



Asia-Pacific Trade Briefs

South and South-West Asia

(Afghanistan; Bangladesh; Bhutan; India; Islamic Republic of Iran; Maldives; Nepal; Pakistan; Sri Lanka; Turkey)

Merchandise trade: Trade in South and South-West Asia (SSWA) is dominated by India and Turkey, with the Indian economy alone accounting for 50.7% of subregional merchandise trade. Merchandise exports by SSWA economies grew modestly by 2.4%, on average, during 2010-2015, however deteriorated substantially in 2015 with a sharp contraction of 15.1% compared with the Asia-Pacific region's 9.7% average decline in exports in the same year. The main product base for exports from SSWA economies is concentrated in a range of raw materials and luxury commodities, namely petroleum oil derivatives and diamonds, while gold, petroleum oil derivatives, electronics and automotive goods form the major portion of the import base. The decline of exports (in value terms) was largely driven by the export performance of the subregion's dominating economies, (i.e., India, Islamic Republic of Iran and Pakistan), which was substantially affected by lower world commodity prices, especially for crude oil, rice and cotton. In turn, the Islamic Republic of Iran suffered adversely from the decline in Chinese demand for commodities. Bangladesh, the subregional bright spot whose exports in 2015 grew solidly by 6.5%, could not compensate for the fall in subregional exports due to the lower economic size of their exports. Merchandise imports in 2015 by the subregion also recorded a sharp contraction of 14.0%, yet this figure was close to the Asia-Pacific region's average import decline of 15.0%.

Services trade: The services trade share of subregional total trade in 2015 reached 23.9%. India continues to capture the largest share of the subregion's services trade, accounting for 67.7% in 2015. Although services exports grew by 5.6% on average during 2010-2015, the subregion recorded a 2.4% decline in 2015. The falling exports of SSWA were milder than the export decline of the Asia-Pacific region (4.8%). This was driven by a relatively mild fall in services exports from India, which experienced a fall in exports of transportation services. Other relatively large service exporters in the subregion, including Bangladesh and Sri Lanka, still recorded rapid growth in 2015. In the case of imports, there was a decline of 4.1% in 2015 that was mainly driven by the decline of imports by India and Pakistan.

Intra-subregional and intraregional trade: In 2015, only 29.5% of the goods exports were to Asia-Pacific economies. Meanwhile, 44.3% of goods imports were sourced from Asia-Pacific economies. The major import partner was East and North-East Asia, which accounted for 24.1% of total imports; of that total, 16.7% was to China. Trade within the subregion accounted for only 9.0% of total exports and 6.8% of total imports, which reflects both the low level of trade integration as well as export similarities between SSWA economies.

Foreign direct investment (FDI): Inflows of FDI to the SSWA subregion grew strongly at 25.0% in 2015. This was driven by high growth of FDI inflows to the Indian telecommunications and energy sectors, especially coal and power, and which in late 2015 was complemented by the government of India's plan to ease FDI norms in 15 sectors. In addition, this growth was further boosted by investment in Bangladesh's labour-intensive manufacturing, energy, natural resources and trade sectors. In contrast, FDI outflows in 2015 contracted sharply by 33.2%, largely driven by a 36.3% decline in outflows from India, which is the largest subregional foreign investor.

Trade costs: Intraregional and international trade costs of the SSWA subregion remained considerably higher compared with the most efficient major traders in Asia and the Pacific. The trade costs of the economies in the SSWA subregion incurred in reaching four major developing economies in Asia and the Pacific (China, India, Indonesia and the Russian Federation), were more than double compared with East Asia-3 in reaching these markets. This gap has not been reduced since 2009. All the subregion's economies (except Bhutan) are members of WTO, yet tariffs remain an important component of trade costs. In 2014, the binding coverage for the subregion is only 67.4% of tariff lines, which is less than the overall Asia-Pacific average of 84.9%. The MFN bound tariff of 55.8% is considerably higher than the Asia-Pacific average of 20.0%. Similarly, applied MFN and effectively applied rates are 12.7% and 11.6%, which are almost double the the Asia-Pacific average of 6.9% and 5.9%, respectively.

The chart displays annual growth percentages for two periods: 2014-2015 (blue bars) and 2010-2015 (orange dots). The y-axis ranges from -30% to 30% in increments of 15%. The x-axis lists five categories, each with sub-regions SSWA and Asia-Pacific. Data values are labeled on the bars and dots.

| Category | Sub-region | 2014-2015 (%) | 2010-2015 (%) |
|---------------------|--------------|---------------|---------------|
| Merchandise Exports | SSWA | -15.1 | ~5.0 |
| | Asia-Pacific | -9.7 | ~10.0 |
| Merchandise Imports | SSWA | -14.0 | ~5.0 |
| | Asia-Pacific | -15.0 | ~10.0 |
| Services Exports | SSWA | -2.4 | ~8.0 |
| | Asia-Pacific | -4.8 | ~8.0 |
| Services Imports | SSWA | -4.1 | ~4.0 |
| | Asia-Pacific | -5.2 | ~8.0 |
| FDI Inflows | SSWA | 25.0 | ~10.0 |
| | Asia-Pacific | 5.6 | ~8.0 |

Note: Figures reflect value of 2014-2015

Legend: ■ 2014-2015 ● 2010-2015

Figure 2: Top 10 countries' trade with the United Kingdom

| Country | Imports (%) | Exports (%) |
|--------------------|-------------|-------------|
| China | 24.4 | 8.2 |
| Germany | 7.6 | 7.3 |
| United Kingdom | 4.8 | 6.1 |
| India | 4.6 | 4.2 |
| Switzerland | 4.2 | 4.2 |
| Russian Federation | 3.4 | 3.3 |
| Italy | 3.2 | 2.8 |
| France | 3.0 | 2.8 |
| Japan | 2.8 | 2.4 |
| Belgium | 2.4 | 2.3 |

| Commodity | Imports (%) | Exports (%) |
|--------------------|-------------|-------------------------|
| Petrol oils (2709) | 1.6 | 1.8 |
| Motor parts | 1.7 | Jerseys, 1.8 |
| Coal | 1.8 | Female suits, 2.3 |
| Diamonds | 1.9 | Male suits, 2.4 |
| Petrol gases | 2.0 | T-shirts /singles, 2.5 |
| Other commodities | 2.1 | Motor vehicles, 2.7 |
| Telephone sets | 2.1 | Medicaments, 2.9 |
| Motor vehicles | 2.3 | Petrol oils (2709), 4.4 |
| Petrol oils (2710) | 2.6 | Diamonds, 5.0 |
| Gold | 5.0 | Petrol oils (2710), 5.3 |

| Sources/Destinations (% share) | South and South-West Asia imports from | | South and South-West Asia exports to | |
|-----------------------------------|--|------|--------------------------------------|------|
| | 2014 | 2015 | 2014 | 2015 |
| Asia-Pacific | 42.2 | 44.3 | 32.6 | 29.5 |
| East and North-East Asia | 21.5 | 24.1 | 13.6 | 11.4 |
| North and Central Asia | 4.4 | 4.1 | 3.2 | 2.7 |
| South-East Asia | 7.6 | 7.7 | 5.5 | 5.5 |
| South and South-West Asia | 7.2 | 6.8 | 9.5 | 9.0 |

Figure 3.1 Foreign direct investment

| Year | FDI Inflows (Billion US dollars) | FDI Outflows (Billion US dollars) |
|------|----------------------------------|-----------------------------------|
| 2010 | 44.2 | 17.8 |
| 2011 | 60.5 | 15.2 |
| 2012 | 45.7 | 13.0 |
| 2013 | 47.9 | 5.7 |
| 2014 | 53.6 | 18.8 |
| 2015 | 67.0 | 12.5 |

Figure 6. Tariffs (2014)

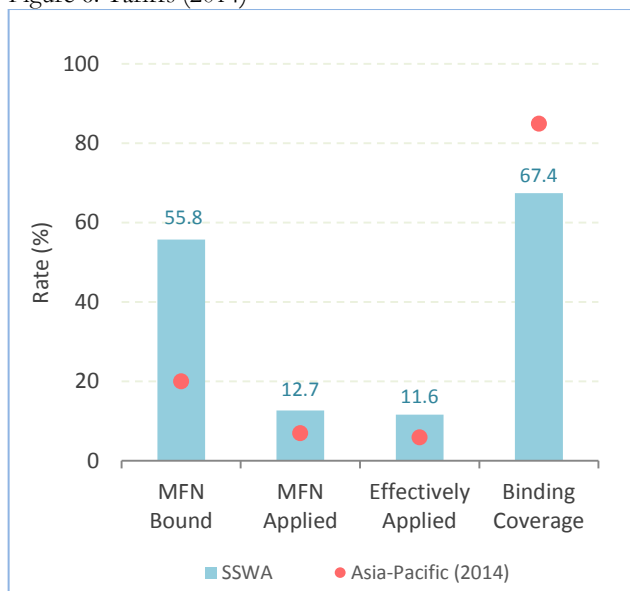
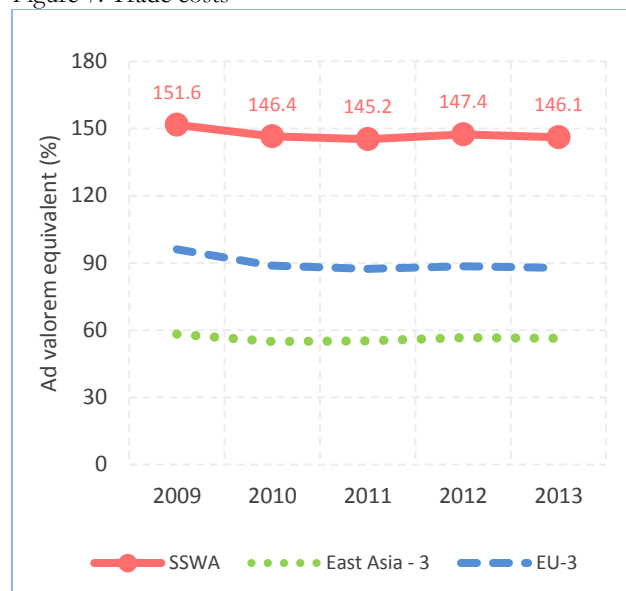


Figure 7. Trade costs



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