

Evolving Trade Pattern in the CAREC Countries in 2000-14

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Outline

Overall CAREC trade

Intraregional CAREC trade

Takeaways



Trade and growth linkage

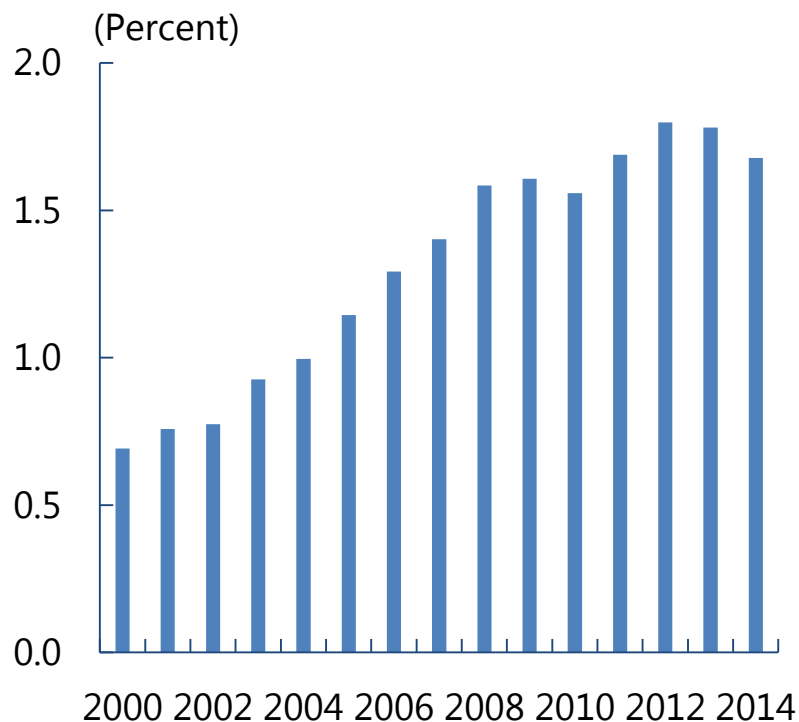
- **Trade as driver of catch-up growth**

- Empirical literature finds that sustained growth takeoffs are primarily associated with large and steady expansions in international trade
- Why is this?
 - Trade allows: transfer of technology from more advanced countries; integration in supply chains; access to bigger markets
 - Export firms tend to be bigger, more productive, and more innovative than non-export firms

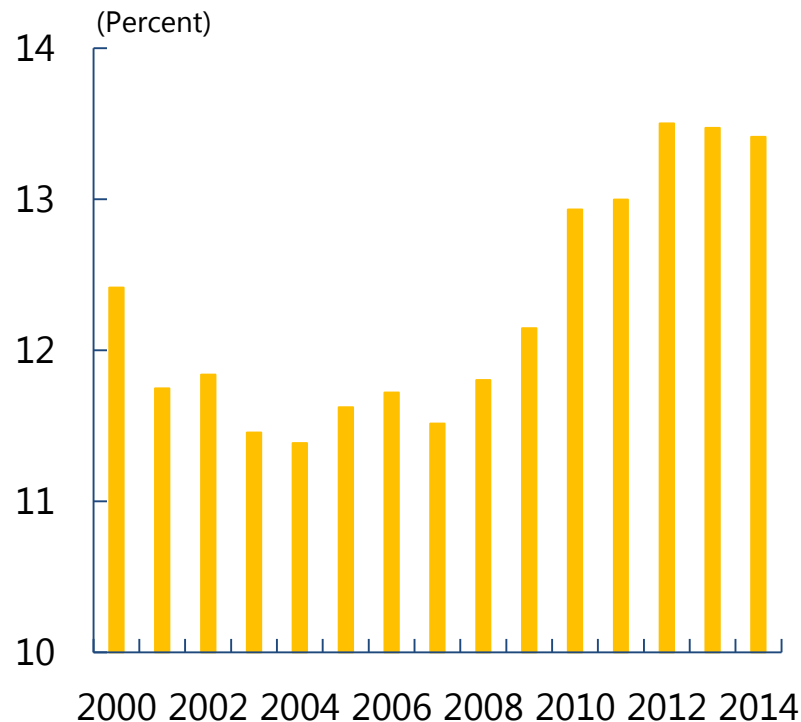


CAREC* trade**'s share of the world trade has risen, but stagnated since 2009

CAREC: Trade Share of Global Trade



ASEAN: Trade Share of Global Trade



* China is excluded from CAREC aggregate, ** Trade = exports and imports of goods

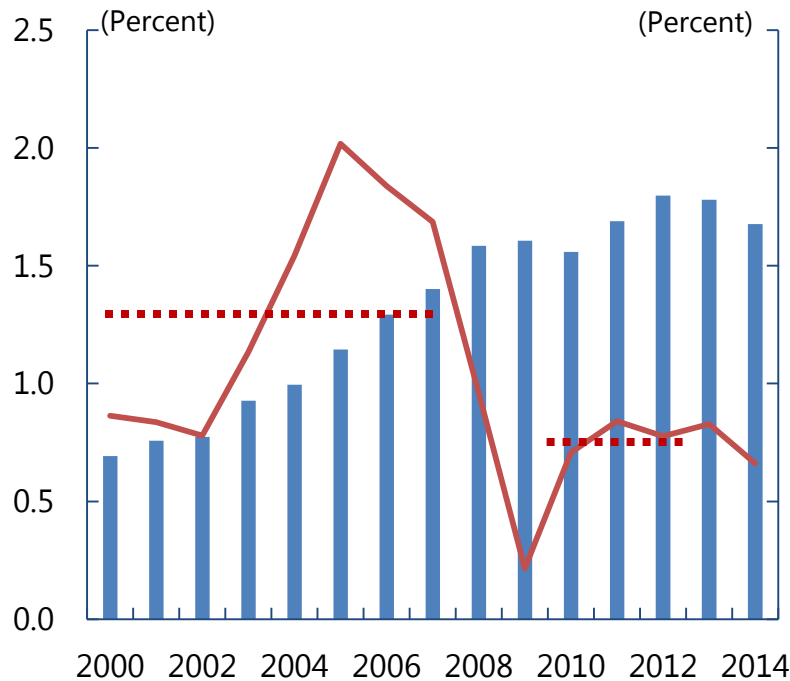
*** ASEAN: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

Source: IMF staff calculations



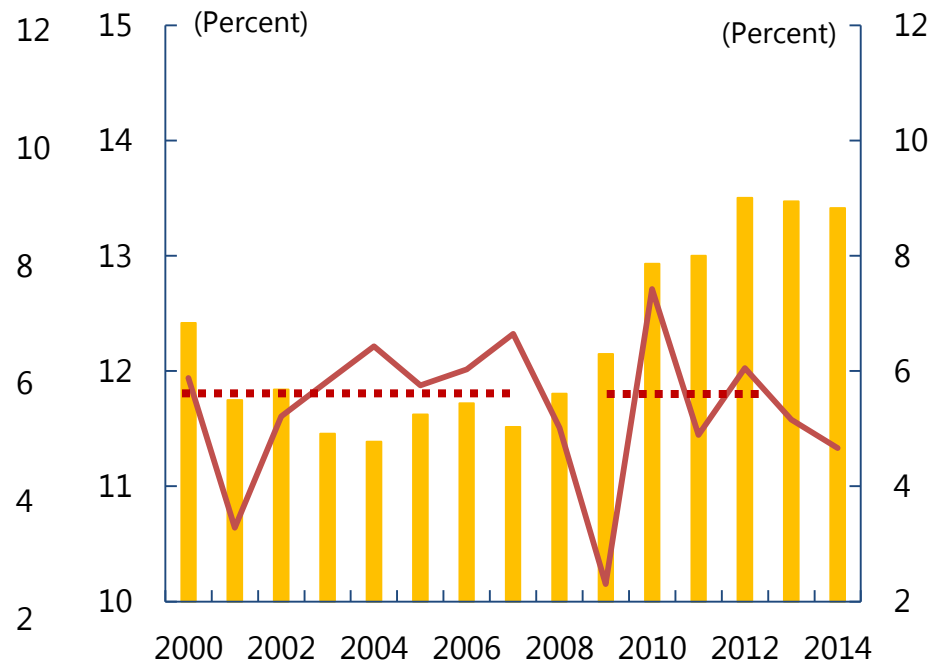
Global trade shares closely related to growth...

CAREC



■ Trade share of global trade
— Real GDP growth rate (RHS)

ASEAN



■ Trade share of global trade
— Real GDP growth rate (RHS)

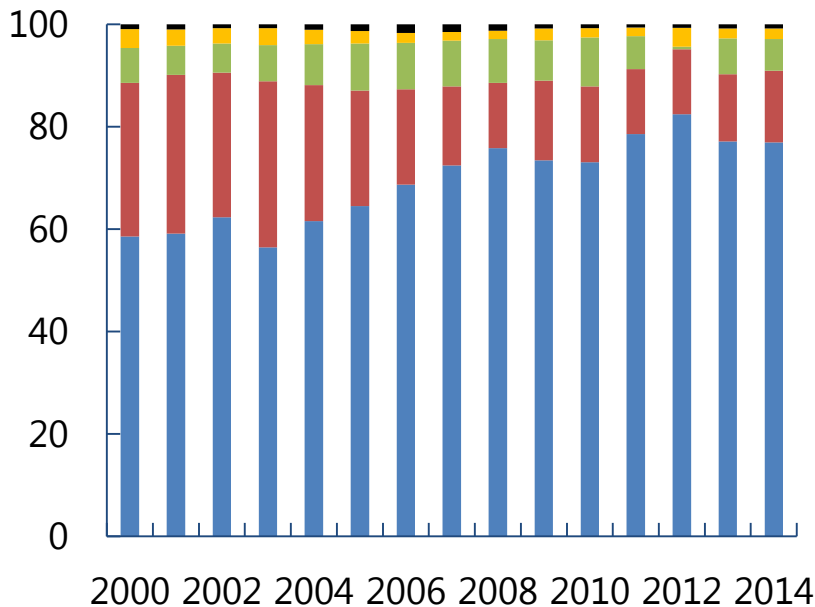
Source: IMF staff calculations



CAREC exports still dominated by raw materials ...

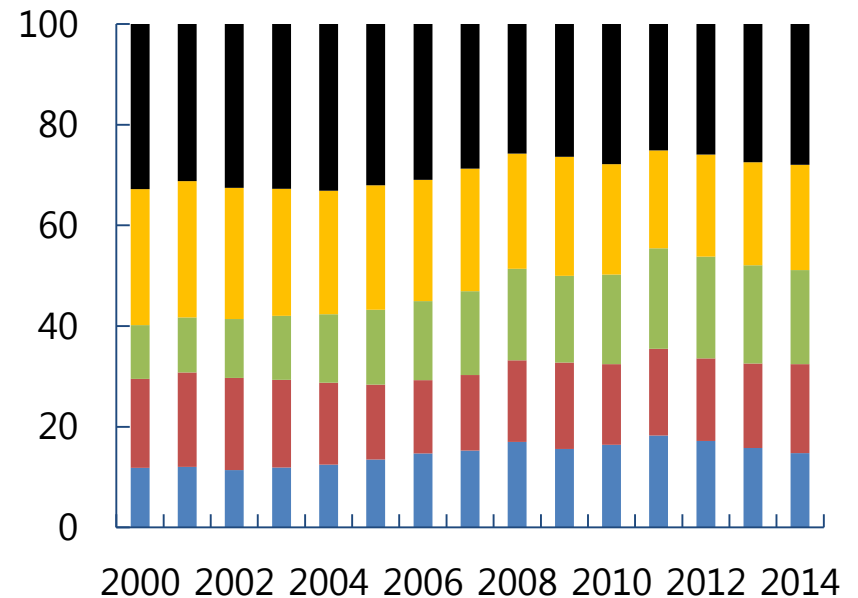
CAREC: Exports

(percent of total exports)



ASEAN: Exports

(percent of total exports)



■ Raw materials ■ Light industry ■ Petro-chemical
■ Machinery ■ Electronics

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Raw materials: agriculture, metals, minerals, oil and gas

Light-industry goods: food, textile, and garments

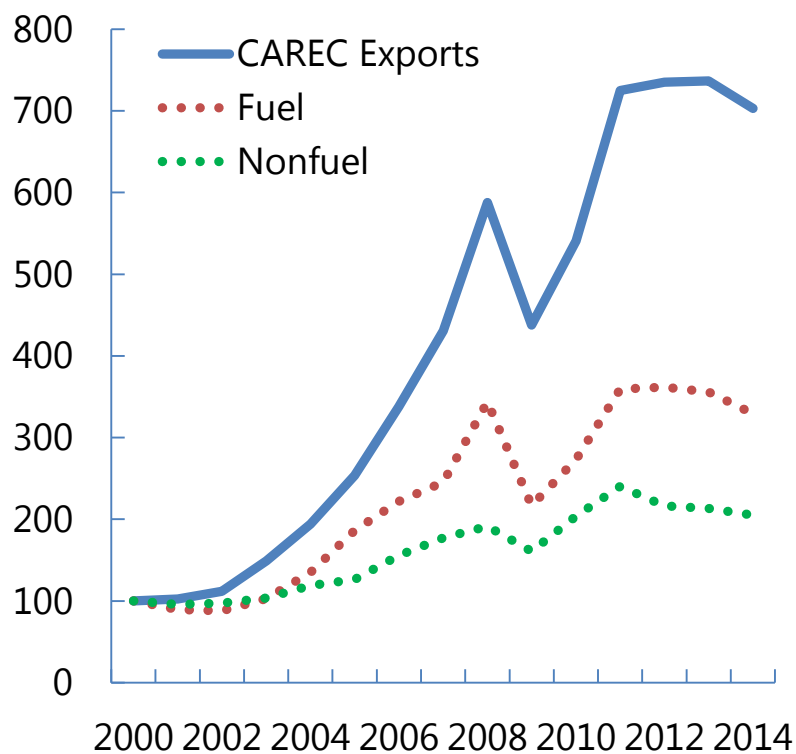
Source: UN Comtrade Database



CAREC exports driven by commodity prices and trading partner demand

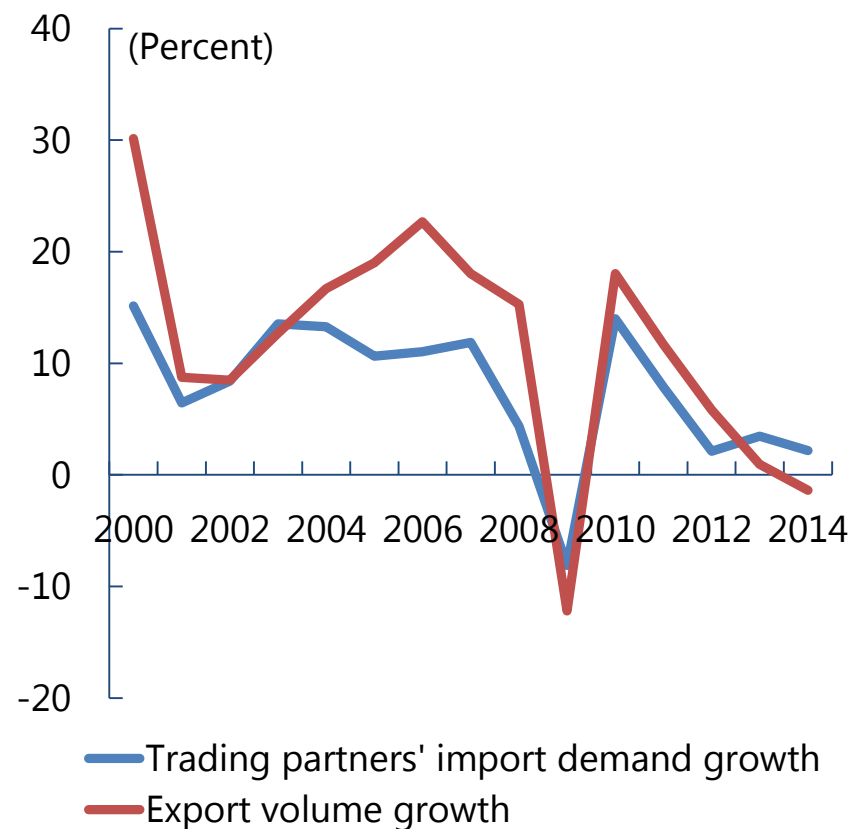
Exports and Commodity Prices

(Index, 2000=100)



CAREC: Trading Partners' Import Demand

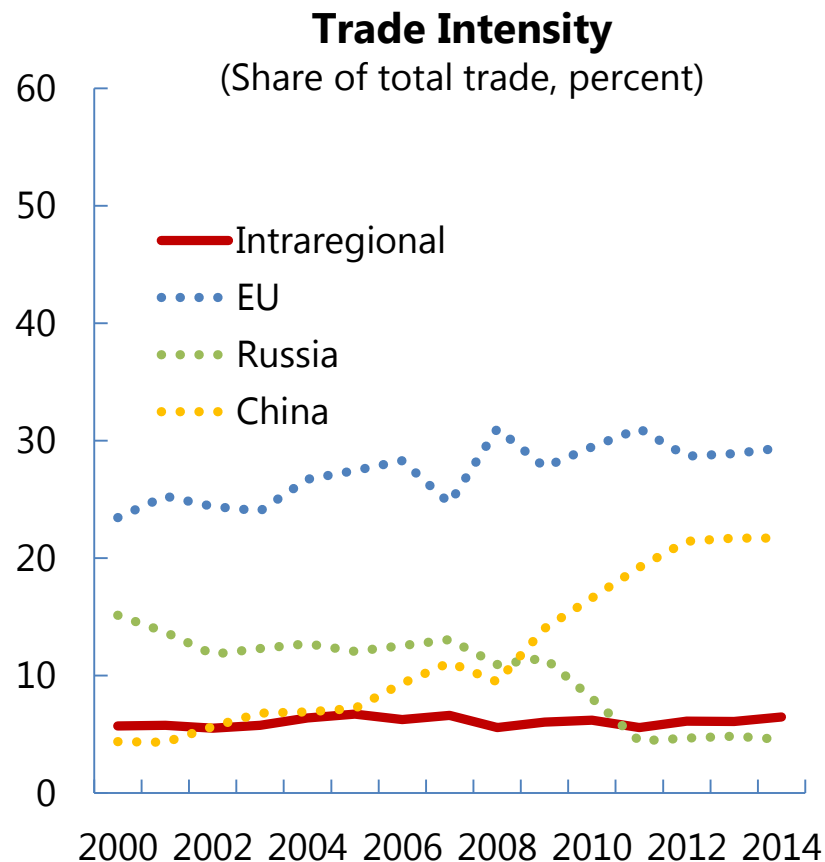
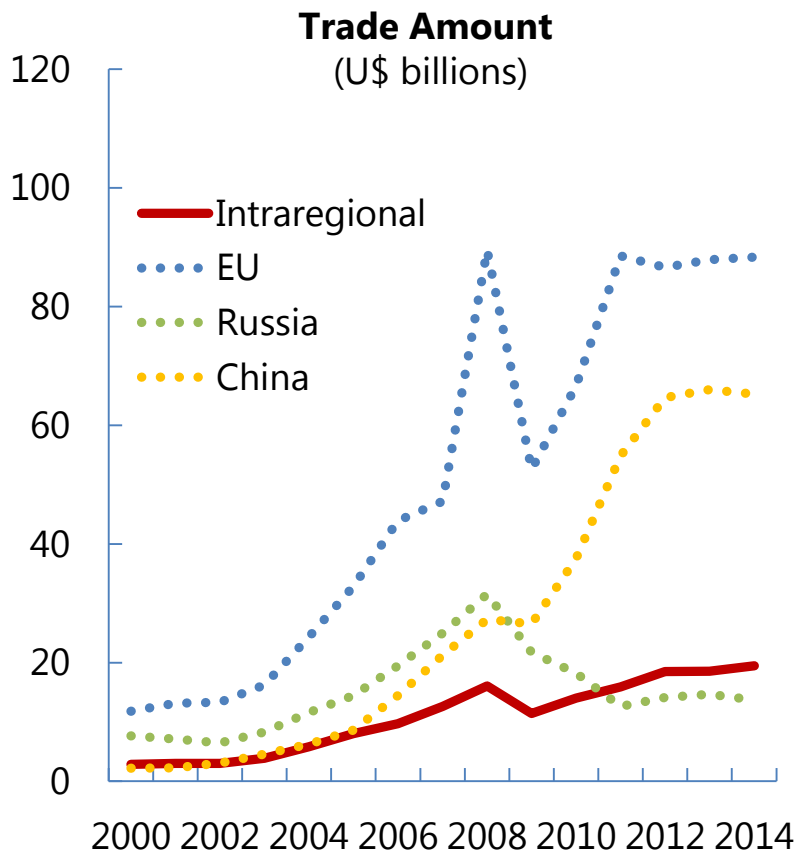
(Percent)



Source: World Economic Outlook Database



CAREC trade increasingly dependent on EU and China ...

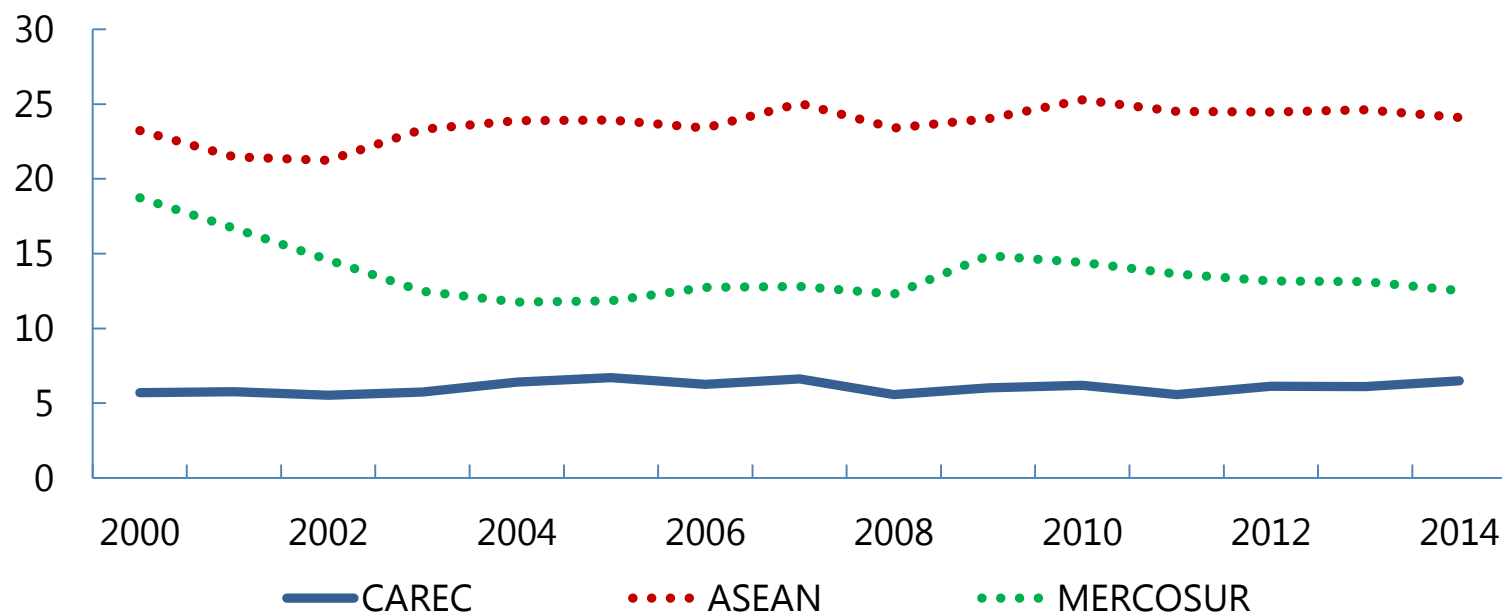


Trade = exports and imports of goods
Source: Direction of Trade, IMF



Intraregional trade remains low ...

Trade Intensity of Intraregional Trade



ASEAN: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

MERCOSUR: Argentina, Brazil, Paraguay, Uruguay, Venezuela

Source: Direction of Trade, IMF



Estimation of CAREC intra-regional trade potential

- Gravity model approach to estimate potential for trade between countries
- Size and distance between trading partners determine bilateral trade volumes
- Dummies for border sharing, land locked, commodity exporters, common language, ...

Bilateral trade = $f(\text{per capita income, population, distance, dummies})$

- Sample: 189 countries from 1996 to 2014



CAREC intra-regional trade potential close to actual trade

Estimation Results (share of total potential or actual trade, percent)

Potential for 2014 (A)	Actual for 2014 (B)	Gap (A-B)
8.3	6.5	1.8

- **Caveats**

- Omitted variables: unexplained factors to determine bilateral trade flows such as structural factors like trade restrictions and the business environment



Key takeaways

- Since global financial crisis, CAREC trade growth momentum has waned
- Exports remain heavily concentrated on raw materials
- These trade trends have been associated with slowing growth momentum
- External factors (commodity prices, trading partner growth) account for slowing trade
- CAREC intra-regional trade low and in line with potential



A world map in shades of blue is visible in the background. A horizontal yellow banner is overlaid across the middle of the map, containing the text.

Extra slides for background information

Per capita GDP (Nominal US\$)

CAREC	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Afghanistan	N/A	N/A	197	195	214	248	270	325	381	435	540	615	680	660	654
Azerbaijan	648	693	748	864	1,019	1,538	2,415	3,759	5,213	4,933	5,847	7,106	7,472	7,934	8,055
Kazakhstan	1,230	1,492	1,657	2,062	2,863	3,753	5,262	6,736	8,457	7,119	9,009	11,278	12,034	13,509	12,506
Kyrgyz Republic	278	307	327	378	431	474	541	720	960	864	877	1,116	1,166	1,269	1,266
Mongolia	556	612	664	749	920	1,150	1,584	2,054	3,040	2,206	2,608	3,736	4,329	4,365	4,169
Pakistan	597	570	558	628	724	792	900	972	1,049	1,015	1,048	1,238	1,273	1,279	1,326
Tajikistan	468	452	388	358	396	415	423	502	590	536	551	506	499	479	427
Turkmenistan	1,116	1,523	1,891	2,458	3,022	3,617	4,455	5,344	4,375	4,060	4,393	5,725	6,798	7,934	8,699
Uzbekistan	551	461	378	393	461	544	639	824	1,039	1,195	1,367	1,561	1,721	1,890	2,062
Total	644	583	604	691	831	974	1,202	1,435	1,657	1,550	1,755	2,121	2,246	2,384	2,382
ASEAN	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Brunei Darussalam	20,511	18,681	19,073	21,014	24,805	28,589	33,254	34,811	42,679	31,287	35,437	47,092	47,641	44,540	41,525
Cambodia	300	320	338	361	406	471	536	628	742	735	782	878	946	1,010	1,096
Indonesia	870	834	1,003	1,187	1,281	1,404	1,765	2,064	2,418	2,465	3,178	3,689	3,745	3,676	3,532
Lao P.D.R.	292	286	299	362	417	469	602	701	862	891	1,070	1,236	1,414	1,594	1,695
Malaysia	4,287	4,130	4,380	4,674	5,171	5,599	6,264	7,379	8,647	7,439	8,920	10,253	10,653	10,809	11,050
Myanmar	221	159	166	254	255	287	346	478	704	770	997	1,197	1,182	1,180	1,279
Philippines	1,055	970	1,015	1,025	1,093	1,209	1,405	1,684	1,919	1,851	2,155	2,364	2,591	2,770	2,844
Singapore	23,793	21,577	22,017	23,574	27,404	29,870	33,579	39,224	39,722	38,577	46,569	53,122	54,578	55,980	56,010
Thailand	2,028	1,912	2,115	2,378	2,676	2,906	3,379	3,978	4,380	4,206	5,063	5,479	5,846	6,148	5,889
Vietnam	402	413	440	489	604	700	797	920	1,154	1,181	1,297	1,532	1,753	1,902	2,049
Total	1,237	1,170	1,290	1,436	1,595	1,756	2,077	2,450	2,815	2,745	3,364	3,836	4,008	4,086	4,055



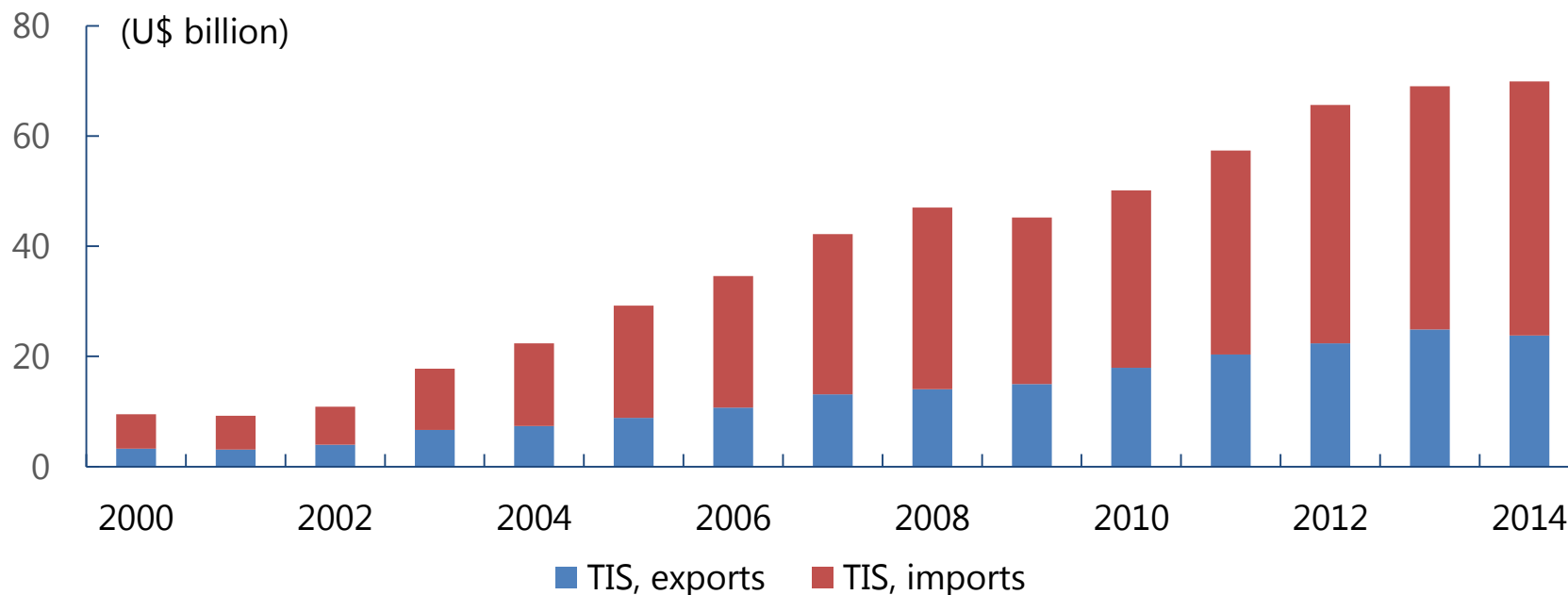
Real GDP Growth (percent)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CAREC	5.5	5.3	5.1	6.5	8.2	10.1	9.4	8.7	5.8	2.9	4.8	5.4	5.1	5.3	4.6	3.6	2.8
Afghanistan	0.0	0.0	0.0	8.7	0.7	11.8	5.4	13.3	3.9	20.6	8.4	6.5	14.0	3.9	1.3	1.5	2.0
Azerbaijan	6.2	6.5	8.1	10.5	10.2	26.4	34.5	25.0	10.8	9.3	5.0	0.1	2.2	5.8	2.8	1.1	-3.0
Kazakhstan	9.8	13.5	9.8	9.3	9.6	9.7	10.7	8.9	3.3	1.2	7.3	7.5	5.0	6.0	4.3	1.2	0.1
Kyrgyz Republic	5.4	5.3	0.0	7.0	7.0	-0.2	3.1	8.5	7.6	2.9	-0.5	6.0	-0.9	10.5	3.6	3.5	3.5
Mongolia	1.1	4.6	5.3	7.4	9.4	6.5	8.2	8.8	7.8	-2.1	7.3	17.3	12.3	11.6	7.9	2.3	0.4
Pakistan	3.9	2.0	3.1	4.7	7.5	9.0	5.8	5.5	5.0	0.4	2.6	3.6	3.8	3.7	4.0	4.2	4.5
Tajikistan	8.3	10.2	9.1	10.2	10.6	6.7	7.0	7.8	7.9	3.9	6.5	7.4	7.5	7.4	6.7	3.0	3.0
Turkmenistan	18.6	20.4	15.8	17.1	14.7	13.0	11.0	11.1	14.7	6.1	9.2	14.7	11.1	10.2	10.3	6.5	4.3
Uzbekistan	3.8	4.2	4.0	4.2	7.4	7.0	7.5	9.5	9.0	8.1	8.5	8.3	8.2	8.0	8.1	8.0	5.0
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ASEAN	5.9	3.3	5.2	5.8	6.4	5.7	6.0	6.6	5.0	2.3	7.4	4.9	6.0	5.2	4.7	4.7	4.9
Brunei Darussalam	2.9	2.7	3.9	2.9	0.5	0.4	4.4	0.1	-2.0	-1.8	2.7	3.7	0.9	-2.1	-2.3	-0.2	-2.0
Cambodia	8.8	8.1	6.6	8.5	10.3	13.3	10.8	10.2	6.7	0.1	6.0	7.1	7.3	7.4	7.1	6.9	7.0
Indonesia	5.0	3.6	4.5	4.8	5.0	5.7	5.5	6.3	7.4	4.7	6.4	6.2	6.0	5.6	5.0	4.8	4.9
Lao P.D.R.	6.3	4.6	6.9	6.2	7.0	6.8	8.6	7.8	7.8	7.5	8.1	8.0	7.9	8.0	7.4	5.0	8.6
Malaysia	8.7	0.5	5.4	5.8	6.8	5.0	5.6	6.3	4.8	-1.5	7.5	5.3	5.5	4.7	6.0	5.0	4.4
Myanmar	13.7	11.3	12.0	13.8	13.6	13.6	13.1	12.0	3.6	5.1	5.3	5.6	7.3	8.4	8.7	7.0	8.6
Philippines	4.4	2.9	3.6	5.0	6.7	4.8	5.2	6.6	4.2	1.1	7.6	3.7	6.7	7.1	6.1	5.8	6.0
Singapore	8.9	-1.0	4.2	4.4	9.5	7.5	8.9	9.1	1.8	-0.6	15.2	6.2	3.7	4.7	3.3	2.0	1.8
Thailand	4.5	3.4	6.1	7.2	6.3	4.2	5.0	5.4	1.7	-0.7	7.5	0.8	7.2	2.7	0.8	2.8	3.0
Vietnam	6.8	6.9	7.1	7.3	7.8	7.5	7.0	7.1	5.7	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.3



Trade in Services in the CAREC countries

CAREC Trade-in-Services (TIS)



Source: International Financial Statistics, and country authorities



Trade in Services by individual CAREC countries

TIS exports of total exports (%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Afghanistan			75.7	67.2	74.1	77.6	81.6	79.3	71.2	80.5	84.6	87.0	83.7	82.1	75.8
Azerbaijan	12.6	12.2	13.6	14.1	11.6	8.2	6.7	5.5	4.8	7.7	7.3	7.3	11.7	11.5	13.2
Kazakhstan	7.4	5.6	3.7	11.5	8.9	6.9	6.5	6.6	5.6	8.5	6.3	4.8	5.3	5.8	7.6
Kyrgyz Republic	10.8	14.3	22.2	19.2	20.5	24.6	25.5	33.9	32.3	33.7	27.4	27.5	30.5	28.1	27.7
Mongolia	16.3	20.2	26.1	24.9	28.0	27.9	23.9	22.7	15.5	17.9	14.5	11.4	18.0	14.3	9.0
Pakistan	14.5	13.1	17.3	19.8	17.5	18.6	18.5	19.3	14.9	17.7	21.0	18.5	16.9	21.4	17.5
Tajikistan	33.0	37.4	35.9	39.5	51.1	60.5	62.1	60.4	61.3	58.5	57.7	57.0	55.3	49.9	49.4
Turkmenistan	9.6	8.8	7.1	7.0	8.6	6.2	4.8	4.5	4.5	6.0	6.6	4.2	3.4	3.5	3.5
Uzbekistan	13.3	14.4	15.9	17.1	14.2	15.1	15.0	13.1	11.1	10.3	11.8	12.0	16.0	18.5	20.7
Total	11.6	10.8	12.8	15.9	13.6	12.5	11.4	10.9	8.5	12.2	11.8	10.0	10.9	12.1	12.1
TIS imports of total imports (%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Afghanistan			15.8	15.8	15.8	15.8	15.4	16.7	13.8	15.5	15.4	14.7	19.3	18.5	17.3
Azerbaijan	23.9	31.2	41.6	42.9	43.3	37.9	35.2	35.9	33.9	34.0	36.1	36.0	40.7	42.7	52.7
Kazakhstan	41.3	23.2	22.1	28.2	27.0	29.5	26.8	26.4	22.6	25.8	25.7	21.4	20.7	19.7	22.9
Kyrgyz Republic	22.7	21.1	19.6	18.1	19.8	20.9	20.4	18.8	20.9	23.6	23.7	19.7	21.5	16.5	18.9
Mongolia	27.1	28.9	32.6	35.2	35.9	32.3	19.4	17.1	17.3	21.7	19.5	23.5	25.8	26.6	30.8
Pakistan	18.4	18.6	19.0	19.3	22.4	25.8	24.7	23.5	22.1	19.1	18.1	17.7	16.9	16.9	15.9
Tajikistan	7.0	6.5	5.8	5.4	5.5	7.0	5.4	2.9	2.0	3.0	3.2	1.7	1.5	1.1	1.2
Turkmenistan	25.9	22.4	23.1	23.8	22.7	23.9	28.7	22.9	31.1	28.7	32.0	26.1	22.9	23.1	23.6
Uzbekistan	17.6	19.0	23.1	27.6	26.7	27.2	25.3	28.9	24.5	28.4	28.9	30.6	31.0	30.3	29.1
Total	23.7	20.9	22.6	25.4	26.1	27.5	25.6	24.9	22.8	23.6	23.7	22.0	22.3	22.1	23.9

