Foreword

Trade-related infrastructure has given Asia's economies access to, and made them accessible for, trade with the rest of the world. Growth has both followed from and contributed to this process. The same has become true for regional cooperation and integration. The Asian Development Bank (ADB) and its subsidiary for research and capacity-building, the ADB Institute (ADBI), have contributed to expansion of the region's infrastructure and understanding of how that infrastructure contributes to trade and resulting growth in the region.

While trade is primarily a private sector activity, much of it relies on infrastructure which, in turn, is primarily financed by the public sector in acknowledgement of trade's contribution to growth, development and poverty reduction. Infrastructure, both physical and institutional, facilitates trade by lowering the costs of moving goods, information and payments from economic agents in one country to those in another. As tariff barriers have fallen in successive GATT/WTO (General Agreement on Tariffs and Trade/World Trade Organization) rounds of negotiations, infrastructure-related trade costs have become comparatively more important. At the same time, production and trade patterns have evolved as technology and infrastructure have lowered absolute and relative trade costs while timeliness of delivery has increased in importance as a factor in demand.

Most of the analysis of infrastructure's impact on trade costs has focused on conditions in more developed countries. This volume contributes to our understanding by examining the situation in developing Asia, the world's most populous and fastest-growing region. Chapters explore topics ranging from Asian trade patterns and trade costs to port competitiveness, congestion and foreign direct investment (FDI) in trade-related infrastructure. Empirical estimates complement the analysis of issues to inform the policy-making process.

Asia's trade is found to be expanding at both the extensive and intensive margins. The new trade flows at the extensive margins in particular are often in the form of small shipments from small firms, of goods with lower weight–value ratios, and facing greater demand for timeliness of delivery and air shipment. At the intensive margin, enhanced port efficiency and greater competition between ports and between different modes of transport are seen to have augmented trade flows. Improved physical infrastructure has lowered trade costs for intraregional trade, spurring development of production fragmentation. The importance of service links in this process highlights the importance of institutional infrastructure for further trade expansion.

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