



## Asia-Pacific Trade Briefs

### China

**Merchandise trade:** China's merchandise trade accounted for 84% of the country's total trade in 2015. Merchandise exports in 2015 – which accounted for 88.8% of total exports – fell by 2.9%, after averaging an annual growth rate of 9.6% during 2010-2015. Despite weaker export growth, China remains a global hub for manufacturing and assembly as the export-oriented economy is specialized in electronics and machinery goods, such as telephone sets, data processing equipment and integrated circuits. The moderation of export growth is a result of the combination of stagnant global growth, increased regional competition in labour-intensive low-value-added goods and an ongoing structural re-balancing towards domestic consumption and services-driven growth. Merchandise imports in 2015 contracted more sharply by 14.2%, with electronical equipment, mineral fuels and motor vehicles comprising the major components. Weak domestic consumption and investment growth due to growing deflationary pressures and diminishing returns to investment as well as a continuing slowdown in traditional manufacturing and construction sectors may explain the lower import demand, especially for capital goods.

**Services trade:** The services trade share of total trade in 2015 reached 16%. Service exports and imports are crucial to the long-term plans to transform China into a service-driven economy. The growth rates during 2010-2015 are encouraging in this regard. Services exports grew considerably by 13.1% on average during 2010-2015 compared with the Asia-Pacific average of 6.4%. In 2015, those exports grew more modestly at 2.2% while contracting in the Asia-Pacific region. Meanwhile, services imports grew substantially by 20.7% on average during 2010-2015, but recorded a more modest growth rate at 3.3% in 2015. Travel and other commercial services were the major service categories with the shares of 40% and 38%, respectively, of exports and 63% and 21%, respectively, of imports. However, travel services were the growth driver in 2015 with the export growth rate of 8.3% and the import growth rate of 24.5% while the other commercial services experienced trade declines by 4.9% for exports and 19% for imports.

**Intraregional trade:** Of total trade in 2015, 38.6% was intraregional. The two largest intraregional export destinations were Hong Kong, China (12.6%) and Japan (7.8%). Meanwhile, total intraregional imports accounted 47.3%, with Japan (12.6%) being the largest intraregional import source. However, China is the largest export destination for the rest of Asia-Pacific region by absorbing 20% of their total exports.

**Foreign direct investment:** China most recently became the world's largest FDI inflows recipient, but in 2015 it also become a major foreign investor in terms of FDI outflows. Inflows increased modestly by 3.4% on average during 2010-2015, which was lower than the Asia-Pacific average inflow growth of 4.7%. In 2015, FDI inflows to China grew at 5.5%, about the same as that of the Asia-Pacific region, while outflows from China increased more modestly at 3.6%. The manufacturing and real estate sectors continued to attract the majority of inflows, with Hong Kong, China being the largest source of FDI (73.4%). A prolonged slowdown in export-oriented manufacturing sectors, domestic debt market fragility, heightened state enforcement of anti-trust laws against foreign companies were found to be the best explanatory factors for the modest FDI growth during recent years.

**Tariffs:** In 2014, average MFN applied and effectively applied tariffs at 9.3% and 7.5%, respectively, were higher than the averages for the Asia-Pacific economies of 6.9% and 5.9%, respectively. Average MFN bound duty, at 10%, however, was only half of the Asia-Pacific average of 20%. As a more recent acceding country to the WTO, China has bound 100% of its tariff lines.

**Trade costs:** China has been an efficient trading economy in the region. The country is ranked sixth in Asia and the Pacific in terms of trade logistic performance, after Singapore; Hong Kong, China; Japan; Australia; and the Republic of Korea. Partly because China is a major market itself, trade costs incurred by China in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation) have been, on average, 57.6% and 72.7% lower than those of East Asia-3 and European Union-3, respectively, when reaching the same markets.

**Trade agreements:** China has 15 trade agreements in force, which is almost twice the Asia-Pacific country average of 7.6 agreements. Of total exports in 2015, 30.9% were with PTA partners, compared to 33.3% for the Asia-Pacific. Of total imports, 38.4% were from PTA partners, compared to the Asia-Pacific regional average of 44%.

Figure 1. Key trade and investment indicators

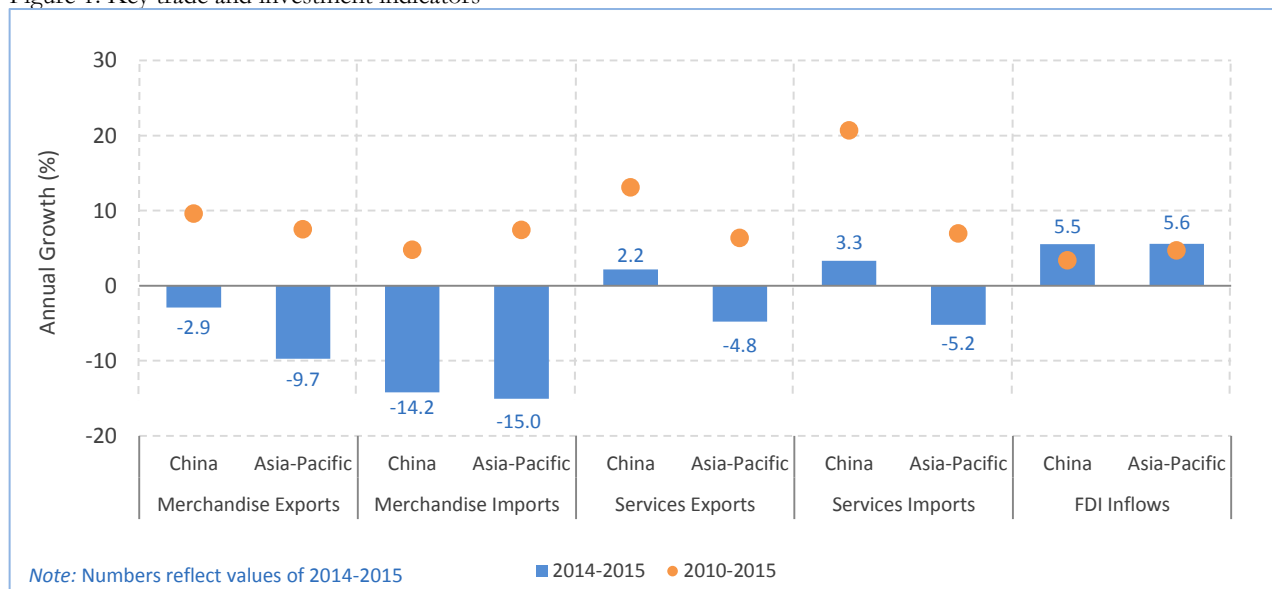


Figure 2. Top merchandise markets

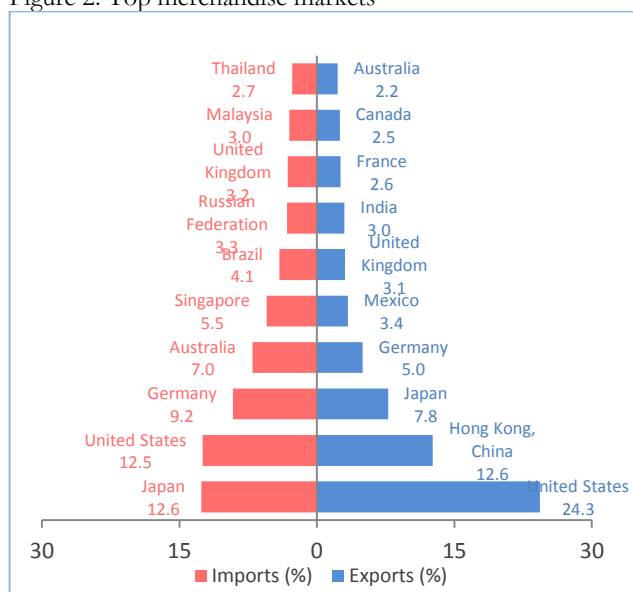


Figure 3. Top merchandise products

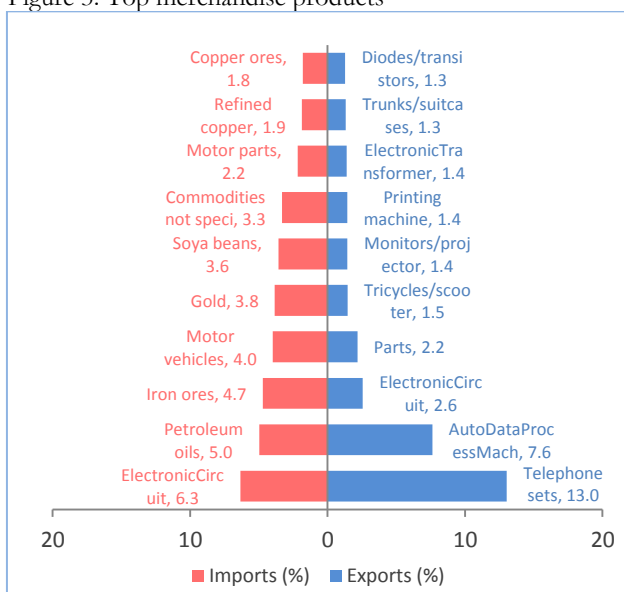


Figure 4. Trade within the region and with rest of the world

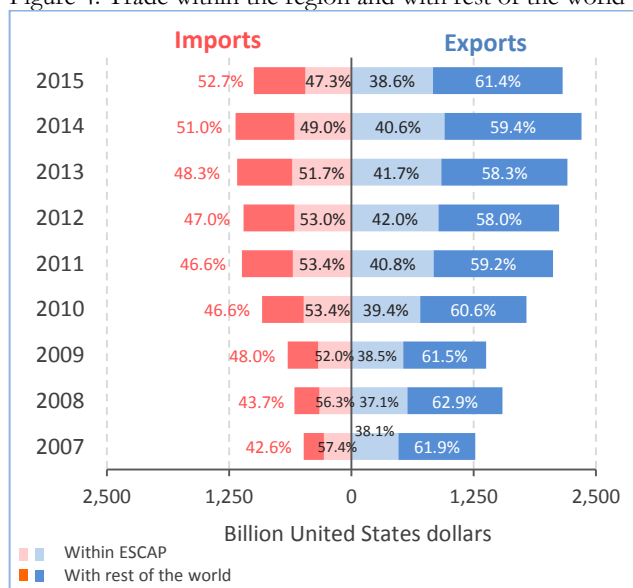


Figure 5. Foreign direct investment

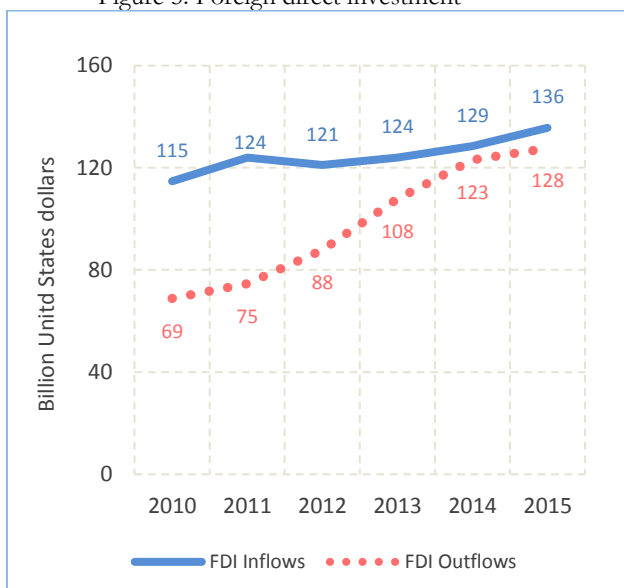


Figure 6. Tariffs (2014)

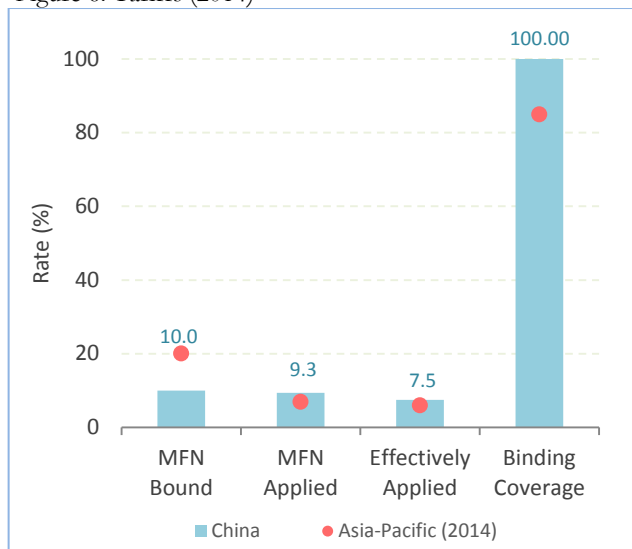
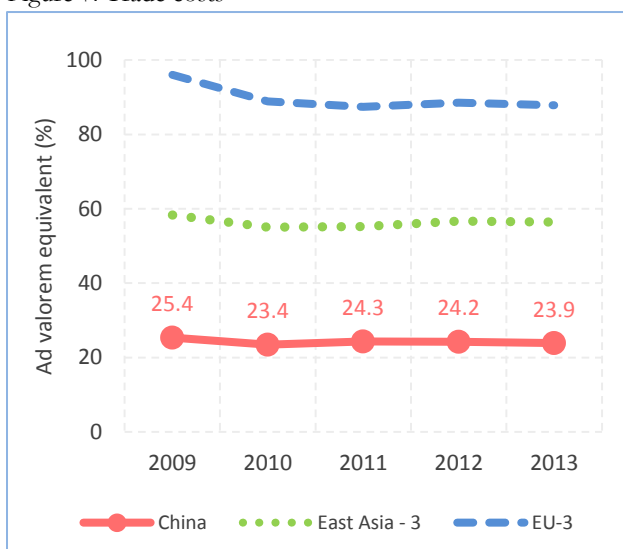


Figure 7. Trade costs



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