Asia-Pacific Trade Briefs

The Pacific

(American Samoa; Australia; Cook Islands; Fiji; French Polynesia; Guam; Kiribati; Marshall Islands; Micronesia (F.S.); Nauru; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu)

Merchandise trade: Trade in the Pacific subregion is dominated by two economies: Australia and New Zealand, which account for 80.7% and 15.2%, respectively, of total trade in the subregion (counting both merchandise and services). Merchandise exports in the Pacific grew solidly during 2010-2014, by 3.7% per year on average, but contracted by -3.0% in 2014, a worse performance than that of the Asia-Pacific region overall (1.5% growth). The Pacific subregion's export sector is dominated by primary commodities such as: minerals – particularly iron ore, coal and gold; fuels – particularly petroleum oils and gases; and agricultural products – such as milk, cream, beef and sheep. As Australia is the largest economy in the Pacific subregion, much of this contraction reflects the sharp fall in global commodity prices – particularly those of minerals and metals – of which Australia is a major exporter. New Zealand's export sector is also dominated by agricultural products – particularly dairy, and although the global glut of milk reduced export receipts, its export performance in 2014 remained strong. As many small island States in the Pacific subregion use the Australian dollar as their de-facto currency, they are highly exposed to currency and trade risks, as well as the economic and trading performance of Australia.

Services trade: Services exports in the Pacific subregion grew strongly during 2010-2014, by an annual average 3.7% per year, but decelerated to just 0.4% in 2014. The Australian dollar depreciated substantially in 2014, stimulating tourism – the largest sector – both in Australia and across many economies that use the Australian dollar, while simultaneously reducing purchasing power – and import demand – for services overall, particularly for travel imports. In fact, services imports contracted by -9.1% in 2014, down from an average annual growth of 4.3% during 2010-2014.

Intraregional trade: In 2014, around 77.7% of Pacific exports went to destinations in the Asia-Pacific – higher than any other Asia-Pacific subregion. Around 60.3% of Pacific imports were sourced from Asia-Pacific economies – lower than the South-East Asia subregion (62.3%). The largest intraregional export partners are China and Japan, accounting for over more than (54.7%) of exports. The largest intraregional import partners are China and Singapore, accounting for 27.0% of imports.

Global value chains (GVCs): The share of intermediate goods in trade – a proxy for participation in GVCs – is much lower across Pacific economies (15%) than the Asia-Pacific region (22%) for imports, and marginally higher across Pacific economies (19%) than the Asia-Pacific region (18%) for exports. The Pacific subregion's exports largely consist of raw material exports while imports are dominated by final goods. Geographical distance from markets, and associated higher costs of trade, also diminish participation in GVCs.

Foreign direct investment (FDI): FDI inflows across the Pacific subregion grew solidly during 2010-2014 by an average of 10.0% per year, however contracted sharply, by -1.0% in 2014. Australia and New Zealand are the largest recipients of FDI in the Pacific subregion; hence this figure actually reflects a contrasting position of much lower inflows in Australia and much higher inflows into New Zealand. Lower mineral prices deterred investment in the mining sector – the largest investment sector – in Australia.

Figure 1. Key trade and investment indicators

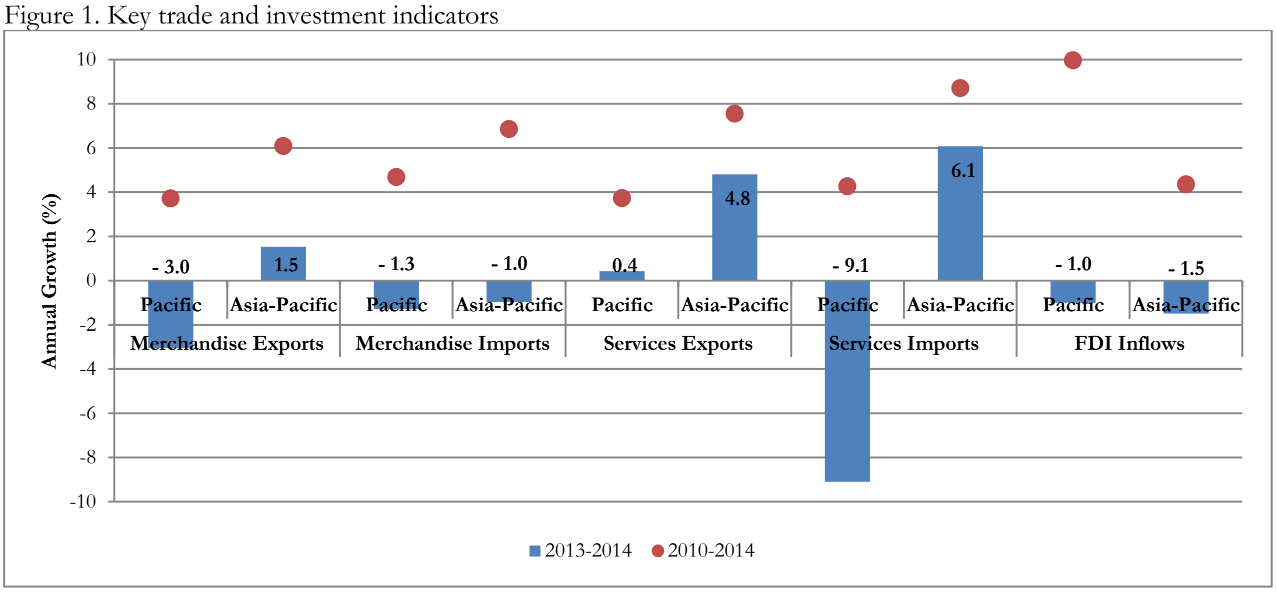


Figure 2. Top merchandise markets

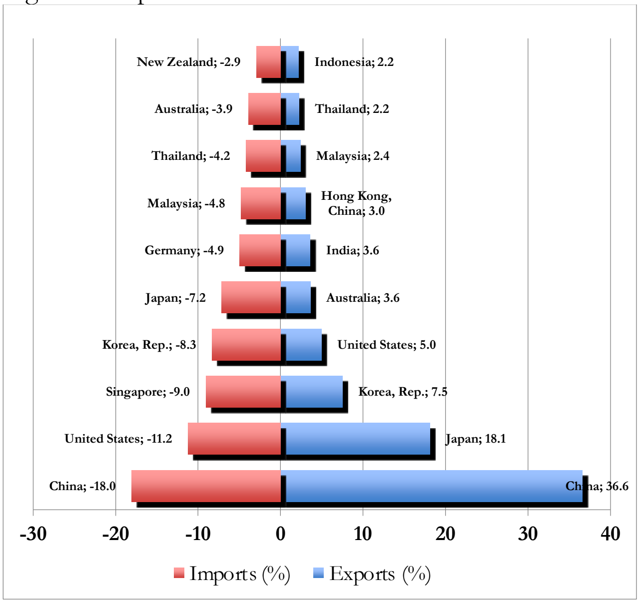


Figure 3. Top merchandise products

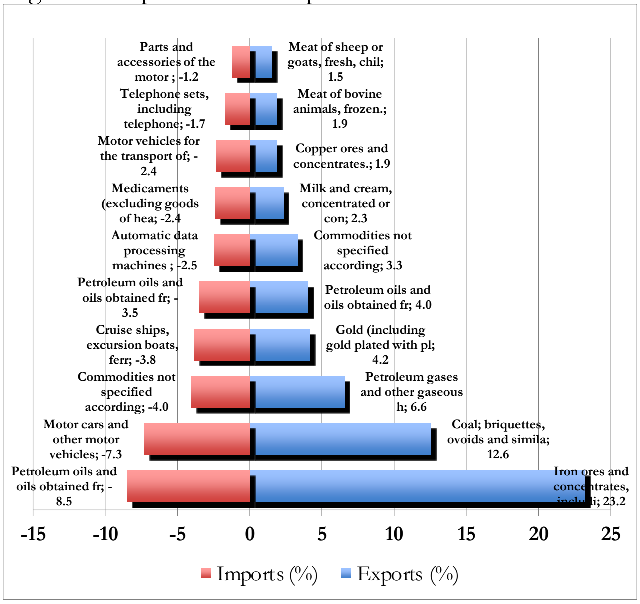


Figure 4. Trade in goods by their use

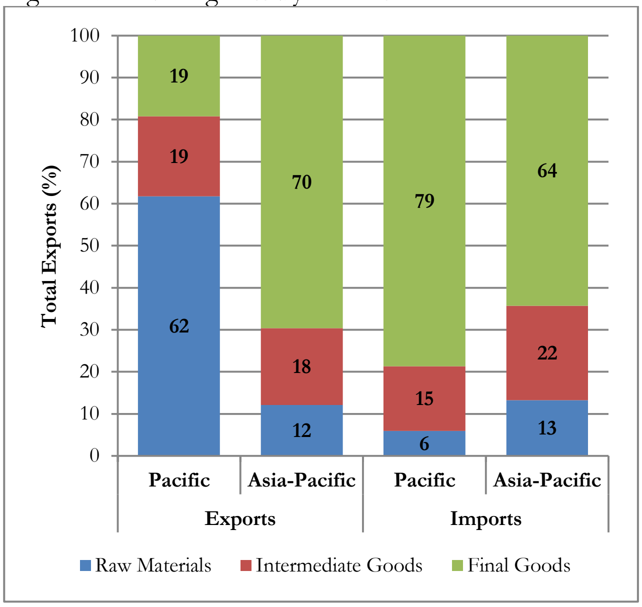


Figure 5. Foreign direct investment

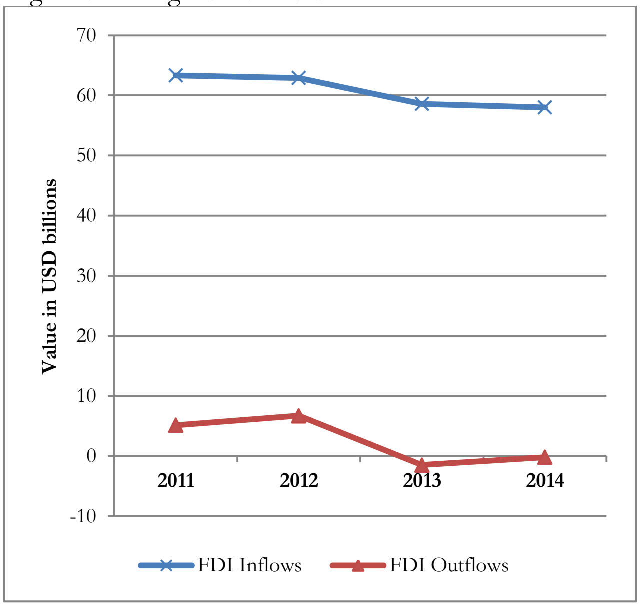


Figure 6. Tariffs

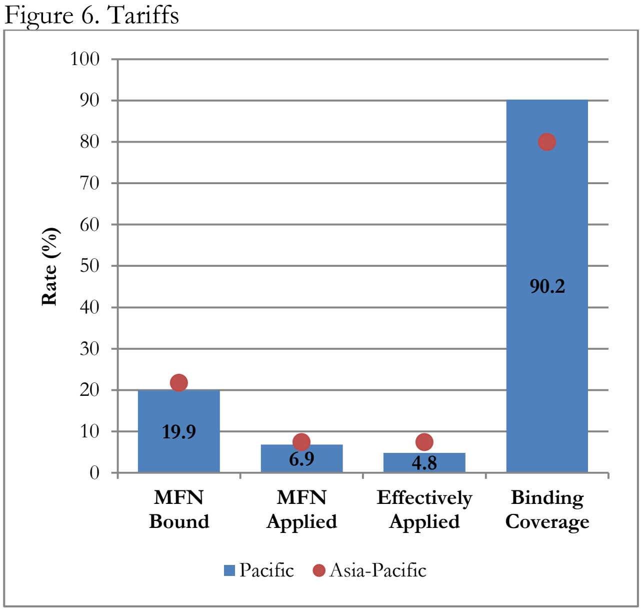
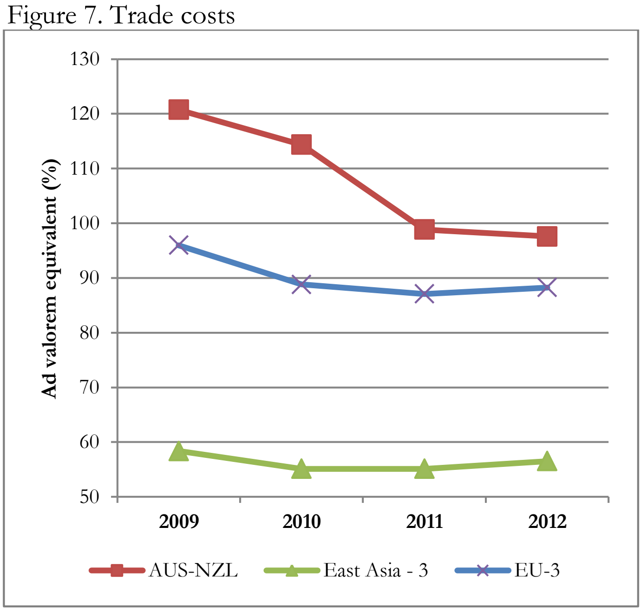


Figure 7. Trade costs



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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