Asia-Pacific Trade Briefs

North and Central Asia

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

Merchandise trade: Trade in the North and Central Asia (NCA) subregion is dominated by two economies: the Russian Federation and Kazakhstan, which account for 77.5% and 10.8% of total trade in the subregion respectively (counting both merchandise and services). Merchandise exports in NCA grew solidly over the 2010-2014 period, by 5.9% a year on average, however contracted by -5.1% in 2014. This was worse performance than the Asia-Pacific region overall (1.5% growth). The NCA subregion contains five fuel-exporting economies (Azerbaijan; Kazakhstan; Russian Federation; Turkmenistan; and Uzbekistan). The export contraction can therefore be largely explained by: the sharp fall in global commodity prices – particularly fuels – precipitated by the economic slowdown of China; diminished fuel demand from the United States due to a burgeoning fracking industry; and OPEC's reluctance to curtail production which led to a global glut of oil. These factors all exerted downward pressure on global fuel prices – the main export for many NCA economies – worsening their prospects for trade. Merchandise imports in NCA also grew solidly over the 2010-2014 period, by 6.5% a year, however contracted by -9.0% in 2014. Falling commodity prices contributed to currency depreciation across many NCA economies, thereby lowering export receipts and purchasing power. In the Russian Federation, this – along with international economic sanctions – contributed to a financial crisis. To stem the outflow of capital and support domestic currencies, central banks across NCA increased interest rates in late 2014.

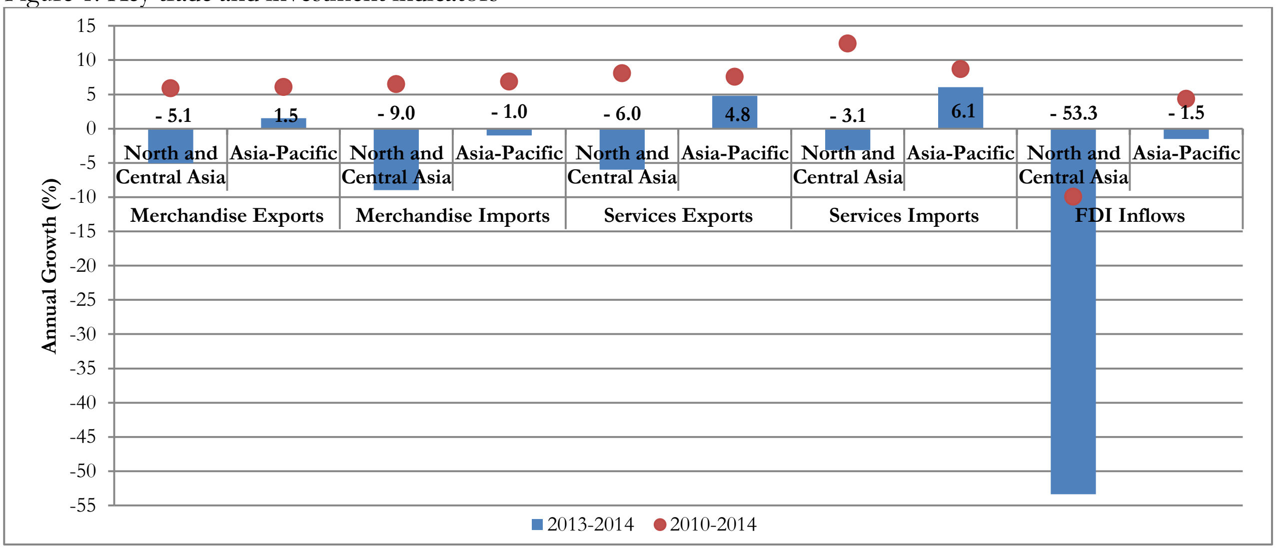
Services trade: Services exports and imports in NCA grew strongly over the 2010-2014 period, by 8.1% and 12.4% a year respectively, however they contracted by -6.0% and -3.1% in 2014. This contraction largely reflects lower travel and transport exports and imports in the Russian Federation – the largest sectors of the largest economy in NCA – prompted in part by travel bans and suspension of visa agreements with the United States and European Union. In contrast, currency depreciation and Government reforms in Kazakhstan helped boost services trade in 2014.

Intraregional trade: In 2014, around 27.1% of NCA exports went to destinations in the Asia-Pacific, and around 39.5% of NCA imports were sourced from Asia-Pacific countries. This intraregional trade is lower than other subregions such as South East Asia which export 68.2% and source 62.3% from the Asia-Pacific. China is the largest intraregional trading partner, accounting for 11.1% of exports and 20.8% of imports.

Global value chains (GVCs): The share of intermediate goods in trade – a proxy for participation in GVCs – is much lower across NCA economies (17%) than the Asia-Pacific (22%) for imports, and marginally higher across NCA economies (19%) than the Asia-Pacific (18%) for exports. Many NCA economies have lower participation in GVCs than the region as they are reliant on exports of raw materials such as fuels, the revenues from which are mainly used to acquire final goods from other countries which cannot be cheaply domestically sourced.

Foreign direct investment (FDI): FDI inflows across NCA economies contracted sharply, by -53.3% in 2014. The Russian Federation is the largest recipient of FDI in NCA. Geopolitical instability; international economic sanctions on the Russian Federation; and lower oil and gas prices may have deterred investors across the region. As investment is mainly directed towards the oil and gas sector, lower global fuel prices also offered diminished prospects for investors.

Figure 1. Key trade and investment indicators



*Country notes summarising results of the UNRC Survey 2015 are available at: http://unnext.unescap.org/UNTFSurvey2015.asp

Figure 2. Top merchandise markets

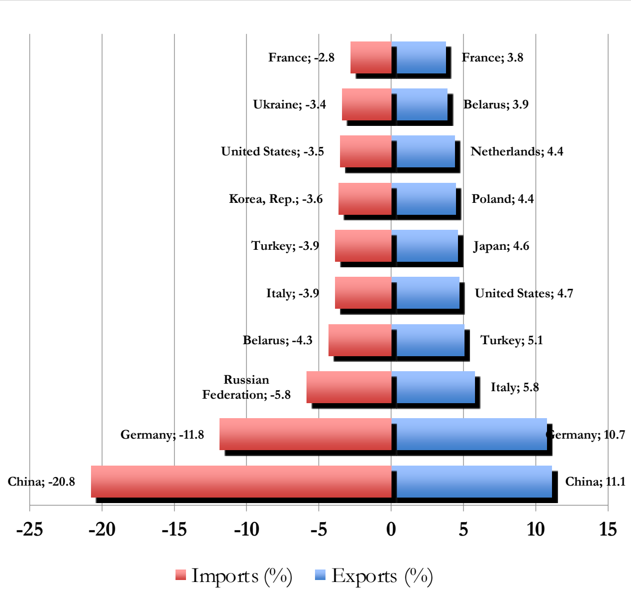


Figure 3. Top merchandise products

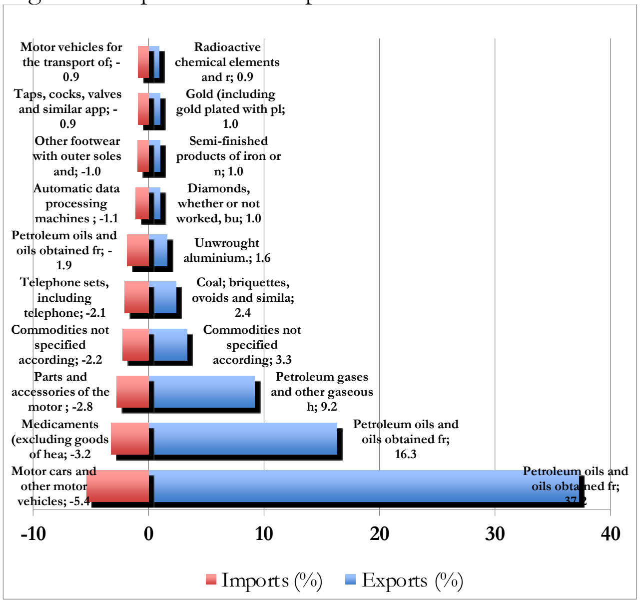


Figure 4. Trade in goods by their use

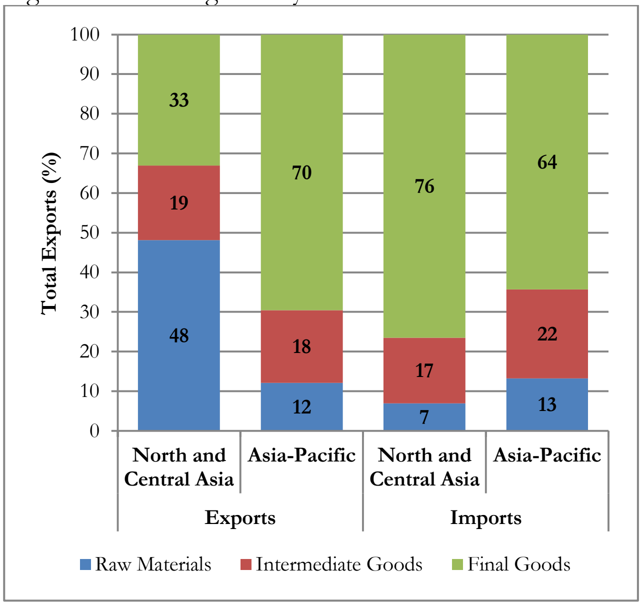


Figure 5. Foreign direct investment

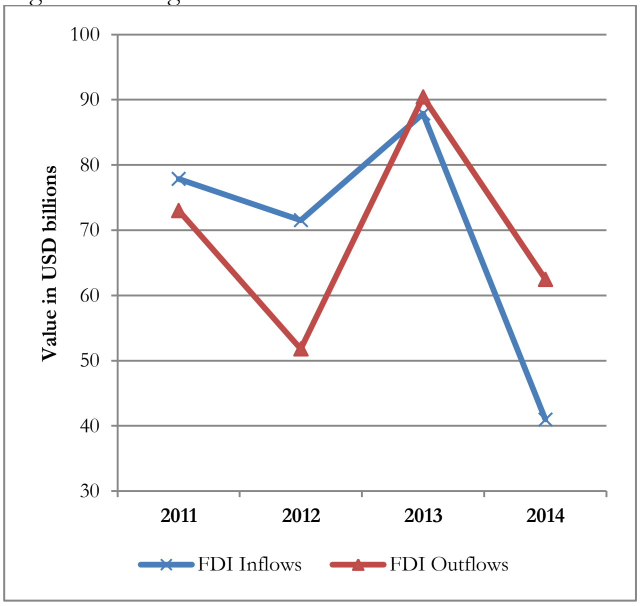


Figure 6. Tariffs

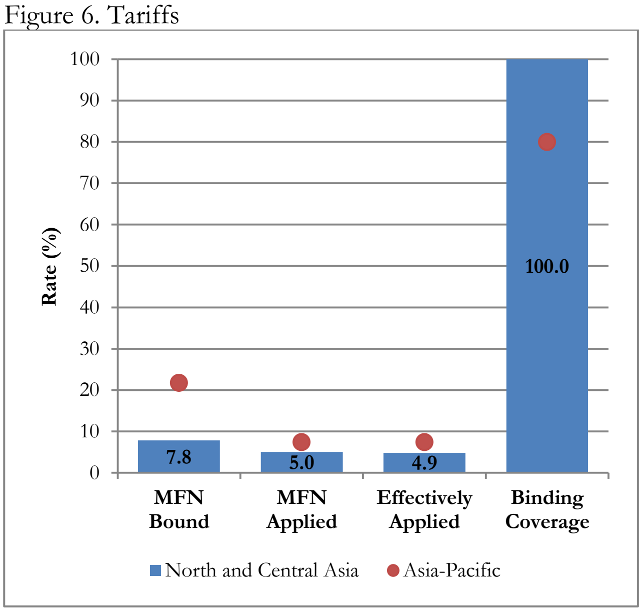
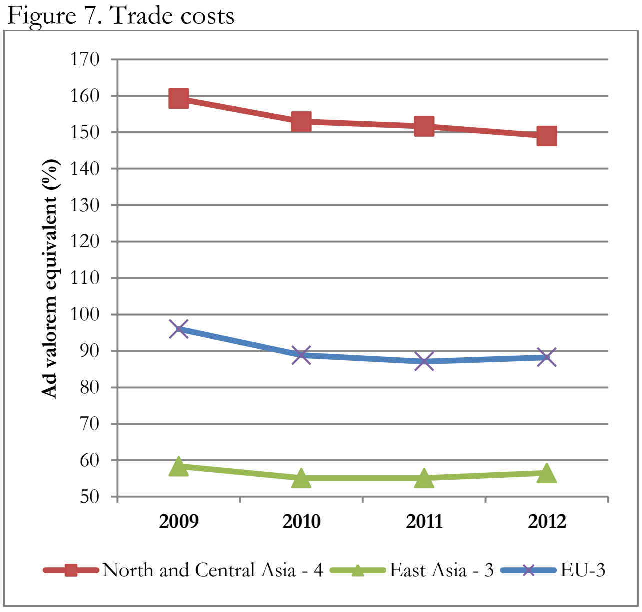


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.
Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.
Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.
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