TRADE AND FOREIGN DIRECT INVESTMENT LINKAGES AMONG APEC ECONOMIES

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APEC’s importance in the global economy is significant and rapidly increasing. Within APEC, the Asia APEC economies are the fastest growing and most dynamic in the world today. This chapter examines the relative importance and inter-relationship between trade and foreign direct investment (FDI) in the region. The evidence suggests that trade and FDI are playing a complementary role in APEC, and that stronger investment linkages in APEC would deepen the trade linkages and set in motion a “virtuous cycle” of increased economic integration and improved economic performance.

The Asia Pacific-Economic Co-operation (APEC) forum encompasses a heterogenous group of countries from Asia and the Pacific region, exhibiting enormous diversity in terms of the growth and size of population and real GDP, the industrial structure of production and trade, resource endowments, technological sophistication, living standards, socio-political institutions, and outward orientation. APEC’s importance in the global economy is significant and rapidly increasing. With a population in excess of 2 billion people, the eighteen APEC member countries had a combined gross domestic product (GDP) of US$ 13.5 trillion in 1993 (see Table 1; all tables are given in the appendix to this chapter). These countries together account for nearly 40 percent of world population, almost 60 percent of world output, and about 45 percent of world trade and foreign direct investment (FDI).
CHART 1
Level of Real Gross Domestic Product Per Capita
Selected APEC Member Economies, 1950 & 1992

United States = 100, Using Purchasing Power Parity Exchange Rates