Asia-Pacific Trade Briefs

Islamic Republic of Iran

Merchandise trade: Trade is becoming increasingly important for the Islamic Republic of Iran. Merchandise trade accounted for 32.8% of GDP in 2015, and has been increasing since the 2013 Geneva Interim Agreement on nuclear sanctions relief was signed. However, the sanctions relief only took effect from January 2016, and the trade patterns of the Islamic Republic of Iran continue to be highly volatile. As the world's fourth-largest holder of crude oil reserves, the country's export revenues remain highly dependent on a narrow base of commodities, especially petroleum oil which alone accounts for 50.7% of total exports. Merchandise exports fell considerably by 11.2%, on average, during 2010-2015 compared with the Asia-Pacific region's average growth rate of 7.5%. In 2015, exports continued to fall sharply by 29.1%. Exports of petroleum oils and gases were hit hard by low world crude oil prices and lower oil demand from China – the Islamic Republic of Iran's largest export (42.4%) and import partner (44.3%). Likewise, merchandise imports, especially for motor vehicles and agricultural goods also dropped substantially by 10.2%, on average, during 2010-2015; in 2015 imports fell at an even greater rate of 16.7% due to the impact of decreased export revenues on domestic demand.

Services trade: The services trade share of total trade in 2015 was 18.1%, up from 15.2% in 2014, but below the South and South-West Asia subregional average of 23.9 %. However, services trade in the Islamic Republic of Iran remains largely underdeveloped due to prolonged international embargoes, especially an international ban on exports and imports of financial services. Services exports grew by 2.1%, on average, during 2010-2015; in 2015 exports grew at a slightly faster rate of 2.7%, largely driven by higher exports of technical and engineering services. Services imports, however, contracted by 5.5%, on average, during 2010-2015; in 2015 they contracted more sharply by 12.7%, due to falling travel services imports.

Intraregional trade: In 2015, 92.1% of merchandise exports were taken by ESCAP economies. The three largest intraregional export markets were China (42.4%), India (16.5%) and Turkey (16.1%). Meanwhile, 71.8% of the country's imports were from ESCAP economies, of which China (44.3%) was the largest intraregional import source.

Foreign direct investment: FDI inflows into the Islamic Republic of Iran contracted by 10.9%, on average, during 2010-2015, but contracted relatively modestly by 2.6% in 2015. With vast crude oil and natural gases reserves, FDI inflows, especially to the oil, gas and mining industries, reached an all-time high at US$ 4.66 billion in 2012 when world oil prices were at US$ 140 per barrel. Nonetheless, a prolonged reliance on oil and other natural resources, state dominance in markets, as well as non-business risks from its geopolitical situation remain major obstacles to FDI inflows into the country.

Trade costs: Based on data that are available up to 2011 only, international trade costs of the Islamic Republic of Iran remained higher compared with the most efficient economies of Asia and the Pacific, and have declined only slightly since 2009. Trade costs incurred by the Islamic Republic of Iran in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation) are, on average, about 104.1 % higher than those for East Asia-3 and about 28.9% higher than those for the European Union-3.

Trade agreements: The Islamic Republic of Iran has five preferential trade agreements (PTAs) in force, which is lower than the Asia-Pacific average of 7.6 agreements. Of total exports, 15.9% were to PTA partners, compared with 33.3% by the Asia-Pacific region, while on the imports side, 15.9% of total imports were from PTA partners, compared with 44% for the Asia-Pacific region.

Figure 1. Key trade and investment indicators

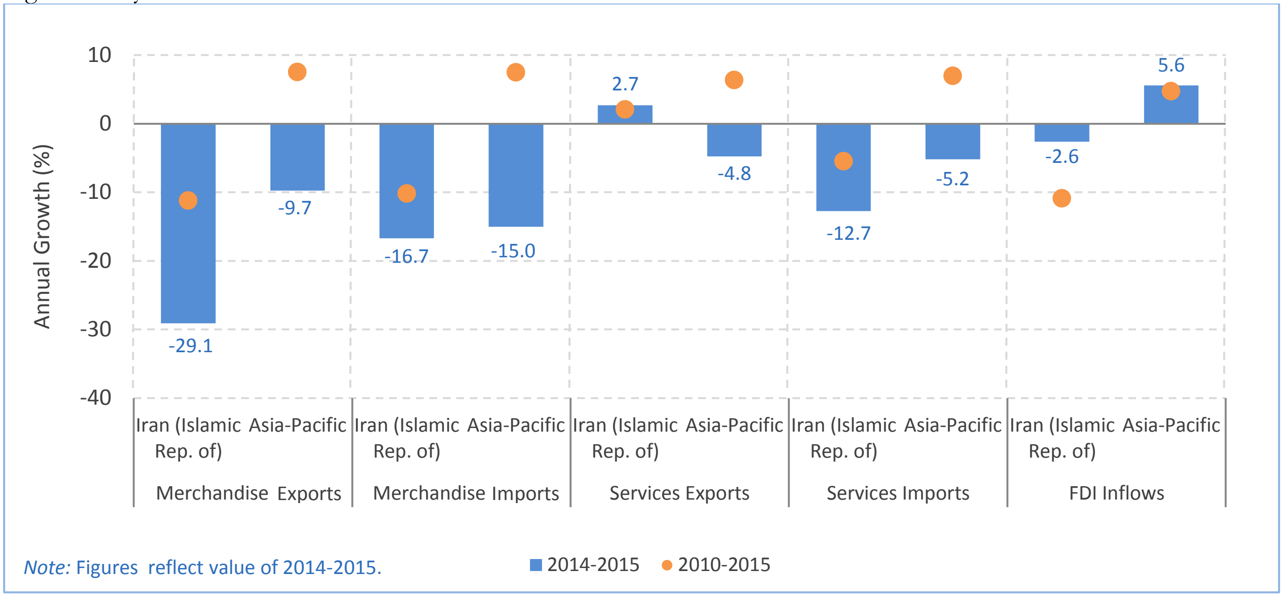

Figure 2. Top merchandise markets

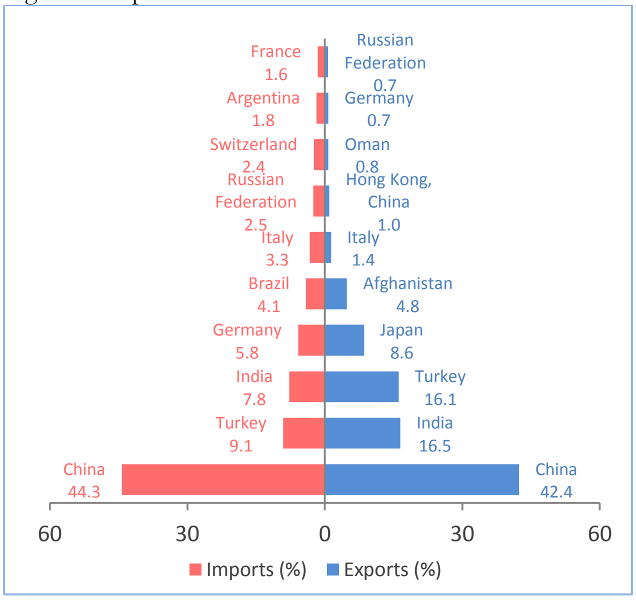

Figure 3. Top merchandise products

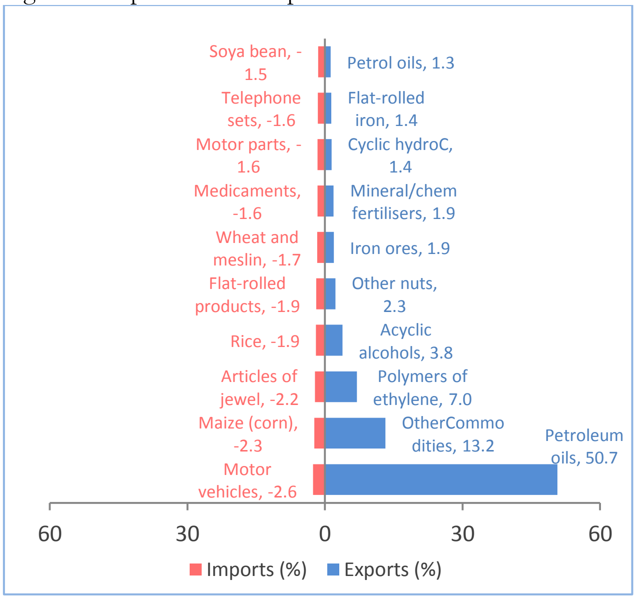

Figure 4. Trade within the region and rest of the world

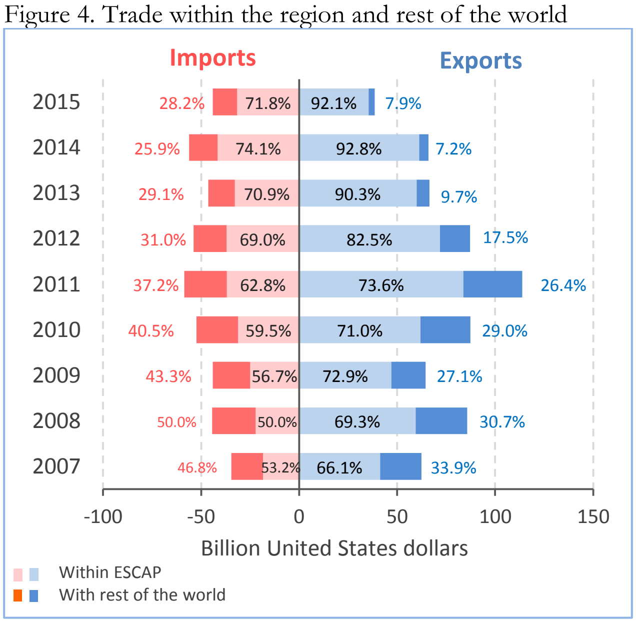

Figure 5. Foreign direct investment

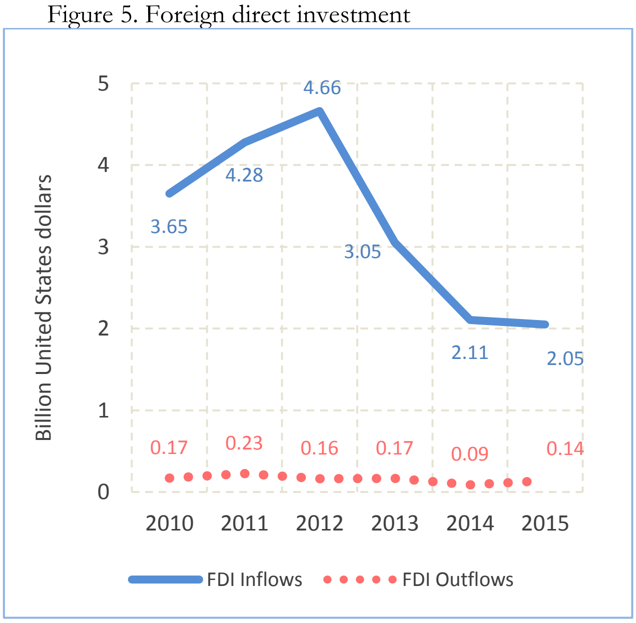

Figure 6. Trade costs