902.2
<b>Developing economies:</b>														
<b>Asia</b>	568436.3	973768.5	1384294.7	1299052.3	2668076.6	4659092.6	5760994.4	5648263.2	5360754.8	5957978.1	6646167.0	6508172.0	6245235.1	8134482.8
<b>APTA (Asia-Pacific Trade Agreement)</b>	165627.0	312551.1	476535.6	471634.5	1163249.9	2302931.5	2798182.6	3119423.7	2911965.2	3194566.9	3479894.3	3430732.2	3436204.0	4477323.6
<b>ASEAN (Association of Southeast Asian Nations)</b>	165586.5	321409.3	430202.5	387045.7	656573.7	1050051.0	1239469.5	1167083.5	1144015.8	1316348.4	1445973.2	1423178.8	1385241.2	1720026.5
<b>SAARC (South Asian Association for Regional Cooperation)</b>	28515.8	46619.7	64379.5	64516.0	132977.8	277640.5	365279.3	335046.6	332194.5	370378.0	401951.2	401812.6	344611.7	484256.6
<b>Contribution to world export ( in %)</b>														
<b>Asia</b>	27.5	30.2	32.0	30.4	34.2	38.9	39.3	41.5	40.9	41.1	41.2	41.1	42.2	43.0
<b>Eastern Asia</b>	18.1	19.5	19.5	18.4	20.3	22.9	22.1	25.6	25.2	24.9	24.3	24.3	26.3	26.4

*(Table 7 continued)*





<b>SAARC</b> (South Asian Association for Regional Cooperation)	36776.9	60147.0	80863.9	79327.0	196835.1	441604.7	579754.5	516612.6	491046.9	602286.2	681396.0	638407.0	507029.1	771770.7
<b>Contribution to world import ( in %)</b>														
Asia	25.0	28.7	27.4	26.7	29.9	35.4	36.3	37.4	36.7	37.6	37.9	37.8	38.1	39.1
Eastern Asia	15.2	17.3	16.9	16.4	17.9	20.9	21.3	21.4	20.9	21.5	22.0	21.7	22.6	23.0
South- eastern Asia	5.1	6.8	5.7	5.4	5.6	6.2	6.3	6.6	6.7	7.0	7.2	7.2	7.1	7.2
Southern Asia	1.8	1.4	1.4	1.5	2.2	3.3	3.5	3.4	3.3	3.6	3.7	3.5	3.1	3.6
Developing economies: Asia	15.8	19.2	18.7	18.5	22.2	27.7	28.4	30.5	30.0	30.8	31.0	31.1	31.6	32.6
% of S, SE and E Asia share of Asian imports	88.15	88.86	87.73	87.26	86.00	85.82	85.54	83.80	84.23	85.45	86.67	85.53	85.93	86.44

Source: Based on the data collected from the UNCTAD database.

A rising trend for both RTAs and trade (export and import) for S, SE and E Asian regions can be seen. However, the rise in the number of RTAs negotiated in the region is steady during the last 30 years (starting from 1991) but for trade small variations are depicted in 2008–2009, 2016–2017 and 2019–2020, which might be due to global financial crisis 2007–2008 and Covid-19. Nevertheless, a long-term perspective seems to be upward sloping both for trade and RTAs negotiated in the region under the study.

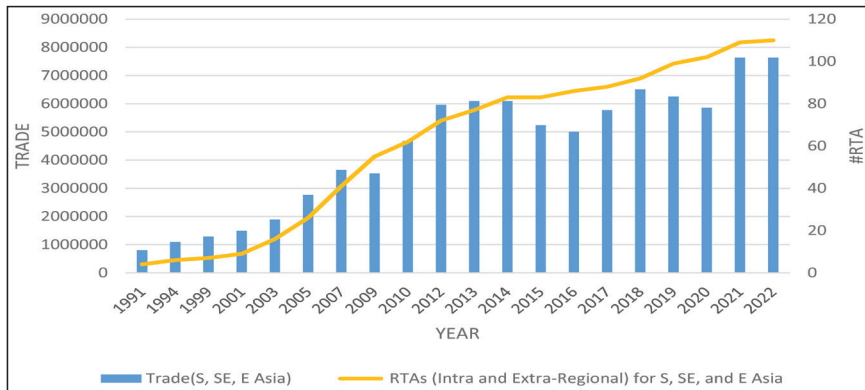
### *Investment Trends in South, Southeast and East Asia*

The study not only tabulates trade patterns for S, SE and E Asian economies but also captures the movements of investment in the region. 'Asia continues to be the world's top recipient region of foreign direct investment (FDI), accounting for nearly 30 per cent of global FDI inflows', UNCTAD's World Investment Report 2014. This indicates that Asia is emerging as one of the most prominent destinations for investment inflows. To study the direction, nature and pattern of investment flows in S, SE and E Asia, we have tabulated (see Table 8) FDI inward flows and FDI outward flows in the region.

Investment (FDI) refers to acquisition of business ventures by an entity in a foreign land. Asian economies such as China, Japan, Hong Kong, Korea, Singapore, India, Thailand and others are emerging as the most preferred destination for FDI inward flows. Table 8 depicts that in 2021, Asian economies were able to fetch 43.6% of world FDI inflows and S, SE and E Asian regions contributed 86.6% of total Asian FDI inflows (in 2021). Trends of the East Asian region depict that the region was able to fetch FDI inflows of 23.4% of world FDI inflows in 2021. A tremendous increase in FDI inflows for East Asia has been registered since 1991 (in 1991, East Asia received only 6.12% of world's FDI inflows). Similarly, Southeast Asia accounted for growth in FDI inflows as 11.08% of world FDI inflows (in 2021) as compared to 8.86% inflows in 1991. FDI inflows for South Asia are depicting an upward trend but the growth is still slow and limited, South Asian economies received FDI inflows of 0.29% in 1991 and 3.3% of world FDI in 2021. South Asian region still needs to work towards inviting sizeable FDI flows in the region.

Talking about FDI outflows, prior to 1991 FDI outflows were prerogative of developed countries. As evident from Table 8, only 3.28% of FDI outflows went from developing Asian economies in 1991. However, the liberalisation wave promoted FDI outflows from developing economies too and, in 2021, developing Asian economies registered FDI outflows as 23.08% of world FDI outflows. Talking about the trends of East Asian economies, a significant rise from 19.62% (in 1991) to 26.47% of world FDI outflows (in 2021) is seen. However, the FDI outflows for Southeast and South Asia are still limited, which might be because the regions largely constitute of emerging economies where the liberalisation measures are limited and/or the industrial development in the region is not equipped enough to venture into a foreign land. For South Asian economies, FDI flows are even less than 1% of the world FDI outflows in 2021.

To summarise, we can say that like trade flows, investment flows in an economy are indicators of liberalisation and the willingness of economies to expand (and



**Figure 2.** Trends of Trade (X+M) and RTAs for S, SE and E Asia.

**Source:** Based on the data collected from the WTO database and the UNCTAD database.

diversify). The reasons for growth of FDI inflows and outflows in S, SE and E Asia can be stated as follows:

1. Asian economies are looking for better and cheaper sources of production and distribution in order to offer competitive goods and services. Moreover, for the sustainable development of Asian economies, FDI flows are vital (Asian Development Bank, 2008).
2. FDI flows facilitate better and alternative technology transfers to emerging and developing economies (Pant & Mondal, 2010). With new technology, FDI also supports skill enhancement and labour training norms.
3. An upsurge in FDI inflows in Asian economies is also supporting an increase in the employment level (Mahnaz et al., 2022), infrastructure development (Kapadia & Agrawal, 2011) and better flow of finance.
4. Rise in FDI inflows in the said region can be attributed to the presence of plentiful natural resources, making the Asian region one of the most sought-after destinations for FDI inflows.
5. Asian economies are becoming more competitive and have an urge to accelerate growth; therefore, they are looking for collaborations, expansion and mergers beyond the boundaries. As per the World Investment Report, 2013, India; China; Japan; and Korea are the promising investor economies in the Asian region.

However, to boost FDI inflows and outflows Asian (especially Southeast and South Asian) economies still need to revisit and revamp FDI policies and strategies. FDI policies should be more towards fit-to-purpose and green technology in order to witness a sustainable flow of FDI in years to come (ESCAP-75, 2020).

The study also tries to present (see Figure 3) the trends of RTAs and FDI flows (inward and outward) in Figure 3. Like trade trends, FDI trends were also upward moving since 1991. However, a reduction is registered during 2019–2020, which might be due to the Covid-19 pandemic.

**Table 8. FDI Inward and Outward Trends of South, Southeast and East Asian Regions (1991–2021).**

FDI Inward Flows														
Year	1991	1995	2000	2001	2005	2010	2011	2015	2016	2017	2018	2019	2020	2021
<b>World</b>	153959.09	345142.74	1356685.07	773130.51	953219.65	1390942.27	1610398.18	2063638.28	2045423.56	1632638.52	1448276.18	1480626.05	963138.54	1582309.76
<b>Asia</b>	25690.61	84781.62	159175.24	134517.69	237232.32	437800.31	447947.09	549226.63	521598.98	545543.09	540557.74	552384.12	562643.96	690070.19
<b>Eastern Asia</b>	9421.88	47833.45	120107.02	93014.33	125932.71	200548.68	232023.36	320583.53	290128.05	280659.80	276479.42	255728.78	304193.80	370389.74
<b>South-eastern Asia</b>	13639.28	28632.37	21751.29	22161.42	42739.08	112880.34	87024.91	119048.91	113321.65	154449.88	148776.04	174976.49	122109.72	175313.94
<b>Southern Asia</b>	446.94	2816.35	4866.28	6747.14	14182.11	34862.51	44331.56	51227.32	54281.01	51639.92	52262.45	59085.78	70957.31	52416.83
<b>Developing economies:</b>	22901.58	80676.46	132385.65	119982.07	215995.09	422569.82	431279.03	530810.50	478147.59	501381.78	496897.81	511631.77	518893.11	618983.38
<b>Asia</b>	5982.95	42420.83	56653.56	59400.79	95003.55	155009.62	176912.66	187832.33	190304.53	200836.65	201402.90	208233.91	227863.62	249216.51
<b>APTA (Asia-Pacific Trade Agreement)</b>	13639.28	28632.37	21751.29	22161.42	42738.18	112851.82	86977.83	119005.92	113316.17	154443.17	148728.12	174901.91	122037.34	175228.62
<b>ASEAN (Association of Southeast Asian Nations)</b>	424.35	2807.58	4672.71	6339.02	11292.92	31213.54	40054.84	49177.32	50909.01	46620.92	49889.45	57577.78	69615.31	50991.83
<b>SAARC (South Asian Association for Regional Cooperation)</b>	16.69	24.56	11.73	17.40	24.89	31.48	27.82	26.61	25.50	33.41	37.32	37.31	58.42	43.61
<b>Contribution to world FDI inflows (in %)</b>	6.12	13.86	8.85	12.03	13.21	14.42	14.41	15.53	14.18	17.19	19.09	17.27	31.58	23.41

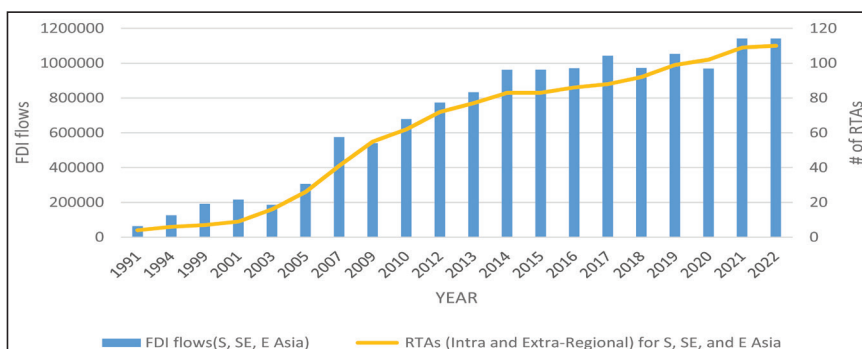
South-eastern Asia	8.86	8.30	1.60	2.87	4.48	8.12	5.40	5.77	5.54	9.46	10.27	11.82	12.68	11.08
Southern Asia	0.29	0.82	0.36	0.87	1.49	2.51	2.75	2.48	2.65	3.16	3.61	3.99	7.37	3.31
Developing economies: Asia	14.88	23.37	9.76	15.52	22.66	30.38	26.78	25.72	23.38	30.71	34.31	34.56	53.88	39.12
% of S, SE, and E Asia share of total Asian FDI inflows	91.50	93.51	92.18	90.64	77.08	79.55	81.12	89.37	87.76	89.22	88.34	88.67	88.38	86.68
<b>FDI outward flows</b>														
World	198856.81	361243.83	1162491.56	681550.39	837155.67	1392058.08	1628481.62	1722753.80	1596715.94	1610113.26	941292.85	1123894.02	780479.74	1707593.52
Asia	40102.50	68638.50	113903.65	94878.80	139222.41	364117.75	443715.30	528481.57	567023.59	606416.70	549942.25	612768.61	515255.21	611433.08
Eastern Asia	39022.50	56481.83	98095.04	71507.71	99465.96	250738.45	321222.63	391273.94	458636.67	456098.99	426676.98	470752.09	398178.88	451991.21
South-eastern Asia	923.97	12079.05	8996.10	20766.33	20056.11	63204.81	65334.16	73476.65	49565.41	88548.29	57546.08	79502.10	62386.89	75837.83
Southern Asia	7.89	128.55	540.44	1499.04	3486.85	16290.57	12823.01	7817.76	5519.82	11493.31	11630.42	13275.22	11205.96	15985.90
Developing economies: Asia	6518.003508	41565.51173	74168.80163	53114.86156	82162.5312	271633.8481	299067.7103	357577.455	366618.8367	400135.118	360653.129	336212.8351	378381.8583	394118.2649
APTA (Asia-Pacific Trade Agreement)	2498.26	5998.97	6286.23	11047.26	23620.17	113134.02	116925.86	177076.26	231418.28	203770.31	192832.77	185520.28	199703.97	221754.41

(Table 8 continued)

*(Table 8 continued)*

FDI Inward Flows														
Year	1991	1995	2000	2001	2005	2010	2011	2015	2016	2017	2018	2019	2020	2021
<b>ASEAN</b> (Association of Southeast Asian Nations)	923.97	12079.05	8996.10	20766.33	20056.11	63178.81	65367.16	73463.98	49552.74	88548.29	57546.08	79502.10	61693.02	75837.83
<b>SAARC</b> (South Asian Association for Regional Cooperation)	-10.08	126.30	529.45	1449.04	3072.29	16051.61	12565.38	7698.07	5415.70	11417.56	11555.82	13190.40	11127.57	15904.29
<b>Contribution to world FDI inflows (in %)</b>														
Asia	20.17	19.00	9.80	13.92	16.63	26.16	27.25	30.68	35.51	37.66	58.42	54.52	66.02	35.81
Eastern Asia	19.62	15.64	8.44	10.49	11.88	18.01	19.73	22.71	28.72	28.33	45.33	41.89	51.02	26.47
South- eastern Asia	0.46	3.34	0.77	3.05	2.40	4.54	4.01	4.27	3.10	5.50	6.11	7.07	7.99	4.44
Southern Asia	0.00	0.04	0.05	0.22	0.42	1.17	0.79	0.45	0.35	0.71	1.24	1.18	1.44	0.94
Developing economies: Asia	3.28	11.51	6.38	7.79	9.81	19.51	18.36	20.76	22.96	24.85	38.31	29.91	48.48	23.08
% of S, SE, and E Asia share of total Asian FDI inflows	99.63	100.07	94.49	98.83	88.35	90.69	90.01	89.42	90.60	91.71	90.16	91.96	91.56	88.94

Source: Based on the data collected from the FDI UNCTAD database.



**Figure 3.** Trends of RTAs and FDI Flows in S, SE and E Asian Economies.

**Source:** Based on the data collected from the WTO database and the FDI UNCTAD database.

The trends for RTAs, trade and investment depict that Asian economies are sincerely working towards liberalisation measures and are taking steps towards making the Asian subcontinent a major hub of global trade and investment. Also, countries in Asia are working towards promoting strong global value chains and global production networks by promoting trade and investment-associated norms and policies.

## Conclusion

The regional trends of S, SE and E Asian RTAs depicted an upsurge in the number and intricacy. The present study was an attempt to examine the changing dynamics of regional integrations by examining the trends of three major RTAs of the said region, namely, ASEAN; APTA; and SAARC/SAFTA. The salient features of the trends can be stated as follows:

- Asian region is coming up as a vital hub of RTAs, having the second largest regional integration platform in number followed by the European region indicating an intent to diversify, enhance and intensify trade-in-goods, trade-in-services, investment environment, infrastructure, global and regional value chains, and policy frameworks towards the global market.
- In aggregate (intra-regional and extra-regional) RTAs negotiated in S, SE and E Asia as of 30th September 2022 account for more than 100 in number.
- East and Southeast Asia are performing well with regards to the formation and expansion of regional integration. Even, the South Asian region is facilitating the formation of RTAs, but the growth is relatively slow. India has the major share of RTAs in the region. The results indicate that Southeast Asian economies are working towards deepening and expanding of existing and potential regional cooperation, and hence significantly supporting regional and global value chains; technology supports; redefining business service; closer and



efficient value chains; better production processes; investment flows from diversified investing host economies; strong digital trade rules; and free flow of trade with negligible or no trade barriers (ARIC, 2023). However, South Asian economies need to reduce structural and infrastructural limitations; cross-border differences; restrictive policies; and a trade protectionist approach. As per IMF 2019, India has emerged as one of the fast-growing large economies but other economies in the bunch of South Asia still need to invest in people; trade and investment liberalisation mechanisms; and progressive growth avenues in order to accelerate growth in the South Asian region.

- The study briefly discusses the trend of three major plurilateral RTAs (ASEAN, SAARC and APTA) in the region in terms of the intra-bloc export value (though RCEP is an extended bloc of ASEAN and five emerging economies are also gaining popularity in the said region, RCEP has been currently negotiated [in 2022]; therefore, its trends were not captured).
- Trends for the ASEAN trading bloc indicated that the intra-bloc export value has increased marginally by 4 times in 2021 since 2002 but the exports of ASEAN to world export suggested 20.6% share in 2021. Trends for APTA suggested that the APTA intra-bloc export values have shown an upsurge of 10 times in 2021 since 2002 and APTA economies have contributed around 11.4% to the world exports in 2021.
- Intra-SAARC exports have grown by 11 times in 2021 since 2002 but SAARC's share of the world export is much less as compared to ASEAN and APTA, which might be due to political disturbances in the South Asian region.

While summarising the trends of trade and investment in the S, SE and E Asian region, we were able to see an upsurge in the regional flows both for trade and investment and depicting compatibility with a significant rise in RTAs in the region:

- The gap between the imports and exports in the Asian region is reducing and Asian exports were registered as 43% of the world exports, whereas Asian imports were found to be 39.1% of the world imports in 2021. The results indicate Asia is significantly contributing to the world trade both in terms of exports as well as imports.
- S, SE and E Asian economies have significant advantages of institutional adaptation, labour-intensive workforce, abundance of natural sources of raw material, adaptive policy structure and intent to diversify and support world trade. Such an environment has extensively supported exports of emerging economies in the region.
- The credit of the rise in imports goes to the increasing industrial needs and consumable demands (intermediate and final products) of highly populated and diversified economies in the region.
- As per ESCAP (2021), Asia has emerged as the top most destination for FDI. Large emerging economies such as China; Japan; Hong Kong; Singapore; India; Thailand; Korea; and others seem to be preferred destinations in Asia. The results for FDI flow trends indicate that Asian economies were able to fetch 43.6% of world FDI inflows and S, SE and

E Asia stand as significant destinations of Asia with 86.6% inflows of total Asian FDI inflows in 2021. Trends for East and Southeast Asia (in terms of investment flows) were encouraging, whereas the trends for the South Asian region suggested that the region is stimulating investment flows since 1991 but the growth is relatively slow. South Asian region still needs to work towards inviting sizeable FDI flows in the region.

- S, SE and E Asian regions have an abundance of natural resources, cheaper techniques of productions, labour-intensive markets, intent to boost R&D and an increasing urge to collaborate and expand (mergers/joint ventures/acquisitions), which in turn is stimulating the growth of inward and outward investment in the region. However, the trends indicate that East Asian economies are performing quite well both in terms of inward and outward flows of investment. Southeast Asian economies are also performing reasonably well in both the domains of FDI, but South Asian economies still need to come up with more investment-supportive policies and structures in order to enhance the inward and outward flows of investment.

Since 1991, not only an upsurge in the number (and depth) of regional economic integration can be seen but also a consistent rise in the investment flows, trade flows and production avenues can be registered. Emerging economies in the said region such as China, India, Korea, Singapore, Thailand and others seem to be major contributors. Though the trends for Southeast and East Asia for RTAs, trade and investments are found to be encouraging, trends for South Asia suggest that except India all other South Asian economies need to have better liberalisation policies and strong economic reforms in order to attract more quality and quantity of trade and investment flow. Further, the trends in the region indicate that economies in the said region are consistently working towards supporting global and regional supply chains, global production (and distribution) networks, strengthening digital trade, better investment ventures and adapting to changing dynamics of trade and investment on the global platform. However, as per the Asian economic integration report 2023 (ARIC, 2023), 'Asian economies are able to register strong growth but headwinds are increasing'. To curtail inflation, Asian economies are tightening monetary policies but such measures are exerting pressure on external demand and, hence, exports. Further, almost all Asian economies are coming up with trade policies that are compatible with intra-regional and extra-regional production cycles. Hence, the trade structures for Asia are largely associated with exports and imports of intermediate goods but less with consumer goods.

## Conclusion

Using the trends, we can state that S, SE and E Asian economies are significantly contributing to the world trade and investment market. However, the economies in the said region should work on a few aspects to further strengthen the trade and investment flows (both intra-regional as well as extra-regional). The regional integration negotiated in the region should be deepened to further support regional value chains and global value chains. Further, the upcoming RTAs should cater to

the needs of digital trade flows and should be drafted towards making trade (and investment) flows resilient towards global shocks. Talking about the trade flows, trade policies should not only be compatible with the production cycle (catering to intermediate goods) but should also synchronise with the consumer needs and demands to further boost trade flows in the said region. In order to boost FDI flows, a number of Asian economies are providing corporate income tax incentives in terms of tax holidays, tax credits, investment allowances, etc. However, global (or regional) tax rules (and norms) would further strengthen cross-border investment. Further, economies in the region should focus on both aggregate and key sector-oriented trade and investment especially to boost eco-friendly products, green technology, energy-efficient flows and sustainable production (and distribution) networks.

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### Notes

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