



Asia-Pacific Trade Briefs

Nepal

Merchandise trade: As of 2015, merchandise trade accounted for 75% of Nepal's total trade. During 2010-2015 merchandise exports declined by 4.2%, on average, compared with the Asia-Pacific region's average growth of 7.5%. In 2015, exports recorded an even sharper fall of 19%, which was a significantly greater contraction than the Asia-Pacific average fall of 9.7%. The major exports were concentrated in energy and textiles such as electricity and carpets, while the major import goods were petroleum oils and gases, and rice. Although merchandise imports grew by 5.6%, on average, during 2010-2015, a sharp contraction of 15.6% was recorded in 2015. The devastating economic losses from the 2015 earthquake – estimated to be more than half of Nepal's US\$ 20 billion annual gross domestic product (GDP) during the next five years – have most recently been aggravated by heightened tensions at the India-Nepal border, where exports and imports of petroleum oil, medicines and earthquake-relief materials have been hampered by border blockades.

Services trade: The services trade share of total trade in 2015 reached 25%, up from 21.9% in 2014, and above the South and South-West Asia subregion's average of 23.9%. Services exports grew robustly by 14.3%, on average, during 2010-2015 compared with the Asia-Pacific region's average expansion of 6.4%. The growth of services exports in 2015 was more moderate at 5.6%. Likewise, services imports grew by 7.7%, on average, during 2010-2015 and it remained fairly stable in 2015 with 6.5% growth. Export growth in 2015 was largely due to travel and transport services, which contributed to more than half of services exports and imports, while import growth mainly resulted from increased imports of construction services.

Intraregional trade: In 2015, 70.1% of goods exports were taken by ESCAP countries. India is by far the largest intraregional export destination, absorbing 61% of Nepal's service exports. Meanwhile, 89.5% of goods imports were from ESCAP countries, with India (66.5%) and China (17.3%) comprising the largest intraregional import sources.

Foreign direct investment (FDI): Nepal is a net recipient of FDI inflows. The country recorded an inflow contraction of 9.9%, on average, during 2010-2015; however in 2015, a substantial inflow growth of 73.8% was recorded, compared with the Asia-Pacific average inflow growth of 5.6%. The investments were mainly in energy (hydropower), consumer goods and tourism services. China recently replaced India as the largest foreign investor in Nepal, with large inflows directed to power plants, and noodle and meat-processing factories.

Tariffs: In 2014, average MFN applied and effective tariffs at 12.1% and 12.3%, respectively, were higher than the respective Asia-Pacific averages of 6.9% and 5.9%. Average WTO bound duty, at 26.2%, was also considerably higher than the Asia-Pacific average of 20%. Despite being a WTO member economy, tariffs continue to form a major component in Nepal's trade costs, although its binding coverage of 99.6% of tariff lines is higher than the Asia-Pacific average of 84.9%.

Trade costs: International trade costs incurred by Nepal remained substantially higher compared with the most efficient major traders in Asia and the Pacific, although there was an improvement in 2013. Trade costs incurred by Nepal in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation) were, on average, almost four times as high as those of East Asia-3, and 2.4 times higher than those of the European Union-3.

Trade agreements: Nepal has only two preferential trade agreements (PTAs) in force, which is much lower than the Asia-Pacific average of 7.6 PTAs. However, 56% of total exports were to PTA partners, which was substantially higher than 33.3% for the Asia-Pacific region. Similarly, 52.5% of total imports were from PTA partners, compared with 44% for the Asia-Pacific region.

Figure 1. Key trade and investment indicators

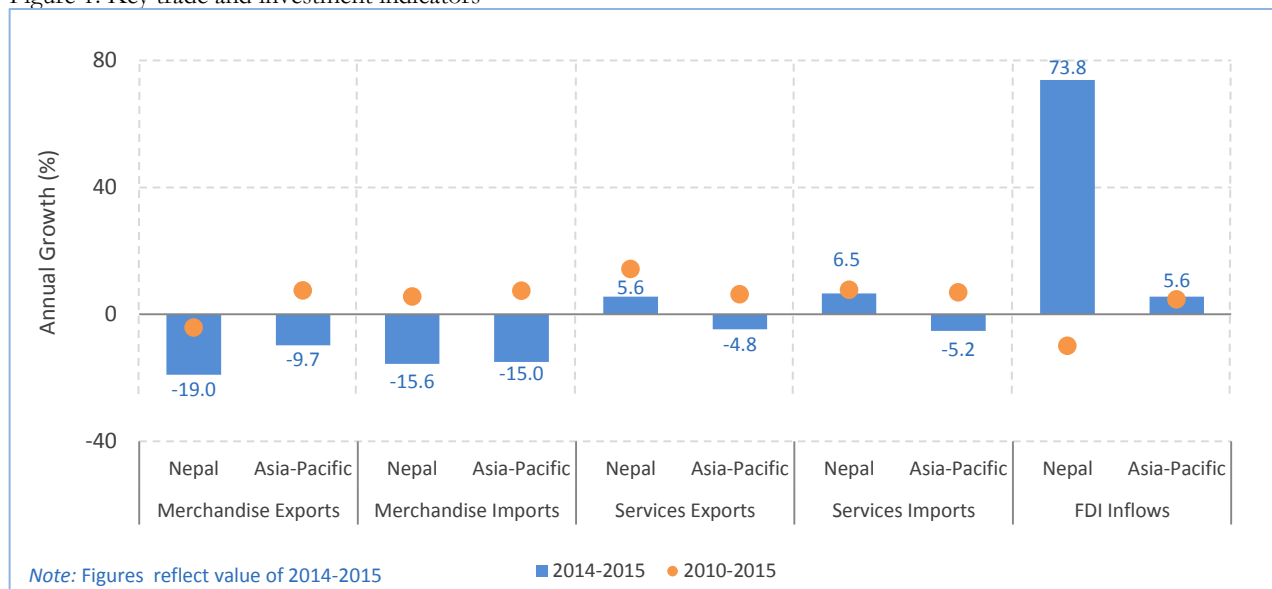


Figure 2. Top merchandise markets

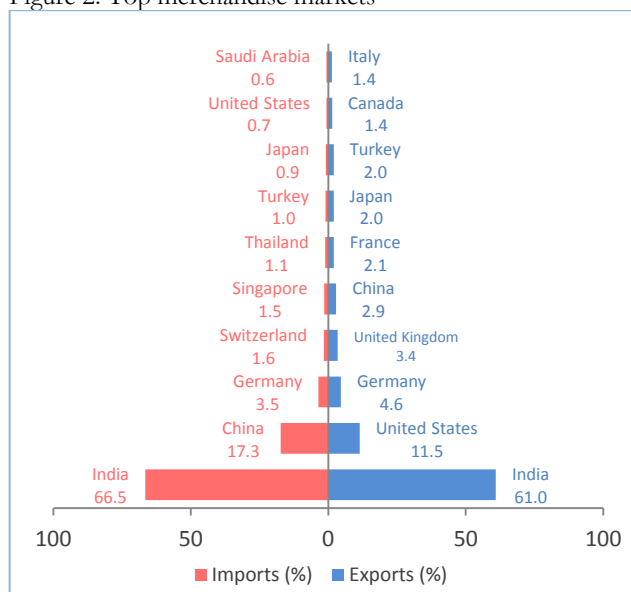


Figure 3. Top merchandise products

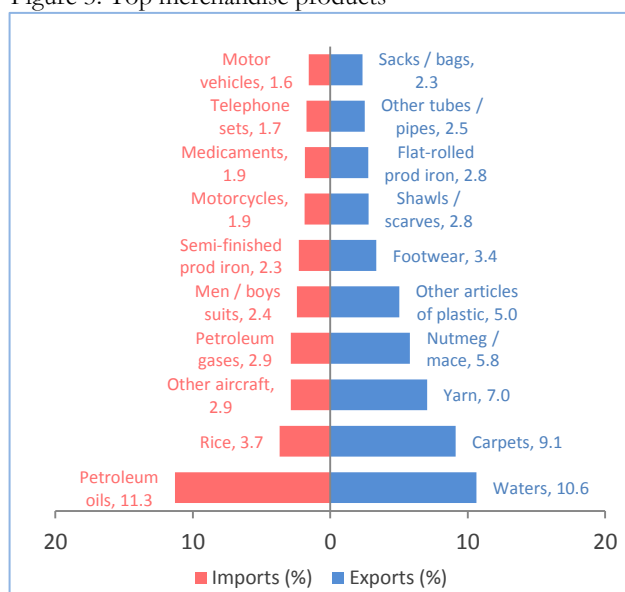


Figure 4. Trade within the region and rest of the world

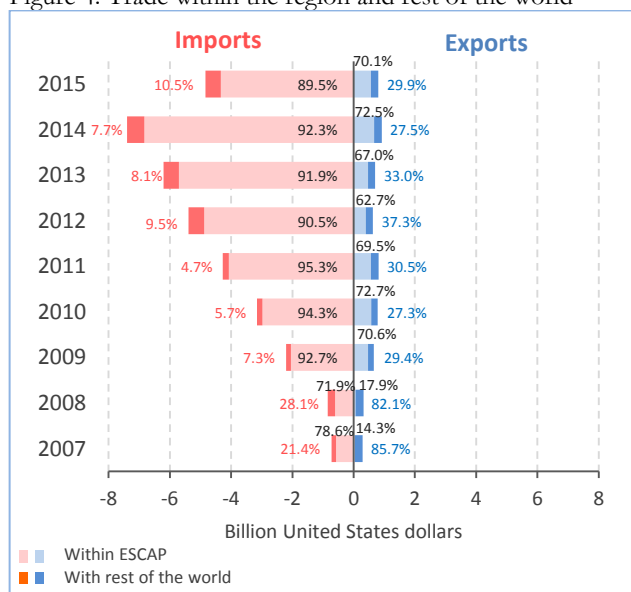


Figure 5. Foreign direct investment

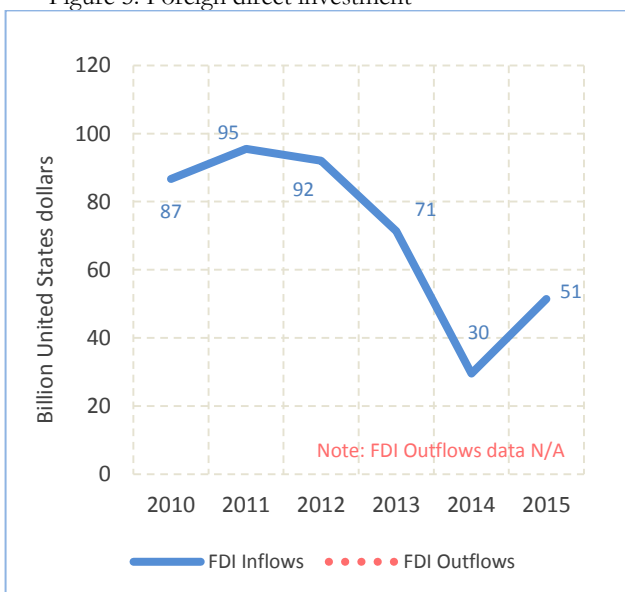


Figure 6. Tariffs (as of 2014)

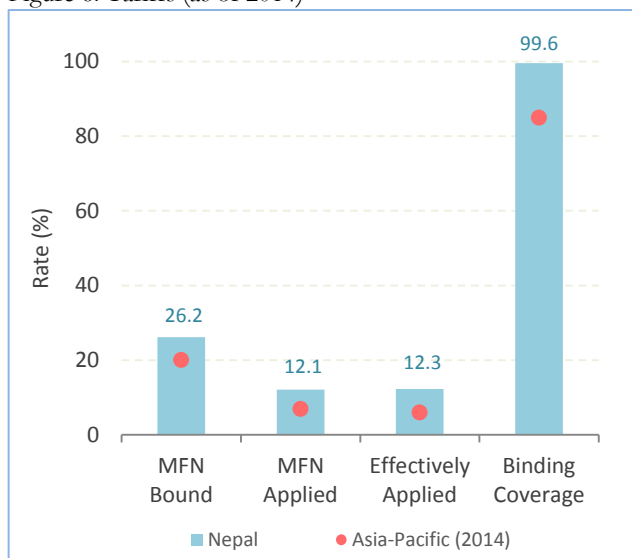
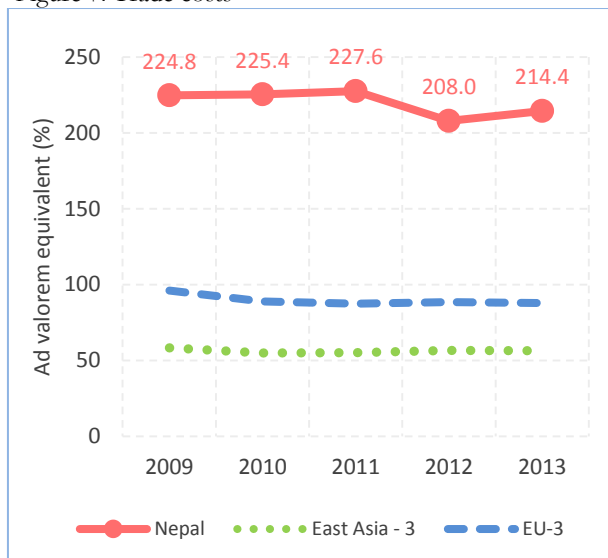


Figure 7. Trade costs



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