Asia-Pacific Trade Briefs:

East and North-East Asia

(China; DPR Korea; Hong Kong, China; Japan; Macao, China; Mongolia; Republic of Korea)

Merchandise trade: China; Japan; the Republic of Korea; and Hong Kong, China, account for 51.8%, 19.5%, 13.9% and 13.8%, respectively, of total trade (merchandise and services) respectively in the East and North-East Asia (ENEA) subregion, and 19.8% of trade worldwide. Merchandise exports in ENEA grew solidly during 2010-2014, by an average of 6.4% per year. Although growth slowed to just 2.6% in 2014, this was a better performance than that of the Asia-Pacific region (1.5%). ENEA exports a fairly diversified range of products. Its main exports are telephones, computers, electronic circuits and cars. Given that more than half of ENEA trade is with China, the slowdown of China's economy accounts for much of the slowdown in trade in the subregion. The special administrative regions of Hong Kong, China and Macao, China in particular experienced a sharp downturn in exports and imports as they are highly vulnerable to changes in China's economy and trade patterns. DPR Korea and Mongolia are also highly dependent on commodity exports to China. While the Democratic People's Republic of Korea's exports declined – due to lower Chinese demand for coal – Mongolia's exports increased sharply – on the back of higher Chinese demand for copper. In contrast, the higher-income economies of Japan and the Republic of Korea have more diversified economies and export markets, and were not as severely affected by the economic slowdown of China. Merchandise imports in ENEA also grew solidly during 2010-2014, by 7.3% per year on average, but contracted by 0.3% in 2014. This was due to a combination of declining export receipts due to lower trade, and depreciating currencies in Japan, Mongolia and Republic of Korea, that reduced purchasing power and import demand.

Services trade: Services exports in ENEA grew strongly during 2010-2014, by an average of 7.5% per year, and continued to grow strongly by 9.1% in 2014. This is a much better performance than the 4.8% growth recorded by the Asia-Pacific region. This growth mainly reflected China's structural transition away from primary and manufacturing industry, towards services and innovation activity. Growth was led by higher Chinese exports of business, travel and transport services; and higher business services exports by Japan and the Republic of Korea. Services imports in ENEA also grew strongly during 2010-2014, by 9.9% a year, and grew by 11.0% in 2014 – led once again by higher Chinese imports of business, travel and transport services.

Intraregional trade: In 2014, around 54.9% of ENEA exports went to destinations in the Asia-Pacific region, and around 53.0% of ENEA imports were sourced from Asia-Pacific countries. This intraregional trade is lower than other subregions such as South-East Asia which exports 68.2% and imports 62.3% from the Asia-Pacific region. The largest intraregional trading partners are China; Hong Kong, China; and Japan, account for 27.1% of exports and 29.1% of imports. The United States is the largest extraregional trading partner, accounting for 19.8% of exports and 8.3% of imports.

Global value chains (GVCs): The share of intermediate goods in trade – a proxy for participation in GVCs – is marginally lower across ENEA economies (21%) compared to Asia-Pacific total (22%) for imports, and also lower across ENEA economies (17%) compared to Asia-Pacific (18%) for exports. The larger economies in ENEA have more diversified export portfolios and are highly integrated into GVCs at most stages of production (i.e. China; Hong Kong, China; Japan; Republic of Korea). In contrast, smaller economies are less integrated into GVCs, as they are dependent on raw material exports for revenue (i.e. Mongolia and DPR Korea) and mainly import final goods.

Foreign direct investment (FDI): FDI inflows to ENEA grew strongly, by 12.4% in 2014 – following several years of robust growth, averaging 5.7% a year between 2010-2014. This growth can largely be attributed to China and Hong Kong, China. These two economies are the largest recipients of FDI in the subregion, accounting for 51.9% and 41.7% of inflows to ENEA respectively. China's economic slowdown appears not to have deterred investment in ENEA, partly because expected economic growth at around 7% is still higher than prospects in many other economies and Hong Kong, China also remains a safe-haven location for investment in a climate of an uncertainty.

Figure 1. Key trade and investment indicators

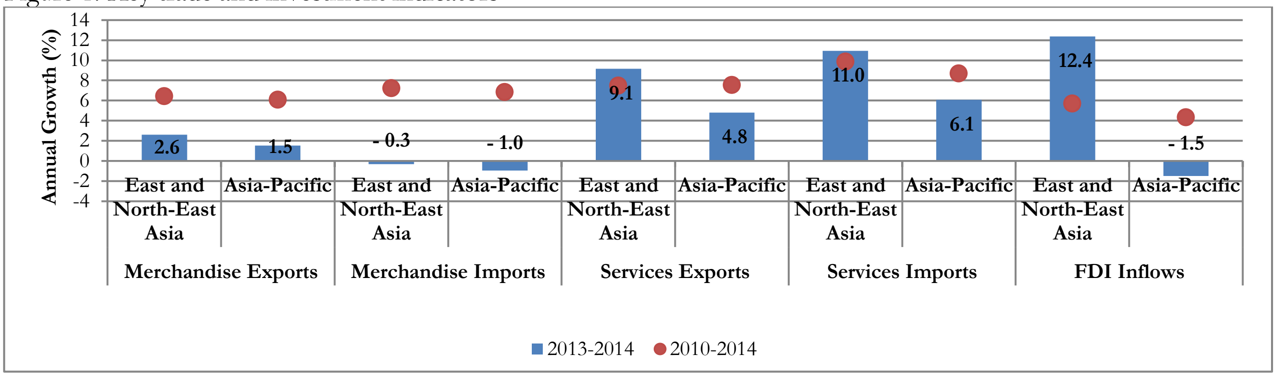


Figure 2. Top merchandise markets

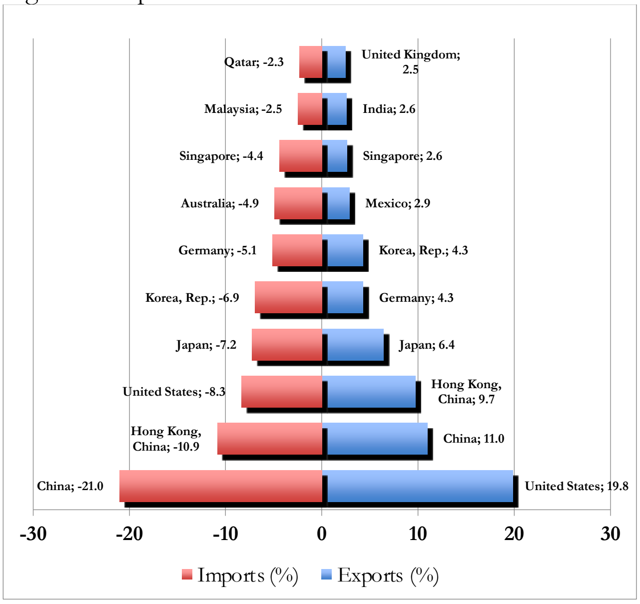


Figure 3. Top merchandise products

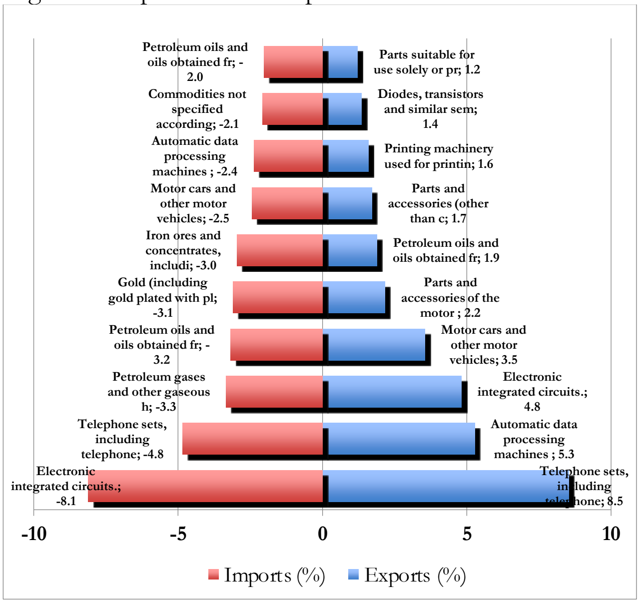


Figure 4. Trade in goods by their use

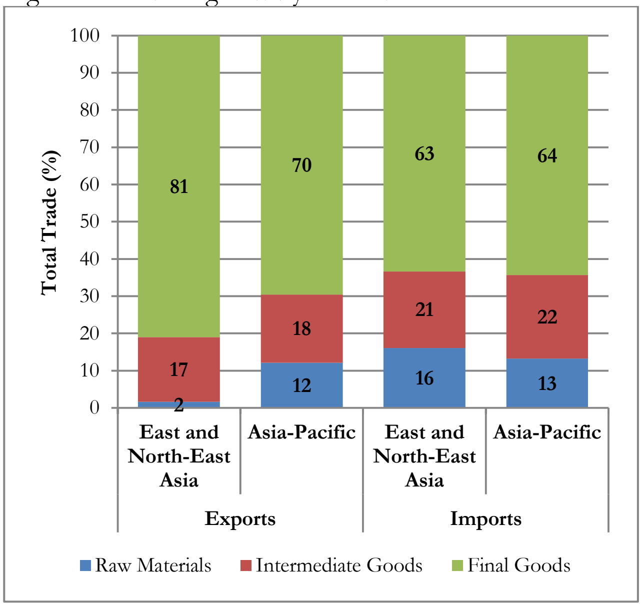


Figure 5. Foreign direct investment

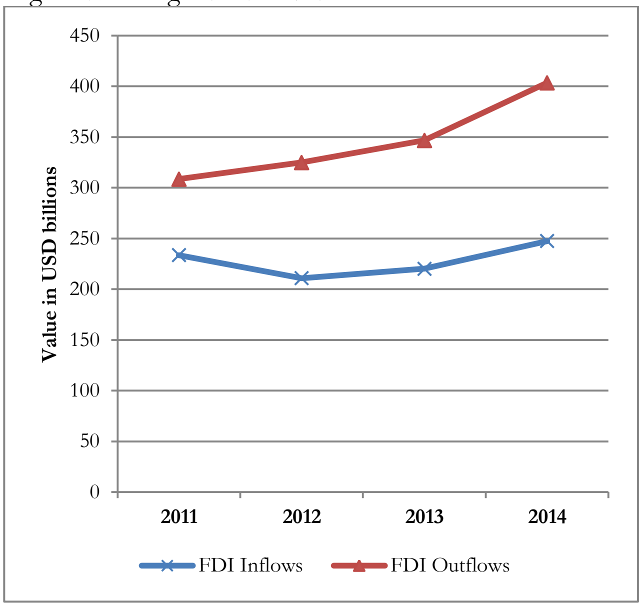
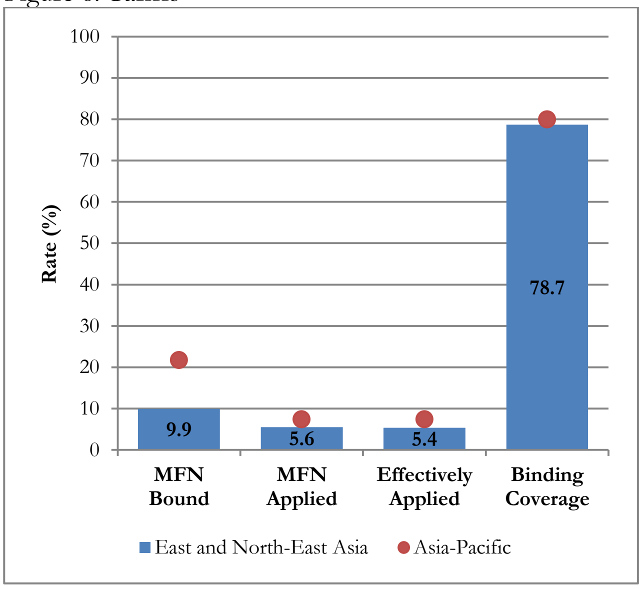


Figure 6. Tariffs



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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