



## Asia-Pacific Trade Briefs

### North and Central Asia

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

**Merchandise trade:** Trade in North and Central Asia (NCA) is dominated by two economies: the Russian Federation and Kazakhstan, which account for 77.5% and 10.8% respectively, of total trade in the subregion (including both merchandise and services). Merchandise exports by NCA grew solidly during 2010-2014, by 5.9% per year on average, however those exports contracted by -5.1% in 2014. This performance was worse than the Asia-Pacific region overall (1.5% growth). The NCA subregion contains five fuel-exporting economies (Azerbaijan; Kazakhstan; the 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 that 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 during 2010-2014 period, by 6.5% per year, however such imports 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 situation – together 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.

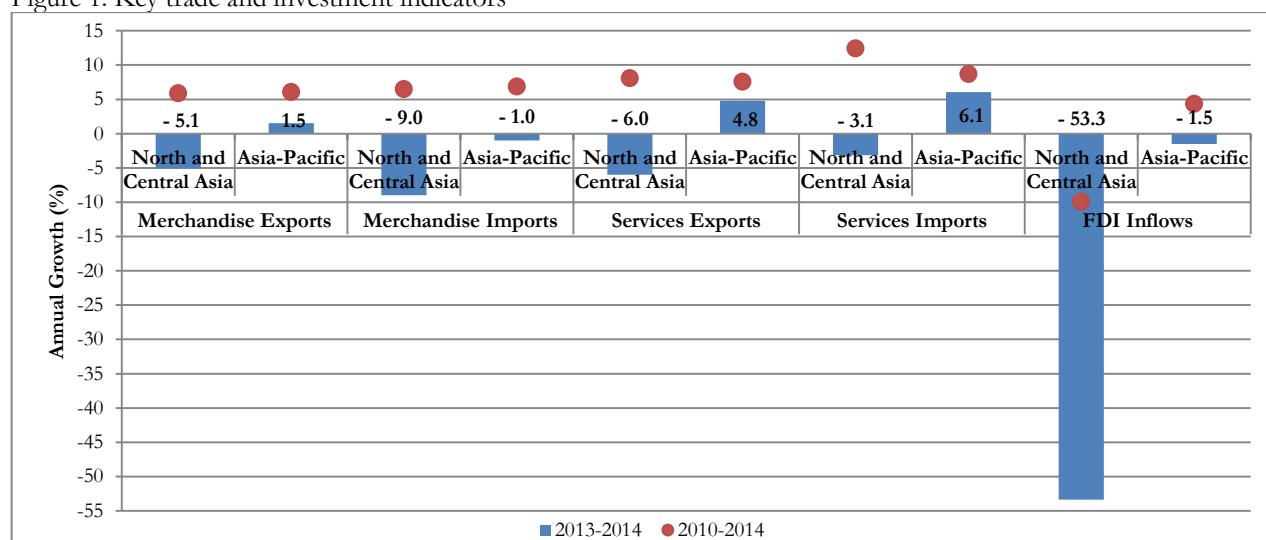
**Services trade:** Services exports and imports in NCA grew strongly during 2010-2014, by 8.1% and 12.4% a year respectively, however they contracted by -6.0% and -3.1% in 2014. This contraction largely reflected lower travel and transport exports and imports in the Russian Federation – the largest sectors of the largest economy in NCA – prompted in part by travel bans and suspension of visa agreements with the United States and the 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 region, and around 39.5% of NCA imports were sourced from Asia-Pacific countries. This intraregional trade was lower than other subregions such as South-East Asia which exported 68.2% and source 62.3% from the Asia-Pacific region. China is the largest intraregional trading partner, accounting for 11.1% of exports and 20.8% of imports in 2014.

**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 region (22%) for imports, and marginally higher across NCA economies (19%) than the Asia-Pacific region (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 against 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

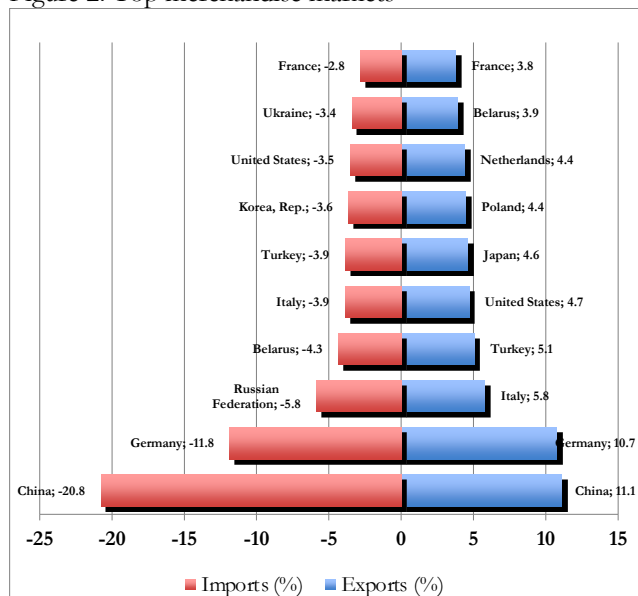


Figure 3. Top merchandise products

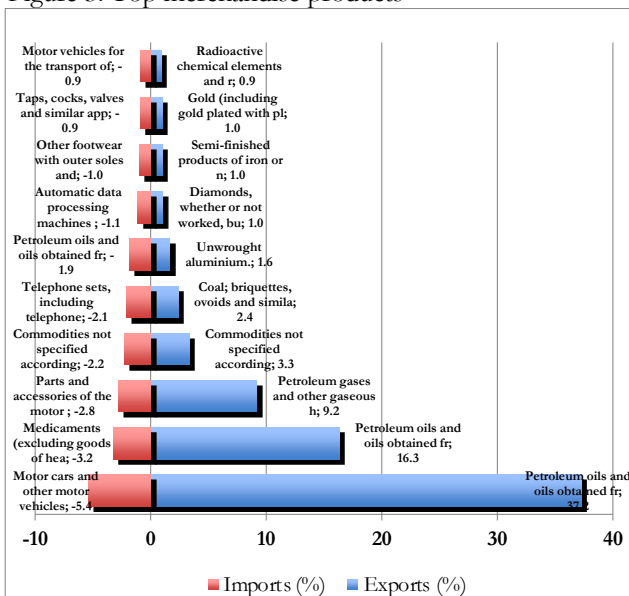


Figure 4. Trade in goods by their use

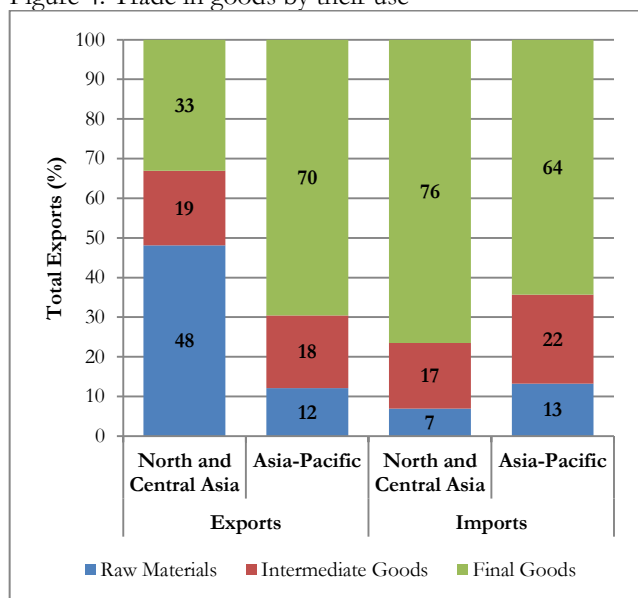


Figure 5. Foreign direct investment

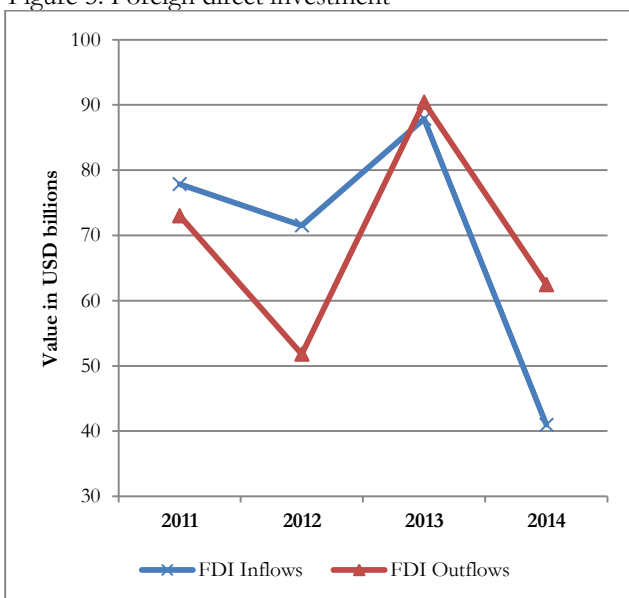


Figure 6. Tariffs

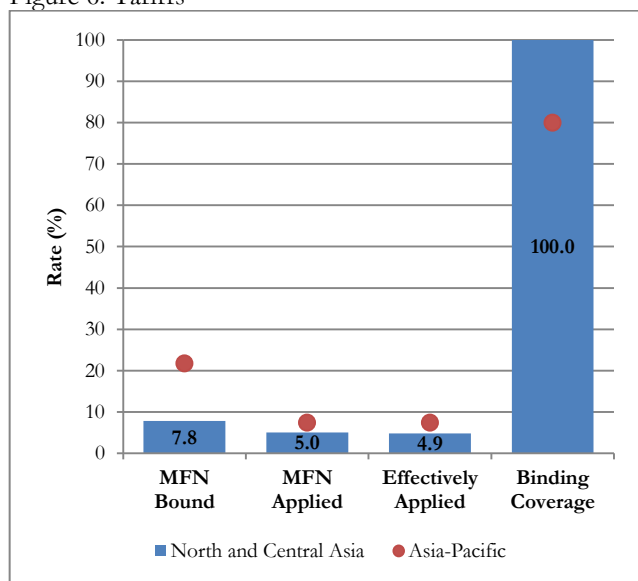
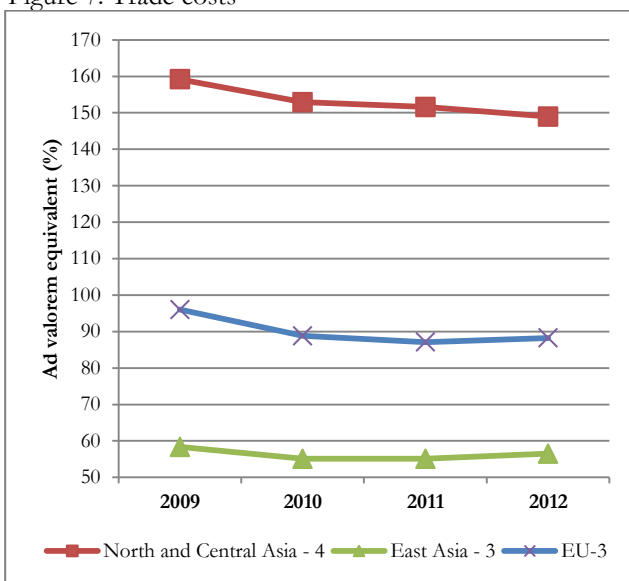


Figure 7. Trade costs



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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