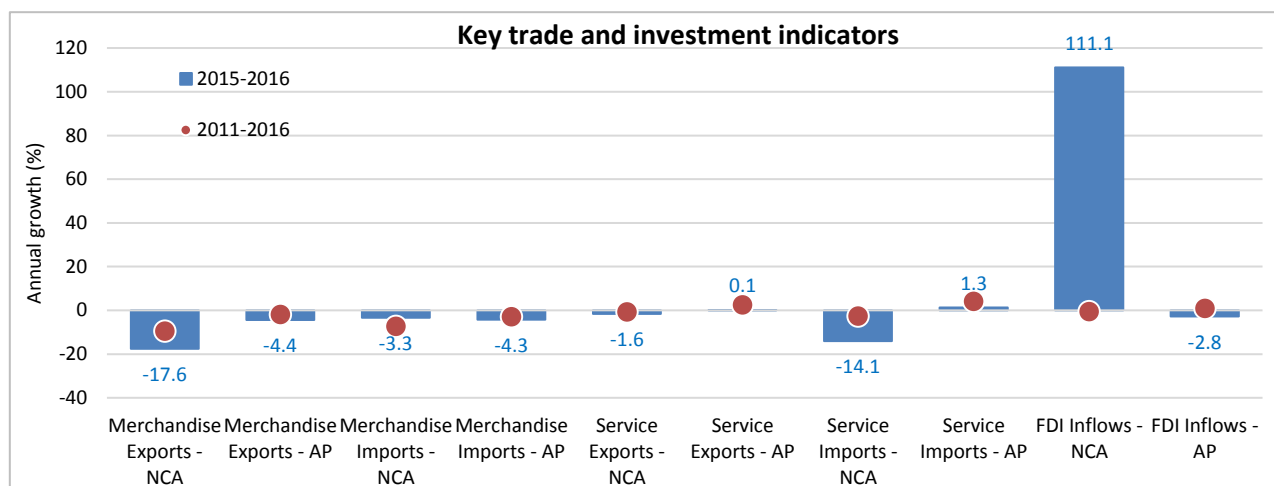




Asia-Pacific Trade and Investment Briefs North and Central Asia

(Armenia; Azerbaijan; Georgia; Kazakhstan; Russian Federation; Tajikistan; Turkmenistan; Uzbekistan)



AP: Asia and the Pacific average

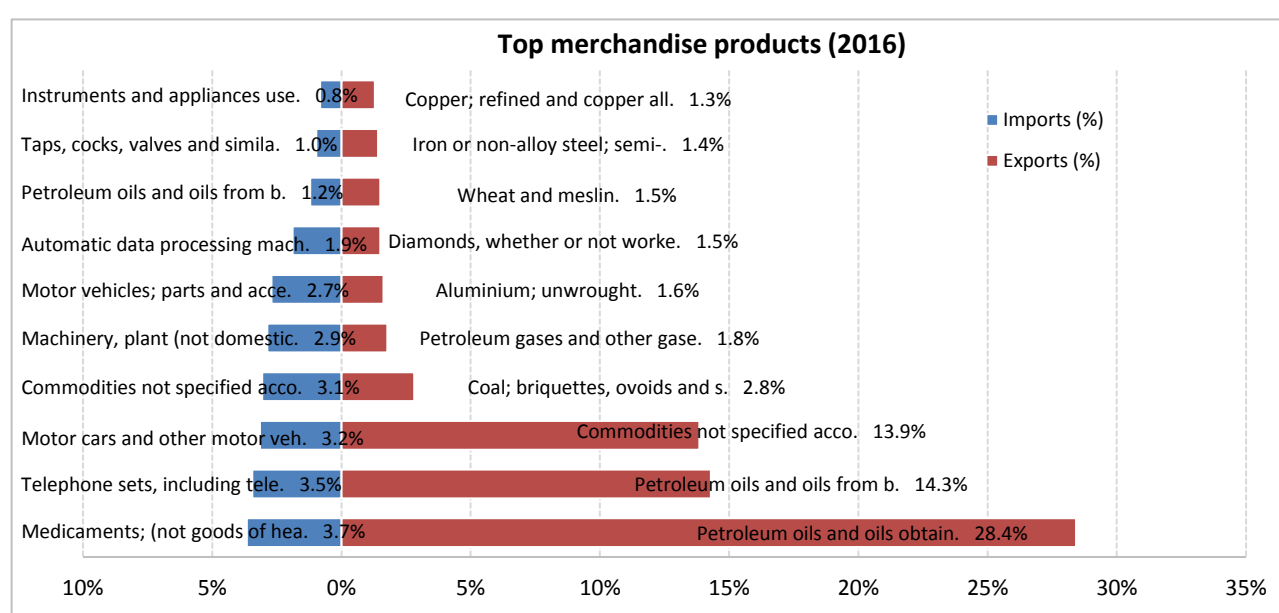
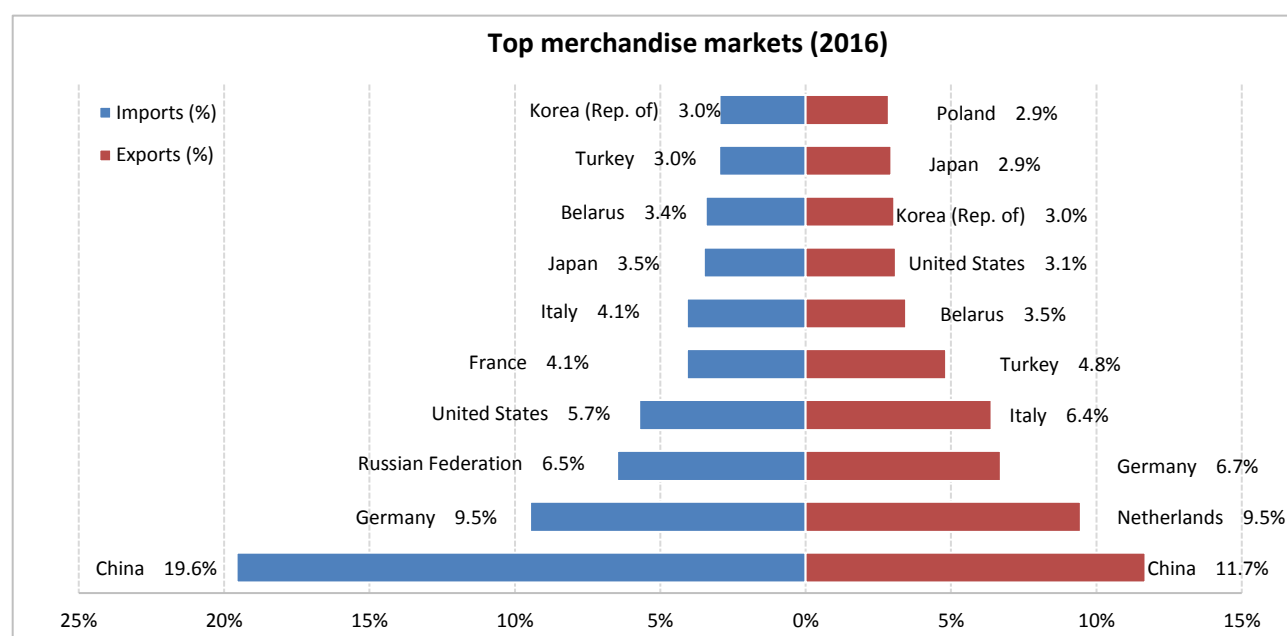
Merchandise trade: Trade in North and Central Asia (NCA) is dominated by the Russian Federation and Kazakhstan, who in 2016 accounted for 76.5% and 10.0%, respectively, of total merchandise trade in the subregion. The subregion consists of major energy-exporting economies, with some of the world's largest oil and natural gas reserves in Azerbaijan, Kazakhstan, the Russian Federation, Turkmenistan and Uzbekistan. The subregion relies on primary commodities for merchandise exports, with major exports consisting of oil, coal, gas, aluminium, iron and copper. Merchandise exports from the NCA economies contracted sharply by 17.6% in 2016, compared with the Asia-Pacific average export decline of 4.4%. While this was the third consecutive year of decline in exports in the subregion, the decline was comparatively less steep than in 2015. The export contraction in 2016 was driven by low export prices, especially for fuels, coal and copper, and a continued decline in import demand from China which is the subregion's largest export destination. Additionally, political frictions with major trade partners have also dampened the subregion's trade performance. Likewise, merchandise imports continued to decline in 2016. However, the import decline in 2016 at 3.3% was less pronounced than the previous year, and less than the Asia-Pacific average import decline in the same period (4.3%).

Services trade: The services trade share in 2016 reached 21.1% of total trade. As in the case of merchandise trade, the Russian Federation and Kazakhstan largely drive the overall performance of the subregion, contributing to 74.1% and 10.1% of subregion's trade in services. The other commercial services subcategory comprised 44.3% of the subregion's total commercial services trade, followed by travel and transport at 28.2% and 24.1%, respectively. Commercial services exports contracted by 0.6% on average during 2011-2016, with a decrease by 1.6% in 2016. Similarly, commercial services imports contracted by an average of 2.5% per year between 2011-2016, and fell significantly by 14.1% in 2016. As such, while the subregion is a net commercial services importer, its deficit in commercial services trade declined by 34% since 2015. The export and import performance is at odds with the weak recovery seen in the Asia-Pacific region as a whole. Exports in the other commercial services, falling by 5.7% in 2016, were largely driving the decline in services exports. For commercial services imports, travel services drove the decline with an import fall of 27.3%. In particular, the Russian Federation saw its imports of travel services fall by 31.4% in 2016.

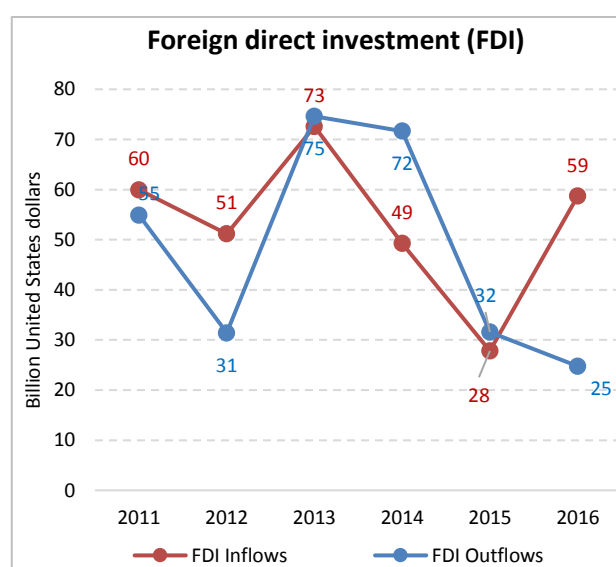
Intraregional trade: Regional trade integration in NCA is lower than other Asia-Pacific subregions, with the exception of South and South-West Asia. The share of intraregional trade by NCA in 2016 was 34.7% (exports) and 45.4% (imports). More than half of the intraregional trade was dominated by trade with the East and North-East Asia, especially China, with the shares of 17.5% in total merchandise exports and 25.7% in total imports. Export similarity of NCA economies limits intra-subregional trade opportunities. Only 7.5% of exports and 10.9% of imports were traded within the subregion. Trade with South and South-West Asia (7.9% and 4.9% of exports and imports, respectively) was mainly with Turkey.

Foreign direct investment (FDI): FDI inflows to NCA more than doubled in 2016 to almost US\$ 59 billion, reflecting the recovery of the Russian Federation and Kazakhstan after the dramatic fall in FDI inflows in 2015. FDI inflows in 2016

was thus more robust than the five-year average growth during 2011-2016. Outward investment from NCA has decreased continuously since 2014; FDI outflows from the subregion fell by 21.5% in 2016.

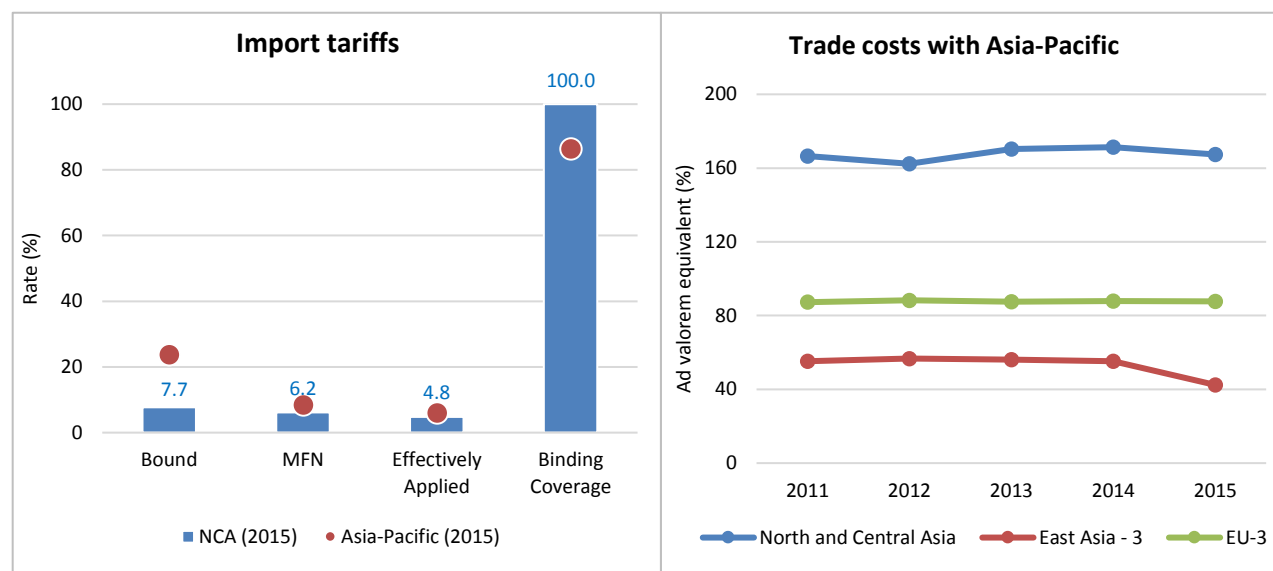


Intraregional trade				
Sources/ Destinations (% share)	North and Central Asia imports		North and Central Asia exports	
	2015	2016	2015	2016
Asia-Pacific	45.7	45.4	35	34.7
East and North-East Asia	24.1	25.7	17.7	17.5
South-East Asia	3.3	3.6	1.7	1.7
South and South-West Asia	6	4.9	8.1	7.9
North and Central Asia	12	10.9	7.4	7.5
Pacific	0.3	0.3	0.1	0.1



Trade costs: Trade costs of the NCA subregion with four major economies in Asia and the Pacific (China, India, Indonesia and the Russian Federation) remained relatively unchanged between 2011 and 2015. In 2015, NCA trade costs with these economies were 120 percentage points higher than those of the East Asia-3, which includes some of the most efficient intraregional traders in Asia and the Pacific. Trade costs of the European Union-3 with four major developing Asian markets are, on average, lower than those of the NCA economies.

Tariffs: In 2015, average MFN applied and effectively applied tariffs were at about 6.2% and 4.8%, respectively – below the Asia-Pacific averages. Average MFN bound duty, at 7.7%, was significantly below the Asia-Pacific average of 23.8%.



Sources: Trade and tariff data were accessed through WITS and IMF direction of trade database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Notes: Data are based on countries or regions for which data available only (e.g. trade cost data of Japan are missing for 2015). Merchandise trade data follow the HS2012 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries or regions with the Asian developing economies (China, India, Indonesia and Russian Federation). East Asia-3 comprises China, Japan and the Republic of Korea; European Union-3 comprises Germany, France and the United Kingdom. Average growth rate over a period means simple average growth rate.

Definitions: 1) Other commercial services include: Construction, Insurance and pension services, Financial services, Charges for the use of intellectual, Telecommunications & computer, Other business services, Personal & cultural & recreation. Other business services include: Research and development services, Professional & management consulting services, Technical & trade-related & other business services. 2) MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines.

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