



Evolving Linkages of Pacific Economies

**The 2013 Pacific and PNG Update
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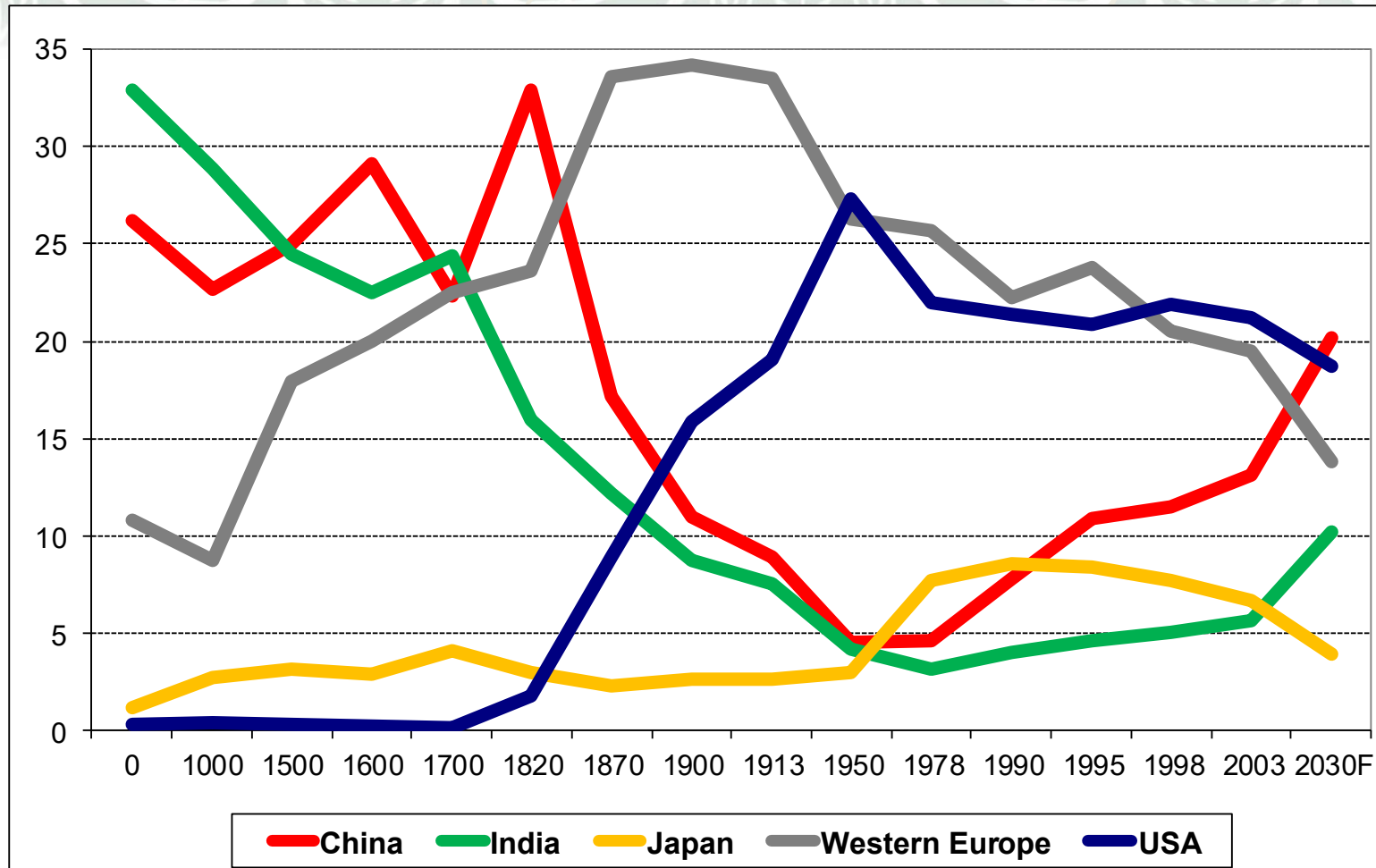
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Pacific Economic Linkages



GDP share of major world economies

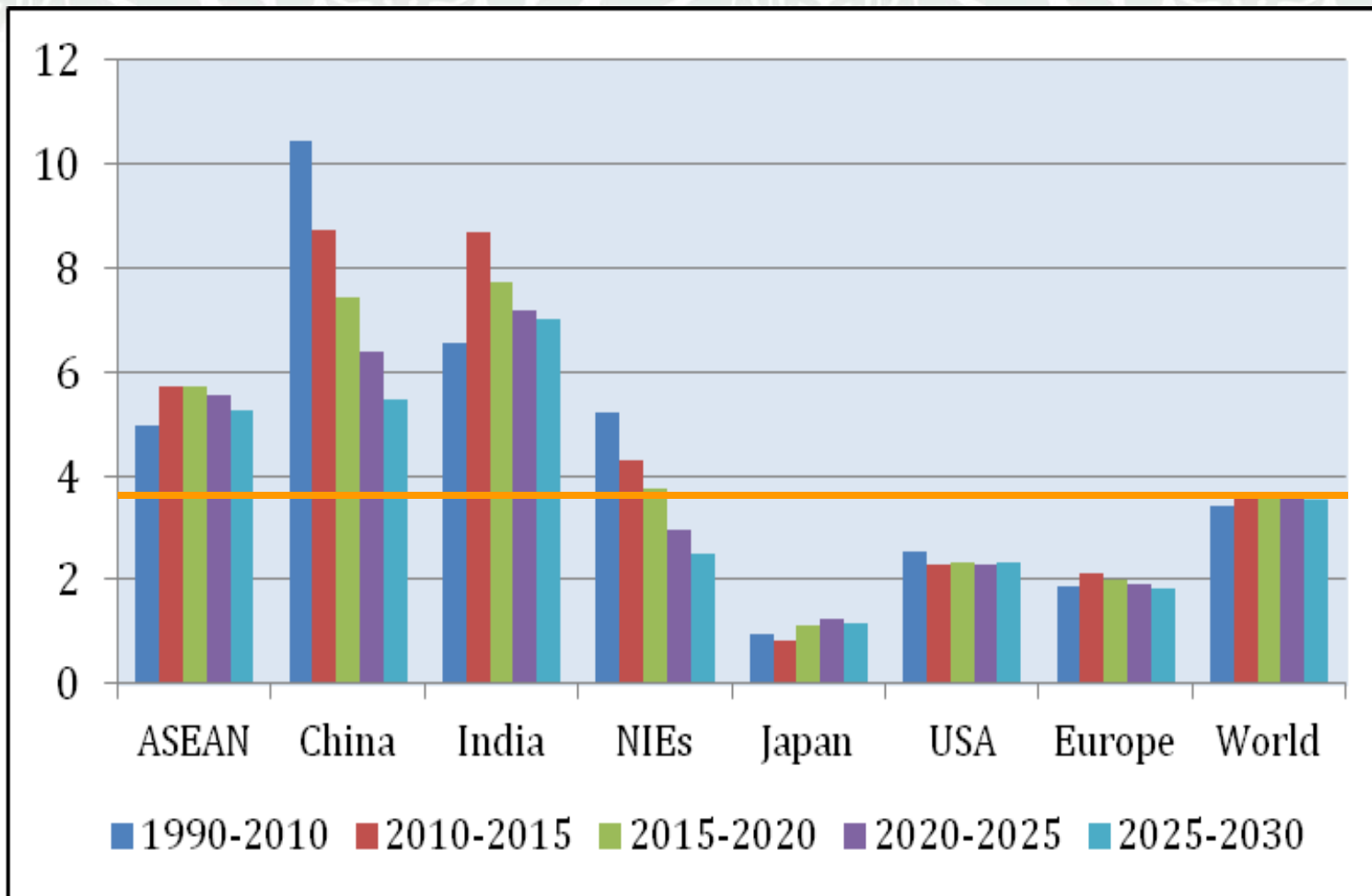
(%, in 1990 international dollars)



Source: Angus Maddison, *The World Economy: A Millennial Perspective* (2001); and "The West and the Rest in the World Economy: 1500-2030" (2005).

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Growth Projections to 2030



Source: ADB and ADBI, *ASEAN, the PRC and India: The Great Transformation?*, Forthcoming in 2013.

An Asian Century?

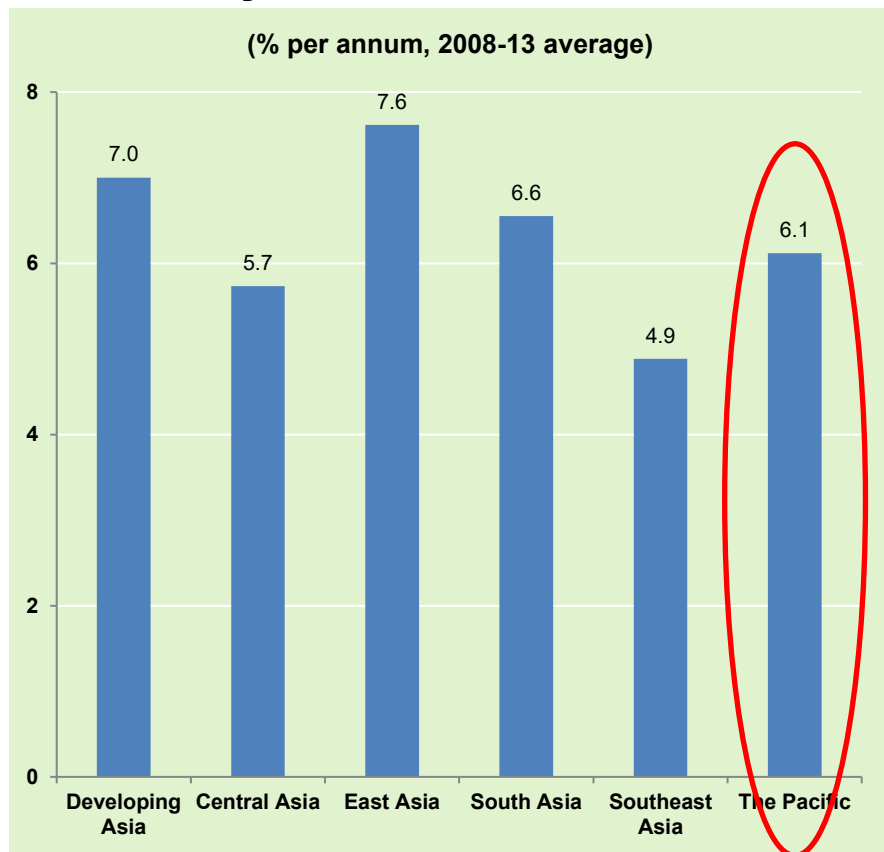
Key ideas from ADB's Asia 2050 study

- On current economic growth trajectory average per-capita income of Asian citizens around USD 40,000 by 2050
- Driving this:
 - Growing middle class
 - Urbanization
 - Strengthened regionalism
- There are risks - the middle income trap, lack of inclusiveness, and emerging challenges such as environmental issues

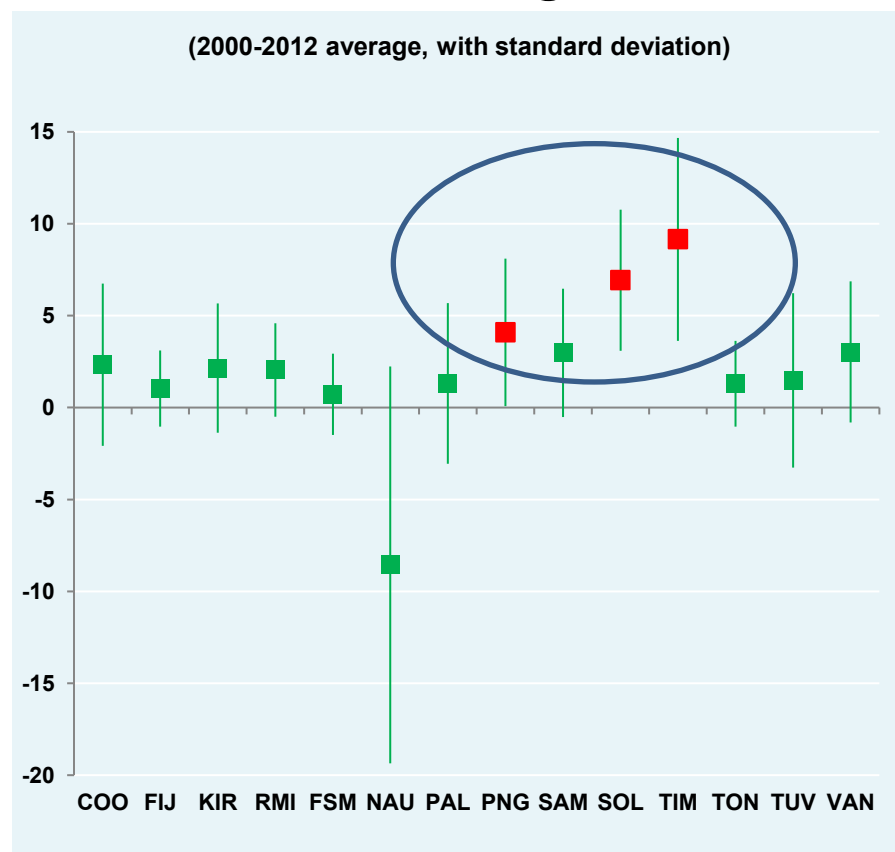


Economic Growth Performance

The Pacific region has grown at par with developing Asia in recent years...



...but within the Pacific, cross-country growth has been volatile and divergent.



A structural shift in the Pacific?

Challenges

- Distance from markets
- Small populations

Changes

- Fiber optic cables
- Deregulation of telecoms
- Transport networking

Change meets Opportunity

What could the Asian Century mean for the Pacific?

- Serving rapidly expanding Asian goods and services markets
- Rising wealth supports outward capital flow
- Learning from East Asia's policy responses (including on domestic structural reforms and regional cooperation initiatives)

ADB Study Proposals

Q: How can the Pacific be proactive in capturing benefits from the Asian Century?

- Initial scoping: PEM Dec 2012 – “Changing Tides – Evolving North Pacific Economic Linkages”
 - Highlighted limitations of readily available data on Pacific countries
 - Palau – strong tourism, trade and ODA links with Asia
 - FSM and RMI less so.

Leveraging the Benefits of Asian Growth and Economic Integration

- Implications of E. and S.E. Asia's economic growth and progress in regional integration for Pacific economies.
 - The Asian Century—What does it hold for the Pacific?
 - Learning from East Asian RCI
 - Key transmission channels
 - Policies to support Pacific economies joining the Asian Century
- ADB/ADBI (with Australian funding), end 2013 completion



Evolving Linkages of the Pacific Economies

- History/potential to engage in:
 - imports, exports, trade in services, investment and financial flows, and labor migration
- Trends, drivers, opportunities, and factors that inhibit greater Pacific integration.
- Focused country and linkage-area pairings
- Research challenges - timeliness and coverage of available indicators

Evolving Linkages *(continued)*

- Basic descriptive statistical analysis, calculation of trade intensity and revealed comparative advantage indicators, and econometric examination of drivers of evolving economic linkage, such as the gravity model estimation framework
- Funded by PRC, completed mid-2015

Trade and Transport Facilitation for the Pacific

- Regional analysis of trade and transport flows
 - Establish assessment tools to measure and track trade and logistic performance
- Analysis as base for targeted support
 - Capacity to design policy and investment options for trade and transport
 - Improve logistics processes of customs performance
- Funded by Japan, completed mid-2015