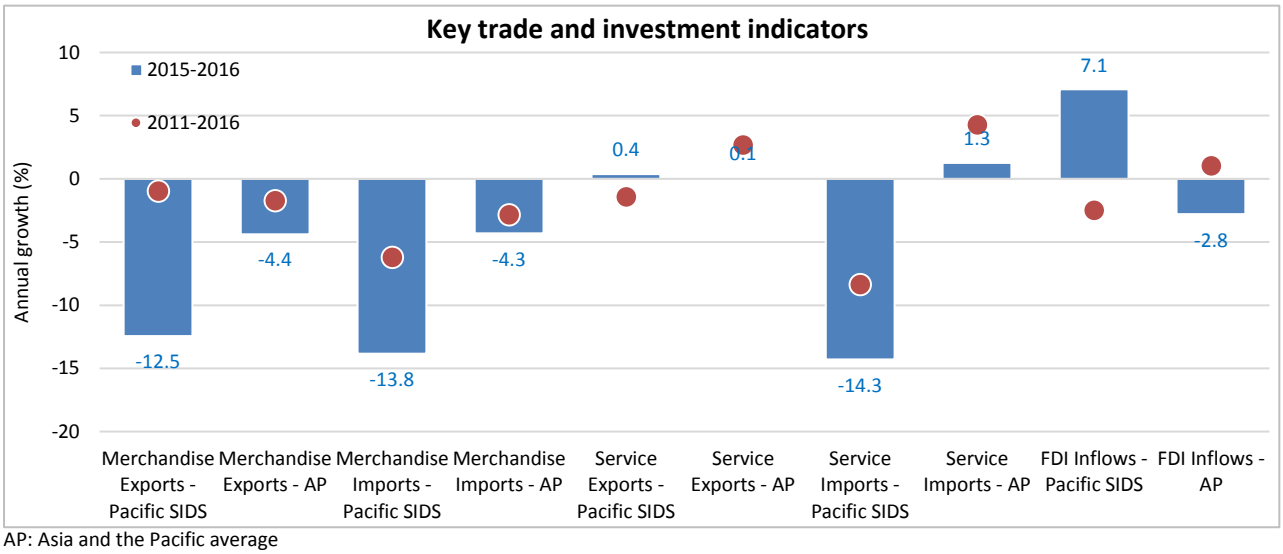
Asia-Pacific Trade and Investment Briefs
The Developing Pacific Islands

(American Samoa; Cook Islands; Fiji; French Polynesia; Guam; Kiribati; Marshall Islands; Micronesia (F.S.); Nauru; New Caledonia; Niue; Northern Mariana Islands; Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu)



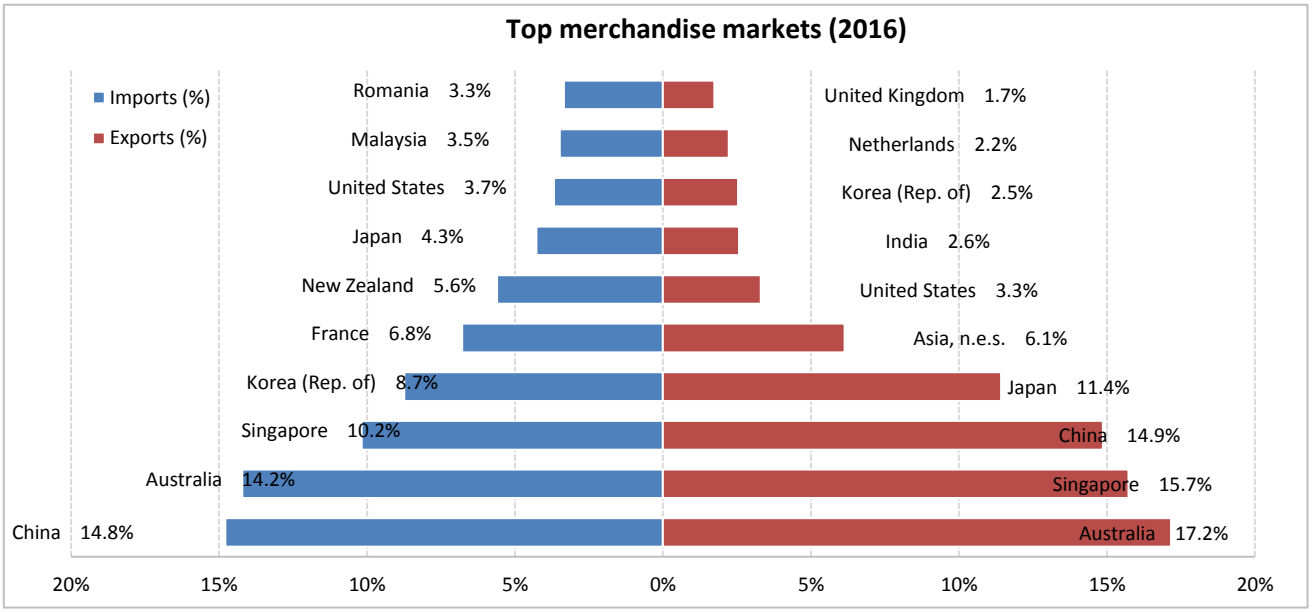
AP: Asia and the Pacific average

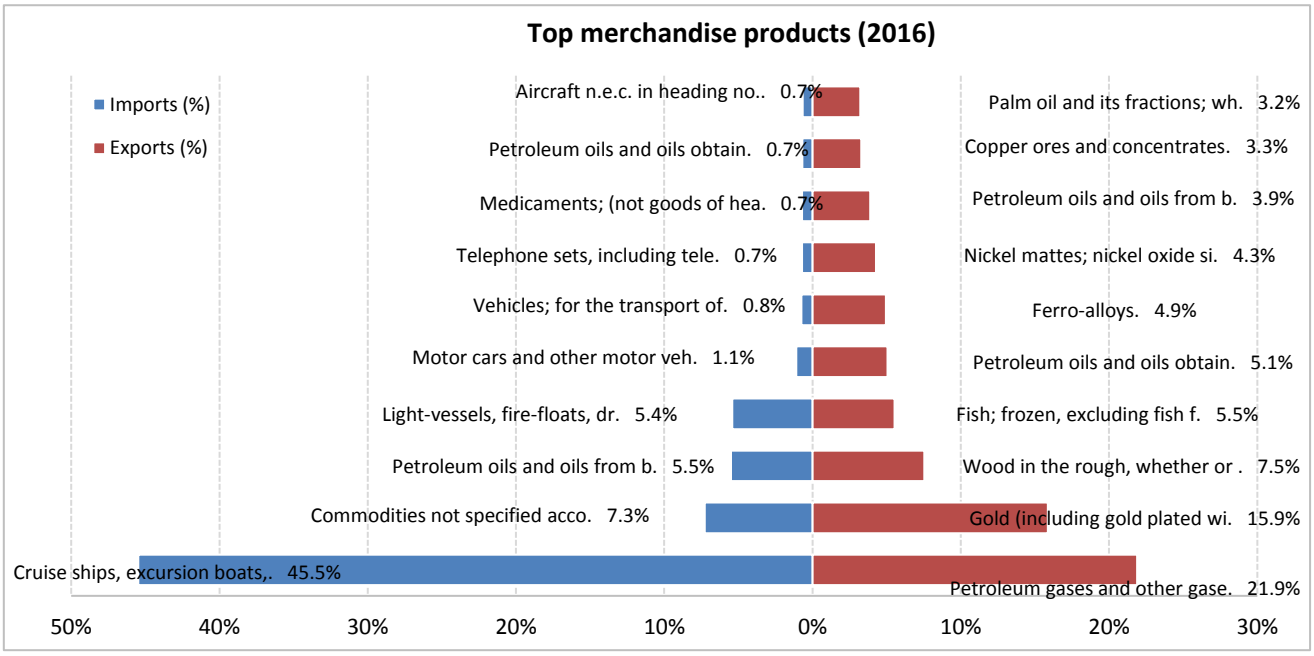
Merchandise trade: Among the Pacific Small Island Developing States (SIDS), Papua New Guinea is the largest trading economy. The country accounted for 41.9% of the total trade by the Pacific SIDS in 2016, followed by New Caledonia at 17.9%, Fiji at 11.5% and French Polynesia at 8.1%. Due to limited productive capacity, export products of the Pacific SIDs are relatively underdeveloped. Exports by the subregion are concentrated in primary commodities, such as oil, wood and metals, and agricultural commodities like palm oil and fish, and as such, are susceptible to commodity price volatility. Trade contracted sharply in 2016 by 12.5% (exports) and 13.8% (imports), and was more pronounced than the region on average where trade in 2016 declined by 4.4%. The major export markets in 2016 were Australia, Singapore, and China. These countries were also the major sources of imports for the Pacific SIDS. Ships and boats accounted for more than half of imports by the subregion.

Services trade: The services trade share reached 24.0% of total trade in 2016. Travel services was the largest subcategory of commercial services trade accounting for 33.3% of total commercial services trade, followed by transport and other commercial services, both at 24% respectively. Overall, services exports by the Pacific SIDS grew by 0.4% in 2016, while exports by the Asia-Pacific region increased 0.1%. The subregion's imports of commercial services declined by 8.4% annually between 2011-2016, and declined sharply by 14.3% in 2016.

Intraregional trade: Despite the very high share of intraregional trade at 74.6% of exports and 70.6% of imports, the Pacific SIDS have not integrated into regional manufacturing production networks. Major trade partners in the region were Australia and New Zealand, which together accounted for 18% of total exports, followed by China at 14.9%. Intraregional imports followed a similar pattern. High export similarity within the subregion continues to limit intra-subregional trade at 4.2% and 1.9% of exports and imports in 2016, respectively.

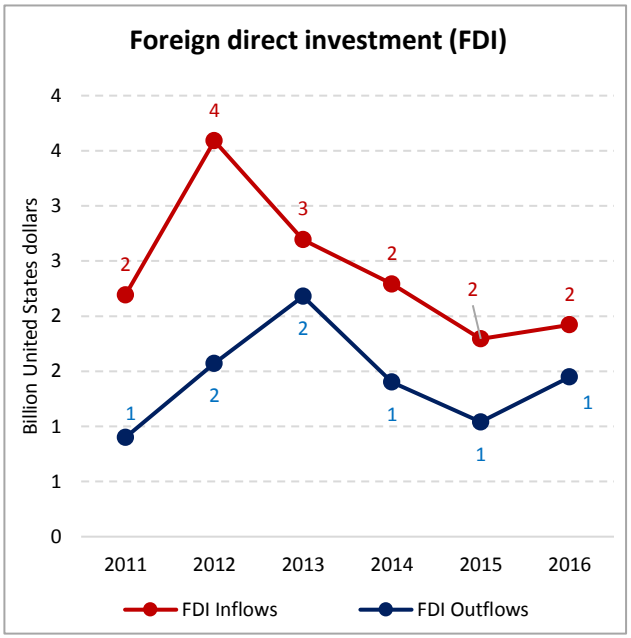
Foreign direct investment (FDI): In the Pacific SIDS, FDI inflows increased by 7.1% to $1.9 billion in 2016. However, FDI inflows remain highly volatile and, on average, decreased by 2.5% per year during 2011-2016; this contrasts with the Asia-Pacific regional average annual growth of FDI inflows by 1.0% during the same period. However, FDI outflows from the Small Pacific Islands increased by 39.2% in 2016.





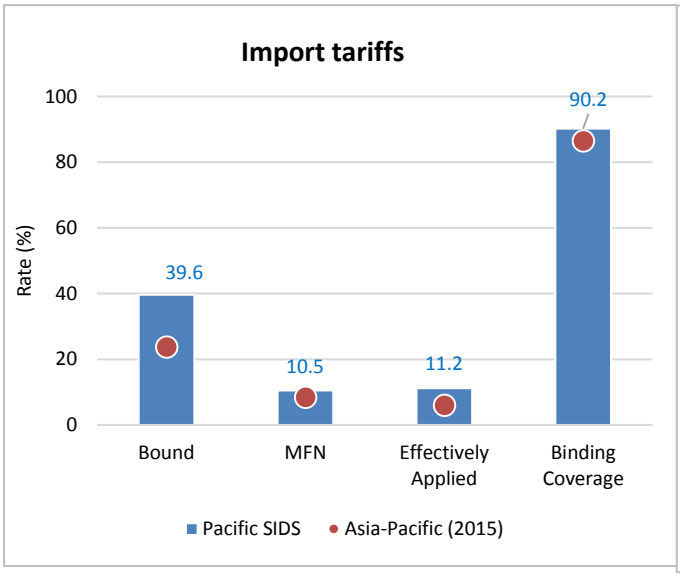
Intraregional trade

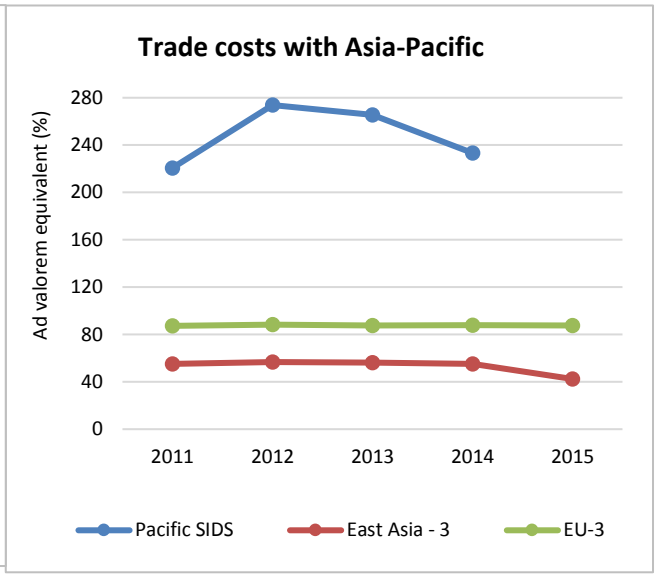
Sources/ Destinations (% share)	North and Central Asia imports		North and Central Asia exports	
	2015	2016	2015	2016
Asia-Pacific	68.5	70.6	72.9	74.6
East and North-East Asia	23.2	29.0	34.5	29.9
South-East Asia	22.1	18.7	15.3	19.4
South and South-West Asia	1.1	1.0	4.7	2.7
North and Central Asia	0.1	0.2	0.3	0.3
Pacific	1.9	1.9	3.7	4.2
Australia and New Zealand	20.1	19.8	14.5	18.1



Trade costs: Trade costs of the Pacific SIDS with four major developing economies in Asia and the Pacific (China, India, Indonesia and the Russian Federation) have trended downward after peaking in 2012. In 2014, the trade costs of the subregion with these economies were 175 percentage points higher than those of the East Asia-3, which includes some of the most efficient traders in Asia and the Pacific. As such, trade costs in the Pacific SIDS are the highest amongst the subregions in Asia and the Pacific. Trade costs of the European Union-3 incurred in reaching major developing Asian markets are, on average, more than 120 percentage points lower than those of the Pacific SIDS.

Tariffs: In 2015, average MFN applied, effectively applied tariffs rates, MFN bound rates and bind coverage were all above the regional averages.





Sources: Trade and tariff data were accessed through WITS and IMF direction of trade database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Notes: Data are based on countries or regions for which data available only (e.g. trade cost data of Japan are missing for 2015). Merchandise trade data follow the HS2012 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries or regions with the Asian developing economies (China, India, Indonesia and Russian Federation). East Asia-3 comprises China, Japan and the Republic of Korea; European Union-3 comprises Germany, France and the United Kingdom. Average growth rate over a period means simple average growth rate.

Definitions: 1) Other commercial services include: Construction, Insurance and pension services, Financial services, Charges for the use of intellectual, Telecommunications & computer, Other business services, Personal & cultural & recreation. Other business services include: Research and development services, Professional & management consulting services, Technical & trade-related & other business services. 2) MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines.

For the full report, please visit:

http://bit.ly/APTIR2017

For more details, please contact escap-tiid@un.org