2022

Asia-Pacific Trade Agreement

an evolving preferential regional trade agreement

Mohammad Farhad

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[This is an updated version of APTA 2016 book titled 'The Asia-Pacific Trade Agreement: Promoting South-South Regional Integration and Sustainable Development']

Prepared By

Mohammad Farhad

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Executive Summary

Asia-Pacific region has become the centre of economic growth of the world for the last couple of decades and international trade and investment have played a key role for many countries in this region in achieving this impressive growth performance. As the Asia-Pacific region continues to thrive economically, they are being increasingly integrated into the global trade and economic system. Following this progressive globalisation of the Asia- Pacific countries, trade policy became one of the major tools to achieve inclusive and sustainable development. Trade and investment are linked to many cross-cutting issues and it has now been recognised more than ever that sustainable and resilient production and supply networks are essential for sustainable economic growth and development. Countries realise that they need mutual cooperation to approach global and regional problems effectively, both at the level of government and business. Accordingly, the countries in the Asia-Pacific region have been engaged in advancing regional cooperation frameworks which are typically centred around trade and investment liberalisation initiatives. The business has continuously flourished regional integration through the formation of regional value chains and production networks. While the governments also attempt to pave the way for the expansion of such production and supply networks by creating enabling investment and trade regime through the formation of regional trade agreements and economic partnerships, there is still substantial potential remains unexplored. The Asia-Pacific Trade Agreement (APTA), the oldest preferential trade agreement in the region with a large consumer base, can play an important role in filling this gap and advancing effective economic integration in the Asia-Pacific region.

This book provides an overview of the APTA, analyses the economic and trade performance of the APTA Participating States within and outside the regional block, and also explores the potential of joining new members from the neighbouring regions. Chapter 1 of this book gives an overview of the APTA. With this objective, this chapter provides an update on the evolution of the APTA, describes the development of preferential tariffs and rules of origin regimes under APTA through its four rounds of successfully concluded negations, and discusses different framework agreements under APTA. It also gives a synopsis of its institutional arrangement and accession procedure and summarises the stylised facts about APTA.

Chapter 2 portrays the relative importance of APTA as a group compared to other regional blocks as well as world's top economies. It also evaluates international linkages and economic globalisation of APTA members. Chapter 3 examines how the APTA Participating States can promote trade and investment linkages among themselves. It provides an evaluation of the potential for further cooperation in goods trade, trade facilitation and services trade among the APTA participating states.

Chapter 4 examines the benefits of joining APTA for potential new members to realise the true potential of being a Pan-Asia-Pacific agreement by expanding the membership of APTA as mandated by the Second APTA Ministerial Council Declaration in 2007 and reaffirmed by its subsequent Ministerial Council Declarations. It includes sections for Central Asian Republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan), Pacific Islands Countries (Fiji, Papua New Guinea, Samoa, and Vanuatu), South Asia (Maldives, Nepal and Pakistan) and Southeast Asia (Cambodia, Myanmar, Thailand and Vietnam). Each section provides: i) an overview of the potential new members' economic and trade features, including their trade policy and trade agreements; ii) an overview of trade between APTA PSs and the country group or countries of interest; and iii) an illustration of potential benefits for the prospective new members as well as for the APTA Participating States following the accession of new members into the APTA. The overall objective of this exercise is to explore the potential of whether APTA can eventually evolve into a Pan-Asian economic grouping by expanding the membership of APTA to cover other regions of Asia to make the group the most representative of the Asia-Pacific region.

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Abbreviations

ADB	Asian Development Bank
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
CARs	Central Asian Republics
CEPA	Comprehensive Economic Partnership Agreement
CTH	Change in Tariff Heading
EODES	Electronic Origin Data Exchange System
FDI	Foreign direct investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross domestic product
GNI	Gross National Income
GSTP	Global System of Trade Preferences
GTAP	Global Trade Analysis Project
GVC	Global Value Chain
LDC	Least developed country
NTB	Non-tariff Barriers
NTM	Non-tariff Measures
OCP	Origin of Goods
PSR	Product Specific RoO
PTA	Preferential Trade Agreement
RCEP	Regional Comprehensive Economic Partnership
RoO	Rules of Origin
RTA	Regional Trade Agreement
SADC	Southern African Development Community
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TIID	Trade, Investment and Innovation Division
TNC	Trade Negotiation Committee
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
WTO	World Trade Organization
WTO TFA	World Trade Organization Trade Facilitation Agreement
WCO	World Customs Organization

1. Overview of APTA

The Asia-Pacific Trade Agreement (APTA), formerly known as the Bangkok Agreement (1975-2005), is a regional preferential trade agreement (PTA) among developing countries in Asia and the Pacific region. The objective of the Agreement is to promote economic development of its members through the adoption of mutually beneficial trade liberalisation measures that contribute to regional trade expansion and economic cooperation. The current members of APTA are Bangladesh, China, India, the Lao Peoples Democratic Republic, Mongolia, the Republic of Korea and Sri Lanka. Over time it expanded its coverage from the initial negotiation of tariff concessions on trade in goods to at present negotiating liberalisation in investment, services trade and trade facilitation. This was followed up by the signing and ratification of three separate Framework Agreements on Trade Facilitation, Trade in Services and Investment under APTA. The Agreement is continuously working on improving and modernizing its Rules of Origin for trade in goods and adopts common operational procedures for certification and verification of the origin of goods. APTA also offers special and differential treatment for countries with special needs, including least developed countries (LDCs).

The Ministerial Council is the highest decision-making body of APTA, which is supported by its Standing Committee. The Ministerial Council provides overall policy direction for the future negotiating agenda as well as supervision and coordination of the implementation of the Agreement. The Standing Committee, comprising representatives of all Participating States, is responsible for reviewing the application of APTA, carrying out consultations, making recommendations and taking decisions as required and, in general, undertaking whatever measures may be required to ensure the adequate implementation of the objectives and provisions of APTA. The Trade, Investment and Innovation Division (TIID) of the United Nations ESCAP serves as the APTA Secretariat.

1.1 Evolution of APTA

The initiation of APTA as a regional trade agreement (RTA) is rooted back in the 1st Meeting of the Council of Ministers on Asia Economic Cooperation in 1963, convened by the United Nations Economic Commission for Asia and Far East (ECAFE). The aim of the meeting was to initiate and promote regional cooperation through trade liberalisation and expansion. Subsequently, the 4th Meeting of the Council of Ministers on Economic Cooperation held in December 1970 adopted a resolution now known as the Kabul Declaration, which called upon ECAFE (now ESCAP) to develop measures for intra-regional trade expansion and other measures for economic cooperation. Accordingly, ESCAP recommended forming of a Trade Negotiation Committee (TNC) as a measure to realize the Kabul Declaration, which convened for the first time in February 1972. After several TNC sessions, in July 1975, seven countries, namely Bangladesh, India, Lao People's Democratic Republic, the Republic of Korea, Sri Lanka, the Philippines

and Thailand, met in Bangkok and agreed to a list of products for mutual tariff reduction. This resulted in signing of the First Agreement on Trade Negotiations Among Developing Member Countries of ESCAP, known as the Bangkok Agreement. The Agreement was ratified by five of the seven countries, excluding the Philippines and Thailand. This Agreement has gained new momentum as a result of China's joining in 2001. In November 2005, the first session of the Ministerial Council of the Bangkok Agreement adopted the revised text of the Agreement and renamed as "Asia-Pacific Trade Agreement".

Subsequently, four more Ministerial Council meetings have been held so far, the Second Ministerial Council in October 2007 in Goa, India, the Third Ministerial Council in October 2009 in Seoul, the Republic of Korea, and the Fourth Ministerial Council in January 2017 in Bangkok, Thailand. The four sessions of the Ministerial Council since 2005 have expanded the scope of APTA negotiations and delivered several significant outcomes, including a revision of the Rules of Origin (RoO); adoption of a common set of operational procedures for the certification and verification of the origin of a good under APTA; and, the signing of the framework agreements on trade facilitation; protection, promotion and liberalisation of investment; and promotion and liberalisation of trade in services. The latter two outcomes both meaningfully expanded APTA's areas of cooperation beyond trade in goods. The most recent session of the Ministerial Council resulted in the adoption of a future roadmap for APTA. This roadmap envisions converting APTA from a positive list based preferential trade agreement into a negative list based free trade agreement, which would enable it to cover more sectoral areas and gradually transitioning it towards a more comprehensive regional partnership agreement.

Mongolia finalized its accession negotiation to APTA in October 2013. However, after a long negotiation and domestic ratification, Mongolia acceded to APTA as its seventh member in September 2020. The trade preferences to Mongolia under APTA became officially effective on 1 January 2021.

1.2 Development of Tariff Concession under APTA

APTA is not a closed end negotiation and aims at gradual tariff reduction among its Participating States. It launches and continues to negotiate a new Round after the conclusion of a Round. So far, four Rounds of negotiations have been completed under APTA, and currently it is in the process of initiating the Fifth Round of negotiations.

First Round of Negotiations

The First Round of negotiations of APTA was concluded in 1975, leading to the signing of the Agreement by the Participating States. The coverage of APTA was minimal at the First Round and granted tariff preference to only 104 products under the concession list among the five Participating States. The

Agreement also provided special concessions to the least developed Participating State, Lao PDR, for an additional 15 products in their concession lists. In addition to the limited number of products covered by the Agreement, the depth of tariff reduction was marginal, obstructing the Agreement from having a meaningful economic impact in the region. Nevertheless, the Agreement was the first trade agreement in the region and provided a stepping stone for heading forward.

However, tariff preferences were renegotiated and revised in 1979 as some countries felt that a balance of advantage between the participating states had not been achieved in the First Round, with certain participating states granting more concessions than others. The total number of product items for which tariff preferences were extended in the renegotiations was 93 items. Of 93 products, the *ad valorem* duties of 80 products were reduced by an average of 23 percent, and the tariffs on nine products were bound at the existing tariff levels. In the case of the four remaining products, specific duties were reduced, ranging from 10 percent to 67 percent. In addition, special tariff concessions were granted to the two least developed Participating States of APTA – Bangladesh and Lao PDR on 3 and 16 products, respectively.

Second Round of Negotiations

The Second Round of Negotiation, termed the Seoul Round of negotiation, was launched at the 13th session of the Standing Committee of Bangkok Agreement in 1984 to enable the developing countries of the region to derive more significant benefits from mutual trade cooperation. It covered many other issues beyond tariff reduction, including membership enlargement, increasing tariff and non-tariff preferences, bilateral negotiations on tariff and non-tariff preferences and other forms of trade cooperation, such as industrial cooperation agreements, joint ventures and long to medium-term contracts. During the Second Round of negotiations, China, Indonesia, the Islamic Republic of Iran, Malaysia, Nepal, Pakistan, Papua New Guinea, the Philippines and Thailand were represented as observers at various sessions. The Second Round of negotiations resulted in tariff concessions being exchanged on 438 items in addition to 63 items for which special concessions were extended to the least developed Participating State Bangladesh. The margin of preference (MOP)[1] varied among the participating states ranging from 13 to 30 percent.

Third Round of Negotiations

The Third Round of negotiations was launched in 2001 at the 17th h session of the Standing Committee of Bangkok Agreement. The Agreement had a couple of important turning points as it entered into the Third Round of negotiations. First, China's accession to the Agreement; as the world's most populous

[1] MOP, or "margin of preference," means the % difference between the Most-Favored-Nation (MFN) rate of duty and the preferential rate of duty for like products, not the absolute difference between those rates. Thus, MOP = [(MFN duty – tariff rate conceded under the agreement)/ MFN duty] x 100. Article 1 (10) of *Amendment to the First Agreement on Trade Negotiations among Developing Member Countries of the Economic and Social Commission for Asia and the Pacific (Bangkok Agreement) – Asia-Pacific Trade Agreement* (United Nations ESCAP 2005)

country and one of the major players in the world economy, Chinese accession brought a significant positive impact on the Agreement. APTA also became the first trade agreement connecting world's top two most populous countries, China and India. Additionally, in the late 1990s, fast and widespread RTAs and FTAs triggered several changes in the world's economic landscape, motivating APTA Participating States to start the so-called revitalization process of the Agreement. This process was aimed at widening and deepening concessions to increase intra-member trade flows, as well as the expansion of membership and the greater engagement of the business sector in APTA.

Between the conclusion of the Second Round and the initiation of the Third Round of Negotiations (1990-2001), Participating States occasionally modified national lists of concessions. Members have broadened their offers, and China's offer list has substantially increased the number of items being given preferential treatment under APTA. By the time the Third Round of negotiation was launched, the number of products covered under the Agreement had increased to 1,721 and 112 products for general and special concession, respectively. The MOP reached 21.6% for developing and 32.2% for least developed Participating States.

The Third Round of negotiation concluded at the first Ministerial Meeting in Beijing in November 2005. The member countries reviewed and amended the text of the Bangkok Agreement, renaming it the present Asia Pacific Trade Agreement. The constitutional framework of the revised APTA contains a preamble, eight chapters consisting of 40 articles and two annexes containing the national lists of concessions and Rules of Origin (RoO), which are integral parts of the Agreement. This Round has geared up the liberalisation process by further expanding its coverage, expanding the general concession list under APTA to 4,270 products with an additional 587 products on which special concessions were offered exclusively to LDCs. The average MOP of general concessions had increased marginally from 21.6% to 26.8% after the Third Round; however, that for LDCs showed impressive improvement from 32.3% to 58.8%. (Table 1.1)

Fourth Round of Negotiations

The Fourth Round of negotiations was launched in October 2007, and following decade-long negotiations, successfully concluded in the Fourth Ministerial Council Meeting in January 2017. The result of the Fourth round of negotiations became effective on 1st of July 2018. This Round significantly widens the coverage of preferences of total tariff lines for each Member State and led to the exchange of tariff concessions on 10,294 items, compared to 4,270 items under the Third Round. The Fourth round deepens the tariff concessions by at least 31-34% measured as an average MoP for products covered under APTA, except

for least developed Participating States and Sri Lanka, who were granted greater flexibility in meeting these requirements (Table 1.1).[2]

Table 1.1 Development of APTA tariff concessions

Offering Participating State	Before Third Round		Third Round		Fourth Round	
	No. of Products	MoP (%)	No. of Products[a]	MoP (%)	No. of Products[a]	MoP (%)
Bangladesh	129	14.0	209	14.1	598 (4)	21.76 (27.50)
China	902 (18)	15.4 (55.1)	1697 (161)	26.7 (77.9)	2,191 (181)	33.09 (79.58)
India	188 (33)	52.6 (32.2)	570 (48)	23.9 (39.7)	3,142 (48)	33.45 (65.48)
Rep. of Korea	214 (29)	30.3 (38.2)	1367 (306)	35.4 (64.6)	2,797 (951-BGD, 943-LAO)	33.39 (94.47-BGD, 94.23-LAO)
Lao PDR					999	30.17
Mongolia					366	24.18
Sri Lanka	288 (32)	21.6 (32.2)	427 (72)	14.0 (12.0)	568 (75)	22.06 (18.17)
Total	1,721 (122)	21.6 (32.2)	4,270 (587)	27.2 (59.8)	10,661 (1,255-BGD, 1,251-LAO)	31.73 (86.44-BGD, 86.21-LAO)

Note: Figures in parenthesis relate to special concessions to LDCs. MOP is the Margin of Preference estimated as a simple average of all items in the list of concessions. a: based on the consolidated concession lists which are listed as Annex I in the official revised text of the Agreement signed and ratified by the Participating States.

Fifth Round of Negotiations

Following the direction of Fourth APTA Ministerial Council, the Standing Committee launched discussion of the terms of references of the Fifth Round of negotiations on trade in goods. The Fourth APTA Ministerial Council mandated the Fifth Round of negotiations on trade in goods aimed to strengthen the APTA as a comprehensive regional trade agreement in terms of both scope and depth in view of new and emerging developments in the international trading system, and to impart momentum to the process of intraregional trade in the Asia Pacific region. Recognising the important role that APTA can play as an open-ended South-South trade agreement, the current Round of negotiation aimed to substantially reduce tariffs and enhance transparency of existing NTMs and NTBs with the objective of minimising them. This Round of negotiation is expected to bring conformity with the provisions of the World Trade Organization relating to regional trade agreements, as originally notified in the Enabling Clause, and Decision on a Transparency mechanism for RTAs. It explores the potential of adopting a positive list approach covering tariff liberalisation within a fixed time frame to bring more predictability to the implementation of negotiation outcomes. This Round is negotiating to widen the scope of liberalisation by extending preferences and concessions beyond tariffs through exchanging information on NTMs, technical, sanitary/phytosanitary and other trade-related standards among the Participating States. It is also mandated to continue its special concessions to APTA least developed Participating States. The

[2] The Participating States of APTA have granted concessions at the 6-, 8- and 10-digit HS levels. However, since World Integrated Trade Solutions (WITS) data are available at the 6-digit HS level, this analysis was made at the 6-digit HS level using HS2007; thus, the findings may be slightly high. This methodology has another limitation – the data cover both preferential and non-preferential imports (as preferential data are not available separately); thus, the analysis refers to total imports at the 6-digit HS level on the Fourth Round concession list.

Standing Committee made progress on negotiating the terms of reference of the Fifth Round of negotiations in trade in goods and agreed to continue their discussions towards finalisation of the remaining issues.

1.3 Framework Agreements under APTA

APTA aims to a an effective 'pan-Asia -Pacific Trade Agreement' through deepening tariff concessions and expanding negotiation into additional areas of cooperation as directed by the Third Ministerial Council Declaration in 2009 and further reinforced in its Fourth Ministerial Council Declaration in 2017 and in the Second Amendment to the APTA. With the objective of comprehensively deepening trade cooperation and economic integration, the Fourth Round negotiations extended into areas beyond the traditional tariff concessions, including non-tariff measures, trade facilitation, trade in services and investment. In October 2013, the Participating States of APTA announced the completion of their internal ratification process on the APTA Framework Agreements on Trade Facilitation, Trade in Services and Investments, respectively. The Fourth Ministerial Council Declaration in January 2017 confirmed the ratification of these framework agreements by all Participating States of APTA. This paved the way for initiating detailed negotiations on these issues in the near future and for making APTA a comprehensive regional trade agreement.

Framework Agreement on Trade Facilitation

The 'Framework Agreement on Trade Facilitation in APTA Participating States' was signed on 15 December 2009 to improve the efficiency of the processes associated with trade in goods across national borders by simplifying and harmonising trade procedures and practices. It prescribes increasing transparency, consistency, simplicity, efficiency, harmonisation and standardisation, and enhanced cooperation among the Participating States and broadly applies to all goods traded within the Participating States in accordance with their domestic laws, regulations and administrative rules. It aims to enhance and sustain trade competitiveness and efficiency of Participating States by undertaking obligations and work programmes beyond those already existing under WTO Trade Facilitation Agreement.[3]

The framework agreement endeavours to enhance transparency and consistency of trade procedures and practices through publication and availability of information relating to international trade in a non-discriminatory manner by notifying other Participating States and the ESCAP secretariat. It promotes advanced ruling and rationalisation and minimisation of fees and charges associated with exportation

[3] Article 2 and Article 2 of the 'Framework Agreement on Trade Facilitation in APTA Participating States' laid down the objectives and principles of the agreement.

and importation. It suggests working towards establishing a Single Window allowing a one-time submission of export and import data and documentation and harmonisation and standardisation of individual trade regimes in terms of the Harmonized Commodity Description and Coding System (HS), the Kyoto Convention and WTO. The Agreement encourages enhanced cooperation among Participating States as well as participation of their private sectors in the formation or amendment of any trade related laws and regulations. It also emphasises on timely and effective exchange of customs information and data to facilitate legitimate trade and customs compliance. This Agreement commits that the least developed Participating States will be assisted by other members of APTA with technical assistance and cooperation arrangements in building their trade facilitation capacity to implement this Agreement.[4]

The growing importance of cooperation with regard to trade facilitation for APTA Participating States was recognised by the framework agreement. The APTA Standing Committee established the Working Group on Trade Facilitation (WGTF) to coordinate and supervise the implementation of this Agreement. The WGTF held five meetings as of 19 September 2019 and currently discussing national work plans and ideas for pilot projects and capacity building activities. It is also working on proposals on new elements for updating the Framework Agreement on Trade Facilitation proposed by China and the Republic of Korea in line with Chapters on Customs Procedures and Trade Facilitation (CPTF) of Regional Comprehensive Economic Partnership (RCEP).

Framework Agreement on the Promotion, Protection and Liberalisation of Investment

The 'Framework Agreement on the Promotion, Protection and Liberalisation of Investment in APTA Participating States' was signed on 15 December 2009. The objectives of the Framework Agreement are to: (a) increase the flow of investment among the Participating States; (b) promote them as attractive investment destinations and increase their competitiveness; (c) reduce all obstacles to investment flows and the operation of investment projects; (d) strive towards a harmonised investment regime; and (e) promote free investment flows and transfer of technology.[5] It broadly focuses on cooperation, facilitation, promotion and awareness through the publication and the exchange of information among the Participating States of APTA and prescribes the undertaking of commitments to liberalise the investment regimes of the Participating States of APTA to promote intra-APTA investment flows through future negotiations. The Agreement calls for expeditious approval and implementation of intra-APTA investment projects, exchange and harmonisation of investment data, development of a collective database on the APTA supporting industries and technology suppliers, and facilitation of public-private sector linkages to improve intra-APTA investments.

[4] Article 10 of the 'Framework Agreement on Trade Facilitation in APTA Participating States' discussed about the assistance provisions for the least developed Participating States.
[5] Article 2 of the ''Framework Agreement on the Promotion, Protection and Liberalization of Investment in APTA Participating States' describes the objectives of the agreement.

Foreign direct investment (FDI) plays a vital role in enhancing production and generating exports and acts as an important source of knowledge and finance for sustaining the pace of economic, industrial, infrastructure and technology development. The implementation of investment promotion initiatives is expected to create a more transparent regime for investors, thereby promoting intra-APTA business and investment linkages. A commitment to liberalise investment regimes of Participating States will not only enhance intra-APTA investment flows but also generate more trade and investment among the Participating States and with the rest of the world. It will also provide opportunities to promote South-South technology transfers due to the fact that countries have competitive advantages in different technologies (e.g., China in manufacturing, the Republic of Korea in manufacturing and services, and India in IT services). The implementation of the agreement on promotion and protection of investment should ideally lead to the consolidation of the various bilateral investment treaties among the Participating States of APTA, thereby simplifying their investment regime.

APTA Standing Committee formed the Working Group on Trade Facilitation (WGI) to coordinate and supervise the framework agreement. The WGI held its latest (fifth) meeting on 19 September 2019 and discussed national work plans and ideas for pilot projects and capacity building activities, including the important role of ICT in trade facilitation implementation and organisation of workshops and/or seminars to share experiences and build capacity for Customs and trade ministries officials. The working group is currently negotiating proposals on new elements for updating the Framework Agreement submitted by China and the Republic of Korea.

Framework Agreement on the Promotion and Liberalisation of Trade in Services

The 'Framework Agreement on the Promotion and Liberalisation of Trade in Services among APTA Participating States' was signed on 24 August 2011. This framework agreement aims to enhance economic cooperation in service sectors amongst Participating States to improve efficiency and strengthen competitiveness as well as diversify their production capacity and supply and distribution of services by their services suppliers within and outside Participating States. It proposes a substantial reduction of restrictions to facilitate and liberalise trade in services among the Participating States by: (a) expanding the depth and scope of liberalisation beyond the commitments of countries under GATS through the gradual reduction of existing discriminatory measures and market access limitations; and (b) refraining from the introduction of new or more discriminatory measures.[6]

The Framework Agreement is open to commitments to liberalise all services sectors except government procurement and services supplied under the purview of governmental authority on a non-commercial basis.[7] It aims to strengthen cooperation in service sectors by improving services infrastructure facilities,

[6] Article 3 and Article 5 of the 'Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States' laid down the objectives of the agreement.
[7] Article 2 of of the 'Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States' provide the scope of the agreement.

joint production, marketing and purchasing arrangements. It also prescribes the identification of future areas of services for cooperation beyond commitments by countries under the WTO General Agreement on Trade in Services (GATS) and associated schedules. It also paves the way for recognition among the Participating States of each country's standards, education qualifications and other criteria through developing mutually acceptable standards. However, the Framework Agreement does not include provisions for granting market access to natural persons who are seeking access to employment in the market of other Participating States, or any measures regarding citizenship, residence, or employment on a permanent basis.

The Least Developed Participating States of APTA have been provided with greater flexibility in terms of special and differential treatment for their specific commitments on market access, programmes and action plans under the Agreement. The Agreement also states that the Participating States will consider granting special concessions to these economies in their Schedules, Programmes and Action Plans. Special consideration is also to be given to the LDPSs when they request technical assistance and cooperation arrangements designed to assist them in expanding their trade with other Participating States.[8]

Services sector forms an increasingly important economic sector and are major contributors to the GDP of APTA members as well as to the GDP of most of the economies in the Asia-Pacific region. A liberalised services regime in the APTA will enhance trade and investment in services among the Participating States of APTA and will integrate the economies more effectively through supply chains and backward/forward linkages of industries in the region. The Working Group on Trade in Services is tasked with negotiations on commitments in trade in services and conducted five meetings as of October 2019. The Working Group is currently negotiating on finalising the draft text of "the first amendment of the framework agreement on the promotion and liberalisation of trade in services among APTA participating states".

1.4 Rules of Origin in APTA

Rules of origin (RoO) are the criteria needed to determine the national source of a product. These enable countries to apply preferential treatments and restrictions to products that are produced by the parties of a trade agreement. Rules of origin are used as a commercial policy instrument which also helps to: i) prevent trade deflection or circumvention, ii) apply standard and labelling requirements, iii) implement anti-dumping and safeguard measures, and iv) compile trade statistics. Therefore, RoO are an integral part of trade agreements and well-defined RoO are one of the prerequisites for achieving the objectives of any preferential trading arrangement. However, complex RoO, depending upon how they are framed, may hinder intraregional trade, misdirect investment and obstruct implementation of trade agreements

[8] Article 6 of the 'Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States'.

disrupting production arrangements and sourcing patterns. They can also increase administrative burdens for both the firms (additional business process and paper works) and the Customs (additional assessment), leading to higher costs of doing business and thereby potential loss of market access.

APTA RoO are well-articulated and relatively simple to comply with compared to other PTAs in the region. APTA RoO provide more flexibility to its Participating States, especially to its LDC members with additional concessions and less restrictive provisions. For least developed Participating States, APTA allows flexibility of 10 percentage points lower minimum local value addition (or 10 percentage points for use of higher non-originating inputs). For 'Not wholly produced or obtained' products, APTA RoO eligibility for preferential concessions are based on a single criterion requiring minimum 45% local value-added content for developing and 35% for least developed Participating States.[9] It also provides a provision of full cumulation that requires 60% value addition by aggregate content originating within the territory of APTA Participating States (50% for least developed Participating States).[10] All value-addition are calculated using the free on board (fob) value of the product. APTA RoO also recognise that sometimes meeting the value-added content requirement may be difficult to comply with and could act against the regional value chains. Second Amendment to the APTA expanded the scope of RoO, and introduced Product Specific RoO (PSR) that accepts change in tariff heading (CTH) of selected items (156 products at 4-digit HS Code) in APTA Participating State as an alternative criterion.[11] The acceptance of full cumulation and CTH under sectoral arrangement allows more flexibility in the value-chain operations and promote further trade and economic linkage among the APTA participating states. The widening of RoO scope and special concessions offered to the least developed Participating States have greater potential to promote and expand intraregional trade among APTA Participating States.

Table 1.1 APTA Rules of Origin

Rule 2	Rule 3	Rule 3(b)	Rule 4	Rule 10
Wholly Produced or Obtained	**Not Wholly Produced or Obtained**	**Change in Tariff Heading (CTH)**	**Cumulative Rules of Origin**	**S&D Provisions for LDCs**
100% produced or obtained in APTA Participating State	Minimum 45% local value-added content in APTA Participating State [For LDC, minimum local value-added contents requirement is 35%]	156 items (at 4-digit HS Code)	Minimum of 60% of originating contents in APTA Participating States [For LDC, minimum originating contents requirement is 50%]	10% additional concession on Rule 3 and 4 for APTA Least Developed Participating States

Source: Annex II of the Asia Pacific Trade Agreement (Second Amendment)

[9] ANNEX II Rules of Origin for the Asia-Pacific Trade Agreement. Annex II, "Rules of Origin for the Asia-Pacific Trade Agreement", was formulated in order to specify the RoO eligibility criteria of products for preferential concessions according to Article 8 of APTA. Annex II defines the issuance and submission of certificate of origin, assessment and verification procedures for the products' origin and coordination between the countries directly involved in origin verification.

[10] Full cumulation takes into account all operations conducted within the countries that are Participating States of APTA – even if they are carried out with non-originating material. Thus, there is no more restriction of using only originating materials and components in the final goods to be eligible for preferential treatment.

[11] For list of products, see Annex II.A Sectoral Rules of Orign of the Asia Pacific Trade Agreement.

The Working Group on Rules of Origin is currently working on revising the Operational Procedures for the Certification and Verification of the Origin of Goods (OCP) and implementation of an Electronic Origin Data Exchange System (EODES) and has made good progress so far.[12]

1.5 Institutional Arrangements of APTA

The institutional setup of APTA is comprised of the following bodies: Ministerial Council, Standing Committee, and four Working Groups on Rules of Origin, Trade Facilitation, Trade in Services, and Investment, and the APTA Secretariat.

Ministerial Council

The Ministerial Council comprising of one minister from the relevant economic ministry of each Participating State represents the highest decision-making authority of APTA. It provides supervision, policy direction for the negotiation agenda, expansion of membership, as well as reviewing and coordination of implementation of the Agreement. APTA Ministerial Council formed in 2005 and so far, four sessions of the Ministerial Council took place in 2005, 2007, 2009 and 2017.

Standing Committee

The Standing Committee, consisting of the representatives of the Participating States, is responsible for the overall administration of the APTA, and working towards the implementation of the Agreement since its inception. The Committee is responsible for providing support to the Ministerial Council for the discharge of its responsibilities. Its duties include reviewing implementation, carrying out consultations, making recommendations and taking decisions as required, and undertaking any measures needed to ensure the adequate implementation of the objectives and provisions of the APTA. Each member state has traditionally designated a national focal point and alternate focal point responsible for handling and communicating matters relating to APTA. It meets once a year in principle or as frequently as is required. The most recent 56th Session of the Standing Committee of APTA was held in Bangkok in October 2019.

APTA Secretariat

The Trade, Investment and Innovation Division (TIID) of ESCAP functions as the APTA Secretariat. TIID is dedicated to facilitating the deepening and widening of the Agreement and provides the necessary support to backstop its activities. ESCAP is also act as the depositary of the original of this Agreement, as well as any amendments to the Agreement. As the regional development arm of the United Nations for Asia and

[12] As of the fifth meeting of the Working Group on Rules of Origin held on 28-29 October 2019.

the Pacific region, ESCAP is the most comprehensive multilateral platform for promoting cooperation among its member States to achieve inclusive and sustainable economic and social development in Asia and the Pacific.

Working Groups

The Working Group on Rules of Origin has been in operation since the establishment of the Bangkok Agreement. Three Working Groups on Trade Facilitation, Investment and Trade in Services were formed in accordance with the decision of the 4th Ministerial Council. They negotiate commitments in the Framework Agreements on Trade Facilitation; the Promotion, Protection and Liberalisation of Investment; and the Promotion and Liberalisation of Trade in Services.

1.6 Accession Procedure to APTA

The Membership of APTA is open to all the developing members of ESCAP and the members are officially known as 'Participating States'. The accession procedure is relatively simple and straightforward and requires no application or membership fees. Accession to the Agreement involves the following five steps:[13]

(a) The applicant country notifies the APTA Standing Committee[14] through the Executive Secretary of ESCAP of its intention to accede to the Agreement;
(b) The Standing Committee take the necessary steps to facilitate accession of the applicant country to this Agreement, and the APTA Secretariat prepares a negotiation programme for the Participating States' concurrence/approval on terms consistent with the applicant country's present and future development and trade needs as well as with the principle of mutual benefit;
(c) Bilateral negotiations are conducted between the applicant country and each PS of APTA, and once agreed, the tariff concessions are then multilateralised among all Participating States;
(d) The applicant country may accede to the Agreement by consensus or with support from at least two-thirds of the Participating States;
(e) The membership comes into force for the newly acceding country on the date it deposits the corresponding instrument of accession accompanied by the National List of Concessions

[13] Accession procedure to APTA is detailed in Article 30 of the First Amendment to the Asia Pacific Agreement, 2005; and in Article 25 of the original Bangkok Agreement.
[14] The Standing Committee consists representatives of all Participating States of APTA, and the formation of Standing Committee is detailed in Article 22 of the First Amendment to the Asia Pacific Agreement, 2005

and the related administrative notification (e.g., a government notification, such as a customs notification) to the Executive Secretary of ESCAP.

So far two countries successfully completed their accession procedures to APTA. China successfully acceded to APTA in 2001 and Mongolia as its seventh member in September 2020.

1.7 Stylised facts about APTA

Overall, APTA is yet to perform to its full potential. However, there are a number of facts about for APTA being well-suited to become a true Pan-Asia economic integration as listed below.

i. *Broad regional coverage:* APTA is possibly the most broad-based regional grouping in Asia, as it has membership from a wide range of Asian subregions such as those in the South, South- East and East Asian regions. The South Asian region is represented by Bangladesh, India and Sri Lanka, the South-East Asian region by the Lao People's Democratic Republic; and the East Asian region by China, Mongolia and the Republic of Korea.
ii. *Economically important members:* APTA is the first trade agreement connecting world's top two most populous countries and economic powerhouses, China and India. It is also the first and only grouping to include three of the world's most dynamic economies, i.e., China, India and the Republic of Korea.
iii. *Moving towards a comprehensive trade agreement:* Following the global trends of RTAs, APTA is gradually transitioning from a conventional partial scope preferential agreement of trade in goods to a comprehensive trade agreement. Accordingly, APTA expanded its coverage beyond trade in goods and presently negotiating liberalisation in investment, services trade and trade facilitation. To that end, all the Participating States signed and ratified three separate Framework Agreements on Trade Facilitation, protection, promotion and liberalisation of investment, and promotion and liberalisation of trade in services under APTA.
iv. *Possibility of transforming APTA into an FTA in future:* Adoption of the outcomes of Fourth Round negotiations substantially widen the coverage of tariff concessions to more than 10,000 products, compared with 4,270 items under the Third Round. The average margin of preference also increased to 32% from 27% of Third Round outcome, showing the possibility of converting APTA to an FTA in the future.
v. *Special consideration to LDCs:* APTA provides for special and differential treatment for least developed member countries based on non-reciprocity. Accordingly, least developed Participating States are offered preferential access for a number of additional products with much higher MOP, and also granted greater flexibility in meeting their obligations under this Agreement. APTA Fourth Round granted additional concessions on 1,251 items with an average MOP of around 86%.

vi. *Common operational procedure for certification:* APTA is the first preferential agreement among the developing countries in the region to adopt a common operational procedure for certification and verification of the origin of goods.

vii. *Structured institutional mechanism:* APAT has a structured institutional mechanism comprised of Ministerial Council, Standing Committee, and four Working Groups on Rules of Origin, Trade Facilitation, Trade in Services, and Investment, with a Secretariat at the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) since 1975.

viii. *Expansion of membership:* All developing member countries of ESCAP are eligible to accede to the Agreement. To realise the true potential of being a Pan-Asia-Pacific agreement, APTA is intending to expand its membership. This was mandated by the Second APTA Ministerial Council Declaration in 2007 and reaffirmed by its subsequent Ministerial Council Declarations.

ix. *Engagement of the business sector:* APTA works on engaging the business sector in the liberalisation process by creating modalities for government-private sector dialogue and awareness creation of APTA preferences to private sector. The Asia-Pacific Business Forum (APBF) is also used for this purpose. The Fourth Ministerial Declaration agreed to set up the APTA Chamber of Commerce and Industry (APTA CCI), as recommended by the Standing Committee. Accordingly, APTA-CCI was formed with federations and other lead chambers from APTA Participating States in 2018. The main objectives of the APTA CCI are to play an active role in expanding business and trade cooperation, coordinating the resources of all parties, and advancing common development in the region while bringing new life to the Asia-Pacific and global economic development.

x. *Opportunity to emerge as a deep trade agreement:* Presently global trade cooperation network is experiencing a dramatic shift: the evolution of PTAs into "deep" trade agreements.[15] The Fourth APTA Ministerial Declaration recognised the inter-linkages between international trade with economic, social and environmental policy objectives and the need to integrating them at all levels to achieve sustainable development. It also pointed to the importance of APTA achieving greater transparency, eliminating Non-Tariff Barriers, and promoting green trade and investment within APTA Participating States. These indicate the possibility of emerging APTA as a deep trade agreement connecting the pan-Asia-Pacific region.

[15] Deep trade agreements (DTA) are reciprocal agreements between countries that cover not just trade but additional policy areas, such as international flows of investment and labor, and the protection of intellectual property rights and the environment, amongst others. They identified that DTAs aim at establishing five "economic integration" rights: free (or freer) movement of goods, services, capital, people, and ideas (Matto et al.).

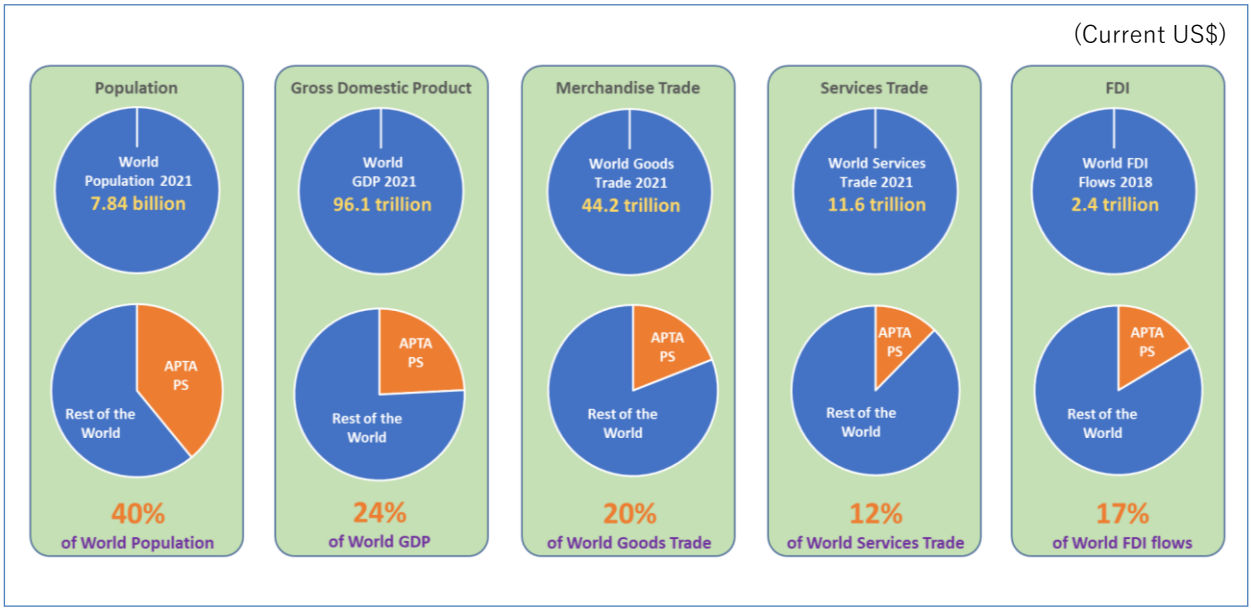
2. Participating States of APTA

This section provides a brief description of the economic position of APTA participating states in the World, its relative importance compared to other FTAs, international linkage of APTA participating states, as well as the sustainable and trade integration among the member countries.

2.1 Position of APTA in the World

As a group, APTA countries have great significance at the world level on different important indicators. Together APTA countries are the home of 3.06 billion people representing around 40 percent of world population. In 2021, they produced almost a quarter of the world GDP valued at current US$ 23.24 trillion. APTA participating states' combined trade constitutes one-fifth of the world merchandise trade and 12.4 percent of world services trade, valued at US$ 8.44 trillion and US$ 1.44 trillion, respectively. In 2018, APTA countries received US$ 201 billion FDI inflow, while FDI outflow from this country group was US$ 193 billion, representing 16.5 percent of the World's total FDI (Figure 2.1).

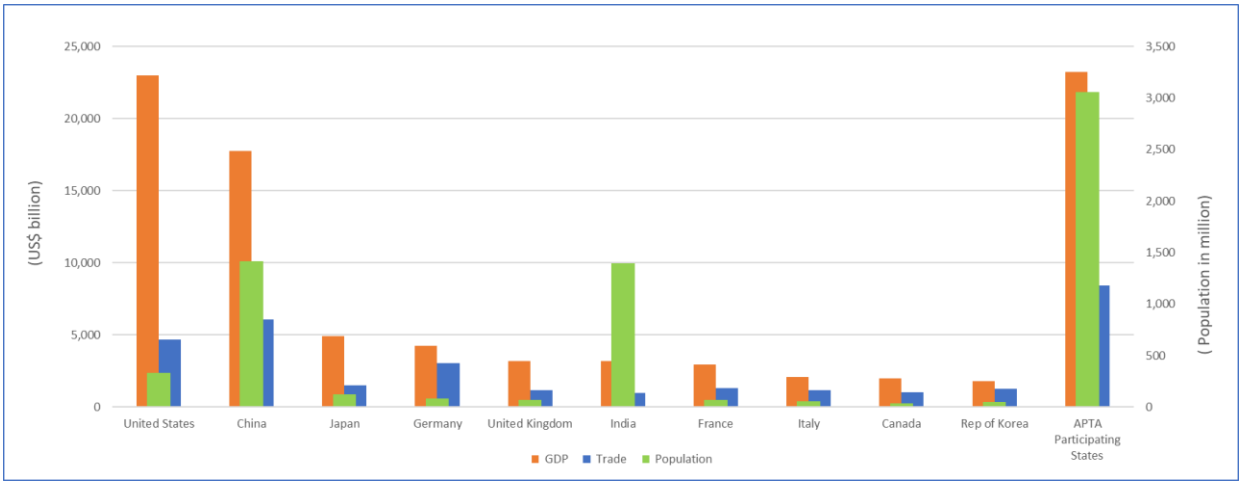
Figure 2.1 World vs APTA Participating States



Source: World Development Indicators of World Bank and UNCTAD World Investment Report 2022

In 2021, APTA countries' total GDP was slightly larger than the World's largest economy, the United States of America and almost twice in terms of its trade value. APTA as a group is also ahead of any of the top 10 economies of the World in terms of population or trade value. (Figure 2.2).

Figure 2.2 Top 10 Economies of the World vs APTA Participating States, 2021

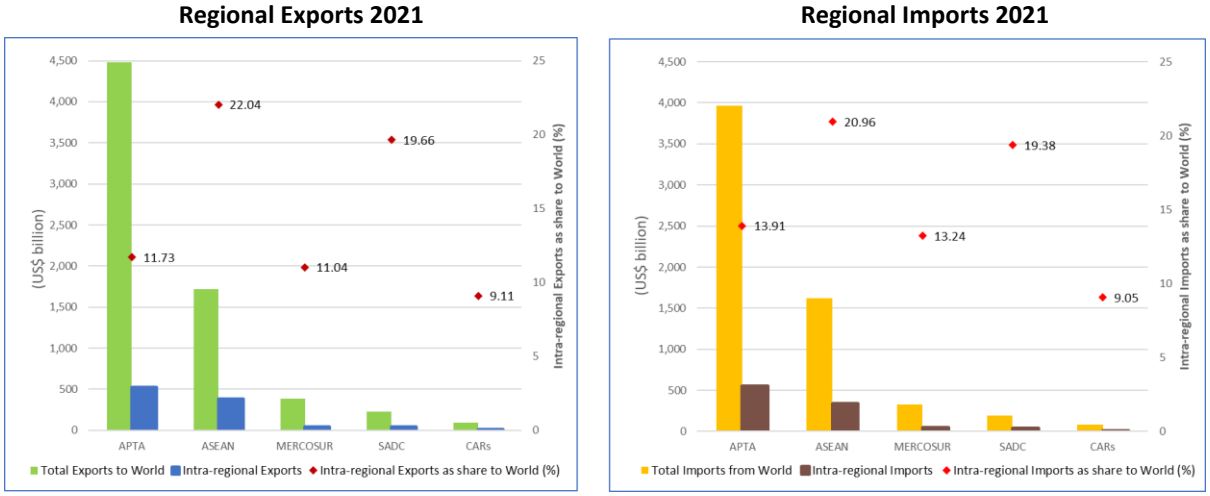


Source: World Development Indicators of World Bank

2.2 Relative importance of APTA compared to other FTAs

APTA countries' total merchandise trade is also significantly larger compared to other regional blocks, namely MERCOSUR, Southern African Development Community (SADC), and Central Asian Republics (CARs). APTA participating states' total exports to the World in 2021 was US$ 4.48 trillion, more than 2.6 times of ASEAN total exports to the World (US$ 1.72 trillion), almost 12 times of MERCOSUR (US$ 382 billion), around 20 times of SADC (US$ 224.60 billion), and approximately 49 times of CARs (US$92.04 billion). APTA countries' total imports from the World in 2021 was US$ 3.97 trillion, which was also comparably larger than the total imports of ASEAN, MERCOSUR, SADC, and CARs country groups (Figure 2.3, and Table 2.1).

Figure 2.3 APTA vs other select regional blocks



Source: World Integrated Trade Solutions (WITS) database, World Bank.

In terms of share of intra-regional trade in its total trade, ASEAN with 22.04 percent in export and 20.96 percent in imports, and SADC with 19.66 percent of export and 19.38 percent in imports in 2021, are doing well in recent times. However, APTA is also showing its prominence with 11.73 percent and 13.91 percent intra-APTA trade in 2021, respectively. APTA also registered comparable performance in terms of intra-regional to that of MERCOSUR, and better than the CARs country group. (Figure 2.3, and Table 2.1).

Table 2.1 Intraregional trade among developing countries' regional groupings, 2005, 2013, and 2021

US$ million

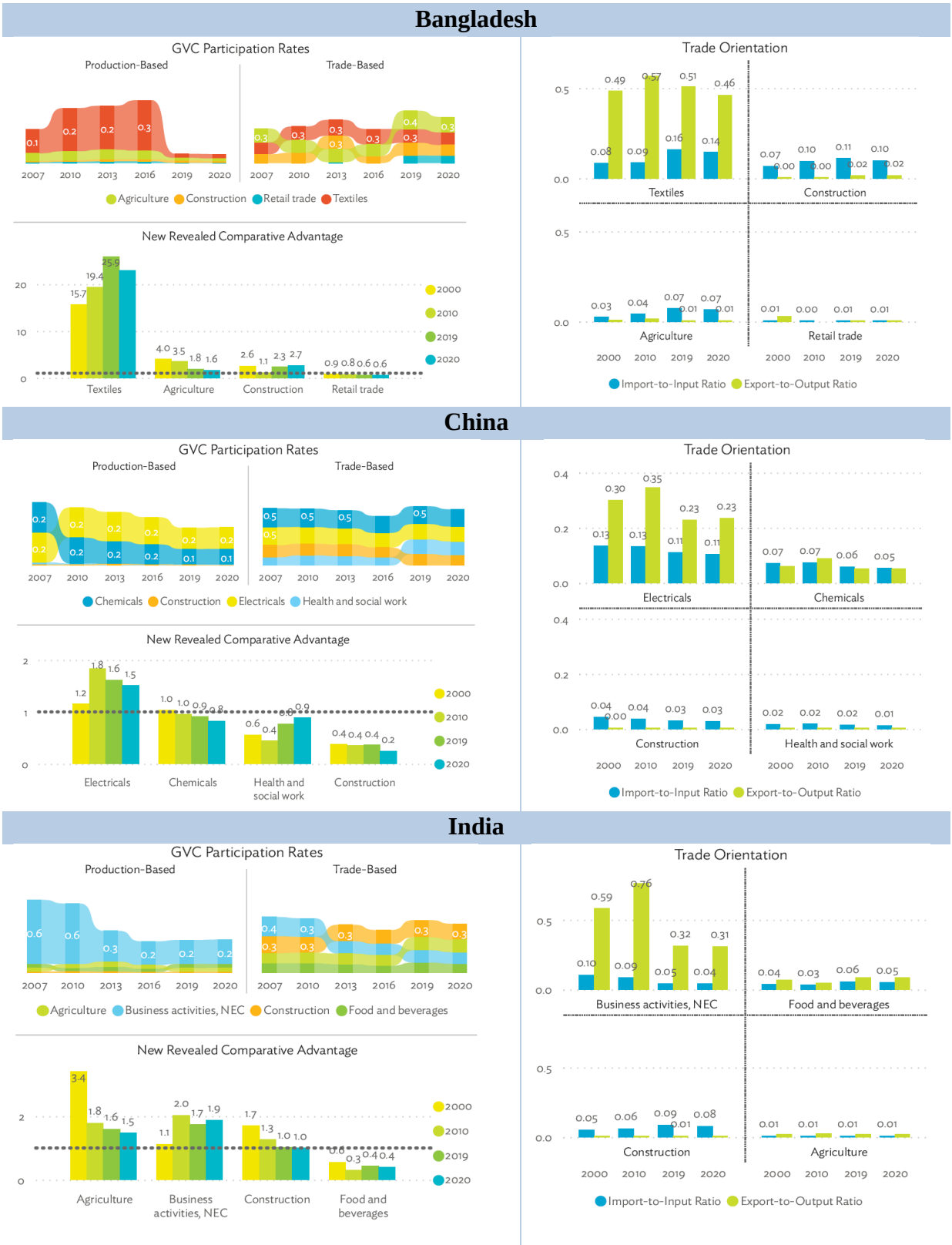
Exports									
Regional groupings	Total Intra-regional Exports			Total Exports to World			Intra-regional Exports as share to World (%)		
	2005	2013	2021	2005	2013	2021	2005	2013	2021
APTA	128,311.23	351,778.74	525,220.33	1,160,530.32	3,129,976.51	4,477,595.11	11.06	11.24	11.73
ASEAN	166,218.33	330,965.61	378,268.89	656,162.47	1,265,852.24	1,716,506.34	25.33	26.15	22.04
MERCOSUR	25,670.39	58,524.11	42,175.49	221,038.78	414,327.22	381,965.74	11.61	14.13	11.04
SADC	16,856.37	48,619.12	44,164.38	111,786.98	215,248.27	224,603.55	15.08	22.59	19.66
CARs	1,380.43	4,117.39	8,381.28	40,384.63	105,134.12	92,039.36	3.42	3.92	9.11
Imports									
Regional groupings	Total Intra-regional Imports			Total Imports from World			Intra-regional Imports as share from World (%)		
	2005	2013	2021	2005	2013	2021	2005	2013	2021
APTA	150,525.64	384,480.21	551,900.09	1,085,784.60	3,001,632.33	3,967,284.70	13.86	12.81	13.91
ASEAN	140,956.75	277,840.63	339,090.36	581,497.38	1,244,202.79	1,617,979.85	24.24	22.33	20.96
MERCOSUR	25,173.63	57,770.80	43,582.60	135,343.91	413,673.18	329,117.52	18.60	13.97	13.24
SADC	16,059.16	42,827.16	8,073.563	92,837.72	216,238.01	196,489.73	17.30	19.81	19.38
CARs	1,464.10	5,283.09	7,278.39	27,122.55	95,047.22	80,418.14	5.40	5.56	9.05

Source: Calculations based on data from World Integrated Trade Solutions (WITS) of World Bank.

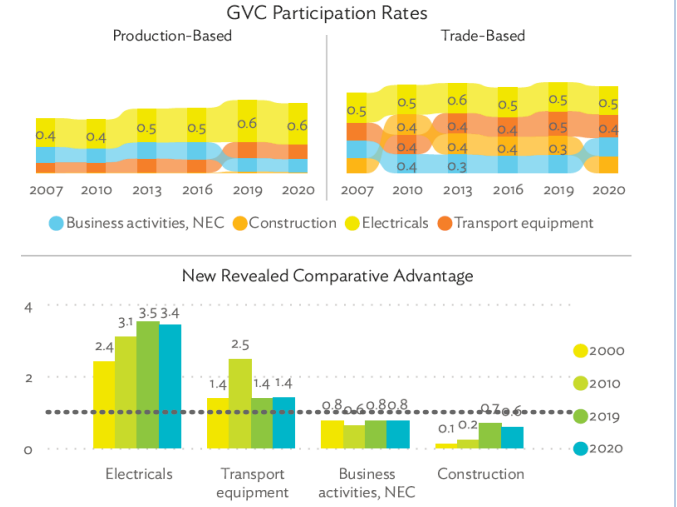
2.3 International Linkage of APTA participating states

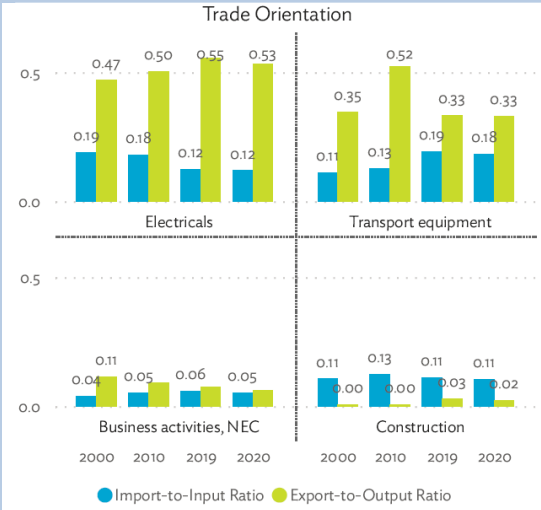
Figure 2.4 provides a visual representation of three analytical indicators, Global Value Chain (GVC) participation, revealed comparative advantage and trade orientation relevant to each APTA participating state's international trade activity from ADB Multiregional Input-Output Table. The subsection of Figure 2.4 on GVC participation rates depicts movements in the country's participation in global value chain for select sectors. Sectors that rate higher are stacked on top of sectors with lower participation rates, while the taller data points represent larger participation rates. Trade-based participation rates are based on the terminology by Borin and Mancini (2019), while production-based participation rates are adapted from Wang et al. (2017) in the ADB Multiregional Input-Output Table.

Figure 2.4 GVC Participation Rates, Revealed Comparative Advantage and Trade Orientation of APTA participating states

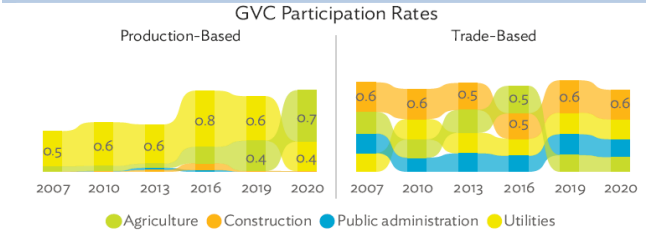


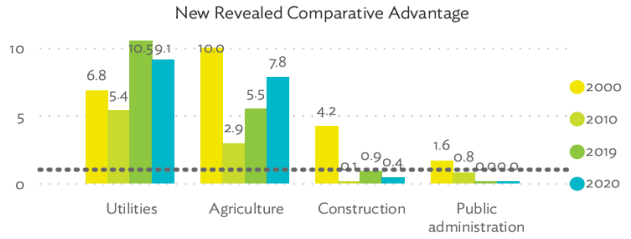
Rep of Korea

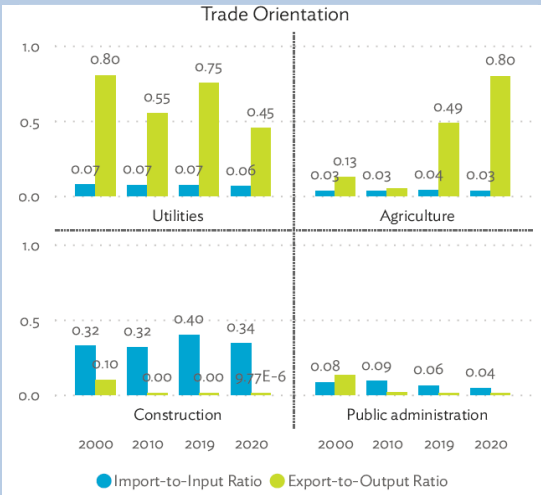




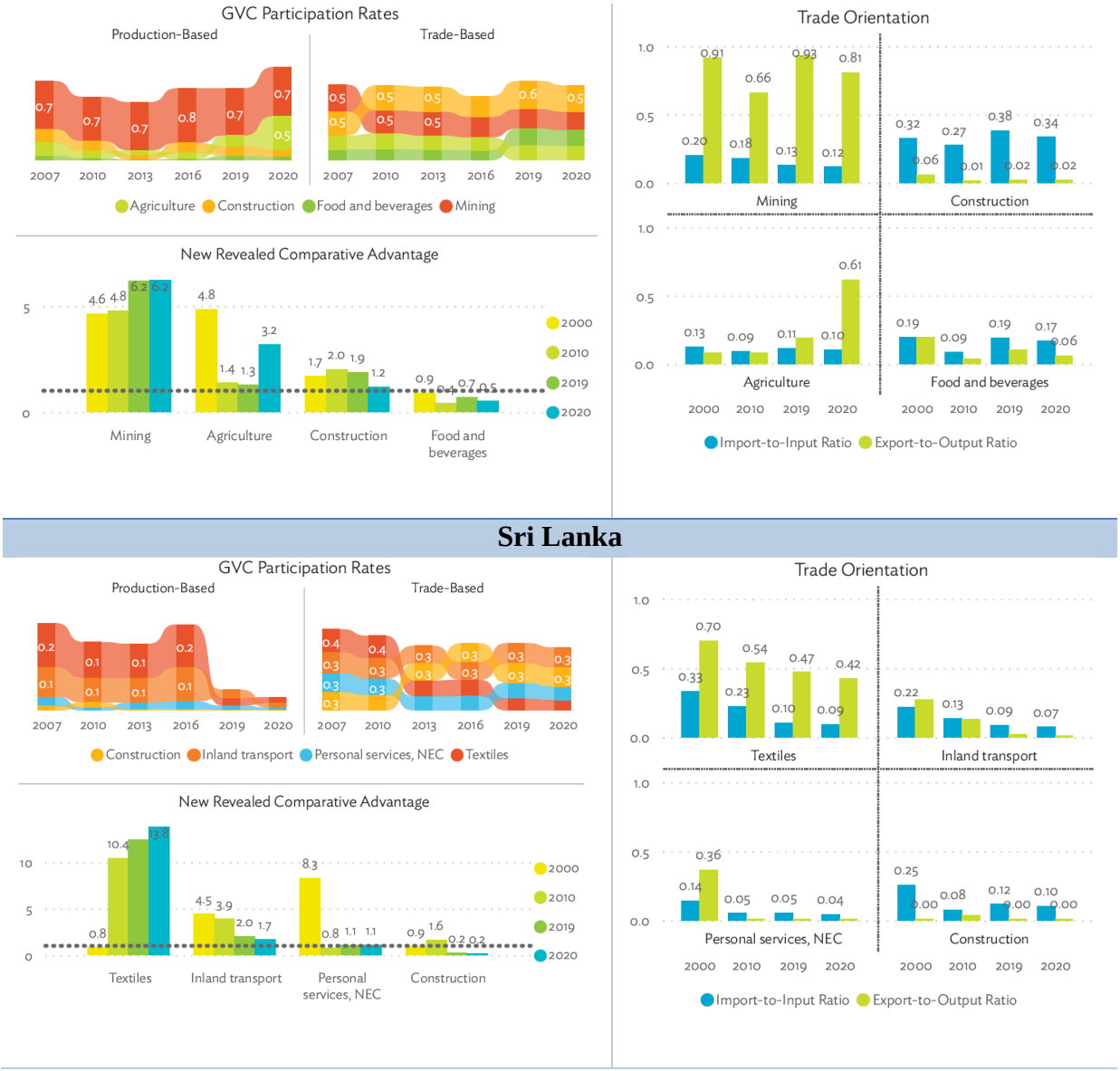
Lao PDR







Mongolia



Source: Adopted from The Asian Development Bank Multiregional Input-Output Table. https://mrio.adbx.online/ (accessed July 2022).

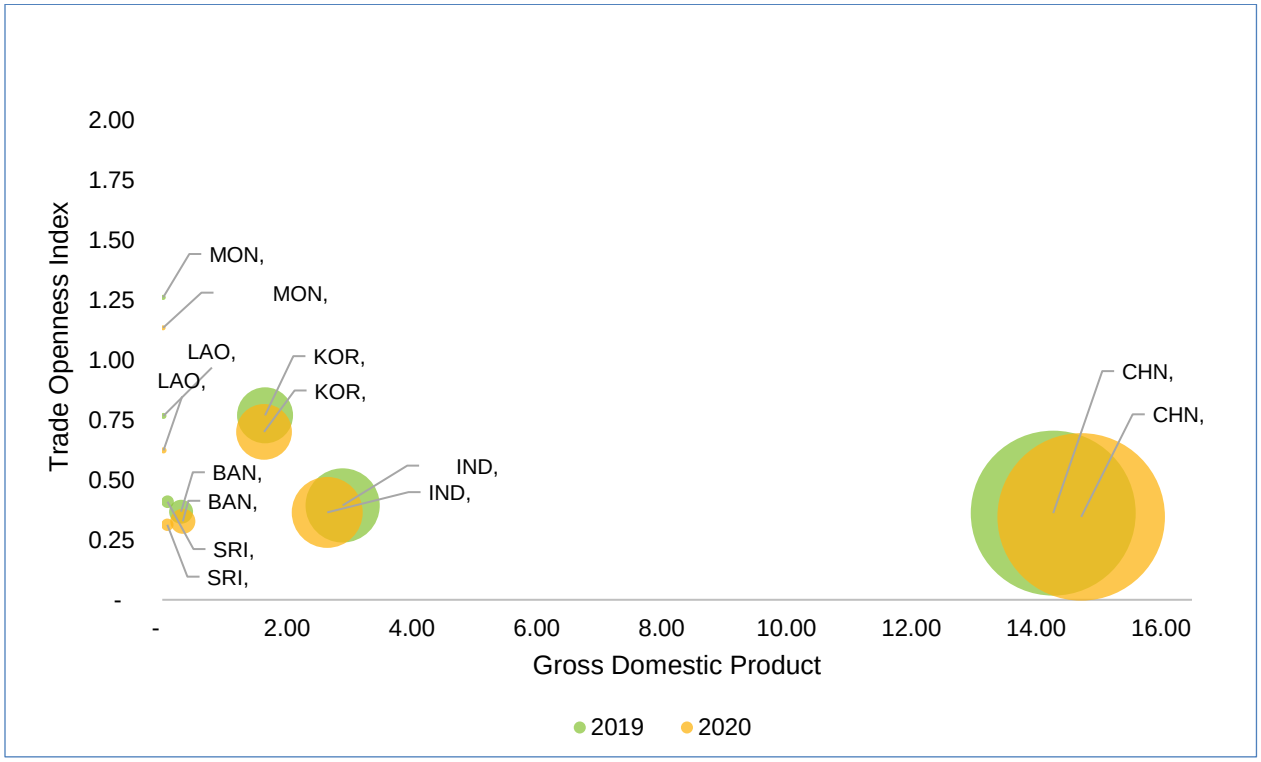
The subsection of Figure 2.4 on new revealed comparative advantages APTA country's new revealed comparative advantages based on value-added exports for select sectors for 2000, 2010, 2019, and 2020. Sectors whose index for new revealed comparative advantage exceeds 1 are said to have specialization in this export activity, that is, those sectors exhibit comparative advantage compared to the world average.

The subsection of Figure 2.4 on trade orientation shows the trade orientation of individual APTA economy's four select sectors for 2000, 2010, 2019, and 2020. The trade orientation of a given sector within a given economy can be determined by its relative levels of, or

dependence on, export and import activity. Two types of trade are distinguished. Export-to-output ratios suggest a sector's degree of sales dependence to international markets. Import-to-input ratios indicate a sector's degree of supply dependence from foreign producers. On a sectoral level, most economies experienced a shrinking in export and import activities relative to output production from 2019 to 2020.

The two sides of trade orientation—exporting and importing activity—can be summarized in a trade openness index that considers an economy's gross domestic product (GDP). Also called the trade-to-GDP ratio, trade openness is a measure of the extent to which an economy is integrated in the global economy through trade. It is measured simply by taking the ratio of the economy's total exports and imports to the total GDP. Thus, a value greater than 1 indicates higher reliance on trade, as total trade activity exceeds value-added generation by the domestic economy. A value below 1 may indicate lower dependence on trade, or lower participation in trading activity. Figure 5 depicts the trade openness indexes mapped and scaled to the GDP (in trillions) of the APTA economies for 2019 and 2020.

Figure 2.5 Trade Openness of APTA participating states



BAN = Bangladesh; CHN = People's Republic of China;; IND = India; KOR = Republic of Korea; LAO = Lao People's Democratic Republic; MON = Mongolia; SRI = Sri Lanka.

Source: Calculations using the Asian Development Bank Multiregional Input-Output Table. https://mrio.adbx.online/ (accessed July 2022).

3. Future direction of APTA

The world has witnessed continuous growth in the number of regional trade agreements (RTAs) and comprehensive economic cooperation agreements (CEPAs). What used to be bilateral and intraregional economic engagements now appear to be moving more and more towards mega-trade blocks across continents and oceans. In this context, the future of economic and cooperation integration needs to be analysed for the Asia-Pacific region, which has also been re-endorsed by the Ministerial Council of the Asia-Pacific Trade Agreement (APTA). Signed in 1975, APTA is the oldest preferential trade agreement among developing countries in the Asia-Pacific region, yet to realise its true potential. With this backdrop, the potential for further cooperation in goods trade, trade facilitation and services trade liberalisation has been discussed in this section.

3.1 Potential for Goods Trade among APTA Participating States

Being one of the oldest regional economic groups and despite its high potential, APTA did not progress fast enough in terms of deepening and widening preferential trade among its Participating States as envisioned. This is mainly due to limited coverage of items in tariff concessions and the long period taken to conclude the rounds and accession of new members. It is essential to analyse the existing trade among APTA countries and the coverage of current preferential tariff regime under APTA to advance the realisation of its full potential.

Existing Trade between APTA Participating States

Table 3.1 presents bilateral as well as the overall intra-regional trade between the APTA Participating States and their trade with the world. Several important observations can be drawn from Table 3.1. First, intra-APTA export share remained almost constant between 2005 and 2021. The share of intra-APTA exports in total APTA exports to the world increased only marginally from 12.29% to 12.65% between 2015 and 2021. However, this only suggests that the numerator and the denominator increased at the same pace, keeping the ratio almost constant. Second, the absolute value, however, recorded a substantive increase of around 44% during 2013 to 2021 period. Third, those Participating States of APTA with the strongest export linkages with other Participating States included Mongolia (84.21%), Lao PDR (32.57%) and the Republic of Korea (31.80 %) and Sri Lanka (14.51%) in 2021. During 2005-2021, China, and India displayed moderate export linkages as a proportion of their total exports to the world with Bangladesh showing the weakest linkage. Fourth, on the import side, it is interesting to note that intra-APTA imports

Table 3.1 APTA Intra-regional trade and trade with the World, 2005, 2013 and 2021

US$ million

	Bangladesh	China	India	Korea, Rep. of	Lao PDR	Mongolia	Sri Lanka	Intra-APTA Imports	Imports from World	Share of Intra-APTA imports in world (%)
2005										
Bangladesh		1,870.35	1,951.24	446.16	-	-	10.05	4,277.79	13,836.36	30.92
China	78.53		9,780.08	76,873.77	25.54	539.61	36.60	87,334.14	660,202.42	13.23
India	110.11	9,925.53		4,300.08	0.09	1.27	527.87	14,864.96	139,666.62	10.64
Korea, Rep. of	45.49	38,648.19	2,112.08		2.11	4.90	38.08	40,850.85	261,097.16	15.65
Lao PDR	-	111.66	5.05	14.77		-	-	131.47	1,200.72	10.95
Mongolia	0.43	317.85	1.49	61.20	-		0.28	381.25	1,160.30	32.86
Sri Lanka	8.87	630.56	1,835.43	210.32	-	-		2,685.19	8,621.03	31.15
Intra-APTA Exports	243.44	51,504.13	15,685.37	81,906.30	27.74	545.77	612.88	150,525.64		
									1,085,784.60	13.86
Exports to World	9,826.07	988,097.48	109,670.87	296,999.78	588.37	963.86	6,331.83		1,412,478.26	
Share of Intra-APTA Exports in world (%)	2.48	5.21	14.30	27.58	4.72	56.62	9.68		10.66	
2013										
Bangladesh		6,972.53	5,246.12	1,237.72	-	-	39.74	13,496.10	37,477.38	36.01
China	598.99		17,046.05	182,881.54	1,020.65	3,497.49	182.35	205,227.06	1,949,298.83	10.53
India	554.41	51,456.48		12,452.55	111.73	8.91	672.84	65,256.92	467,935.20	13.95
Korea, Rep. of	332.48	83,052.88	6,180.17		12.48	26.96	84.53	89,689.49	515,585.34	17.40
Lao PDR	-	1,823.80	48.26	198.27		-	0.09	2,070.42	7,030.98	29.45
Mongolia	1.78	1,785.79	34.28	507.36	0.03		1.11	2,330.35	6,398.11	36.42
Sri Lanka	25.05	2,959.96	3,125.75	298.86	0.09	0.15		6,409.86	17,906.49	35.80
Intra-APTA Exports	1,512.71	148,051.42	31,680.62	197,576.30	1,144.98	3,533.51	980.66	384,480.21		
									3,001,632.33	12.81
Exports to World	28,590.53	2,218,327.81	282,927.23	580,218.13	3,777.35	4,174.05	9,979.06		3,127,994.15	
Share of Intra-APTA Exports in world (%)	5.29	6.67	11.20	34.05	30.31	84.65	9.83		12.29	
2021										
Bangladesh		16,913.11	11,024.04	1,424.86	17.06	0.28	78.77	29,458.13	67,282.64	43.78
China	1,046.63		28,028.09	213,554.72	2,663.94	6,811.25	652.13	252,756.75	2,678,856.79	9.44
India	1,778.93	87,481.74		17,069.75	0.86	0.54	978.50	107,310.31	570,020.14	18.83
Korea, Rep. of	551.61	138,628.13	8,056.04		48.73	24.95	141.65	147,451.10	615,093.27	23.97
Lao PDR	0.55	1,772.49	16.98	74.75		0.05	0.12	1,864.94	7,329.90	25.44
Mongolia	8.29	2,453.01	42.48	298.78	0.84		2.66	2,806.06	6,646.79	42.22
Sri Lanka	89.32	5,097.73	4,741.10	323.12	1.53	0.00		10,252.80	22,055.18	46.49
Intra-APTA Exports	3,475.33	252,346.19	51,908.72	232,745.99	2,732.96	6,837.07	1,853.83	551,900.09		
									3,967,284.71	13.91
Exports to World	45,693.20	3,167,682.51	387,284.01	731,835.23	8,391.31	8,119.48	12,780.08		4,361,785.84	
Share of Intra-APTA Exports in world (%)	7.61	7.97	13.40	31.80	32.57	84.21	14.51		12.65	

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 August 2022.

as a share of total imports from the world were the second highest for Bangladesh (43.78%), following Sri Lanka (46.49%) in 2021. However, the overall intra-APTA imports share almost during 2005-2021 periods.

Current Preferential Tariff Regime under APTA

APTA preferential tariff regime evolved over its four rounds successfully concluded negotiations, summarised in Table 3.2.[16] The Fourth Round, which became effective on 1st of July 2018, significantly widened the coverage of preferences of total tariff lines for each Member State and led to the exchange of tariff concessions on 10,294 items, compared to 4,270 items under the Third Round. It deepens the tariff concessions by at least 31-34% measured as an average margin of preference (MOP) for products covered under APTA, except for least developed Participating States and Sri Lanka, who were granted greater flexibility in meeting these requirements.

Table 3.2 Current Tariff concessions under APTA

APTA Participating State	Fourth Round	
	No. of Products[a]	MoP (%)
Bangladesh	598 (4)	21.76 (27.50)
China	2,191 (181)	33.09 (79.58)
India	3,142 (48)	33.45 (65.48)
Rep. of Korea	2,797 (951-BGD, 943-LAO)	33.39 (94.47-BGD, 94.23-LAO)
Lao PDR	999	30.17
Mongolia	366	24.18
Sri Lanka	568 (75)	22.06 (18.17)
Total	10,661 (1,255-BGD, 1,251-LAO)	31.73 (86.44-BGD, 86.21-LAO)

Note: Figures in parenthesis relate to special concessions to LDCs. MOP is the Margin of Preference estimated as a simple average of all items in the list of concessions. a: based on the consolidated concession lists which are listed as Annex I in the official revised text of the Agreement signed and ratified by the Participating States.

It is essential to measure the utilisation of APTA preferential treatments by the importers to estimate the actual use and impacts of APTA tariff concession. Fourth Ministerial Council in 2017 directed the APTA Standing Committee to undertake an impact assessment of fourth-round concessions, which, however, yet to be implemented and awaiting agreements from all Participating States.

[16] The Participating States of APTA have granted concessions at the 6-, 8- and 10-digit HS levels. However, since World Integrated Trade Solutions (WITS) data are available at the 6-digit HS level, this analysis was made at the 6-digit HS level using HS2007; thus, the findings may be slightly high. This methodology has another limitation – the data cover both preferential and non-preferential imports (as preferential data are not available separately); thus, the analysis refers to total imports at the 6-digit HS level on the Fourth Round concession list.

Further Tariff Liberalisation

Recognising the important role that APTA can play as an open-ended South-South trade agreement, the Ministers at the Fourth Session of the Ministerial Council of APTA in Bangkok on 13 January 2017, decided:

> "In consideration of the importance of tariff concessions, we will undertake necessary measures to obtain a mandate for launching the fifth round of negotiation on trade in goods, preferably by the end of 2017. We commit to commence negotiations in trade in goods in parallel with other tracks as early as possible. We direct the Standing Committee to decide the modalities for negotiations on the above issues."

Following the existing intra-regional trade relations between the Participating States of APTA and the direction of the Ministerial Council of APTA, it is important to further liberalise the trade in goods among the APTA by widening and deepening the existing tariffs substantially in its future negotiations. The APTA countries also discussing the possibility of adoption of a positive list approach covering tariff liberalisation within a fixed time frame.

Reduction of Non-Tariff Barriers

During the past two decades, applied tariffs in the APTA region have halved. At the same time, the number of non-tariff measures (NTMs), including sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs), has risen significantly. The impact of NTMs vis-à-vis tariffs as an impediment to trade has also increased significantly among the APTA countries (ESCAP 2019).

The Ministers at the Fourth Session of the Ministerial Council of APTA recognised the importance of reducing non-tariff barriers to enhance intra-APTA trade and directed:

> "With a view to achieving greater transparency, reducing or eliminating Non-Tariff Barriers for expansion of intra-regional trade among the Participating States, we direct the Standing Committee to explore developing appropriate mechanisms like mutual recognition agreements, harmonisation etc. so as to address the issues relating to the NTMs, including Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) issues."

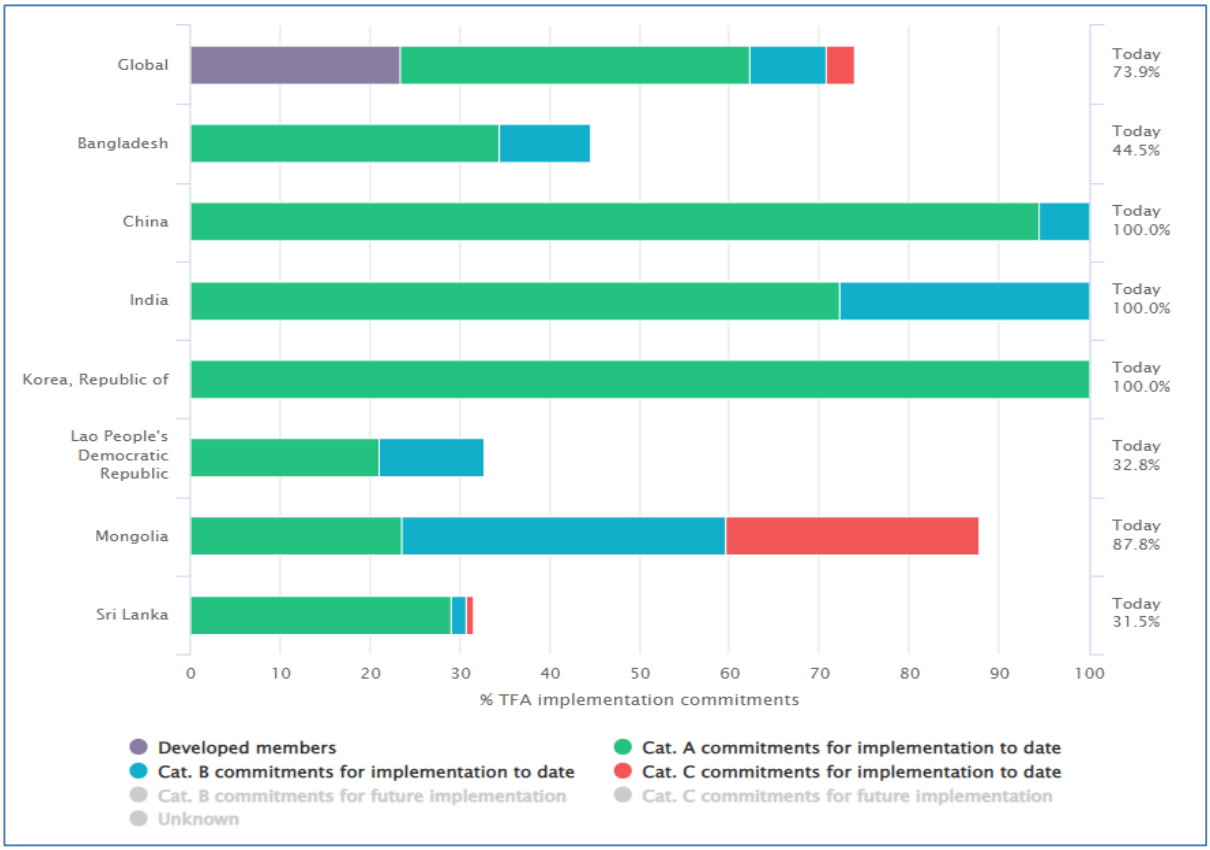
To address the issues. future negotiations could focus on enhancing transparency for non-tariff measures by exchanging information on technical, sanitary/phytosanitary and other standards that could facilitate trade with a view to promoting communication and cooperation and discussions on non-tariff barriers with the objective of minimising them.

3.2 Potential for Cooperation in Trade Facilitation

Trade facilitation – reducing and eliminating regulatory, procedural and administrative barriers to trade and upgrading infrastructural and technical capacity – is increasingly regarded as a key factor for enhancing the competitiveness and economic development of countries and regions. Trade facilitation has the potential to further strengthen economic ties among APTA Participating States and augment their integration into the regional and global value chain. The entry into force of the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO) on 22 February 2017 advanced the implementation of trade facilitation measures across the globe. In addition, the UN Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, which entered into force on 20 February 2021, gave further impetus to operationalise trade facilitation provisions among Asia and Pacific countries.

Five years after the entry into force of the WTO Trade Facilitation Agreement, the implementation levels of the APTA participating states are quite diverse. While China, India and the Republic of Korea committed 100% implementation commitments, the other four members- Bangladesh, Lao PDR, Mongolia and Sri Lanka remain far behind (Figure 3.1).

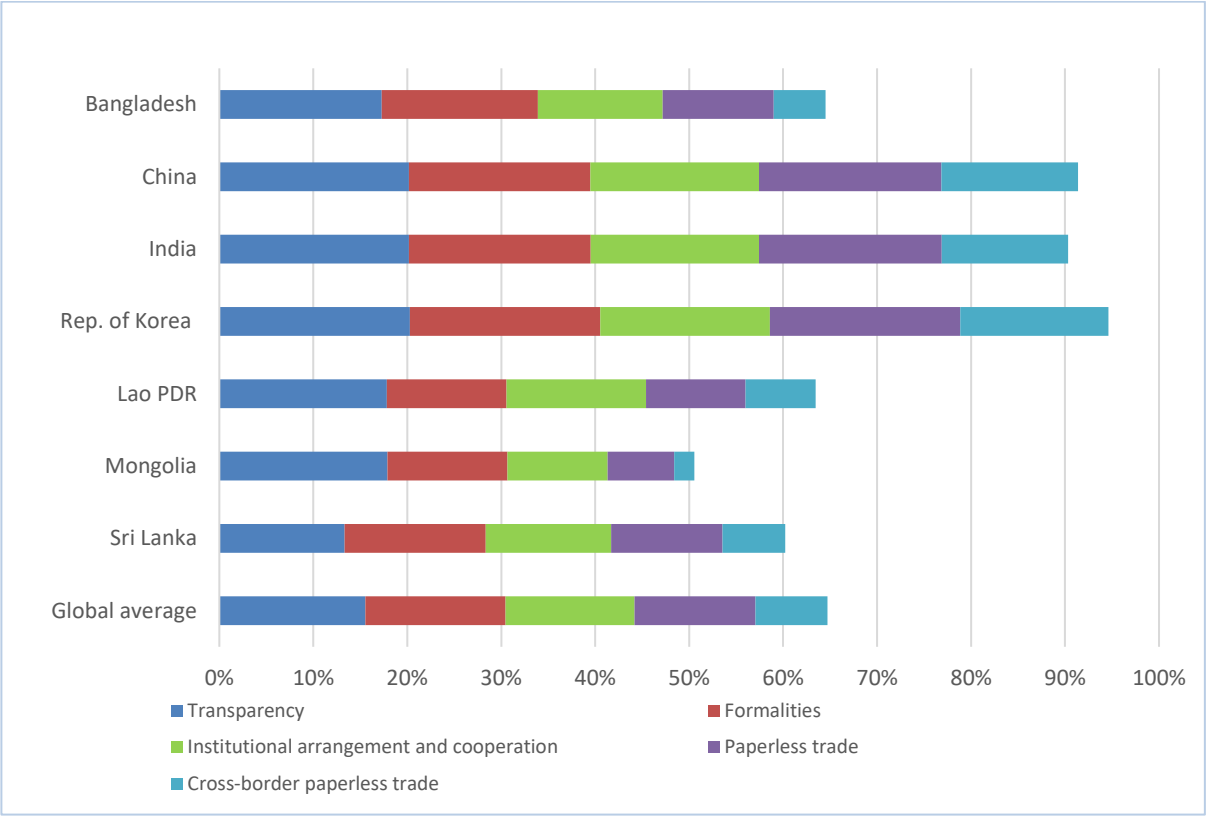
Figure 3.1 Progress on WTO TFA implementation commitments by APTA Participating States



Source: WTO Trade Facilitation Agreements Database August 2022.

Figure 3.2 shows the average rates of implementation of trade facilitation in the seven APTA countries, as well as the global average implementation level. The implementation rates are calculated based on 31 trade facilitation measures relevant to all 144 economies included in the survey and spanning five sub-groups from transparency to cross-border paperless trade. The global average implementation rate stands at 64.7%. The Republic of Korea has the highest implementation rate (94.6%), followed by China (91.4%) and India (90.32%). Among the APTA countries, Mongolia has the lowest implementation rate (50.54%).

Figure 3.2 Overall implementation of trade facilitation measures in APTA Participating States



Source: UN Global Survey on Digital and Sustainable Trade Facilitation 2021, available at untfsurvey.org

The countries participating in APTA- Bangladesh, China, India, Rep. of Korea, Lao PDR, Mongolia, and Sri Lanka - show different levels of implementation in trade facilitation measures. There is considerable space for improvement in the overall performance of this regional bloc through regional cooperation in implementing sustainable trade facilitation, which could significantly contribute to the creation of a regional market and value chain through better integration. The following issues may be considered to accelerate the realisation of potential cooperation in trade facilitation among the APTA participating states:

i. Updating the current Framework Agreement on Trade Facilitation: The current framework agreement (FATF) was signed in 2009, and hence may be updated to take into account the development of TF measures. The proposals on new elements for updating the FATF, which were submitted by China and the Republic of Korea, specifically on Advance Ruling provision in line with Chapters on Customs Procedures and Trade Facilitation (CPTF) of Regional Comprehensive Economic Partnership (RCEP) could be considered by the members.

ii. Finalising the National work plans/action plans for the acceleration of the implementation of the FATF: To accelerate the implementation of the APTA Framework Agreement on Trade Facilitation (FATF), Bangladesh, China and Sri Lanka have presented their national work plans. Other members who have not submitted yet may consider their submission as soon as possible. Finalising the National work plans/action plans for the implementation of the FATF would bring momentum to the implementation of the FATF.

iii. Development and implementation of capacity building and potential pilot projects on cross-border trade facilitation: In line with the proposal of the member states, development and implementation of pilot projects on cross-border trade facilitation would facilitate the overall implementation of the FATF. Programs aimed at capacity building of relatively less developed members would contribute towards maximising the benefits of any cross-border TF measures

3.3 Potential for services trade for the Participating States of APTA

3.3.1 Highlights of the Framework Agreement on Trade in Services

The 'Framework Agreement on the Promotion and Liberalisation of Trade in Services among Participating States of APTA' aims to enhance economic cooperation in service sectors amongst Participating States to improve efficiency and strengthen competitiveness as well as diversify their production capacity and supply and distribution of services by their services suppliers within and outside the Participating States. It proposes a substantial reduction of restrictions to facilitate and liberalise trade in services among the Participating States by: (a) expanding the depth and scope of liberalisation beyond the commitments of countries under GATS through the gradual reduction of existing discriminatory measures and market access limitations; and (b) refraining from introducing new or more discriminatory measures and market access limitations.[17]

The Framework Agreement is open to commitments to liberalise all services sectors except government procurement and services supplied under the purview of governmental authority on a non-commercial

[17] Article 3 and Article 5 of the 'Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States' laid down the objectives of the agreement.

basis.[18] It aims to strengthen cooperation in service sectors by improving services infrastructure facilities, joint production, marketing and purchasing arrangements. It also prescribes the identification of future areas of services for cooperation beyond commitments by countries under the WTO General Agreement on Trade in Services (GATS) and associated schedules. It also paves the way for recognition among the Participating States of each country's standards, education qualifications and other criteria through developing mutually acceptable standards. However, the Framework Agreement does not include provisions for granting market access to natural persons who are seeking access to employment in the market of other Participating States, or any measures regarding citizenship, residence, or employment on a permanent basis.

The Least Developed Participating States of APTA have been provided with greater flexibility in terms of special and differential treatment for their specific commitments on market access, programmes and action plans under the Agreement. The Agreement also states that the Participating States will consider granting special concessions to these economies in their Schedules, Programmes and Action Plans. Special consideration is also to be given to the LDPSs when they request technical assistance and cooperation arrangements designed to assist them in expanding their trade with other Participating States.[19]

3.3.2 Contribution of Services Sector in GDP

In recent years, all the Participating States of APTA, except the Lao People's Democratic Republic and Mongolia, have services contribution of around 50% in their GDP (figure 3.3). In 2021, the services sectors' contribution to GDP in the Republic of Korea accounted for around 62.5% of its GDP, followed by Sri Lanka (60.9%), Bangladesh (53.3%), China (53.3%), and India (52.8%). In Mongolia and the Lao People's Democratic Republic, the services sector comprises 44.1% and 43.6% of GDP, respectively.

3.3.3 Performance in Trade in Service

Figures A.1 to A.7 visualise the performances of trade in services by the Participating States of APTA. It includes each participating state's services exports and imports trend, sectoral contribution to commercial services exports and imports and their export and import partners.

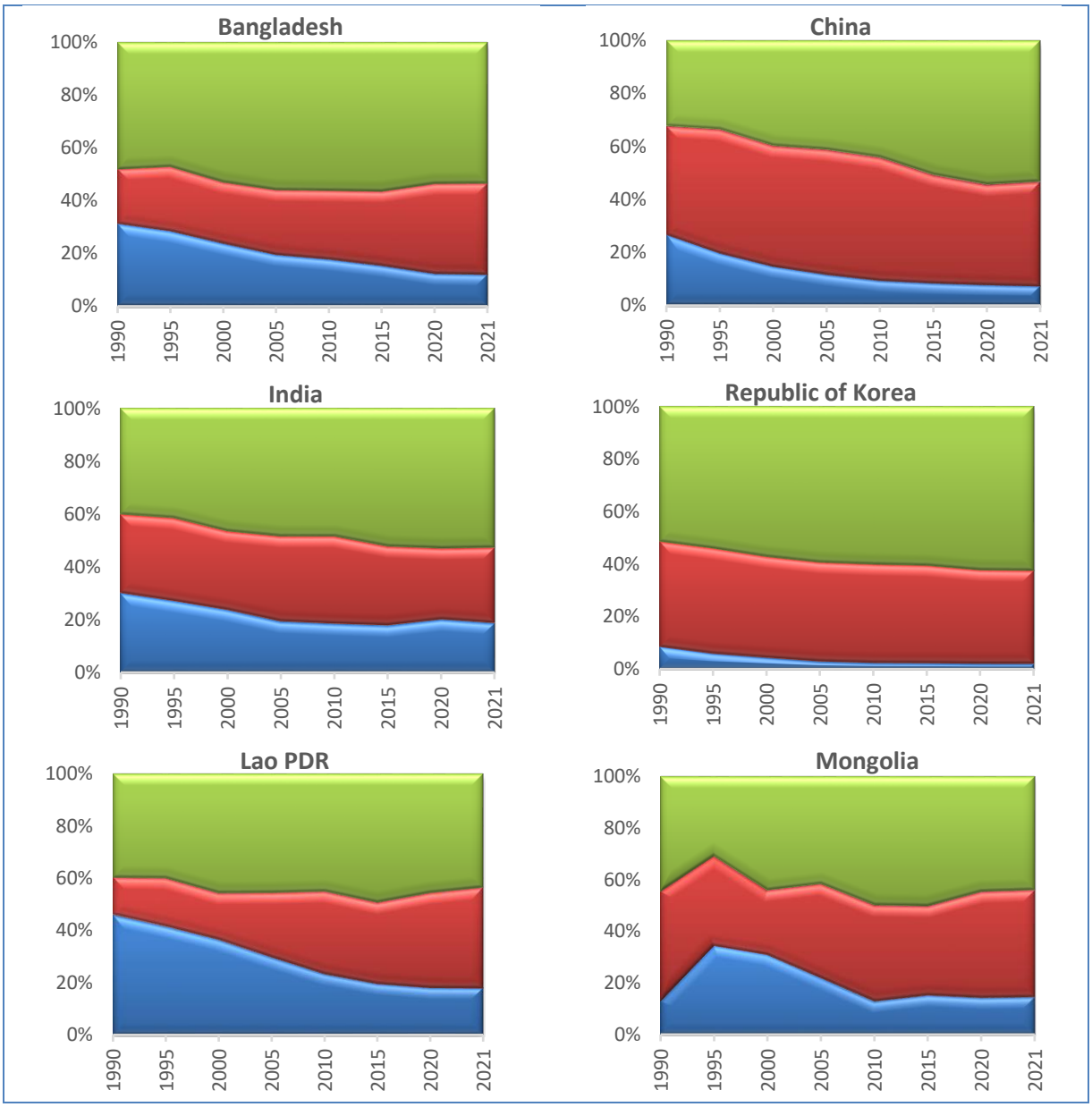
3.3.3 Services Trade Openness in Participating States of APTA

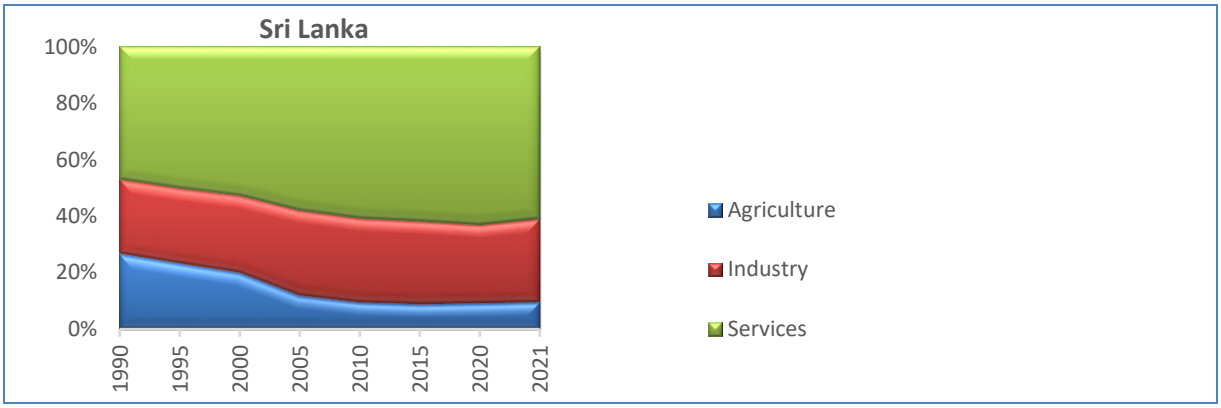
The Services Trade Restrictions Index (STRI) is a measure of the restrictiveness of an economy's regulatory and policy framework with respect to trade in services. It is a joint initiative by the World Bank

[18] Article 2 of the 'Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States' provide the scope of the agreement.
[19] Article 6 of the 'Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States'.

and the WTO Secretariat and builds on the previous World Bank STRI and draws on a recent OECD database. The latest version of STRI is based on the information contained in the Services Trade Policy

Figure 3.3 Percentage share of Services in GDP of the APTA PS, 1990-2021





Source: World Bank Data, Services, Industry and Agriculture, value-added (% of GDP)

Database (STPD). Out of the broad set of regulations and measures available in the database, around 115 of them were selected to compute the index. The STRI provides comparable information on services trade policies under three out of the four modes of supply in the GATS, namely cross-border supply (mode 1), commercial presence (mode 3) and presence of natural persons (mode 4). The STRI ranges from 0 to 100, where 0 indicates that none of the restrictions underlying the index is applied, and 100 means that the subsector/mode is completely closed to foreign services and service suppliers. To obtain an overall STRI that combines the three modes of services supply in a subsector-level index, the trade restrictions by different modes were weighted according to their importance for the supply of the respective services in each subsector, and then aggregated (Borchert et al, 2020).

The overall restrictiveness by economies and by services sectors for each Participating State of APTA shows that overall the Republic of Korea is the most open economy in terms of services trade, while India is the most restricted (Table 3.3). The implementation of the 'Framework Agreement on the Promotion and Liberalisation of Trade in Services' is expected to result in a substantial reduction of restrictions to facilitate and liberalise trade in services among the Participating States APTA, thus leading to better integration.

Table 3.3 Services Trade Restrictiveness Index for Participating States of APTA, 2016

	Bangladesh	China	India	Republic of Korea	Sri Lanka
Overall STRI	42.9	59.4	65.0	37.8	46.4
Professional Services	53.9	71.7	79.5	72.2	70.5
Computer And Related Services	N/A	N/A	N/A	N/A	N/A
Telecommunication Services	42.1	64.4	47.4	37.8	55.3
Construction & Related Engineering Services	N/A	N/A	N/A	N/A	N/A
Distribution Services	26.8	56.4	62.8	22.5	28.3
Financial Services	56.5	65.5	64.6	36.1	56.2
Health Services	N/A	N/A	N/A	N/A	N/A
Transport Services	61.1	45.8	64.9	49.7	57.8

Source: World Bank, Services Trade Restrictiveness Index (STRI) database, at https://i-tip.wto.org/services. accessed on: 21 June, 2022

Note: The overall and sectoral STRI values presented here are overall index computed based on three out of four modes of supply of services under GATS. There is no data available for Lao People's Democratic Republic and Mongolia in World Bank STRI database.

3.3.4 Trade Specialization Index

The Trade Specialization Index (TSI) is another indicator that determines international competitiveness of a country in a given sector. This indicator is developed by UNCTAD and enables users to measure the degree of net exportation by product and to monitor trade similarity among economies. The indicators are commonly used to measure and analyse trade performance and degree of competition/dependencies between one country and another through trade. The range of TSI is between -1 and 1. The closer TSI is to -1, the higher the degree of import specialisation. In contrast, the closer TSI is to 1 the higher the degree of export specialisation. Zero indicates neutral, which means the amount of exports and imports are equal. If TSI is more than 0.4 point it means the country has competitive export specialisation in the sector concerned.

The TSI compares the net flow of service (exports minus imports) to the total flow of service (exports plus imports) and calculated as:

$$TSI_i = \frac{E_i^s - I_i^s}{E_i^s + I_i^s}$$

where, E_i^s represents total export value of service sector s by country i to the world and I_i^s represents total import value of service sector s by country i from the world.

Table 3.4. Services Trade Specialization Index for Participating States of APTA, 2015-2020 (Average)

Sector \ Economy	Bangladesh	China	India	Rep of Korea	Lao PDR	Mongolia	Sri Lanka
Goods-related services	0.46	0.81	-0.29	-0.56	NA	-0.17	NA
Manufacturing services	0.88	0.97	0.61	-0.60	NA	-0.06	NA
Construction	-0.29	0.40	0.18	0.61	-0.20	-0.65	0.26
Transport	-0.82	-0.38	-0.53	-0.03	0.06	-0.29	-0.24
Travel	-0.37	-0.74	0.14	-0.30	-0.12	-0.34	0.37
Postal and courier services	-0.74	NA	-0.37	-0.36	NA	NA	NA
Financial Services	-0.77	0.19	0.10	0.12	0.36	-0.76	-0.29
Insurance and pension services	-0.61	-0.40	-0.44	-0.15	-0.50	-1.00	-0.46
Telecommunications services	0.74	0.14	0.38	-0.14	0.26	-0.58	0.07
Computer services	0.68	0.33	0.83	0.18	NA	-0.49	0.41
Information services	-0.11		-0.17	0.46	NA	NA	NA
Personal, cultural, and recreational services	-0.08	-0.49	-0.14	0.15	NA	0.09	NA

Source: Author calculation based on Commercial services exports and import data from WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 23 June, 2022. Note: NA=data not available.

TSI results show the major exporters and importers in different services among APTA Participating States (Table 3.4). Bangladesh has the highest specialisation manufacturing services (0.88), followed by telecommunications services (0.74) and computer services (0.68). China, at more than 0.9, is overwhelmingly specialised in manufacturing services (0.94), followed by construction (0.40), computer services (0.33) and telecommunication services (0.14). Indis's export specialization in computer (0.83), telecommunication (0.38), manufacturing (0.61), construction (0.18), travel (0.14) and financial (0.10) services. The Republic of Korea has specialisation in construction (0.61), information services (0.46), computer (0.18), personal, cultural, and recreational services (0.15) and financial services (0.12). Lao PDR mainly exports financial (0.36) and telecommunication (0.26) services. Sri Lanka's export specialisation is in computer services (0.41), Travel (0.37), construction (0.26) and minimally in telecommunication (0.07) services.

Table 3.5 Net exporters and net importers of services among APTA Participating States based on TSI results, 2020

Sector	Net Exporter	Net Importer
Goods-related services	Bangladesh, China	India, Republic of Korea, Mongolia
Manufacturing services	Bangladesh, China, India	Republic of Korea, Mongolia
Construction	China, India, Republic of Korea, Sri Lanka	Bangladesh, Lao PDR, Mongolia
Transport	Lao PDR	Bangladesh, China, India, Republic of Korea, Mongolia, Sri Lanka
Travel	India, Sri Lanka	Bangladesh, China, Republic of Korea, Lao PDR, Mongolia
Postal and courier services	Bangladesh, India, Republic of Korea	Mongolia
Financial Services	China, India, Republic of Korea, Lao PDR	Bangladesh, Mongolia, Sri Lanka
Insurance and pension services		Bangladesh, China, India, Republic of Korea, Lao PDR, Mongolia, Sri Lanka
Telecommunications services	Bangladesh, China, India, Lao PDR, Sri Lanka	Republic of Korea, Mongolia
Computer services	Bangladesh, China, India, Republic of Korea, Sri Lanka	Mongolia
Information services	Republic of Korea	Bangladesh, India
Personal, cultural, and recreational services	Republic of Korea, Mongolia	Bangladesh, China, India

Source: Author calculation based on Commercial services exports and import data from WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 23 June, 2022.

3.3.5 Existing WTO and RTA commitments

To strengthen the efforts and future negotiations on the implementation of 'Framework Agreement on the Promotion and Liberalisation of Trade in Services' among the Participating States of APTA, it is

important to understand what commitments[20] the Participating States have made under GATS and other RTAs. All Participating States of APTA are signatories of one or more RTAs covering trade in services. While China, India, the Republic of Korea, the Lao People's Democratic Republic and Mongolia have implemented services commitments in their RTAs, Bangladesh and Sri Lanka are party to the SAARC Agreement on Trade in Services (SATIS). The commitments by individual Participating States of APTA in services trade are briefly discussed below.[21]

1. Bangladesh[22]

Bangladesh has commitments in only two services sectors, communications services, and tourism and travel-related services under GATS. The country does not have a large share in either of those two sectors; however, showing growth potential in recent years reflecting Bangladesh's continuous outstanding economic performance. Bangladesh is a party to the SAARC Agreement on Trade in Services (SATIS) signed in 2010; nevertheless, the RTA concession under this agreement yet to be implemented.

2. China

China has commitments in the following services sectors in GATS: business, communications, construction and related engineering services, distribution, educational, environmental, financial, transport, tourism and travel-related services. China has singed ten RTAs covering services trade with ASEAN, Chile, Costa Rica, New Zealand, the Rep. of Korea, Singapore, Iceland, Pakistan, Peru, and Switzerland. In the ASEAN-China Agreement, China has undertaken commitments horizontally to liberalise the five specific services sectors of business services, construction and related- engineering services, environmental services, recreational, cultural and sporting services, and transport services. In the China-Chile Agreement, China made commitments in the services of: business; construction and related-engineering services; distribution; educational; environment; tourism and travel-related services; recreational, cultural and sporting services; and transport services. In Costa Rica - China Agreement, the commitments include: business; communications; construction and related-engineering services; distribution; educational; environment; tourism and travel-related services; recreational, cultural and sporting services; and transport services. With New Zealand, the Republic of Korea, Iceland, Peru and

[20] A specific commitment in a services schedule is an undertaking to provide market access and national treatment for the service activity in question on the terms and conditions specified in the schedule. When making a commitment a government therefore binds the specified level of market access and national treatment and undertakes not to impose any new measures that would restrict entry into the market or the operation of the service.

[21] This analysis is based on country RTAs/GATS Schedule documents, accessed through I-TIP services- the services component of the Integrated Trade Intelligence Portal (I-TIP). Detailed sectoral commitments by APTA Participating States are listed in the Annex to this chapter.

[22] Bangladesh and Sri Lanka are parties to the SAARC Agreement on Trade in Services (SATIS); however, the implementation of the of the agreement has not started as yet (the Parties are still negotiating the schedule of concessions).

Switzerland, China has undertaken commitments to liberalise all sectors excluding health-related and social services as well as other services not included elsewhere. The services commitments to Pakistan and Singapore include 11 sectors excluding other services not included elsewhere.

3. India

India's services sector commitments under GATS include business services, communication services, construction and related engineering services, financial services, health-related and social services, and tourism and travel-related services. India has undertaken service commitments in three RTAs with Japan, Malaysia, and Singapore. In terms of a specific schedule of commitments, the India-Japan Agreement covers 11 sectors: business services, communication services, construction and related engineering services, distribution, educational services, environmental services, financial services, health-related and social services, tourism and travel-related services, recreational, cultural and only excludes other services not included elsewhere. In the India and Malaysia CECA, financial services sector is not included in the commitments. Commitments on "other services" are included only in the India-Malaysia and India-Singapore Agreements. In the India-Malaysia Agreement, Malaysia has liberalised the subsector of "skills training services" under Modes 1 and 2 with India. India-Singapore Agreement excludes educational and environmental services. Under this Agreement, Singapore has opened three subsectors – washing, cleaning and dyeing services, hairdressing and other beauty services, and funeral, cremation and undertaking services except maintenance services of cemeteries, care of graves and graveyards – under Modes 2 and 3. The schedule has generally excluded "other services not included elsewhere" from commitments, as it covers a wide range of services that are not specifically listed.

4. Lao People's Democratic Republic

The Lao People's Democratic Republic, as a member of ASEAN and during accession to WTO made services sector commitments under GATS. The Lao People's Democratic Republic has made commitments in 10 sectors in GATS, excluding only recreational, cultural and sporting services and other services not included elsewhere. The ten sectors are: business, communication, construction and related engineering services; distribution; educational; environmental; financial; health-related and social services; tourism and travel-related services; and transport services. As a member of ASEAN, the Lao People's Democratic Republic has committed to liberalising only one sector, financial services, with only one RTA partner, China (under the ASEAN-China RTA).

5. Mongolia

Mongolia's services sector commitments in GATS cover business, communication, construction and related engineering services, distribution, financial, and tourism and travel-related services. Mongolia has signed an EPA with Japan, and in terms of a specific schedule of commitments, this Agreement

covers 11 sectors: business services, communication services, construction and related engineering services, distribution, educational services, environmental services, financial services, health-related and social services, tourism and travel-related services, recreational, cultural and only excludes other services not included elsewhere.

6. Republic of Korea

The Republic of Korea made its latest revised conditional offer [23] on the Schedule of Specific Commitments for WTO services negotiation in 2005.[24] The horizontal commitments of the Republic of Korea through GATS dealt with: business services (legal, veterinary and services identical to manufacturing); communication; distribution; educational; financial; and transport services. Recently, Korea notified to the WTO its RTAs with Colombia (entered into force in 2016), five Central America countries (entered into force in 2021), and the United Kingdom (entered into force in 2021), all of which contain services liberalisation commitments. The Republic of Korea has also made commitments in services in its RTAs with China, Chile, EFTA, Peru, Singapore, the United States, and Vietnam.

7. Sri Lanka

The commitments by Sri Lanka on GATS include the three sectors of communication, financial, and tourism and travel-related services. Sri Lanka has undertaken some GATS commitments in the tourism sector, in particular for hotel and lodging services, and for travel agencies and tour operators. For hotel and lodging services, limitations on market access exist for mode 4, as regards labour, immigration, and customs laws. Modes 1 and 2 remain unbound and there are no other limitations listed for the subsector. The travel agency and tour operator subsector has similar limitations for mode 4 pursuant to labour, immigration, and customs laws, while only mode 2 remains unbound; other modes have no limitations. Sri Lanka has not made any concessions on services with RTA partners.

3.3.6 Way forwards for the Services Liberalisation

The Working Group on Trade in Services (WGS) of APTA is currently negotiating the draft text of "the first amendment of the framework agreement on the promotion and liberalisation of trade in services among APTA participating states". India prepared this draft; hence their position is reflected in the draft text. So far, initial comments on the draft text have been submitted by Bangladesh, the Republic of Korea, Lao PDR and Sri Lanka. To take the services liberalisation attempt forward, first, the ongoing negotiation on the services framework agreement needs to be concluded and agreed upon by all the APTA members. Second, country

[23] The WTO GATS is a very flexible agreement that allows each Member to adjust the conditions of market entry and participation to its sector-specific objectives and constraints (GATS Article XVI).
[24] WTO document TN/S/O/KOR/Rev.1, 14 June 2005.

position papers describing their level of ambition to liberalise the services sector may be submitted by each participating state and circulated among the members. Third, approaches to identify areas of cooperation and action plans may be agreed upon by the participating states. One possible approach could be preparation of individual broad action plan by each PS, indicating the scope of cooperation in terms of sectors and specific areas of cooperation to the extent possible and share and discuss with each other. Another approach could be taking examples of any other existing services liberalisation agreements and work on accordingly.

4. Benefits of Joining APTA for Potential New Members

Preferential trade integrations have always been a driving feature of the world trading system; however, experienced unprecedented growth over the last quarter century not only in terms of the number of RTAs but also the 'widened' and 'deepened' nature of such trade integration (WTO, 2011 and Claudia et al., 2017). Signed in 1975, APTA is the oldest preferential trade agreement among developing countries in the Asia-Pacific region and aspires to evolve as a Pan-Asian economic integration platform. The current members of APTA are Bangladesh, China, India, the Lao People's Democratic Republic, Mongolia, the Republic of Korea and Sri Lanka; however, all developing member countries of ESCAP are eligible to accede to the Agreement. To realise the true potential of being a Pan-Asia-Pacific agreement, APTA intends to expand its membership. This was mandated by the Second APTA Ministerial Council Declaration in 2007 and reaffirmed by its subsequent Ministerial Council Declarations.

This part focuses on analysing the potential benefits of joining APTA for new members. It includes chapters for Central Asian Republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan), Pacific Islands Countries (Fiji, Papua New Guinea, Samoa, and Vanuatu), South Asia (Maldives, Nepal and Pakistan) and Southeast Asia (Cambodia, Myanmar, Thailand and Vietnam). Each chapter provides: i) an overview of the potential new members' economic and trade features, including their trade policy and trade agreements; ii) an overview of trade between APTA PSs and the country group or countries of interest; and iii) an illustration of potential benefits for the prospective new members as well as for the APTA Participating States following the accession of new members into the APTA. The overall objective of this exercise is to explore the potential of whether APTA can eventually evolve into a Pan-Asian economic grouping by expanding the membership of APTA to cover other regions of Asia to make the group the most representative of the Asia-Pacific region.

4.1 The Central Asian Republics

The Central Asian Republics (CARs)—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—all shared common historical backgrounds and cultural heritage with similar domestic economic and political challenges. These favourable conditions lead to high expectations to form natural integration among those countries. However, existing Asian initiatives have not been able to include them in any meaningful regional economic integration processes, with a few exceptions. Previous studies find that these CARs might be enormously benefitted from regional economic integration (ADB, 2006; Das, 2012; ESCAP, 2016). This section assesses the potential benefits for the

CARs as well as for the APTA Participating States, following the possible accession of the CARs into APTA.

4.1.1 Overall Economic and Trade Features

The CARs belong to a diverse region with a mix of upper-middle- and low-income countries with significant strategic importance due to their unique geographic location at the core of Eurasia and rich natural resource endowments. Along with a common geographical location and legacy, these countries also share a common vision for future economic cooperation and development. Despite those commonalities, these five countries created diverse market-based economies and registered varied economic and trade performances since their independence following the dissolution of the Soviet Union in 1991. The following subsections provide a glimpse of the macroeconomic and trade performances of the CARs in recent years.

A. Macroeconomic Performance

The CARs are quite diverse in terms of their stages of development despite being quite rich in natural and human resources and strategic geographical importance. This is most evident in terms of their levels of GDP per capita; for example, the real GDP per capita (constant US$ 2015) of Kazakhstan was US$ 11,264.9 in 2021, while the real GDP per capita of the Kyrgyzstan and Tajikistan were only US$ 1,123.0 and US$ 1,279.67, respectively. Turkmenistan (US$ 7,692.6 in 2019) and Uzbekistan (US$3,327.78) have GDPs in the medium range. In recent years, all the CARs have achieved positive GDP growth, led by Tajikistan, with 9.20 percent real GDP growth in 2021. In terms of the structure of the economies, the services sector is the most dominant sector of the CARs. Agriculture sector plays quite an important role in Uzbekistan and Turkmenistan, contributing almost a quarter of the total GDP. The value addition from the manufacturing sector remains relatively low for all the CARs (Table 4.1.1).

Table 4.1.1 Selected Economic Indicators of the CARs 2021

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan (2019)	Uzbekistan
GDP (current US$) (billion)	190.81	8.54	8.75	45.23	69.24
GDP per capita (current US$)	10,041.5	1,276.2	897.09	7612.	1,983.06
GDP (constant 2015 US$) (billion)	214.06	7.52	12.48	45.71	116.19
GDP per capita (constant 2015 US$)	11,264.9	1,123.0	1,279.67	7,692.6	3,327.78
Real GDP growth (% change)	4.00	3.61	9.20	6.30	7.42
Current account balance (% of GDP (2020)	-3.81	-0.43	4.15	-6.73	-5.19
Exchange rate (/US$) (2020)	412.95	77.346	10.318	3.500	10,053.938
GDP by major economic activity (% of current GDP)					

Agriculture, forestry, and fishing, value added (% of GDP)	5.11	14.68	23.96 (2020)	10.79	24.98
Industry (including mining, manufacturing, construction), value added (% of GDP)	35.04	26.69	33.80 (2020)	42.02	32.05
Services, value added (% of GDP)	53.51	48.44	35.25 (2020)	47.19	35.73
Financial flows					
FDI inflows (Million US$)	3,877.37	-330.50	106.53	1,169.44	1,725.69
FDI Outflows (Million US$)	-2,028.00	2.00	70.33	--	1.74
Personal remittances (% of GDP)	0.23	29.79	27.01	0.00	12.08

Source: The World Bank data: Countries and Economics. Available at: https://data.worldbank.org/country/ , accessed on: 1 October 2022; and UNCTADStat Country Profile. Available at: https://unctadstat.unctad.org/countryprofile/GeneralProfile/, accessed on: 1 October 2022

B. Structure and Direction of Trade

This chapter focused on analysing the potential of APTA's integration with Central Asia, so analysing the structure and direction of exports and imports in each of the CARs is relevant. These are captured in the following subsections and in Tables 4.12 to 4.1.6, which show these countries' total trade values and their shares in countries' GDP, merchandise and commercial services exports and imports, their share in world trade, exports and imports by major commodity groups and services sectors, export and import partners for their goods and commercial services trade.

B.1 Merchandise Trade

The shares of trade in GDP for 3 of the CARs were around 30% (Kazakhstan 31%, Tajikistan 28.5%, and Uzbekistan 35.6%), while the trade-GDP ratio of Kyrgyzstan was relatively high (49.4%) in 2020. Among the CARs, Kazakhstan and Turkmenistan had positive trade balances in 2020.

Table 4.1.2 Merchandise Trade of the CARs, 2020

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Total Trade (million US$)	96,475	6,688	5,098	9,512	38,205
Trade (% of GDP, 2018-2020)	31.0	49.4	28.5		35.6
Trade per capita (US$, 2018-2020)	2,913	624	242	--	591
Total Merchandise Trade	83,669	5,694	4,558	9,512	33,029
Merchandise exports, fob. (million US$)	46,447	2,006	1,407	6,385	13,097
Share in world total exports (%)	*0.26*	*0.01*	*0.01*	*0.04*	*0.07*
Merchandise imports, cif. (million US$)	37,222	3,688	3,151	3,127	19,932
Share in world total imports (%)	*0.21*	*0.02*	*0.02*	*0.02*	*0.11*

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 1 October 2022.

The structure of merchandise trade, presented in Table 4.1.3, shows the divergence of the CARs export and import items. Exports of fuel and mining products are relatively high for Kazakhstan and Tajikistan, while 'other products' are the leading sector in Kyrgyzstan and Uzbekistan's export baskets. The share of agricultural products is relatively low in all five countries' export mixes. In the case of imports, manufacturing goods take most of the import shares for all these countries showing their relatively weak production base.

Table 4.1.3 Major Commodity groups (share in %) in the CARs Total Trade, 2019

Country	Export Products	Import Products
Kazakhstan	Agricultural products (6.0); Fuels and mining products (80.8); Manufactures (13.2); Other (0)	Agricultural products (10.6); Fuels and mining products (6.8); Manufactures (82.4); Other (0.2)
Kyrgyzstan	Agricultural products (15.3); Fuels and mining products (20.2); Manufactures (22.5); Other (42.1)	Agricultural products (14.4); Fuels and mining products (15.2); Manufactures (70.4); Other (0.1)
Tajikistan	Agricultural products (17.2); Fuels and mining products (46); Manufactures (11.8); Other (25)	Agricultural products (16.4); Fuels and mining products (15.7); Manufactures (64.7); Other (3.1)
Turkmenistan	na	na
Uzbekistan	Agricultural products (14.2); Fuels and mining products (26.8); Manufactures (20.4); Other (38.7)	Agricultural products (11.3); Fuels and mining products (7.5); Manufactures (80.9); Other (0.3)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

The directions of trade of the CARs are presented in Table 4.1.4, which shows the top export destinations and import sources. Russian Federation remains the most important trade partner for most of the CARs showing their historical ties. With regards to both exports and imports, European Union and China are the other two most important trade partners of the CARs. It is also evident that increased intraregional trade has been taking place among the CARs in recent times.

Table 4.1.4 Major Merchandise Trade Partners of the CARs (share in %) , 2020

Country	Export Products	Import Products
Kazakhstan	European Union (42), China (13.6), Russian Federation (9.7), Korea, Republic of (5.3), Switzerland (4.6), Other (24.8)	Russian Federation (36.7), China (17.1), European Union (16), Korea, Republic of (8.9), United States of America (3.5), Other (17.7)
Kyrgyzstan	United Kingdom (53.1), Kazakhstan (12.3), Russian Federation (11.7), Uzbekistan (8.2), Turkey (3.7), Other (11)	Russian Federation (32.2), China (21.7), Kazakhstan (12.8), European Union (7.6), Turkey (5.7), Other (19.9)
Tajikistan	Russian Federation (37.4), European Union (34.5), Uzbekistan (14.1), Switzerland (10.4), United Kingdom (0.9), Other (2.7)	Uzbekistan (28.8), Russian Federation (16.2), Ukraine (13.1), Kazakhstan (12.8), European Union (12.4), Other (16.8)
Turkmenistan	Russian Federation (41.1), European Union (19.3), Iran (9.7), Turkey (7.4), Ukraine (6.6), Other (15.9)	Russian Federation (14.3), Turkey (14.2), European Union (13.3), Ukraine (12), United Arab Emirates (8.2), Other (38)

Uzbekistan	Russian Federation (13.1), China (9.1), Turkey (7.1), Kyrgyzstan (5.7), Kazakhstan (5.3), Other (59.7)	China (22.2), Russian Federation (20.4) European Union (16.6), Kazakhstan (10.5), Korea, Republic of (9.7), Other (20.6)

Source: World Trade Organization (WTO) Country Trade Profiles.

Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 1 October 2022

B.2 Trade in Commercial Services

The services sector has gained greater significance over the years in the Central Asian Republics and constitutes approximately half of the value added to the GDP in the region. However, trade in commercial services of the CARs, presented in Table 4.1.5, shows that services trade was relatively low for the CARs, and all had negative trade balances in services trade in 2020. The structure of the services trade of the CARs suggests that transport was the most important sector for both exports and imports for all five countries, except for Kazakhstan's import (commercial services were the leading imported items) (Table 4.16)

Table 4.1.5 Trade in Commercial Services of the CARs (share in %) 2020

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Total Trade in Services	12,806	994	540	--	5176
Commercial services exports, (million US$)	4,837	439	136		1,693
Share in world total exports (%)	*0.10*	*0.01*	*0.00*		*0.03*
Commercial services imports (million US$)	7,969	555	404		3,483
Share in world total imports (%)	*0.17*	*0.01*	*0.01*		*0.08*

Source: World Trade Organization (WTO) Country Trade Profiles.

Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 5 October 2022

Table 4.1.6 Breakdown in Economy's Total Trade, by Main Services Sector (share in %), 2020

Country	Export sector	Import sector
Kazakhstan	Transport (69.4), Travel (9.5), Other commercial services (18.6), Goods-related services (2.5)	Transport (26.8), Travel (10.4), Other commercial services (56.1), Goods-related services (6.7)
Kyrgyzstan	Transport (35.4), Travel (35.1), Other commercial services (29.5), Goods-related services (0)	Transport (59.7), Travel (18.7), Other commercial services (21.6), Goods-related services (0)
Tajikistan	Transport (77.3), Travel (4.7), Other commercial services (7.3), Goods-related services (10.6)	Transport (85), Travel (0.9), Other commercial services (13.1), Goods-related services (1)
Turkmenistan	na	na
Uzbekistan	Transport (59.1), Travel (20.4), Other commercial services (19), Goods-related services (1.5)	Transport (52.4), Travel (25.5), Other commercial services (20.9), Goods-related services (1.2)

Source: World Trade Organization (WTO) Country Trade Profiles.

Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 5 October 2022

C. Trade Policies and Trade Agreements

To assess any external economic and trade engagements of the CARs, it is essential to understand these countries' existing trade policy contours. The status of their multilateral trade engagements under WTO, including binding coverage of their tariff lines, bound and MFN tariff rates, would give a quick indication of their trade policies. Their tariff profiles, specifically applied tariff rates, show their openness to external trade engagement. First, as table 4.1.7 shows, only Kyrgyzstan, Tajikistan and Kazakhstan have been members of WTO since 1998, 2013 and 2015, respectively, while Uzbekistan and Turkmenistan both have observer status now. Second, the simple average applied tariffs, and trade-weighted applied tariffs are also quite low; agricultural goods attract higher average applied tariffs than non-agricultural goods in the case of 4 out of the 5 CARs (the data for Turkmenistan is not available).

Table 4.1.7 Tariff Profiles of the CARs, 2019

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
WTO member since	2015	1998	2013	Observer since 2020	Observer
Binding coverage	100	99.9	100		
Tariff rate, simple average, final bound, All products (%)	6.5	7.5	8.0		
Tariff rate, simple average, final bound, Ag products (%)	10.0	12.8	11.1		
Tariff rate, simple average, final bound, Non-Ag products (%)	5.9	6.7	7.5		
Tariff rate, simple average, MFN applied, All products (%)	6.1	6.6	7.87		7.6
Tariff rate, simple average, MFN applied , Ag products (%)	9.4	8.9	8.35		11.4
Tariff rate, simple average, MFN applied , Non-Ag products (%)	5.6	6.2	7.69		7.0
Tariff rate, Trade weighted average, All products (%)	4.8	5.9	3.93		4.7
Tariff rate, Trade weighted average, Ag products (%)	10.5	10.2	0.96		6.9
Tariff rate, Trade weighted average, Non-Ag products (%)	4.1	5.2	5.64		4.4

Source: World Trade Organization (WTO) World Tariff Profiles.

Available at: https://www.wto.org/english/res_e/reser_e/tariff_profiles_e.htm, accessed on: 8 September 2022

Notes: Simple average, final bound: Simple average of final bound duties excluding unbound tariff lines.

Simple average, MFN applied: Simple average of MFN applied duties.

Trade weighted average: HS six-digit MFN tariff averages weighted with HS six-digit import flows for traded national tariff lines. Binding coverage: Share of HS six-digit subheadings containing at least one bound tariff line. The percentage share is also presented separately for non-agricultural (Non-AG) tariff lines. Full binding coverage is indicated by 100 without further decimals. If some tariff lines are unbound but the result still rounds to 100 this is reflected by maintaining one decimal, i.e. 100.0.

Table 4.1.8 lists all regional trade agreements (both in force or under negotiation) in which the CARs are a member or participating states. The CARs have launched various initiatives for regional economic integration. The growing list of participating RTAs suggests their increased focus on regional trade and economic integration. Kazakhstan and Kyrgyzstan are leading the way in the CARs regional integration initiatives, while Tajikistan, Turkmenistan, and Uzbekistan are taking relatively cautious steps. The CARs are participating in both bilateral and regional trade and economic cooperation initiatives within the Central Asian region as well as with extra-regional partners, whether as a country or a grouping. Among the intra-Central Asia bilateral initiatives, each country has a trade agreement with another CAR, e.g.: Kazakhstan-Tajikistan, Kazakhstan-Turkmenistan, Uzbekistan-Turkmenistan, Kyrgyzstan-Turkmenistan and Tajikistan-Turkmenistan. Some of the important extra-regional partners with whom CARs have bilateral trade agreements include Azerbaijan, Armenia, Belarus, Georgia, Moldova and the Russian Federation. However, the CARs do not have an RTA within the Central Asian region.

Table 4.1.8 RTAs of the CARs, 2022

Country	RTAs
Kazakhstan	▪ Armenia - Kazakhstan ▪ Common Economic Zone (CEZ) ▪ Eurasian Economic Union (EAEU) ▪ Eurasian Economic Union (EAEU) - Iran ▪ Eurasian Economic Union (EAEU) - Serbia ▪ Eurasian Economic Union (EAEU) - Viet Nam ▪ Georgia - Kazakhstan ▪ Kyrgyzstan - Kazakhstan ▪ Russian Federation - Belarus - Kazakhstan ▪ Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS) ▪ Ukraine – Kazakhstan ▪ EFTA - Russian Federation / Belarus / Kazakhstan (under negotiation)
Kyrgyzstan	▪ Eurasian Economic Union (EAEU) ▪ Eurasian Economic Union (EAEU) - Iran ▪ Eurasian Economic Union (EAEU) - Serbia ▪ Eurasian Economic Union (EAEU) - Viet Nam ▪ Kyrgyzstan - Armenia ▪ Kyrgyzstan - Kazakhstan ▪ Kyrgyzstan - Moldova, Republic of ▪ Kyrgyzstan - Ukraine ▪ Kyrgyzstan - Uzbekistan ▪ Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS)
Tajikistan	▪ Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS) ▪ Ukraine - Tajikistan
Turkmenistan	▪ Armenia - Turkmenistan ▪ Commonwealth of Independent States (CIS) ▪ Georgia - Turkmenistan ▪ Russian Federation - Turkmenistan ▪ Ukraine -Turkmenistan
Uzbekistan	▪ Commonwealth of Independent States (CIS) ▪ Kyrgyzstan - Uzbekistan ▪ Russian Federation - Uzbekistan ▪ Ukraine - Uzbekistan

Source: World Trade Organization (WTO) RTA database.
Available at: https://rtais.wto.org/UI/PublicSearchByCr.aspx, accessed on: 10 October 2022

Most of the trade agreements of the CARs are focused on tariff liberalisation based on the negative list approach. An absence of clarity on rules of origin (RoO) in these agreements hinders the utilisation of tariff preference by the importers. In addition, these agreements only focus on trade in goods and do not include trade in services and investment; therefore, they are not comprehensive in their coverage. It is recommended that The CARs may consider taking trade in goods, trade in services and investment together, in light of their interlinkages, when adopting any regional integration approach, to maximise the benefits out of such initiative.

4.1.2 Overview of Trade between APTA PS and the Central Asian Republics

This section focuses on analysing existing trade relations between the CARs and APTA participating states. Table 4.1.9 and Table 4.1.11 present total exports and imports of the 5 CARs to and from the APTA Participating States in 2015 and 2019, along with the share of APTA countries in their total county-year exports and imports. Table 4.1.10 and Table 4.1.12 list top 5 export and import items of the CARs to and from the APTA Participating States in 2019, their country-product-year total export and import values and shares in respective countrys' exports and imports to and from the APTA countries.

Kazakhstan's exports to the Participating States of APTA almost doubled from $6.47 billion in 2015 to $12.48 billion in 2019. In 2019, Kazakhstan had a huge trade surplus with the APTA PS. Kazakhstan's top export goods to the APTA countries in 2019 were mainly mineral fuels, mineral oils and products of their distillation (67.07%). The other important export items include copper articles, ores, slag and ash, iron and steel, inorganic chemicals, precious metals, rare-earth metals, and radioactive elements.

Kyrgyzstan's two-way trade with the Participating States of APTA increased from $1.15 billion in 2015 to $1.90 billion in 2019. However, Kyrgyzstan's trade with the APTA PS is dominated by imports, with $1.8 billion in 2019. In the same year, total export to APTA PS was only $60 million worth of goods representing less than 5% of its total exports. It is evident from Table 4.1.10 that top export items of Kyrgyzstan to APTA participating countries fall in chapter 71 (Natural or cultured pearls, precious metals, stones; imitation jewellery; coin) followed by ores, slag and ash, mineral fuels, mineral oils and products of their distillation, edible vegetables and certain roots, articles of apparel and clothing accessories.

Tajikistan's export relations with APTA countries are also very minimal, representing only 5.35% of the country's total exports in 2019; however, shown a growing trend over the years. Tajikistan's top exports to APTA participating States in 2019 were ores, slag and ash, cotton, aluminium and articles

thereof, salt, sulphur, earths and stone, plastering materials, lime and cement, mineral fuels, mineral oils and products of their distillation.

Turkmenistan exported a major share of its total exports to the APTA countries in 2016, and its major export to APTA were mineral fuels, mineral oils and products of their distillation (85.23%), followed by cotton, ships, boats and floating structure, plastics and articles thereof, salt, sulphur, earths and stone, plastering materials, lime and cement.

Uzbekistan's exports to APTA countries increased from $1.43 billion in 2015 to $1.84 billion in 2019 in terms of value; however, the share in the country's total exports sliced from 14.19% to 12.85%. Its main exports to APTA PS in 2019 were natural or cultured pearls, precious metals, stones, imitation jewellery, mineral fuels, mineral oils and products of their distillation, cotton, copper and articles thereof.

Table 4.1.9 Exports of the CARs to the APTA Participating States, 2015 and 2019

Country	Export to APTA PS (mil US$)		Share in Total Exports to the World (%)	
	2015	2019	2015	2019
Kazakhstan	6,471.03	12,480.95	14.08	21.62
Kyrgyzstan	37.91	84.76	2.30	4.31
Tajikistan	29.70	59.73	3.31	5.35
Turkmenistan (2016)	5,480.97	--	72.50	--
Uzbekistan (2017 & 2019)	1,430.60	1,843.48	14.19	12.85

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 1 October 2022; and ITC TradeMap Available at: https://www.trademap.org/, accessed on: 10 October 2022

Note: For some countries, mirror data has been used in the absence of reported data by the country; and may consist of partial or incomplete information.

Table 4.1.10 Top 5 Export items of the CARs to the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Share in Country's Total Exports to APTA(%)
Kazakhstan	27	Mineral fuels, mineral oils and products of their distillation	67.07
	72	Iron and steel	6.02
	26	Ores, slag and ash	4.72
	74	Copper and articles thereof	4.54
	28	Inorganic chemicals; precious metals, of rare-earth metals	3.84
Kyrgyzstan	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	42.98
	26	Ores, slag and ash	8.19
	27	Mineral fuels, mineral oils and products of their distillation	6.04
	07	Edible vegetables and certain roots	4.52

	61	Articles of apparel and clothing accessories, knitted or crocheted	3.77
Tajikistan	26	Ores, slag and ash	33.28
	52	Cotton	20.43
	76	Aluminium and articles thereof	20.21
	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	7.67
	27	Mineral fuels, mineral oils and products of their distillation	3.99
Turkmenistan (2016)	27	Mineral fuels, mineral oils and products of their distillation	85.23
	52	Cotton	6.86
	89	Ships, boats and floating structure	2.85
	39	Plastics and articles thereof	1.02
	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.54
Uzbekistan	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	35.10
	27	Mineral fuels, mineral oils and products of their distillation	16.56
	99	Commodities not specified according to kind	9.50
	52	Cotton	8.72
	74	Copper and articles thereof	4.77

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 1 October 2022.

Kazakhstan's imports from the Participating States of APTA increased from $5.99 billion in 2015 to $10.28 billion in 2019, with more than 70% growth during that period. Table 4.1.11 and Table 4.1.12 present the total import trade of the CARs with the APTA Participating States and list the top 5 import items in 2019. Kazakhstan's top 5 import goods from the APTA countries in 2019 were nuclear reactors, boilers, machinery electrical machinery and equipment, articles of iron or steel, vehicles other than railway or tram, mineral fuels, mineral oils and products of their distillation.

Kyrgyzstan's trade with the Participating States of APTA is mainly dominated by imports, which increased from $1.11 billion in 2015 to $1.81 billion in 2019, representing 37% of country's total imports. Top import items of Kyrgyzstan from the APTA countries include mineral fuels, mineral oils and products of their distillation, nuclear reactors, boilers, machinery; electrical machinery and equipment, footwear, and articles of iron or steel. Tajikistan source more than one-fifth of its imported goods from the APTA participating states; however, it showed declining trends both in terms of value and share between 2015 and 2019. The top imports were mineral fuels, mineral oils and products of their distillation, vehicles other than railway or tram, nuclear reactors, boilers, machinery, cereals, iron and steel etc. Turkmenistan's import relations with APTA countries are promising, with more than 13% share in 2016; however, due to the unavailability of complete data, the recent trend may not be visible in this analysis. Turkmenistan's top imports from APTA were nuclear reactors, boilers, machinery, articles of iron or steel, electrical machinery and equipment, vehicles other than railway or tram, plastics and articles thereof etc. Uzbekistan has a significant import relation with APTA

countries sourcing over one-third of its imported goods. Its import from this country group almost doubled between 2015 and 2019 in terms of value, with a slight growth in share. Uzbekistan's main imports from the APTA PS in 2019 were nuclear reactors, boilers, machinery, vehicles other than railway or tram, articles of iron or steel, electrical machinery and equipment, mineral fuels, mineral oils and products of their distillation.

Table 4.1.11 Imports of the CARs from the APTA Participating States, 2015 and 2019

Country	Import from APTA PS (mil US$)		Share in Total Imports from the World (%)	
	2015	2019	2015	2019
Kazakhstan	5,985.84	10,275.65	19.58	26.79
Kyrgyzstan	1,109.32	1,813.74	28.17	36.99
Tajikistan	815.48	665.89	23.85	20.01
Turkmenistan (2016)	758.16	--	13.67	--
Uzbekistan (2017 & 2019)	4,151.62	7,914.85	34.50	36.22

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, and ITC TradeMap Available at: https://www.trademap.org/, accessed on: 10 October 2022

Note: For some countries, mirror data has been used in the absence of reported data by the country; and hence may consist partial or incomplete information.

Table 4.1.12 Top 5 Import items of the CARs from the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Share in Country's Total Imports from APTA(%)
Kazakhstan	84	Nuclear reactors, boilers, machinery	21.30
	85	Electrical machinery and equipment	11.23
	73	Articles of iron or steel	6.71
	87	Vehicles other than railway or tram	6.08
	27	Mineral fuels, mineral oils and products of their distillation	4.07
Kyrgyzstan	27	Mineral fuels, mineral oils and products of their distillation	14.05
	84	Nuclear reactors, boilers, machinery	9.99
	85	Electrical machinery and equipment	7.38
	64	Footwear, gaiters and the like; par	5.12
	72	Iron and steel	3.831
Tajikistan	27	Mineral fuels, mineral oils and products of their distillation	17.83
	87	Vehicles other than railway or tram	9.04
	84	Nuclear reactors, boilers, machinery	7.60
	10	Cereals	7.13
	72	Iron and steel	6.77
Turkmenistan	84	Nuclear reactors, boilers, machinery	17.83
	73	Articles of iron or steel	9.04
	85	Electrical machinery and equipment	7.60
	87	Vehicles other than railway or tram	7.14
	39	Plastics and articles thereof	6.77

Uzbekistan	84	Nuclear reactors, boilers, machinery	25.67
	87	Vehicles other than railway or tram	9.77
	72	Iron and steel	6.54
	85	Electrical machinery and equipment	6.11
	27	Mineral fuels, mineral oils and products of their distillation	4.30

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 1 October 2022

4.1.3 Illustration of Potential Benefits for the Central Asian Republics

The previous section illustrates two-way trade between the CARs and APTA members indicating the importance of trade relations between these country groups. This section focuses on potential benefits for the CARs that might be generated from their possible accession to the APTA. It attempts to identify items with high trade potential across different pairs of the CARs and APTA countries at the aggregate and product levels. The CAR's potential benefits from their probable accession to APTA are analysed based on the following:

I. Revealed Comparative Advantages (RCA) analysis: The RCA analysis to identify sectors that would benefit the CARs in their goods exports through their market access to the Participating States of APTA;
II. Regional Intensity of Trade (RIT) analysis: The RIT indices analysis to measure, based on existing trade flows, to what extent the CARs and APTA PS trade with each other more intensely than with other countries;
III. Trade Complementary Index (TCI) analysis: The TCI indices analysis to measure the overall complementarity level of trade between the CARs and the APTA Participating States; and
IV. Intra-industry Trade (IIT): The IIT indices identify the potential of production supply chains (regional) that can be formed between the CARS and the APTA PS to support deeper trade integration among these countries.

For this analysis, data is collected from UN COMTRADE database using World Bank's WITS platform for 2015-2019. The potential product lines for supply chains were identified at 2- and 4-digit levels of HS classification. For country-year, where data is not reported/available, mirror trade data reported by the partner countries are used, which may provide partial or incomplete information and should be interpreted with caution.

I. Analysis of Revealed Comparative Advantages

In this subsection, RCA analysis is conducted using the methodologies detailed in Box 4.1 to identify the comparative advantage for products exported by each of the CARs to the APTA participating countries. Table 4.1.13 provides top 5 export items of these countries to the APTA PS with the highest RCA and normalised RCA (NRCA) indices for 2015 and 2019.

The RCA index greater than unity (1.0) indicates the CARs export competitiveness in that product group in the world market and the future potential of increased exports to the APTA countries through their market access to the Participating States of APTA if they decide to accede. Some products exported by the CARs have extremely high RCA values. Furthermore, export products with high competitiveness greatly coincide with those with high contributions to total exports of the CARs to APTA PS. For example, Kyrgyzstan's top export to APTA PS comes from chapter 71 (Natural or cultured pearls, precious metals, stones, imitation jewellery) 43% in 2019, see Table 4.1.10), showed consistently high RCA values in 2015 and 2019 (Table 4.1.13).

Box: 4.1 Revealed Comparative Advantage (RCA) Index

The revealed comparative advantage (RCA) is an index used in international economics for calculating the relative advantage or disadvantage of a certain country in a certain class of goods or services as evidenced by its trade flows. Based on the Ricardian comparative advantage concept, Balassa (1965) introduced this index, which is a ratio of product *k*'s share in country *i* 's exports to its share in world trade. Formally,

$$RCA_i^k = \frac{X_k^i / X^i}{X_k / X},$$

Where, X_k^i is country *i* 's exports of good *k*,

$X^i = \sum_k X_k^i$ is country *i* 's total exports,

$X_k = \sum_i X_k^i$ is World's total exports of good *k*,

$X = \sum_i \sum_k X_k^i$ is World's total exports of all goods.

A value of the RCA above one in good (or sector) *k* for country *i* means that *i* has a revealed comparative advantage in that sector. RCA indices are very simple to calculate from trade data and can be calculated at any degree of disaggregation.

A disadvantage of the RCA index is that it is asymmetric, i.e. unbounded for those sectors with a revealed comparative advantage, but it has a zero lower bound for those sectors with a comparative disadvantage. One alternative is to refer to imports rather than exports applying the same formula as above, but where X is replaced by M. Another solution is to rely on a simple normalisation proposed by Laursen (2000). The normalised RCA index, NRCA, becomes:

$$NRCA_k^i = \frac{RCA_i^k - 1}{RCA_i^k + 1}$$

The interpretation of the NRCA index is similar to the standard RCA measure except that the critical value is 0 instead of 1 and the lower (–1) and upper (+1) bounds are now symmetric.

Source: Adopted from World Trade Organization (WTO) (2012). A practical guide to trade policy analysis.

Table 4.1.13 Top 5 Export sectors of the CARs with highest RCA and NRCA indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RCA 2015	NRCA 2015	RCA 2019	NRCA 2019
Kazakhstan	79	Zinc and articles thereof	14.55	0.87	9.57	0.81
	28	Inorganic chemicals; precious metals, of rare-earth metals, of radioactive elements	9.80	0.81	6.00	0.71
	11	Products of the milling industry; malt; starches	9.31	0.81	5.98	0.71

	27	Mineral fuels, mineral oils and products of their distillation	6.07	0.72	5.72	0.70
	74	Copper and articles thereof	5.30	0.68	5.68	0.70
Kyrgyzstan	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	13.58	0.86	13.22	0.86
	07	Edible vegetables and certain roots	9.07	0.80	11.37	0.84
	78	Lead and articles thereof	1.22	0.10	10.88	0.83
	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	1.77	0.28	6.95	0.75
	26	Ores, slag and ash	1.39	0.16	6.46	0.73
			2016	**2016**	**2019**	**2019**
Tajikistan	52	Cotton	45.28	0.96	65.98	0.97
	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	7.11	0.75	31.54	0.94
	26	Ores, slag and ash	25.83	0.93	26.26	0.93
	81	Other base metals; cermets; article thereof	14.31	0.87	26.19	0.93
	76	Aluminium and articles thereof	22.49	0.91	20.78	0.91
Turkmenistan	52	Cotton	20.34	0.91	65.98	0.97
	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	2.13	0.36	31.54	0.94
	26	Ores, slag and ash	0.00	-1.00	26.26	0.93
	81	Other base metals; cermets; article thereof	0.00	-1.00	26.19	0.93
	76	Aluminium and articles thereof	0.00	-1.00	20.78	0.91
Uzbekistan			**2017**	**2017**	**2019**	**2019**
	50	Silk	21.32	0.91	43.70	0.96
	52	Cotton	35.89	0.95	28.15	0.93
	79	Zinc and articles thereof	3.42	0.55	11.96	0.85
	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	10.23	0.82	10.80	0.83
	07	Edible vegetables and certain roots	5.27	0.68	8.07	0.78

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 1 October 2022.

II. Analysis of Regional Intensity of Trade

In this subsection, Regional Intensity of Trade (RIT) indices are presented to show the intensity of trade between the 5 CARs and APTA PS to show potential welfare effects from possible accession of these countries in APTA. The methodology outlined in Box 4.2 is used in calculating he RIT indices and are presented in Table 4.1.14.

Box: 4.2 Regional Intensity of Trade (RIT) Index

Regional intensity of trade (RIT) indices measure, on the basis of existing trade flows, to what extent countries trade with each other more intensely than with other countries, thus providing information on the potential welfare effects of a regional integration agreement. Yeats (1997) introduced RIT index which, on the export side, measures the share of region *j* in *i*'s export of good k relative to its share in i 's overall exports, and is given by:

$$RIT_k^{ij} = \frac{X_k^{ij} / X_k^i}{X^{ij}/X^i},$$

Where, X_k^{ij} is country *i*'s exports of good *k* to country j,

$X^{ij} = \sum_k X_k^{ij}$ is country *i*'s total exports to country j,

$X_k^i = \sum_j X_k^i$ is country *i*'s total exports of good *k*,

$X^i = \sum_j \sum_k X_k^{ij}$ is country i's export to the World aggregated over all goods.

These indices are purely descriptive and provide information on the degree of intensity of trade flows between specific country groups and help to understand the direction and trend of regional trade flows.

Source: Adopted from World Trade Organization (WTO) (2012). A practical guide to trade policy analysis.

The following table lists five Export items of the CARs to the APTA Participating States with the highest RIT indices in 2015 and 2019. The regional intensity of trade between the CARs and APTA PS increased in most of the product groups from 2015 to 2019, indicating further trade potential between these country groups.

Table 4.1.14 Five Export items of the CARs to the APTA PS with highest RIT indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RIT 2015	RIT 2019
Kazakhstan	50	Silk	3.325	6.102
	59	Impregnated, coated, covered or aminated textile fabrics	3.473	5.897
	14	Vegetable plaiting materials; vegetable products	6.250	4.318
	79	Zinc and articles thereof	4.567	4.190
	29	Organic chemicals	-	4.112
Kyrgyzstan	51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	34.476	20.193
	24	Tobacco and manufactured tobacco substitutes	1.615	19.520
	41	Raw hides and skins (other than furskins) and leather	32.561	15.376
	78	Lead and articles thereof	-	15.330
	56	Wadding, felt and nonwovens; special yarns	15.306	12.578
			2016	2019
Tajikistan	24	Tobacco and manufactured tobacco substitutes	0.523	8.809
	41	Raw hides and skins (other than furskins) and leather	10.137	8.744
	05	Products of animal origin, not elsewhere specified or included	7.009	7.841
	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	0.001	3.374
	90	Optical, photographic, cinematographic	7.285	2.264
Turkmenistan	55	Man-made staple fibres	-	14.888
	24	Tobacco and manufactured tobacco substitutes		8.809
	41	Raw hides and skins (other than furskins) and leather	0.014	8.744
	05	Products of animal origin, not elsewhere specified or included		7.841
	71	Natural or cultured pearls, precious metals, stones; jewellery; coin	-	3.374
Uzbekistan			2017	2019
	92	Musical instruments; parts and accessories	-	7.332
	41	Raw hides and skins(other than furskins) and leather	6.442	7.265
	13	Lac; gums, resins and other vegetable saps and extracts	6.882	6.120
	35	Albuminoidal substances; modified starches; glues; enzymes	-	4.594
	50	Silk	2.870	4.246

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 1 October 2022.

III. Analysis of Trade Complementary Index

Trade Complementarity indices (TCI) are constructed between each of the 5 CARs and the APTA members for the years 2015 and 2019 following the methodology outlined in Box 4.3 and presented in Tables 4.1.15. TCI provides information on how well a country's export or import patterns match with another partner country's import or export patterns, thus indicating the future prospect of trade between the two countries. The value of the index is zero when there is no trade between the countries and 100 when the export and partner countries' import demand match perfectly.

Box: 4.3 Trade Complementary Index (TCI)

Trade complementarity indices (TCIs) introduced by Michaely (1996) measure the extent to which two countries are "natural trading partners" in the sense that what one country exports overlap with what the other country imports.

A trade complementarity index between countries *i* and *j*, say on the import side (it can also be calculated on the export side), approximates the adequacy of *j*'s export supply to *i*'s import demand by calculating the extent to which *i*'s total imports match *j*'s total exports. With perfect correlation between sectoral shares, the index is one hundred; with a perfect negative correlation, it is zero. The import TCI between i and j is then calculated as:

$$TCI^{ij} = 100[1 - \sum_{k=1}^{m} |m_k^i - x_k^j|/2]$$

Where, m_k^i is sector *k*'s *share in country i*'s total imports from the World,

x_k^j is its share in country *j*'s total exports to the World, TCI ranges between 0 to 100.

Source: Adopted from World Trade Organization (WTO) (2012). A practical guide to trade policy analysis.

The TCI values of Kazakhstan with the Participating States of APTA, displayed in Table 4.1.15, are relatively higher compared with other CARs and also showed a growing trend over the 2015 to 2019 period with most of the APTA members. The TCI values indicate that India and the Republic of Korea are the most potential 'natural trading partners' of Kazakhstan among the APTA countries. For Kyrgyzstan, during the same periods, the highest TCI values with the Participating States of APTA were with China and India, followed by Mongolia, Bangladesh and the Republic of Korea.

The trade complementarity between Tajikistan and the Participating States of APTA decreased during 2016 and 2019 periods, although still showing some prominence, specifically with Bangladesh and China. During the 2016 and 2019 periods, the highest TCI values of Turkmenistan with APTA PS were with India, followed by the Republic of Korea and Sri Lanka indicating the possibility of further trade growth. The TCI values of Uzbekistan with the Participating States of APTA were relatively higher compared with other CARs; however, showing a slightly decreasing trend during the 2017 to 2019 periods with most of the APTA members. The TCI values indicate that India is the most potential 'natural trading partner' of Uzbekistan among the APTA countries.

Table 4.1.15 TCI between the CARs and the Participating States of APTA

APTA PS	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	2015	2019	2015	2019	2016	2019	2016	2019	2017	2019
Bangladesh	25.54	28.38	27.21	30.56	32.82	26.52	16.59	17.79	39.12	36.49
China	27.36	34.35	35.05	36.94	29.69	20.86	16.16	21.77	35.94	33.79
India	40.61	*45.23*	42.08	35.34	28.31	13.84	30.84	37.17	49.43	42.40
Republic of Korea	39.69	42.55	28.98	30.39	22.48	16.97	24.28	28.65	31.84	29.89
Lao PDR	34.19	30.54	26.79	26.97	20.37	14.28	19.41	21.49	29.47	30.43
Mongolia	27.37	32.34	32.33	31.25	26.25	19.18	20.95	24.13	38.86	35.48
Sri Lanka	33.15	*32.53*	27.75	26.20	18.08	11.50	24.99	25.99	29.87	27.50

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 1 October 2022.

IV. Analysis of Intra-Industry Trade

This subsection identifies the potential production supply chains (regional) that can be formed between the Central Asian Republic and the APTA Participating States to support deeper trade integration among those countries. For this analysis, Intra-industry Trade (IIT) indices were calculated using the methodology outlined in Box 4.4. The data were collected from the UN COMTRADE database using the World Bank's WITS platform for 2015-2019. The potential product lines for supply chains, presented in Table 4.1.16, are indicative since the potential products were identified at the 2-digit level of HS classification. The IIT analysis indicates that the potential of creating a regional supply chain through IIT is quite high in certain product groups between these country groups.

Box: 4.4 Intra-industry Trade (IIT)

For many countries, a large part of international trade takes place within the same industry, even at high levels of statistical disaggregation. The intra-industry trade index is a measure that can capture the extent of simultaneous exports and imports in similar products belonging to the same product group. The intra-industry trade index (also known as the Grubel-Lloyd (GL) index) can be calculated as:

$$\text{Sectoral } IIT_k^{ij} = 1 - \frac{|X_k^{ij} - M_k^{ij}|}{X_k^{ij} + M_k^{ij}},$$

$$\text{Aggregate } IIT_k^{ij} = \sum_i \left(1 - \frac{|X_k^{ij} - M_k^{ij}|}{X_k^{ij} + M_k^{ij}}\right) \left(\frac{X_k^{ij} + M_k^{ij}}{X^{ij} - M^{ij}}\right)$$

Where, X_k^{ij} and M_k^{ij} are exports of good k by country i to country j, and imports of good k by country i from country j, respectively; and the bar denote the absolute values.

By construction, the IIT index ranges between zero and one. If, in a sector, a country is either only an exporter or only an importer, the second term will be equal to unity and hence the index will be zero, indicating the

absence of intra-industry trade. Conversely, if a country in this sector both exports and imports, the index will be closer to the number one as similarity in the value of imports and exports increases.

Source: Adopted from World Trade Organization (WTO) (2012). A practical guide to trade policy analysis.

Table 4.1.16 presents the top 5 Trade items for each of the CARs with the highest IIT in terms of trade with the APTA countries as a group for 2015 and 2019. It also showed the aggregate IIT for each of the 5 CARs for their trade with the APTA countries. The objective is to find the extent to which both country groups are involved in trading products of the same industries, which is an important component of a regional supply chain.

Table 4.1.16 Top 5 Trade items with highest IIT and AIT of Trade between the CARs and APTA PS, 2015 and 2019

Country	HS Code (Chapter)	Product Description	IIT 2015	AIT 2015	IIT 2019	AIT 2019
Kazakhstan	29	Organic chemicals	0.965	0.054	0.965	0.048
	03	Fish and crustaceans, molluscs and	0.700		0.960	
	17	Sugars and sugar confectionery	0.515		0.922	
	59	Impregnated, coated, covered or aminated textile fabrics	0.113		0.880	
	52	Cotton	0.207		0.798	
			2016	**2016**	**2019**	**2019**
Kyrgyzstan	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.014	0.028	0.744	0.015
	12	Oil seeds and oleaginous fruits; grains, seeds and fruit; industrial or medicinal plants	0.719		0.733	
	18	Cocoa and cocoa preparations	0.143		0.725	
	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0.726		0.710	
	22	Beverages, spirits and vinegar	0.147		0.698	
Tajikistan	88	Aircraft, spacecraft, and parts	-	0.043	0.883	0.011
	13	Lac; gums, resins and other vegetable saps	0.897		0.856	
	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	0.044		0.665	
	08	Edible fruit and nuts	0.430		0.626	
	15	Animal or vegetable fats and oils	-		0.459	
Turkmenistan	12	Oil seeds and oleaginous fruits; grains, seeds and fruit; industrial or medicinal plants	0.496	0.002	0.496	
	28	Inorganic chemicals; precious metals, of rare-earth metals, of radioactive elements	0.257		0.257	
	27	Mineral fuels, mineral oils and products of their distillation	0.000		0.000	
	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.028		0.028	
	14	Vegetable plaiting materials; vegetable products	0.014		0.014	
			2017	**2017**	**2019**	**2019**
Uzbekistan	18	Cocoa and cocoa preparations	0.188	0.070	0.989	0.033
	23	Residues and waste from the food industries	0.177		0.967	
	81	Other base metals; cermets; article thereof	0.488		0.872	
	57	Carpets and other textile floor coverings	0.152		0.787	
	19	Preparations of cereals, flour, starch or milk	0.719		0.692	

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

The IIT values for the trade between the CARs and APTA PS depict an increasing trend between 2015 to 2019 in most of the top product groups showing potential for developing regional production supply chains between these countries in certain products. The rise of IIT indices reflects two features. First, as economic integration advances, 'Vertical trade' in identifying product groups also increases. Second, as low-income countries catch up with high-income ones, they produce more of the same goods (technological sophistication increases). This resulted in higher 'horizontal trade' in similar but differentiated goods, consistent with the monopolistic-competition model. However, aggregate IIT (AIT) values decreased between 2015 to 2019 for most of the CARs.

4.1.4 Illustration of Potential Benefits for the APTA PS

This section considers potential benefits for the current APTA member countries following possible accession by the 5 CARs. The analysis focus on finding the top export products of the APTA PS to the CARs, measure the extent to which these country groups are 'natural trading partners' using trade complementarity analysis, as well as the possibility of developing regional supply chains by analysing intra-industry trade among these country groups.

I. Analysis of Current Export Trade

Section 4.1.2 provides an overview of trade between the APTA members and the 5 CARSs. However, this subsection presents the export composition and trend of the APTA Participating States to the CARs for the years 2015 and 2019 at the 4-digit level of HS classification. Table 4.1.17 listed the top 15 export items of the APTA Participating States to the CARs and their trends as an indicator of future potential.

Table 4.1.17 Top 15 Export Items of the APTA Participating States to the CARs, 2015 and 2019

HS Code (4-digit)	Product label	Export value (million US$)		Share in Total Product Exports to the World (%)	
		2015	2019	2015	2019
8419	Machinery, plant or laboratory equipment whether or not electrically heated (excluding furnaces, . . .	218.73	2,220.13	2.9%	24.2%
6402	Footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear of . . .	1,583.47	1,460.28	6.3%	6.9%
8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, . . .	945.99	1,345.48	1.7%	2.3%
6202	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, . . .	180.74	774.01	2.2%	9.5%
9503	"Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; . . .	23.74	752.04	0.1%	2.4%

6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	285.88	728.67	1.3%	3.6%
5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross . . .	334.33	606.07	2.3%	3.4%
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	379.71	600.99	0.2%	0.2%
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding . . .	200.04	585.59	0.9%	2.3%
6201	Men's or boys' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, . . .	208.22	515.09	3.5%	7.8%
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	201.09	511.76	0.6%	1.7%
8703	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	152.10	492.23	0.3%	0.9%
4202	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels, spectacle cases, . . .	278.49	489.33	0.9%	1.7%
7210	"Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled . . .	305.97	484.94	1.8%	2.5%
5208	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m²	143.25	475.33	1.5%	5.9%

Source: Author calculation based on data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 12 October 2022.

II. Analysis of Trade Complementary Index

This subsection provides an analysis of Trade Complementarity Indices (TCI) between the Participating States of APTA with each of the 5 CARs for the years 2015 and 2019. TCI provides information on how well a country's export or import patterns match with another partner country's import or export patterns, thus indicating the prospect of future trade between the two countries. The value of the index is zero when there is no trade between the countries and 100 when the export and partner countries' import demand matches perfectly. TCI indices for each of the seven APTA participating states are presented in Table 4.1.18 and are calculated using the methodology outlined in Box 4.3.

The TCI values for most APTA countries based on their trade with the CARs, displayed in Table 4.1.18, are quite promising and show growing trends over the 2015 to 2019 period. Specifically, analysis of the TCI indices indicates that China, the Republic of Korea and India are the most potential "natural trading partners" of the CARs among APTA countries, most probably because of their geographical proximity with the CARs, and their large and diversified economies.

Table 4.1.18 TCI between the Participating States of APTA and the CARs

APTA PS	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	2015	2019	2015	2019	2016	2019	2016	2019	2017	2019
Bangladesh	9.01	8.18	11.85	12.37	5.37	5.94	4.94	5.10	4.18	4.70

China	60.81	64.49	47.90	55.43	42.42	39.71	58.55	55.86	51.72	54.64
India	51.28	54.53	60.94	64.84	51.76	58.70	43.32	53.01	53.07	53.61
Republic of Korea	56.91	59.11	46.65	51.66	46.19	50.44	49.79	52.98	56.77	57.97
Lao PDR	28.03	27.67	25.11	38.23	24.96	37.94	22.36	25.11	25.52	24.54
Mongolia	9.91	11.10	22.50	19.07	20.76	22.23	8.23	6.84	9.70	9.85
Sri Lanka	23.62	26.84	24.74	29.58	19.44	22.14	20.05	24.16	20.85	20.85

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 15 October 2022.

III. Analysis of Intra-Industry Trade

This subsection analyses intra-industry trade between APTA countries and the CARs to identify the potential of developing regional supply chains among these country groups following the CARs possible accession to the APTA. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The potential product lines identified for regional supply chains, presented in Table 4.1.19, are indicative since they are calculated at the regional aggregated level using the 4-digit level of HS classification. Further analysis at the bilateral levels may be done at a more disaggregated product level. The IIT analysis indicates that the potential of creating a regional supply chain through IIT is quite high between these country groups for certain products.

Table 4.1.19 Top 15 Trade items with highest IIT between APTA PS and the CARs, 2015 and 2019

HS Code (4-digit)	Product label	IIT 2019
7601	Unwrought aluminium	0.977
7407	Bars, rods and profiles, of copper, n.e.s.	0.957
4808	"Corrugated paper and paperboard ""with or without glued flat surface sheets"", creped, crinkled, . . .	0.941
7209	"Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, cold-rolled ""cold-reduced"", . . .	0.872
810	"Fresh strawberries, raspberries, blackberries, back, white or red currants, gooseberries and . . .	0.857
1109	Wheat gluten, whether or not dried	0.842
3404	Artificial waxes and prepared waxes	0.825
807	Melons, incl. watermelons, and papaws (papayas), fresh	0.824
2203	Beer made from malt	0.798
7903	Zinc dust, powders and flakes (excluding grains of zinc, and spangles of heading 8308)	0.767
3901	Polymers of ethylene, in primary forms	0.749
2523	Cement, incl. cement clinkers, whether or not coloured	0.742
7208	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled, not clad, . . .	0.716
1704	Sugar confectionery not containing cocoa, incl. white chocolate	0.702
1806	Chocolate and other food preparations containing cocoa	0.691

Source: Author calculation based on data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 15 October 2022.

4.1.5 Summary Findings

This section assesses the potential of integrating the Central Asian Republics with the APTA participating states through their accession to APTA. Overall, the geographical location and macroeconomic context of the CARs and APTA PS suggest scope of favourable outcomes for both the country groups if they strengthen their trade and investment linkage. The analysis of the structure and trend of trade between these country groups, presented above, also indicates the possibility of considerable mutual trade gains from increased market access if the CARs decide to join APTA. In particular, the analysis of revealed comparative advantage suggests that a number of export items of the CARs have higher competitiveness and also coincide with major contributions to their exports to APTA PS. The regional intensity of trade among these country groups is not that high; however, showed a growing trend between 2015 and 2019. Among the CARs, Kazakhstan and Uzbekistan have the potential to be the natural trading partners of the APTA PS, specifically with India, the Republic of Korea and China, as evident from analysis of trade complementary indices. The aggregate intra-industry trade between the CARs and APTA countries is not that promising; however, in certain product groups, intra-industry trade indices indicate the potential of developing a regional production supply chain. Among the APTA Participating States, China, the Republic of Korea and India would gain the largest benefits from increased market access and possible regional supply chain if the CARs accede to APTA.

4.2 Pacific Islands Countries

There is great diversity across the Pacific Islands region, from Papua New Guinea, which is the largest country of the group with a population of over 9 million, and Fiji with 0.9 million, to the smallest in the group, Tuvalu and Nauru, with estimated populations of approximately 11,000 each; making them the World Bank Group's smallest members by population. Kiribati is one of the most remote and geographically dispersed countries in the world. Pacific Island countries are also some of the most vulnerable in the world to the effects of climate change and disasters (World bank 2021). Small island countries, especially those that are located at remote distances, face several problems in their development path. These Pacific Island countries share similar challenges as other remote island economies. They are small in size with limited natural resources and narrow-based economies and physically detached from major markets. Due to these difficulties, their export competitiveness and export earnings are very low. Their dependence on imports is quite high, even for low-cost common items. Joining a supply chain production network with the Participating States of APTA (which include leading economic giants such as India, China and the Republic of Korea) could be a very effective way to address these issues. The benefits could be that their agricultural and industrial resources gain better markets in the APTA region in terms of share and price, and that they can attract financial as well as technical assistance from the Participating States of APTA as co-partners in production processes.

This section analyses the potential benefits of possible accession of four Pacific Islands countries- Fiji, Papua New Guinea, Samoa and Vanuatu to the APTA. The objectives here are three-fold: (a) to provide an overview of the current trade relations of these four Pacific Islands countries with the APTA Participating States; (b) to analyse potential benefits for these four Pacific Islands countries- Fiji, Papua New Guinea, Samoa and Vanuatu if they decide to accede to APTA; and also (c) to assess the potential benefits for the current APTA members following the accession of these four Pacific Islands countries into APTA.

4.2.1 Overall Economic and Trade Features

The Pacific Islands countries are widely spread over a very large geographical area. In addition to large differences in geographic size and population, they are also very diverse in terms of their economic and trade features. The following subsections briefly introduce their macroeconomic and trade performance in recent years.

A. Macroeconomic Performance

The diversity of the economy of the four Pacific Islands countries is well reflected in their size of GDP presented in Table 4.2.1. The economic performance of these Pacific island countries has been mixed

and in many cases relatively poor in recent times. Real GDP growth has been volatile and they are still struggling to recover from the shock of the COVID-19 pandemic. Services sector is the major contributor to GDP of all these countries (Table 4.2.1).

Table 4.2.1 Selected Economic Indicators of 4 Pacific Islands Countries, 2021

	Fiji	Papua New Guinea	Samoa	Vanuatu
GDP (current US$) (billion) (2021)	4.59	26.59	0.788	0.983
GDP per capita (current US$) (2021)	5,086.0	2,916.4	3,939.1	3,127.4
GDP (constant 2015 US$) (billion) (2021)	4.25	24.21	0.795	0.822
GDP per capita (constant 2015 US$) (2021)	4,708.1	2,655.2	3,972.2	2,613.5
Real GDP growth (% change) (2021)	-4.1	1.5	-8.1	0.5
Current account balance (% of GDP (2020)	-12.38	19.49	0.00	3.36
Exchange rate (/US$) (2020)	2.169	3.462	2.665	115.380
GDP by major economic activity (% of current GDP)				
Agriculture, forestry, and fishing, value added (% of GDP)	13.82	16.98 (2019)	10.55	21.22 (2018)
Industry (including mining, manufacturing, construction), value added (% of GDP)	18.10	36.71 (2019)	15.07	10.03 (2018)
Services, value added (% of GDP)	54.82	41.84 (2019)	74.39	59.79 (2018)
Financial flows (2020)				
FDI inflows (Million US$)	240.55	-935.49	-0.77	29.56
FDI Outflows (Million US$)	13.65	114.16	4.92	1.84
Personal remittances (% of GDP)	6.88	0.01	18.84	9.00

Source: The World Bank data: Countries and Economics. Available at: https://data.worldbank.org/country/, accessed on: 8 September 2022; and UNCTADStat Country Profile. Available at: https://unctadstat.unctad.org/countryprofile/GeneralProfile/, accessed on: 8 September 2022

B. Structure and Direction of Trade

This chapter aimed to analyse the potential of APTA's integration with the four selected Pacific Islands countries- Fiji, Papua New Guinea, Samoa and Vanuatu; therefore, reviewing the structure and direction of exports and imports of each of these countries is relevant. These are captured in the following subsections and in Tables 4.2.2 to 4.2.6, which show these countries' total trade and share in countries' GDP, merchandise and commercial services exports and imports, their share in world trade, exports and imports by major commodity groups and services sectors, export and import partners for their goods and commercial services trade.

B.1 Merchandise Trade

The biggest Pacific Islands country, Papua New Guinea's total trade in terms of value (US$ 13.4 billion in 2020) is significantly larger compared to the other three Pacific Islands countries analysed here. However, Papua New Guinea's trade-GDP ratio (31.1%) was the lowest among these countries. Fiji's Total trade in 2020 was US$ 3.4 billion and its share of trade in GDP was relatively high (47%). Samoa and Vanuatu's total trade was much smaller, US$ 0.67 billion and US$ 0.62 billion, respectively, in 2020 (Table 4.2.2).

Table 4.2.2 Merchandise Trade of 4 Pacific Islands Countries, 2020

	Fiji	Papua New Guinea	Samoa	Vanuatu
Total Trade (million US$)	3,382	13,369	673	618
Trade (% of GDP, 2018-2020)	47.0	31.1	43.5	
Trade per capita (US$, 2018-2020)	2,697	873	1,833	
Total Merchandise Trade	2,560	11,871	349	347
Merchandise exports, fob. (million US$)	828	9,229	37	46
Share in world total exports (%)	0.00	0.05	0.00	0.00
Merchandise imports, cif. (million US$)	1,732	2,642	312	301
Share in world total imports (%)	0.01	0.01	0.00	0.00

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 6 September 2022

The structure of merchandise trade, presented in Table 4.2.3, shows that merchandise exports of Fiji, Samoa and Vanuatu are dominated by Agricultural products, while Papua New Guinea's main export earnings come from fuels and mining products. Manufacturing sectors dominated all of their imports, indicating the weak industrial production base of these countries.

Table 4.2.3 Major Commodity groups (share in %) in 4 Pacific Islands Countries Total Trade

Country	Export Products	Import Products
Fiji	Agricultural products (45.7); Fuels and mining products (21.9); Manufactures (27.1); Other (5.3)	Agricultural products (15.4); Fuels and mining products (19.5); Manufactures (62.9); Other (2.2)
Papua New Guinea	Agricultural products (23.8); Fuels and mining products (41); Manufactures (6.2); Other (28.9)	Agricultural products (11.4); Fuels and mining products (17.8); Manufactures (69.4); Other (1.4)
Samoa	Agricultural products (65); Fuels and mining products (25.5); Manufactures (9.5); Other (0)	Agricultural products (28.3); Fuels and mining products (18.1); Manufactures (53.6); Other (0)
Vanuatu	Agricultural products (83.2); Fuels and mining products (1.5); Manufactures (7.8); Other (7.5)	Agricultural products (24.2); Fuels and mining products (17.3); Manufactures (48.2); Other (10.3)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

The directions of trade of Fiji, Papua New Guinea, Samoa and Vanuatu are presented in Table 4.2.4, which shows the top export destinations and import sources for these countries. Among APTA members, China is only their significant trade partner.

Table 4.2.4 Major Merchandise Trade Partners of 4 Pacific Islands Countries (share in %) , 2019

Country	Export Products	Import Products
Fiji	United States of America (22) Australia (12.8) New Zealand (7.3) Tonga (5.7) European Union (4) Other(48)	Singapore (18.5) European Union (15.4) Australia (14.5) China (12.7) New Zealand (12.5) Other (26.4)
Papua New Guinea	Australia (35.9) European Union (16.9) Japan (11.7) China (6.7) Singapore (5.6) Other (23.2)	Australia (34.4) Singapore (14.3) European Union (7.3) China (6.9) Japan (6.4) Other (30.8)
Samoa	American Samoa (31.1) New Zealand (16) United States of America (12.8) Tokela (8.7) Australia (8.2) Other (23.3)	New Zealand (26.4) Singapore (16.8) China (12.2) Australia (9.1) United States of America (8.8) Other (26.7)
Vanuatu	Malaysia (20.4) Philippines (18) New Zealand (11.4) Australia (11.3) Fiji (8.1) Other (30.7)	Australia (29.7) Singapore (18.2) New Zealand (12.7) Fiji: (8) China (6.9) Other (24.5)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

The services sector dominates the GDP of all these four Pacific Islands countries; however, trade in commercial services represents relatively except for Samoa. The value and share of services trade of Fiji, Papua New Guinea, Samoa and Vanuatu are presented in Table 4.2.5. The structures of the services trade of these countries are presented in Table 4.2.6. Transport and Travel are the dominating services trade sectors for all these four Pacific Islands countries.

B.2 Trade in Commercial Services

Table 4.2.5 Trade in Commercial Services of 4 Pacific Islands Countries (share in %) 2020

	Fiji	Papua New Guinea	Samoa	Vanuatu
Total Trade in Services (million US$)	822	1,498	324	271
Commercial services exports, (million US$)	342	178	214	130
Share in world total exports (%)	*0.01*	*0.00*	*0.00*	*0.00*
Commercial services imports (million US$)	480	1,320	110	141
Share in world total imports (%)	*0.01*	*0.03*	*0.00*	*0.00*

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 6 September 2022

Table 4.2.6 Breakdown in Economy's Total Trade, by Main Services Sector (share in %), 2020

Country	Export Products	Import Products

Fiji	Transport (41.3), Travel (44.1), Other commercial services (10.7), Goods-related services (3.9)	Transport (46.3), Travel (15), Other commercial services (38.2), Goods-related services (0.5)
Papua New Guinea	Transport (35.4), Travel (35.1), Other commercial services (29.5), Goods-related services (0)	Transport (59.7), Travel (18.7), Other commercial services (21.6), Goods-related services (0)
Samoa	Transport (77.3), Travel (4.7), Other commercial services (7.3), Goods-related services (10.6)	Transport (85), Travel (0.9), Other commercial services (13.1), Goods-related services (1)
Vanuatu	Transport (11.4), Travel (83.8), Other commercial services (4.8), Goods-related services (0)	Transport (55.1), Travel (18.9), Other commercial services (26.1), Goods-related services (0)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

C. Trade Policies and Trade Agreements

It is essential to understand the Pacific Islands countries' existing trade policy regimes to assess any potential external economic and trade engagements by them. All the four Pacific countries under investigation are now members of WTO. Therefore, the status of their multilateral trade engagements under WTO, including binding coverage of their tariff lines, bound and MFN tariff rates, would give a quick indication of their trade policies, which are presented in Table 4.2.7.

Table 4.2.7 Tariff Profiles of four Pacific Islands Countries, 2019

	Fiji	Papua New Guinea	Samoa	Vanuatu
WTO member since	1996	1996	2012	2012
Binding coverage	50	100	100	100
Tariff rate, simple average, final bound, All products (%)	40.8	32.7	21.5	40.1
Tariff rate, simple average, final bound, Ag products (%)	42.8	43.8	27.5	43.6
Tariff rate, simple average, final bound, Non-Ag products (%)	40.0	30.8	20.6	39.5
Tariff rate, simple average, MFN applied, All products (%)	11.4	4.0		9.2
Tariff rate, simple average, MFN applied , Ag products (%)	22.0	12.4		16.7
Tariff rate, simple average, MFN applied , Non-Ag products (%)	9.7	2.7		7.9
Tariff rate, Trade weighted average, All products (%)	14.9			--
Tariff rate, Trade weighted average , Ag products (%)	29.1			--
Tariff rate, Trade weighted average , Non-Ag products (%)	12.5			--

Source: World Trade Organization (WTO) World Tariff Profiles. Available at:
https://www.wto.org/english/res_e/reser_e/tariff_profiles_e.htm, accessed on: 8 September 2022

Notes: Simple average, final bound: Simple average of final bound duties excluding unbound tariff lines.
Simple average, MFN applied: Simple average of MFN applied duties.
Trade weighted average: HS six-digit MFN tariff averages weighted with HS six-digit import flows for traded national tariff lines. Binding coverage: Share of HS six-digit subheadings containing at least one bound tariff line. The

percentage share is also presented separately for non-agricultural (Non-AG) tariff lines. Full binding coverage is indicated by 100 without further decimals. If some tariff lines are unbound but the result still rounds to 100 this is reflected by maintaining one decimal, i.e. 100.0.

Table 4.2.8 lists all regional trade agreements (both in force or under negotiation) in which these four Pacific Islands countries are a member or participating states, as per their notification to the WTO. All of them are members of Pacific Island Countries Trade Agreement (PICTA) and South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA).

Table 4.2.8 RTAs of four Pacific Islands Countries, 2022

Country	RTAs in force
Fiji	▪ EU - Pacific States ▪ Melanesian Spearhead Group (MSG) ▪ Pacific Island Countries Trade Agreement (PICTA) ▪ South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) ▪ United Kingdom - Pacific States
Papua New Guinea	▪ Australia - Papua New Guinea (PATCRA) ▪ EU - Pacific States ▪ Melanesian Spearhead Group (MSG) ▪ Pacific Island Countries Trade Agreement (PICTA) ▪ South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) ▪ United Kingdom - Pacific States
Samoa	▪ EU - Pacific States ▪ Pacific Agreement on Closer Economic Relations Plus (PACER Plus) ▪ Pacific Island Countries Trade Agreement (PICTA) ▪ South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) ▪ United Kingdom - Pacific States
Vanuatu	▪ Melanesian Spearhead Group (MSG) ▪ Pacific Island Countries Trade Agreement (PICTA) ▪ South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) ▪ Pacific Agreement on Closer Economic Relations Plus (PACER Plus)

Source: World Trade Organization (WTO) RTA database.
Available at: https://rtais.wto.org/UI/PublicSearchByCr.aspx, accessed on: 10 October 2022

4.2.2 Overview of Trade between APTA PS and 4 Pacific Islands Countries

This section analyses existing trade relations between four selected Pacific Islands countries and APTA participating states. Table 4.2.9 and Table 4.2.11 present total exports and imports of Fiji, Papua New Guinea, Samoa and Vanuatu to and from the APTA members in 2015 and 2019, along with the share of APTA countries in their total county-year exports and imports. Table 4.2.10 and Table 4.2.12 list the top 5 export and import items of Fiji, Papua New Guinea, Samoa and Vanuatu to and from the APTA Participating States in 2019.

Table 4.2.9 Exports of the 4 Pacific Islands Countries to the APTA Participating States, 2015 and 2019

Country	Export to APTA PS (mil US$)		Share in Total Exports to the World (%)	
	2015	2019	2015	2019
Fiji	44.68	48.65	4.98%	4.73%

Papua New Guinea	2,396.21	3,482.86	24.53%	29.61%
Samoa	4.71	6.43	8.68%	13.04%
Vanuatu	20.01	34.11	2.24%	19.69%

Source: Author calculation based on mirror data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 17 October 2022.

Note: For some Pacific Islands countries, reported data is not available; therefore, mirror data has been used in the absence of reported data by the trading partners; and hence may consist of incomplete data and should be considered carefully.

Table 4.2.10 Top 5 Export items of 4 Pacific Islands Countries to the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Total Exports to APTA PS (Million US$)
Fiji	3	Fish and crustaceans, molluscs and other aquatic invertebrates	28.86
	22	Beverages, spirits and vinegar	3.83
	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	3.40
	17	Sugars and sugar confectionery	2.72
	72	Iron and steel	2.54
Papua New Guinea	27	Mineral fuels, mineral oils and products of their distillation	1,789.08
	44	Wood and articles of wood; wood charcoal	697.90
	75	Nickel and articles thereof	550.51
	26	Ores, slag and ash	393.27
	15	Animal or vegetable fats and oils; prepared edible fats; animal . . .	21.26
Samoa	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	2.56
	20	Preparations of vegetables, fruit, nuts or other parts of plants	1.38
	23	Residues and waste from the food industries; prepared animal fodder	1.32
	39	Plastics and articles thereof	0.54
	72	Iron and steel	0.45
Vanuatu	3	Fish and crustaceans, molluscs and other aquatic invertebrates	29.48
	12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal .	1.42
	22	Beverages, spirits and vinegar	1.30
	44	Wood and articles of wood; wood charcoal	0.89
	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	0.60

Source: Author calculation based on mirror data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 17 October 2022.

Note: For these Pacific Islands countries, reported data is not available; therefore, mirror data has been used in the absence of reported data by the trading partners; and hence may consist of incomplete data and should be considered carefully.

Table 4.2.11 Imports of 4 Pacific Islands **Countries from the APTA Participating States, 2015 and 2019**

Country	Import from APTA PS (mil US$)		Share in Total Imports from the World (%)	
	2015	2019	2015	2019
Fiji	572.95	522.62	27.50%	18.76%

Papua New Guinea	1,230.97	907.37	24.67%	21.16%
Samoa	98.41	128.93	29.73%	32.97%
Vanuatu	79.14	86.61	21.40%	30.19%

Source: Author calculation based on mirror data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 17 October 2022.

Note: For these Pacific Islands countries, reported data is not available; therefore, mirror data has been used in the absence of reported data by the trading partners; and hence may consist of incomplete data and should be considered carefully.

Table 4.2.12 Top 5 Import items of 4 Pacific Islands countries from the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Total Imports from APTA PS (Million US$)
Fiji	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	60.06
	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	57.26
	39	Plastics and articles thereof	23.17
	73	Articles of iron or steel	25.50
	72	Iron and steel	22.99
Papua New Guinea	73	Articles of iron or steel	118.39
	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	107.48
	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	102.07
	39	Plastics and articles thereof	57.69
	10	Cereals	44.10
Samoa	72	Iron and steel	19.15
	83	Miscellaneous articles of base metal	11.68
	39	Plastics and articles thereof	9.22
	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	9.06
	73	Articles of iron or steel	7.77
Vanuatu	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	12.04
	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	7.13
	73	Articles of iron or steel	7.00
	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	5.54
	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	5.20

Source: Author calculation based on mirror data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 17 October 2022.

Note: For these Pacific Islands countries, reported data is not available; therefore, mirror data has been used in the absence of reported data by the trading partners; and hence may consist of incomplete data and should be considered carefully.

4.2.3 Illustration of Potential Benefits for the Four select Pacific Islands Countries

This section focuses on potential benefits for four Pacific Islands countries- Fiji, Papua New Guinea, Samoa and Vanuatu, from their possible accession to the APTA. It attempts to identify items with high trade potential across different pairs of these target countries at the aggregate and product levels. The potential benefits for these countries from their probable accession to APTA are analysed based on the following:

i. Revealed Comparative Advantages (RCA) analysis: The RCA analysis to identify sectors that would benefit Fiji, Papua New Guinea, Samoa and Vanuatu in their goods exports through their market access to the Participating States of APTA.
ii. Regional Intensity of Trade (RIT) analysis: The RIT indices analysis to measure, based on existing trade flows, to what extent Fiji, Papua New Guinea, Samoa and Vanuatu, and APTA PS trade with each other more intensely than with other countries.
iii. Intra-industry Trade (IIT): The IIT indices identify the potential of production supply chains (regional) that can be formed between Fiji, Papua New Guinea, Samoa and Vanuatu, and the APTA PS to support deeper trade integration among these countries.

For this analysis, data is collected from UN COMTRADE database using World Bank's WITS platform for 2015-2019. The potential product lines for supply chains were identified at 2- and 4-digit levels of HS classification. For country-year, where data is not reported/available, mirror trade data reported by the partner countries are used, which may provide partial or incomplete information and should be interpreted with caution.

I. Analysis of Revealed Comparative Advantages

In this subsection, RCA analysis is conducted using the methodologies detailed in Box 4.1 to identify the comparative advantage for products exported by Fiji, Papua New Guinea, and Samoa to the APTA countries. Table 4.2.13 provides top 5 export items of these countries to the APTA PS with the highest RCA and normalised RCA (NRCA) indices for 2015 and 2019. The RCA index greater than unity (1.0) indicates export competitiveness of Fiji, Papua New Guinea, and Samoa in that product group in the world market and future potential of increased exports to the APTA countries through their liberalised market access to the Participating States of APTA if they decide to accede. These economies are very small; however, a few products exported by these countries, especially by Fiji and Papua New Geneau, have export competitiveness to the APTA PS as evidenced by their consistent high RCA values, as presented in table 4.2.13.

Table 4.2.13 Top 5 Export items sectors of four Pacific Islands Countries with highest RCA and NRCA indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RCA 2015	NRCA 2015	RCA 2019	NRCA 2019
Fiji	17	Sugars and sugar confectionery	55.67	0.96	44.77	0.96
	22	Beverages, spirits and vinegar	27.63	0.93	37.23	0.95
	11	Products of the milling industry; malt; starches; inulin; wheat gluten	24.13	0.92	23.28	0.92
	19	Preparations of cereals, flour, starch or milk; pastrycooks' products	14.10	0.87	13.98	0.87
	03	Fish and crustaceans, molluscs and	11.52	0.84	12.76	0.85
Papua New Guinea	75	Nickel and articles thereof	19.55	0.90	34.96	0.94
	44	Wood and articles of wood	10.47	0.83	8.78	0.80
	15	Animal or vegetable fats and oils	9.82	0.82	8.63	0.79
	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	7.14	0.75	6.86	0.75
	26	Ores, slag and ash	5.46	0.69	6.85	0.75
Samoa	03	Fish and crustaceans, molluscs and	35.68	0.95	57.04	0.97
	20	Preparations of vegetables, fruit, nuts or other parts of plants	15.18	0.88	26.94	0.93
	07	Edible vegetables and certain roots	9.19	0.80	15.31	0.88
	15	Animal or vegetable fats and oils	3.71	0.58	7.47	0.76
	22	Beverages, spirits and vinegar	6.83	0.74	5.92	0.71

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

II. Analysis of Regional Intensity of Trade

In this subsection, Regional Intensity of Trade (RIT) indices are presented to show the intensity of trade between Fiji, Papua New Guinea, and Samoa and APTA PS to show potential welfare effects from possible accession of these countries into APTA. The methodology outlined in Box 4.2 is used in calculating the RIT indices presented in Table 4.2.14. The RIT indices provide descriptive information about to what extent countries trade with each other more intensely than with other countries. The findings suggest that the intensities of trade between Fiji, Papua New Guinea, and Samoa and the APTA members are pretty low.

Table 4.2.14 Five Export items of four Pacific Islands Countries to the APTA Participating States with highest RIT indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RIT 2015	RIT 2019
Fiji	47	Pulp of wood; waste and scrap of paper or paperboard	-	9.434
	70	Glass and glassware	-	7.533
	96	Miscellaneous manufactured articles	1.587	7.365
	20	Preparations of vegetables, fruit, nuts or other parts of plants	2.166	7.020
	50	Silk	-	5.550
Papua New Guinea	75	Nickel and articles thereof	4.577	3.383
	44	Wood and articles of wood	4.177	3.137
	14	Vegetable plaiting materials; vegetable products	--	1.843
	76	Aluminum and articles thereof	4.135	1.710
	26	Ores, slag and ash	1.228	1.301
Samoa	72	Iron and steel		5.136
	39	Plastics and articles thereof		4.811
	20	Preparations of vegetables, fruit, nuts or other parts of plants	6.200	4.779
	27	Mineral fuels, mineral oils and products of their distillation		1.595
	08	Edible fruit and nuts; peel of citr		1.157

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

III. Analysis of Intra-Industry Trade

This subsection analyses intra-industry trade between Fiji, Papua New Guinea, Samoa, and the APTA Participating States to identify the potential of developing regional supply chains among these country groups following their possible accession to the APTA. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The potential product lines identified for regional supply chains, presented in Table 4.2.15, are indicative since they are calculated at the regional aggregated level using the 2-digit level of HS classification. Further analysis at the bilateral levels may be done at a more disaggregated product level. The aggregate IIT values between these countries with the APTA are quite low and have further receded recently. However, the result could be affected by aggregation bias. At the sectoral level, the IIT indices of only a few sectors indicate some potential of creating a regional supply chain in certain products. For example, PNG's IIT values in fish and crustaceans, molluscs and (Chapter 03) is close to 1 and indicate some potential for developing production supply chains in this sector with the APTA countries.

Table 4.2.15 Top 5 Trade items with highest IIT and AIT of Trade between 4 Pacific Islands countries and APTA PS, 2015 and 2019

Country	HS Code (Chapter)	Product Description	IIT 2015	AIT 2015	IIT 2019	AIT 2019
Fiji	15	Animal or vegetable fats and oils	0.833	0.079	0.813	0.036
	44	Wood and articles of wood	0.386		0.789	
	12	Oil seeds and oleaginous fruits; grains, seeds and fruit; industrial or medicinal plants	0.011		0.773	
	22	Beverages, spirits and vinegar	0.408		0.691	
	20	Preparations of vegetables, fruit, nuts or other parts of plants	0.096		0.380	
Papua New Guinea	03	Fish and crustaceans, molluscs and	0.477	0.030	0.858	0.011
	74	Copper and articles thereof	0.837		0.520	
	76	Aluminum and articles thereof	0.734		0.477	
	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	-		0.459	
	41	Raw hides and skins(other than furskins) and leather	-		0.441	
Samoa	20	Preparations of vegetables, fruit, nuts or other parts of plants	0.741	0.043	0.793	0.011
	21	Miscellaneous edible preparations	-		0.242	
	08	Edible fruit and nuts; peel of citr	0.988		0.232	
	27	Mineral fuels, mineral oils and products of their distillation	-		0.172	
	72	Iron and steel	-		0.030	
	20	Preparations of vegetables, fruit, nuts or other parts of plants	0.028		0.793	

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

4.2.4 Illustration of potential benefits for the APTA PS

Section 4.2.2 provides an overview of trade between the APTA members and four Pacific Islands countries- Fiji, Papua New Guinea, Samoa and Vanuatu. However, this subsection presents the export composition and trend of the APTA Participating States to these countries at the 4-digit level of HS classification. These are indicative of future potential exports from the APTA countries and could be benefited from increased market access in Fiji, Papua New Guinea, Samoa and Vanuatu, if they decide to accede to APTA.

I. Analysis of Potential Exports

Table 4.2.16 Top 5 Export Items of the APTA Participating States to four Pacific Islands, 2015 and 2019

HS Code (4-digit)	Product label	Export value (000 US$)	
		2015	2019
Fiji			
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing . . .	289,362	251,454
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	15,518	23,026
303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	33,208	19,173
8703	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	11,957	11,760
4011	New pneumatic tyres, of rubber	8,039	10,127
Papua New Guinea			
7308	"Structures and parts of structures ""e.g., bridges and bridge-sections, lock-gates, towers, . . .	26,017	46,061
1006	Rice	31	44,095
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	43,579	27,330
7210	"Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled . . .	20,822	24,812
3004	"Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, . . .	12,141	21,939
Samoa			
7210	"Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled . . .	21,053	17,516
8309	Stoppers, caps and lids, incl. crown corks, screw caps and pouring stoppers, capsules for bottles, . . .	1,045	11,093
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	3,066	8,724
0303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	6,007	7,258
8609	Containers, incl. containers for the transport of fluids, specially designed and equipped for . . .	0	5,582
Vanuatu			
9022	Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, whether or not . . .	0	4,761
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing . . .	3,940	4,183
8487	Machinery parts, n.e.s. in chapter 84 (excluding parts containing electrical connectors, insulators, . . .	3,281	3,844
1006	Rice	44	2,515
7308	"Structures and parts of structures ""e.g., bridges and bridge-sections, lock-gates, towers, . . .	1,351	2,258

Source: Author calculation based on data from ITC TradeMap, Available at: https://trademap.org/, accessed on: 12 October 2022.

II. Analysis of Intra-Industry Trade

This subsection investigates the potential of intra-industry trade between the APTA members and the four Pacific Islands countries- Fiji, Papua New Guinea, Samoa and Vanuatu to identify the potential of evolving regional supply chains among these countries through increased market access if they decide to join APTA. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups through production and supply chain networks. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The IIT analysis indicates that the potential of creating a regional supply chain between the APTA PS and these Pacific Islands is relatively low, as evidenced by Table 4.3.19. However, they are indicative since they are calculated at the regional aggregated level using the 4-digit level of HS classification.

Table 4.2.17 Top 5 Trade items with highest IIT between the APTA PS and four Pacific Islands countries, 2015 and 2019

HS Code (4-digit)	Product label	IIT	
		2015	2019
Fiji			
2106	Food preparations, n.e.s.	0.000	0.935
1404	Vegetable products, n.e.s.	--	0.857
2203	Beer made from malt	0.000	0.851
2202	Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening . . .	0.000	0.801
5212	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those . . .	0.000	0.689
Papua New Guinea			
0303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	0.834	0.824
9015	Surveying, incl. photogrammetrical surveying, hydrographic, oceanographic, hydrological, meteorological . . .	0.000	0.821
9031	Measuring or checking instruments, appliances and machines not elsewhere specified in chapter . . .	0.023	0.814
9030	Oscilloscopes, spectrum analysers and other instruments and apparatus for measuring or checking . . .	0.000	0.335
3824	Prepared binders for foundry moulds or cores; chemical products and preparations for the chemical . . .	0.000	0.328
Samoa			
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	0.541	0.996
8538	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, . . .	0.000	0.889
8528	Monitors and projectors, not incorporating television reception apparatus; reception apparatus . . .	0.000	0.402
6006	"Fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics ""incl. . . .	0.000	0.230

9022	Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, whether or not . . .	0.000	0.200
Vanuatu			
8502	Electric generating sets and rotary converters	0.000	0.461
0303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	0.013	0.046
8907	Rafts, tanks, coffer-dams, landing stages, buoys, beacons and other floating structures (excluding . . .	0.000	0.040
9004	Spectacles, goggles and the like, corrective, protective or other (excluding spectacles for . . .	0.000	0.022
8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof	0.000	0.021

Source: Author calculation based on data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 12 October 2022.

4.2.5 Summary Findings

This section focuses on analysing the potential of four Pacific Islands countries, Fiji, Papua New Guinea, Samoa and Vanuatu to join the APTA. The Pacific Islands countries studied here are geographically disadvantaged and face many economic and development challenges, and Covid -19 pandemic further worsens their economic prospects. These challenges make these small island countries to be more integrated into the world market. Joining the APTA would give them access to more than 20 percent of the world market and also integrate them with the world's major merchandise goods suppliers, which are the major imports of these four Pacific Islands countries. Specifically, Papua New Guinea would be benefitted the most from joining the APTA. It currently exports around 30 percent of its total exports to the APTA participating states while sourcing more than one-fifth of its imports. Samoa and Vanuatu also have significant trade with the APTA countries in terms of their total exports and imports. These four Pacific countries also show export competitiveness in certain product groups, and the IIT analysis suggests the potential of developing regional production supply chains with the APTA members in some specific products, including fish and crustaceans, molluscs (chapter 03), animal or vegetable fats and oils (chapter 15) and preparations of vegetables, fruit, nuts or other parts of plants (chapter 20) , to name a few.

4.3 South Asian Countries

This section analyses the potential benefits of possible accession of three South Asian countries- Maldives, Nepal and Pakistan to the APTA. These three selected countries- Maldives, Nepal and Pakistan are all close neighbours of one or more APTA members and hence met all prerequisites for advancing their economic and trade ties further with the APTA countries through acceding to this RTA. The objectives here are three-fold: (a) to provide an overview of the current trade relations of these 3 South Asian countries with the APTA Participating States; (b) to analyse potential benefits for these three selected countries- Maldives, Nepal and Pakistan if they decide to accede to APTA; and also (c) to assess the potential benefits for the current APTA members following the accession of these 3 South Asian countries into APTA.

4.3.1 Overall Economic and Trade Features

The three select South Asian countries- Maldives, Nepal and Pakistan are situated in close geographic proximity and have somewhat shared historical backgrounds. However, they are very diverse in terms of their geographic characteristics as well as in economic and trade features. The following subsections briefly introduce their macroeconomic and trade performance in recent years.

A. Macroeconomic Performance

The diversity of economic performance and level of development of these three countries well reflected in their total and per capita GDP. Pakistan's economy is quite large, with a GDP of around $350 billion, while landlocked Nepal's yearly GDP is only $36.3 billion, and Maldives is a small economy with a GDP of less than $5 billion. However, the per capita GDP of Maldives was more than eight times that of Pakistan or Nepal. In 2021, all these three countries achieved positive GDP growth, led by Tajikistan, with an overwhelming 31 percent real GDP growth (possibly showing the recovery from COVD pandemic setback of this tourism-dependent small economy), followed by Pakistan (6 percent) and Nepal (4.2 percent).

Table 4.3.1 Selected Economic Indicators of 3 South Asian Countries, 2021

	Maldives	Nepal	Pakistan
GDP (current US$) (billion)	4.89	36.29	346.34
GDP per capita (current US$)	8,994.6	1,222.9	1,537.9
GDP (constant 2015 US$) (billion)	4.72	31.15	339.4
GDP per capita (constant 2015 US$)	8,673.8	1,049.7	1,507.1

Real GDP growth (% change)	31	4.2	6.0
Current account balance (% of GDP (2020)	-28.37	-0.23	0.10
Exchange rate (/US$) (2020)	15.381	118.345	161.838
GDP by major economic activity (% of current GDP)			
Agriculture, forestry, and fishing, value added (% of GDP)	8.00 (2020)	21.32	22.96
Industry (including mining, manufacturing, construction), value added (% of GDP)	11.83 (2020)	11.72	18.70
Services, value added (% of GDP)	70.76 (2020)	52.58	52.15
Financial flows (2020)			
FDI inflows (Million US$)	348.34	126.49	2 105.00
FDI Outflows (Million US$)	--		34.00
Personal remittances (% of GDP)	0.11	29.09	10.20

Source: The World Bank data: Countries and Economics. Available at: https://data.worldbank.org/country/, accessed on: 8 September 2022; and UNCTADStat Country Profile. Available at: https://unctadstat.unctad.org/countryprofile/GeneralProfile/, accessed on: 8 September 2022

B. Structure and Direction of Trade

This chapter aimed to analyse the potential of APTA's integration with the three selected South Asian countries- Maldives, Nepal and Pakistan; therefore, reviewing the structure and direction of exports and imports of each of these countries is relevant. These are captured in the following subsections and in Tables 4.1.2 to 4.1.6, which show these countries' total trade and share in countries' GDP, merchandise and commercial services exports and imports, their share in world trade, exports and imports by major commodity groups and services sectors, export and import partners for their goods and commercial services trade.

B.1 Merchandise Trade

Pakistan's total trade in terms of value (US$ 79.5 billion) is significantly larger compared to the other two south Asian countries analysed here. However, Pakistan's trade-GDP ratio (15.3%) was the lowest among these three countries. Maldives's share of trade in GDP was relatively high (67%), while its total trade was only US$ 4.4 billion in 2020. Nepal's total trade was US$ 12.6 billion in 2020, while the contribution of trade to Nepal's GDP was 22.5% (Table 4.3.2).

The structure of merchandise trade, presented in Table 4.3.3, shows that merchandise exports of Maldives and Nepal are still dominated by Agricultural products, with 52.6% and 42.2%, respectively. However, the merchandise exports of Pakistan are mainly from the manufacturing sector representing

almost three-fourths of its total goods exports. Manufacturing goods account for more than 50 percent of all these three countries' goods imports, followed by fuel and mining products.

Table 4.3.2 Merchandise Trade of 3 South Asian Countries, 2020

	Maldives	Nepal	Pakistan
Total Trade	4,345	12,616	79,449
Trade (% of GDP, 2018-2020)	67.0	22.5	15.3
Trade per capita (US$, 2018-2020)	8,811	268	213
Total Merchandise Trade	2,125	10,712	67,765
Merchandise exports, fob.(million US$)	286	856	21,961
Share in world total exports (%)	*0.00*	*0.00*	*0.12*
Merchandise imports, cif.(million US$)	1,839	9,856	45,804
Share in world total imports (%)	*0.01*	*0.06*	*0.26*

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 6 September 2022

Table 4.3.3 Major Commodity groups (share in %) in 3 South Asian Country's Total Trade, 2019

Country	Export Products	Import Products
Maldives	Agricultural products (52.6); Fuels and mining products (0.1); Manufactures (0.1); Other (47.1)	Agricultural products (22.3); Fuels and mining products (26.6); Manufactures (51); Other (0.2)
Nepal	Agricultural products (42.2); Fuels and mining products (11.2); Manufactures (52.4); Other (1.3)	Agricultural products (17.2); Fuels and mining products (21.7); Manufactures (57.7); Other (3.4)
Pakistan	Agricultural products (21.7); Fuels and mining products (4,.4); Manufactures (74); Other (0)	Agricultural products (14.9); Fuels and mining products (32.9); Manufactures (51.4); Other (0.9)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

The directions of trade of Maldives, Nepal and Pakistan are presented in Table 4.3.4, which shows the top export destinations and import sources for these countries. European Union and USA are the top export destinations for all these three countries, and imports are mainly sourced from China, India, UAE, European Union, among others.

Table 4.3.4 Major Merchandise Trade Partners of 3 South Asian Countries (share in %), 2019

Country	Export Products	Import Products
Maldives	Thailand (36.3); European Union (28.2); United Kingdom (9.2); United States of America (8.3): Sri Lanka (3.4); Other (14.6)	United Arab Emirates (18.1); China (16.5); Singapore (12.5); India (9.7); European Union (8.8); Other (34.5)
Nepal	India (56.7); United States of America (11.2); European Union (9.8); Turkey (6.4); United Kingdom (3.4); Other (12.5)	India: (65); China (12.6); European Union (3.1); United Arab Emirates (1.7); Argentina (1.3); Other (16.2)

Pakistan	European Union (28); United States of America (18.6); China (8.4); United Kingdom (7.8); United Arab Emirates (4.9); Other (32.2)	China (27.3); United Arab Emirates (9.8); European Union (7.6); United States of America (5.6); Indonesia (5.3); Other (44.4)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

B.2 Trade in Commercial Services

The services sector provides more than half of the GDP of Maldives, Nepal and Pakistan; however, trade in commercial services represents more than half of the total trade only in the case of Maldives, thanks to its tourism sector. The value and share of services trade of Nepal and Pakistan, presented in Table 4.3.5, shows that services trade was relatively low and had a negative trade balance in services trade in 2020. The structures of the services trade of these countries are presented in Table 4.3.6. Travel is the dominating services export sector of Maldives, while for Nepal and Pakistan, other commercial services represent more than 70% of their total commercial services exports.

Table 4.3.5 Trade in Commercial Services of 3 South Asian Countries (share in %) 2020

	Maldives	Nepal	Pakistan
Total Trade in Services	2,220	1,904	11,684
Commercial services exports, (million US$)	1,513	830	4,378
Share in world total exports (%)	0.03	0.02	0.09
Commercial services imports (million US$)	707	1,074	7,306
Share in world total imports (%)	0.02	0.02	0.16

Source: World Trade Organization (WTO) Country Trade Profiles. Available at:
https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 6 September 2022

Table 4.3.6 Breakdown in Economy's Total Trade, by Main Services Sector (share in %), 2020

Country	Export Products	Import Products
Maldives	Transport (5.6), Travel (92.4), Other commercial services (2), Goods-related services (0)	Transport (29.9), Travel (12.9), Other commercial services (57.1), Goods-related services (0)
Nepal	Transport (5.6), Travel (23.7), Other commercial services (70.7), Goods-related services (0)	Transport (50.9), Travel (24.5), Other commercial services (24.6), Goods-related services (0)
Pakistan	Transport (13.8), Travel (10), Other commercial services (76.1), Goods-related services (0)	Transport (34.8), Travel (11.6), Other commercial services (53), Goods-related services (0.6)

Source: World Trade Organization (WTO) Country Trade Profiles. Available at:
https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

C. Trade Policies and Trade Agreements

It is important to understand these three South Asian countries' existing trade policy regimes to assess their external economic and trade engagements. The status of their multilateral trade engagements under WTO, including binding coverage of their tariff lines, bound and MFN tariff rates, would give a

quick indication of their trade policies. Their tariff profiles, specifically applied tariff rates, show their openness to external trade engagement. All these three countries are members of WTO; however, their bound tariff rates are relatively high and dominated by Agricultural products. The simple average applied tariffs, and trade-weighted applied tariff rates for these countries are presented in Table 4.3.7.

Table 4.3.7 Tariff Profiles of 3 South Asian Countries, 2019

	Maldives	Nepal	Pakistan
WTO member since	1995	2004	1995
Binding coverage	94.5	99.4	98.7
Tariff rate, simple average, final bound, All products (%)	36.9	26.1	60.9
Tariff rate, simple average, final bound, Ag products (%)	44.7	41.1	96.2
Tariff rate, simple average, final bound, Non-Ag products (%)	35.5	23.7	55.1
Tariff rate, simple average, MFN applied, All products (%)	12.9	12.2	12.1
Tariff rate, simple average, MFN applied , Ag products (%)	10.8	14.9	13.5
Tariff rate, simple average, MFN applied , Non-Ag products (%)	13.3	11.8	11.9
Tariff rate, Trade weighted average, All products (%)	12.5	--	9.6
Tariff rate, Trade weighted average , Ag products (%)	16.3	--	7.5
Tariff rate, Trade weighted average , Non-Ag products (%)	11.7	--	9.9

Source: World Trade Organization (WTO) World Tariff Profiles.

Available at: https://www.wto.org/english/res_e/reser_e/tariff_profiles_e.htm, accessed on: 10 September 2022

Notes: Simple average, final bound: Simple average of final bound duties excluding unbound tariff lines.

Simple average, MFN applied: Simple average of MFN applied duties.

Trade weighted average: HS six-digit MFN tariff averages weighted with HS six-digit import flows for traded national tariff lines. Binding coverage: Share of HS six-digit subheadings containing at least one bound tariff line. The percentage share is also presented separately for non-agricultural (Non-AG) tariff lines. Full binding coverage is indicated by 100 without further decimals. If some tariff lines are unbound but the result still rounds to 100 this is reflected by maintaining one decimal, i.e. 100.0.

Table 4.3.8 lists all regional trade agreements (both in force or under negotiation) in which these three South Asian countries are a member or participating states, as per their notification to the WTO. All of them are members of the South Asian Free Trade Agreement (SAFTA) and South Asian Preferential Trade Arrangement (SAPTA). Nepal is also a member of the Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), while Maldives is currently negotiating their accession to the Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation

(BIMSTEC). Pakistan is also a member of Economic Cooperation Organization (ECO), Global System of Trade Preferences among Developing Countries (GSTP), and the Protocol on Trade Negotiations (PTN). Pakistan also has bilateral trade agreements with several countries, including Indonesia, Mauritius, Malaysia and China. All these three countries are also members of the SAARC Agreement on Trade in Services (SATIS), which was signed on 29 April 2010 at the sixteenth SAARC Summit. The Agreement was ratified by all members and entered into force on 29 November 2012. However, the final offer lists and schedule of specific commitments are yet to be finalised and implemented.

Table 4.3.8 RTAs of 3 South Asian Countries, 2022

Country	RTAs
Maldives	▪ India - Bhutan ▪ South Asian Free Trade Agreement (SAFTA) ▪ South Asian Preferential Trade Arrangement (SAPTA) ▪ SAARC Agreement on Trade in Services (SATIS) ▪ Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (under negotiation)
Nepal	▪ India - Nepal ▪ South Asian Free Trade Agreement (SAFTA) ▪ South Asian Preferential Trade Arrangement (SAPTA) ▪ SAARC Agreement on Trade in Services (SATIS) ▪ Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
Pakistan	▪ Economic Cooperation Organization (ECO) ▪ Global System of Trade Preferences among Developing Countries (GSTP) ▪ Indonesia - Pakistan ▪ Mauritius - Pakistan ▪ Pakistan - China ▪ Pakistan - Malaysia ▪ Pakistan - Sri Lanka ▪ Protocol on Trade Negotiations (PTN) ▪ South Asian Free Trade Agreement (SAFTA) ▪ South Asian Preferential Trade Arrangement (SAPTA) ▪ SAARC Agreement on Trade in Services (SATIS)

Source: World Trade Organization (WTO) RTA database. Available at: https://rtais.wto.org/UI/PublicSearchByCr.aspx, accessed on: 10 October 2022

4.3.2 Overview of Trade between APTA PS and three South Asian Countries

This section analyses current trade relations between three selected South Asian countries and APTA participating states. Table 4.3.9 and Table 4.3.11 present total exports and imports of Maldives, Nepal and Pakistan to and from the APTA Participating States in 2015 and 2019, along with the share of APTA countries in their total county-year exports and imports. Table 4.3.10 and Table 4.3.12 list the top 5 export and import items of Maldives, Nepal and Pakistan to and from the APTA Participating States in 2019, their country-product-year total export and import values and shares in respective countries' exports and imports to and from the APTA countries.

Maldives exports to the APTA PS were relatively low, and their share in Maldives's total exports also halved between 2015 and 2019. Their exports are also highly concentrated in a couple of sectors, chapter 03 (Fish and crustaceans, molluscs) and chapter 19 (Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates), contributing more than 95% of country's exports to APTA members. Nepal exports the majority of its exports to the APTA participating states, which was two-third in 2015 and further increased to almost three-fourths of its total exports in 2019. Nepal's exports to APTA countries are relatively less concentrated; however, a quarter comes from animal or vegetable fats and oils. Other significant exports include man-made staple fibres, coffee, tea, matt and spices, carpets and other textile floor coverings, articles of apparel and clothing accessories. Pakistan exports almost US$ 3.5 billion of products to the APTA PS, representing around 15% of its total exports, which, however, slightly reduced in recent years. Textiles, cotton, apparels and cereals are the main export items to APTA countries.

Table 4.3.9 Exports of the 3 South Asian Countries to the APTA Participating States, 2015 and 2019

Country	Export to APTA PS (mil US$)		Share in Total Exports to the World (%)	
	2015	2019	2015	2019
Maldives	21.22	11.60	14.71%	7.34%
Nepal	438.36	692.31	66.40%	72.14%
Pakistan	3,503.50	3,470.39	15.86%	14.57%

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022.

Note: For some countries mirror data has been used in the absence of reported data by the country; and hence may consist of incomplete data.

Table 4.3.10 Top 5 Export items of 3 South Asian Countries to the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Share in Country's Total Exports to APTA (%)
Maldives	03	Fish and crustaceans, molluscs	73.44
	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	22.44
	72	Iron and steel	1.92
	23	Residues and waste from the food industries	1.80
	74	Copper and articles thereof	0.17
Nepal	15	Animal or vegetable fats and oils	25.55
	55	Man-made staple fibres	8.70
	09	Coffee, tea, matT and spices	7.82
	57	Carpets and other textile floor coverings	7.06
	62	Articles of apparel and clothing accessories, not knitted or crocheted	5.22
Pakistan	63	Other made up textile articles	17.44
	52	Cotton	13.94
	61	Articles of apparel and clothing accessories, knitted or crocheted	12.98

	62	Articles of apparel and clothing accessories, not knitted or crocheted	12.06
	10	Cereals	10.18

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022.

Maldives sourced around one-third of its total imports from the Participating States of APTA, which increased from $500 million in 2015 to $937 million in 2019, registering almost 90% growth during this period. Nepal mainly depends on the APTA countries for its imports and in 2019, it imported 80% of its products from the APTA PS worth around US$10 billion. Pakistan sourced approximately 80% of its imports from APTA countries and in 2019, it imported US$14.3 billion of goods from the participating states of APTA.

Table 4.3.11 Imports of 3 South Asian Countries from the APTA Participating States, 2015 and 2019

Country	Import from APTA PS (mil US$)		Share in Total Imports from the World (%)	
	2015	2019	2015	2019
Maldives	499.95	936.52	26.12%	32.44%
Nepal	4,997.90	9,854.93	75.59%	79.96%
Pakistan	13,522.94	14,315.87	30.74%	28.55%

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022

Table 4.3.12 Top 5 Import items of 3 South Asian Countries from the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Share of APTA in Country's Total Product Imports (%)
Maldives	27	Mineral fuels, mineral oils and products of their distillation	16.14
	84	Nuclear reactors, boilers, machinery	9.31
	85	Electrical machinery and equipment	7.83
	94	Furniture; bedding, mattresses, mat	4.65
	44	Wood and articles of wood	4.21
Nepal	27	Mineral fuels, mineral oils and products of their distillation	17.41
	72	Iron and steel	8.75
	84	Nuclear reactors, boilers, machinery	8.51
	85	Electrical machinery and equipment	7.37
	87	Vehicles other than railway or tram	6.33
Pakistan	27	Mineral fuels, mineral oils and products of their distillation	28.82
	84	Nuclear reactors, boilers, machinery	9.44
	85	Electrical machinery and equipment	8.53
	72	Iron and steel	6.19
	29	Organic chemicals	4.72

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022

4.3.3 Illustration of potential benefits for three South Asian Countries

This section focuses on potential benefits for three select South Asian countries, Maldives, Nepal and Pakistan, from their possible accession to the APTA. It attempts to identify items with high trade potential across different pairs of these target countries at the aggregate and product levels. The potential benefits for these countries from their probable accession to APTA are analysed based on the following:

iv. Revealed Comparative Advantages (RCA) analysis: The RCA analysis to identify sectors that would benefit Maldives, Nepal and Pakistan in their goods exports through their market access to the Participating States of APTA.
v. Regional Intensity of Trade (RIT) analysis: The RIT indices analysis to measure, based on existing trade flows, to what extent Maldives, Nepal and Pakistan and APTA PS trade with each other more intensely than with other countries.
vi. Trade Complementary Index (TCI) analysis: The TCI indices analysis to measure the overall complementarity level of trade between Maldives, Nepal and Pakistan and the APTA Participating States.
vii. Intra-industry Trade (IIT): The IIT indices identify the potential of production supply chains (regional) that can be formed between Maldives, Nepal and Pakistan and the APTA PS to support deeper trade integration among these countries.

For this analysis, data is collected from UN COMTRADE database using World Bank's WITS platform for 2015-2019. The potential product lines for supply chains were identified at 2- and 4-digit levels of HS classification. For country-year, where data is not reported/available, mirror trade data reported by the partner countries are used, which may provide partial or incomplete information and should be interpreted with caution.

I. Analysis of Revealed Comparative Advantages

In this subsection, RCA analysis is conducted using the methodologies detailed in Box 4.1 to identify the comparative advantage for products exported by Maldives, Nepal and Pakistan to the APTA countries. Table 4.3.13 provides top 5 export items of these countries to the APTA PS with the highest RCA and normalised RCA (NRCA) indices for 2015 and 2019. The RCA index greater than unity (1.0) indicates export competitiveness of Maldives, Nepal and Pakistan in that product group in the world market and future potential of increased exports to the APTA countries through their market access to the Participating States of APTA if they decide to accede. Some products exported by these countries have extremely high RCA values. For example, Pakistan's top export to APTA PS comes from Textiles, cotton, apparels and cereals (see table 4.3.10), which also showed consistently high

RCA values in 2015 and 2019 and may be further benefitted from increased market access following its possible joining of APTA. However, Maldives only has comparative advantage in fish and crustaceans, molluscs, preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates, which are also its main exports to APTA countries. (Table 4.3.13).

Table 4.3.13 Top 5 Export items sectors of 3 South Asian Countries with highest RCA and NRCA indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RCA 2015	NRCA 2015	RCA 2019	NRCA 2019
Maldives	03	Fish and crustaceans, molluscs and	137.20	0.99	117.40	0.98
	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	33.67	0.94	70.66	0.97
	23	Residues and waste from the food industries	0.66	- 0.21	4.24	0.62
	72	Iron and steel	0.36	- 0.47	0.95	- 0.02
	74	Copper and articles thereof	1.214	0.096	0.217	-0.643
Nepal	14	Vegetable plaiting materials; vegetable products	181.22	0.99	270.10	0.99
	53	Other vegetable textile fibres	74.89	0.97	138.63	0.99
	57	Carpets and other textile floor coverings	98.87	0.98	82.98	0.98
	15	Animal or vegetable fats and oils	0.23	- 0.62	52.33	0.96
	55	Man-made staple fibres	32.73	0.94	43.57	0.96
Pakistan	63	Other made up textile articles	43.52	0.96	48.67	0.96
	52	Cotton	54.15	0.96	45.01	0.96
	10	Cereals	12.96	0.86	16.54	0.89
	61	Articles of apparel and clothing accessories, knitted or crocheted	8.05	0.78	11.09	0.83
	62	Articles of apparel and clothing accessories, not knitted or crocheted	7.20	0.76	10.35	0.82

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

II. Analysis of Regional Intensity of Trade

In this subsection, Regional Intensity of Trade (RIT) indices are presented to show the intensity of trade between 3 South Asian Countries and APTA PS to show potential welfare effects from possible accession of these countries into APTA. The methodology outlined in Box 4.2 is used in calculating the RIT indices presented in Table 4.3.14. The RIT indices provide descriptive information about to what extent countries trade with each other more intensely than with other countries. The findings suggest that the intensities of trade between Maldives, Nepal and Pakistan and the APTA members are relatively low.

Table 4.3.14 Five Export items of 3 South Asian Countries to the APTA Participating States with highest RIT indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RIT 2015	RIT 2019
Maldives	38	Miscellaneous chemical products		14.13
	40	Rubber and articles thereof		14.13
	74	Copper and articles thereof	7.05	14.13
	70	Glass and glassware		14.13
	76	Aluminium and articles thereof	7.05	14.13
Nepal	35	Albuminoidal substances; modified starches; glues; enzymes	1.51	1.39
	91	Clocks and watches and parts thereof	1.51	1.39
	13	Lac; gums, resins and other vegetable saps and extracts	1.48	1.39
	18	Cocoa and cocoa preparations	1.51	1.39
	01	Live animals	1.51	1.39
Pakistan	78	Lead and articles thereof	1.44	6.92
	43	Furskins and artificial fur	5.98	6.83
	26	Ores, slag and ash	2.90	6.54
	74	Copper and articles thereof	1.93	4.39
	60	Knitted or crocheted fabrics	1.51	3.47

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

III. Analysis of Trade Complementary Index

Trade Complementarity indices (TCI) are constructed between the 3 South Asian Countries and the Participating States of APTA for 2015 and 2019 using the methodology outlined in Box 4.3 and presented in Table 4.3.15. TCI provides information on how well a country's export or import patterns match with another partner country's import or export patterns, thus indicating the prospect of trade between the two countries. The TCI values between Maldives, Nepal and Pakistan with the APTA countries are relatively low and further reduced in most cases in recent years. A value close to 100 is ideal, but for these countries, the TCI values are below 40, which essentially indicates low trade complementarity. This low complementarity index value could be due to trade barriers among these countries as well as because of factor endowments. As discussed in the previous subsection on RCA, these countries have a great concentration of their comparative advantage in only a few, which may also result in the lack of trade complementarity.

Table 4.3.15 TCI between 3 South Asian Countries and the Participating States of APTA

APTA PS	Maldives		Nepal		Pakistan	
	2015	2019	2015	2019	2015	2019
Bangladesh	2.45	3.38	27.15	26.32	38.24	33.97
China	3.10	2.60	15.92	14.36	16.55	18.44
India	2.54	2.49	15.55	15.40	14.51	15.18
Republic of Korea	3.91	3.90	22.03	18.69	20.08	21.30
Lao PDR	1.96	3.65	20.40	16.36	16.99	20.39
Mongolia	1.75	2.48	22.14	15.77	19.03	16.11
Sri Lanka	3.52	4.24	24.99	22.78	27.26	26.67

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

IV. Analysis of Intra-Industry Trade

This subsection analyses intra-industry trade between Maldives, Nepal and Pakistan and the APTA Participating States to identify the potential of developing regional supply chains among these country groups following their possible accession to the APTA. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The potential product lines identified for regional supply chains, presented in Table 4.3.16, are indicative since they are calculated at the regional aggregated level using the 2-digit level of HS classification. Further analysis at the bilateral levels may be done at a more disaggregated product level. The aggregate IIT values between these countries with the APTA are quite low and have further receded recently. However, the result could be affected by aggregation bias. At the sectoral level, the IIT indices of Nepal and Pakistan with the APTA countries indicate a high potential of creating a regional supply chain in certain products. For example, Pakistan's IIT values in articles of apparel and clothing accessories, knitted or crocheted (Chapter 61) is close to 1 and indicate great potential for developing production supply chains in this sector with the APTA countries.

Table 4.3.16 Top 5 Trade items with highest IIT and AIT of Trade between 3 South Asian Countries and APTA PS, 2015 and 2019

Country	HS Code (Chapter)	Product Description	IIT 2015	AIT 2015	IIT 2019	AIT 2019
Maldives	03	Fish and crustaceans, molluscs and	0.726	0.048	0.506	0.018
	74	Copper and articles thereof	0.949		0.272	
	72	Iron and steel	0.100		0.145	
	23	Residues and waste from the food industries	0.737		0.049	
	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0.000		0.025	

Nepal	53	Other vegetable textile fibres	0.800	0.124	0.962	0.070
	46	Manufactures of straw	0.260		0.919	
	57	Carpets and other textile floor coverings	0.448		0.914	
	05	Products of animal origin, not elsewhere specified or included	0.788		0.878	
	63	Other made up textile articles	0.758		0.812	
Pakistan	61	Articles of apparel and clothing accessories, knitted or crocheted	0.980	0.109	0.980	0.089
	11	Products of the milling industry; malt; starches; inulin; wheat gluten	0.970		0.970	
	01	Live animals	0.944		0.944	
	63	Other made up textile articles	0.871		0.871	
	07	Edible vegetables and certain roots	0.829		0.829	

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

4.3.4 Illustration of potential benefits for the APTA PS

This section reflects potential benefits for the current APTA countries following possible accession of three South Asian countries, Maldives, Nepal and Pakistan to the APTA. The exercise focus on identifying potential export products that would be benefited from increased market access, measuring the extent of trade complementary to assess the likelihood of being the 'natural trading partners' for these countries, as well as the possibility of developing regional supply chains and production networks by analysing intra-industry trade among these country groups.

I. Analysis of Potential Exports

Section 4.3.2 provides an overview of trade between the APTA members and 3 South Asian Countries. However, this subsection presents the export composition and trend of the APTA Participating States to Maldives, Nepal and Pakistan at the 4-digit level of HS classification. These are indicative of future potential exports from the APTA countries and could be benefited from increased market access in Maldives, Nepal and Pakistan, if they decide to accede to APTA.

Table 4.3.17 Top 10 Export Items of the APTA Participating States to 3 South Asian Countries, 2015 and 2019

HS Code (4-digit)	Product label	Export value (million US$)	
		2015	2019
Maldives			
9403	Furniture and parts thereof, n.e.s. (excluding seats and medical, surgical, dental or veterinary . . .	8.76	23.90
8544	"Insulated ""incl. enamelled or anodised"" wire, cable ""incl. coaxial cable"" and other insulated . . .	10.73	21.88
3004	"Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	13.28	20.29
7308	"Structures and parts of structures ""e.g., bridges and bridge-sections, lock-gates, towers	8.79	20.21
8502	Electric generating sets and rotary converters	6.30	19.19
7610	"Structures and parts of structures ""e.g., bridges and bridge-sections, towers, lattice masts	2.39	14.16
8415	Air conditioning machines comprising a motor-driven fan and elements for changing the temperature . . .	4.15	13.90
1006	Rice	12.26	13.83
7214	Bars and rods, of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn . . .	6.33	12.21
709	"Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliaceous vegetables, edible . . .	8.62	11.87
Nepal			
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing . . .	535.66	1356.76
7207	Semi-finished products of iron or non-alloy steel	110.08	413.04
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	67.54	258.90
2711	Petroleum gas and other gaseous hydrocarbons	137.20	257.52
1006	Rice	173.56	240.11
7208	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled, not clad, . . .	61.64	221.77
8711	Motorcycles, incl. mopeds, and cycles fitted with an auxiliary motor	89.21	198.83
3004	"Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	57.14	193.07
8703	Motor cars and other motor vehicles principally designed for the transport of persons	60.23	133.93
8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	48.95	124.53
Pakistan			
5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross . . .	642.00	856.57
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	679.96	694.31
8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof	256.33	686.75
8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, . . .	405.61	376.50
5402	Synthetic filament yarn, incl. synthetic monofilaments of < 67 decitex (excluding sewing thread . . .	250.36	321.17
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, . . .	304.96	307.03
6006	"Fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics)	136.09	279.85
7308	"Structures and parts of structures ""e.g., bridges and bridge-sections, lock-gates, towers	175.54	259.75
7225	"Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, hot-rolled	411.15	252.12
3204	Synthetic organic colouring matter, whether or not chemically defined	145.75	245.38

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

II. Analysis of Trade Complementary Index

This subsection provides an analysis of Trade Complementarity Indices (TCI) between the Participating States of APTA with three South Asian Countries for the years 2015 and 2019. The TCI values, presented in Table 4.3.18, are calculated following the methodology outlined in Box 4.3. TCI provides information on how well the export or import patterns of a country match with the import or export patterns of another partner country thus indicating the prospect of future trade between the two countries or groups. The TCI analysis suggests that, among the APTA PS, India, the Republic of Korea, and China have high prospects of being "natural trading partners" of Maldives, Nepal and Pakistan. Lao PDR also shows some prominence, while Bangladesh indicates the least potential among the APTA countries.

Table 4.3.18 TCI between the Participating States of APTA and 3 South Asian Countries

APTA PS	Maldives		Nepal		Pakistan	
	2015	2019	2015	2019	2016	2019
Bangladesh	9.11	7.66	8.83	7.80	6.67	5.05
China	49.28	49.29	43.30	47.97	47.46	47.93
India	52.11	56.82	64.24	66.14	55.98	60.63
Republic of Korea	44.99	46.20	48.23	54.47	55.02	56.47
Lao PDR	27.84	38.93	30.17	44.20	21.34	44.37
Mongolia	18.58	23.41	23.14	25.61	23.07	31.63
Sri Lanka	24.59	26.29	25.27	28.66	21.77	21.23

Source: Author calculation based on data form The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

III. Analysis of Intra-Industry Trade

This subsection investigates the potential of intra-industry trade between the APTA members and the three selected South Asian countries to identify the potential of evolving regional supply chains among these countries through increased market access if they decide to join APTA. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups through production and supply chain networks. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The IIT analysis indicates that the potential of creating a regional supply chain between the APTA PS and Pakistan is quite high for certain products. Nepal is also showing some potential in a few products, while there is relatively less potential for Maldives to benefit from such regional production networks. The potential product lines identified for

regional supply chains, presented in Table 4.3.19, are indicative since they are calculated at the regional aggregated level using the 4-digit level of HS classification.

Table 4.3.19 Top 10 Trade items with highest IIT between APTA PS and 3 South Asian Countries, 2015 and 2019

HS Code (4-digit)	Product label	IIT	
		2015	2019
IIT between APTA PS and Maldives			
9031	Measuring or checking instruments, appliances and machines not elsewhere specified in chapter . . .	0.000	0.772
303	Frozen fish (excluding fish fillets and other fish meat of heading 0304)	0.159	0.664
8542	Electronic integrated circuits; parts thereof	0.308	0.615
6209	Babies' garments and clothing accessories of textile materials (excluding knitted or crocheted . . .	0.000	0.579
2204	Wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an actual . . .	0.982	0.516
308	Aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, . . .	0.000	0.440
7311	Containers of iron or steel, for compressed or liquefied gas (excluding containers specifically . . .	0.985	0.347
0301	Live fish	0.218	0.275
4707	"Recovered ""waste and scrap"" paper or paperboard (excluding paper wool)"	0.229	0.261
IIT between APTA PS and Nepal			
5705	"Carpets and other textile floor coverings, whether or not made up (excluding knotted, woven . . .	0.116	0.961
3201	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives	0.000	0.909
7210	"Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled . . .	0.930	0.880
3306	"Preparations for oral or dental hygiene, incl. denture fixative pastes and powders; yarn used . . .	0.488	0.838
3823	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols	0.000	0.817
5505	Waste of man-made staple fibres, incl. noils, yarn waste and garnetted stock	0.222	0.813
4602	Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or . . .	0.054	0.800
2306	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting . . .	0.750	0.794
9021	Orthopaedic appliances, incl. crutches, surgical belts and trusses; splints and other fracture . . .	0.917	0.777
IIT between APTA PS and Pakistan			
0808	Apples, pears and quinces, fresh	0.000	0.994
6211	Tracksuits, ski suits, swimwear and other garments, n.e.s. (excluding knitted or crocheted)	0.620	0.988
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	0.297	0.984
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar . . .	0.534	0.974
6002	"Knitted or crocheted fabrics, of a width <= 30 cm, containing by weight >= 5% of elastomeric . . .	0.725	0.959
8212	Non-electric razors and razor blades of base metal, incl. razor blade blanks in strips	0.578	0.950
6105	Men's or boys' shirts, knitted or crocheted (excluding nightshirts, T-shirts, singlets)	0.650	0.931
4105	Tanned or crust skins of sheep or lambs, without wool on, whether or not split (excluding further . . .	0.000	0.929
6112	Track-suits, ski-suits and swimwear, knitted or crocheted	0.166	0.929

Source: Author calculation based on data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 15 October 2022.

4.3.5 Summary Findings

The three South Asian countries, Maldives, Nepal and Pakistan, analysed in this section are quite diverse in terms of the size and performance of their economy. Accordingly, their potential benefits from accession to APTA would also be different, as evidenced from the above analysis. These countries are situated in close geographical proximity to the APTA countries; for example, Pakistan and Nepal have large borders with the two biggest members of APTA, India and China. Naturally, their economy is also integrated with the APTA countries in multiple ways. These countries are also already connected with some of the APTA PS through bilateral and regional trade agreements; for example, Maldives, Nepal and Pakistan are members of SAFTA and SAPTA, in which Bangladesh, India and Sri Lanka are also participating states. Therefore, their accession to APTA might not generate much benefits for trade in goods in some of the APTA countries' markets. However, the detailed analysis suggests that there are high potential for trade complementarity and the development of regional supply chains in certain sectors following increased market access if they decide to accede to APTA. Another aspect that may enhance trade for all of these countries relates to the fact that the local value-added content criteria and cumulation provisions of APTA rules of origin are much more flexible than other FTAs, and hence these countries may benefit from their supply chain linkages. Among these countries, Pakistan would be benefited most, whereas the potential benefit for Maldives is relatively low that they would enjoy from the current tariff concessions regime in goods trade following their possible accession to APTA.

4.4 Southeast Asian Countries

This section analyses the potential benefits of four select Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam from their possible accession to the APTA. Being neighbours of the big members of the APTA, these four selected countries already have significant trade relations with APTA countries. They also have trade agreements with China and the Republic of Korea through ASEAN. However, there might be significant trade opportunity through increased market access if they accede to the APTA. The objectives of this analysis are three-fold: (a) to provide an overview of the current trade relations of these four Southeast Asian countries with the APTA Participating States; (b) to analyse potential benefits for these four selected countries- Cambodia, Myanmar, Thailand and Vietnam if they decide to accede to APTA; and also (c) to assess the potential benefits for the current APTA members following the accession of these four Southeast Asian countries into APTA.

4.4.1 Overall Economic and Trade Features

The four select Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam, are members of ASEAN and historically have close economic ties. Except for Myanmar, other select Southeast Asian countries have registered strong macroeconomic performance to recover quickly from the economic debacle caused by the COVID-19 pandemic. However, they are still struggling to recover from the effects of the pandemic on their international trade. The following subsections briefly introduce their macroeconomic and trade performance in recent years.

A. Macroeconomic Performance

The four select Southeast Asian countries, Cambodia, Myanmar, Thailand and Vietnam, all achieved continuous GDP growth until hit by the pandemic in 2020. During the last two decades (2000-2020), ASEAN's economy grew at an average annual growth of 5.0%. Among these four Southeast Asian countries, Cambodia, Myanmar, Thailand and Vietnam recorded average annual GDP growth of 7.2%, 9.3%, 3.5% and 6.4%, respectively (ASEANstats database). However, their overall macroeconomic performance is diverse, as evident from their GDP per capita. Cambodia and Myanmar are still categorised as LDCs by the UN, while Thailand and Vietnam are rapidly growing developing countries. Their economic structure also differs, and Services was the leading sector in all of them, except Cambodia. The share of the Services sector in GDP was the largest in Thailand, contributing 56.68%, followed by Thailand (42.63%). Approximately one-third of GDP comes from Industry (including mining, manufacturing, and construction) in all of these four Southeast Asian countries. Agriculture is still an important contributor to the GDP of Cambodia (22.85%) and Myanmar (23.46%).

Table 4.4.1 Selected Economic Indicators of 4 Southeast Asian Countries

	Cambodia	Myanmar	Thailand	Viet Nam
GDP (current US$) (billion) (2021)	26.96	65.07	505.98	362.64
GDP per capita (current US$)	1,591.0	1,187.2	7,233.4	3,694.0
GDP (constant 2015 US$) (billion) (2021)	23.72	70.81	438.62	331.13
GDP per capita (constant 2015 US$) (2021)	1,399.8	1,292.1	6,270.4	3,373.1
Real GDP growth (% change)	3.0	-18.0	1.6	2.6
Current account balance (% of GDP (2020)	-11.46	-1.84	3.52	4.64
Exchange rate (/US$) (2020)	4,092.783	1,381.619	31.294	23,208.368
GDP by major economic activity (% of current GDP)				
Agriculture, forestry, and fishing, value added (% of GDP)	22.85	23.46	8.55	14.85 (2020)
Industry (including mining, manufacturing, construction), value added (% of GDP)	36.83	35.22	34.77	33.72 (2020)
Services, value added (% of GDP)	34.18	41.33	56.68	42.63 (2020)
Financial flows (2020)				
FDI inflows (Million US$)	3,624.64	1,834.21	-6,099.73	15,800.00
FDI Outflows (Million US$)	126.80	--	16,715.59	380.00
Personal remittances (% of GDP)	4.74	2.44	1.61	6.40

Source: The World Bank data: Countries and Economics. Available at: https://data.worldbank.org/country/ , accessed on: 8 September 2022; and UNCTADStat Country Profile. Available at: https://unctadstat.unctad.org/countryprofile/GeneralProfile/, accessed on: 8 September 2022

B. Structure and Direction of Trade

This section aimed to understand the potential of APTA's integration with the three selected four select Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam. Accordingly, the structures and directions of exports and imports of each of these countries are briefly presented in the following subsections and in Tables 4.4.2 to 4.4.6., which show these countries' total trade and share in countries' GDP, merchandise and commercial services exports and imports, their share in world trade, exports and imports by major commodity groups and services sectors, export and import partners for their goods and commercial services trade.

B.1 Merchandise Trade

Thailand and Vietnam's total trade volumes are significantly larger compared to the other two Southeast Asian countries analysed here. These two countries had a positive trade balance in the

recent past, while Cambodia and Myanmar registered a negative trade balance. Both exports and imports of goods of all these four countries were on an increasing trend until 2019. However, the COVID-19 pandemic has severely affected both exports and imports of merchandise trade in 2020, resulting in a sharp decline in 2020. However, in 2021 all these Southeast Asian countries, except Myanmar, achieved strong recovery in their international merchandise trade.

Table 4.4.2 Merchandise Trade of 4 Southeast Asian Country, 2020

	Cambodia	Myanmar	Thailand	Viet Nam
Total Trade (million US$)	40,206	42,392	516,444	580,786
Trade (% of GDP, 2018-2020)	83.5	23.2	54.7	--
Trade per capita (US$, 2018-2020)	1,376	317	4,068	--
Total Merchandise Trade	36,346	34,639	438,460	545,195
Merchandise exports, fob. (million US$)	17,215	16,692	231,468	282,575
Share in world total exports (%)	0.10	0.09	1.31	1.60
Merchandise imports, cif. (million US$)	19,131	17,947	206,992	262,620
Share in world total imports (%)	0.11	0.10	1.16	1.47

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 6 September 2022

The structure of international merchandise trade of these four Southeast Asian countries, presented in Table 4.4.3, shows that merchandise exports overwhelmingly dominate the export of Cambodia, Thailand and Vietnam. For Myanmar, agriculture and mining products contribute more than 50% of its exports. Manufacturing goods account for more than 60% of all these four countries' goods imports, followed by fuel and mining products.

Table 4.4.3 Major Commodity groups (share in %) in 4 Southeast Asian Country's Total Trade, 2020

Country	Export Products	Import Products
Cambodia	Agricultural products (6.3); Fuels and mining products (0.5); Manufactures (91.4); Other (1.8)	Agricultural products (8.8); Fuels and mining products (13); Manufactures (75.7); Other (2.6)
Myanmar	Agricultural products (26.1); Fuels and mining products (29.2); Manufactures (44); Other (0.6)	Agricultural products (12.2); Fuels and mining products (20.7); Manufactures (66.9); Other (0.2)
Thailand	Agricultural products (17.5); Fuels and mining products (5); Manufactures (68.5); Other (9.1)	Agricultural products (7.2); Fuels and mining products (18.3); Manufactures (62.3); Other (12.2)
Viet Nam	Agricultural products (11.3); Fuels and mining products (2.5); Manufactures (84.6); Other (1.6)	Agricultural products (10.2); Fuels and mining products (10); Manufactures (78.1); Other (1.7)

Source: World Trade Organization (WTO) Country Trade Profiles.
Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

The directions of trade of Cambodia, Myanmar, Thailand and Vietnam are presented in Table 4.3.4, which shows the top export destinations and import sources for these countries. USA, European Union and China are the top export destinations for these countries, and imports are mainly sourced from China, the Republic of Korea, and Japan, among others.

Table 4.4.4 Major Trading Partners of 4 Southeast Asian Countries (share in %) , 2020

Country	Export Products	Import Products
Cambodia	United States of America (29.8) European Union (26.4) Japan (7.7) China (6.8) United Kingdom (6.6) Other (22.7)	China (37.4) Thailand (15.9) Viet Nam (13.4) Japan (4.4) Chinese Taipei (3.9) Other (24.9)
Myanmar	China (31.8) Thailand (17.8) European Union (15.5) Japan (7.3) United States of America (5.1) Other (22.5)	China (36.3) Singapore (13.7) Thailand (10.7) Indonesia (6) Malaysia (5.6) Other (27.7)
Thailand	United States of America (12.7) China (12) Japan (9.9) European Union (8) Viet Nam (5) Other (52.4)	China (21.1) Japan (14) European Union (7.7) United States of America (7.4) Malaysia (5.5) Other (44.3)
Viet Nam	United States of America (23.2) China (15.7) European Union (13.5) Japan (7.7) Korea (7.5) Other (32.5)	China (29.8) Korea (18.5) Japan (7.7) Chinese Taipei (6) United States of America (5.7) Other (32)

Source: World Trade Organization (WTO) Country Trade Profiles.

Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

B.2 Trade in Commercial Services

The services sector contributes more than half of Thailand's GDP; however, commercial services trade represents only 15% of its total trade. The value and share of services trade of these Southeast Asian countries, presented in Table 4.4.5, shows that services trade was relatively low. Cambodia and Vietnam had a negative trade balance in services trade in 2020. The structures of the services trade of these countries are presented in Table 4.4.6.

Table 4.4.5 Trade in Commercial Services of the CARs (share in %) 2020

	Cambodia	Myanmar	Thailand	Viet Nam
Total Trade in Services	3,860	7,753	77,984	35,591
Commercial services exports, (million US$)	1,815	4,332	31,421	18,677
Share in world total exports (%)	*0.04*	*0.09*	*0.64*	*0.38*
Commercial services imports (million US$)	2,045	3,421	46,563	16,914
Share in world total imports (%)	*0.04*	*0.07*	*1.01*	*0.37*

Source: World Trade Organization (WTO) Country Trade Profiles.

Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 6 September 2022

Table 4.4.6 Breakdown in Economy's Total Trade, by Main Services Sector (share in %), 2020

Country	Export Products	Import Products
Cambodia	Transport (25.3), Travel (56.4), Other commercial services (18.3), Goods-related services (0)	Transport (65), Travel (8.2), Other commercial services (26.8), Goods-related services (0)
Myanmar	Transport (8.2), Travel (12.5), Other commercial services (48), Goods-related services (31.4)	Transport (44.6), Travel (3.3), Other commercial services (48.2), Goods-related services (3.9)
Thailand	Transport (10.7), Travel (45.2), Other commercial services (44.1), Goods-related services (0)	Transport (39.5), Travel (6.2), Other commercial services (54.4), Goods-related services (0)
Viet Nam	Transport (12.1), Travel (43.1), Other commercial services (5.4), Goods-related services (39.4)	Transport (44.9), Travel (33.1), Other commercial services (19.4), Goods-related services (2.5)

Source: World Trade Organization (WTO) Country Trade Profiles.

Available at: https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm, accessed on: 8 September 2022

C. Trade Policies and Trade Agreements

The four Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam, all are now members of the WTO. While Myanmar and Thailand are the founding members and joined WTO in 1995, Cambodia joined in 2004 and Vietnam in 2007. This difference in the time of their joining to WTO is also reflected in their bound tariff coverage. Only 18.5% of Myanmar tariff lines are bound, whereas the binding coverage is 100% for Cambodia and Vietnam. However, the applied tariff rates are relatively low for these countries and show their external trade engagement. The simple average applied tariffs, and trade-weighted applied tariff rates for these countries are presented in Table 4.4.7.

Table 4.4.7 Tariff Profiles of 4 Southeast Asian Countries, 2019

	Cambodia	Myanmar	Thailand	Viet Nam
WTO member since	2004	1995	1995	2007
Binding coverage	100	18.6	75.2	100
Tariff rate, simple average, final bound, All products (%)	19.3	82.8	28.0	11.7
Tariff rate, simple average, final bound, Ag products (%)	28.0	103.6	39.1	18.8
Tariff rate, simple average, final bound, Non-Ag products (%)	17.9	21.2	25.7	10.5
Tariff rate, simple average, MFN applied, All products (%)	10.4	6.5	10.2	9.5
Tariff rate, simple average, MFN applied , Ag products (%)	12.7	9.6	29.3	16.5
Tariff rate, simple average, MFN applied , Non-Ag products (%)	10.0	6.0	7.1	8.4
Tariff rate, Trade weighted average, All products (%)	10.1	5.3	6.7	5.6
Tariff rate, Trade weighted average , Ag products (%)	14.2	9.1	29.4	9.6
Tariff rate, Trade weighted average , Non- Ag products (%)	9.7	4.8	5.4	5.2

Source: World Trade Organization (WTO) World Tariff Profiles.

Available at: https://www.wto.org/english/res_e/reser_e/tariff_profiles_e.htm, accessed on: 10 September 2022

Notes: Simple average, final bound: Simple average of final bound duties excluding unbound tariff lines.

Simple average, MFN applied: Simple average of MFN applied duties.

Trade weighted average: HS six-digit MFN tariff averages weighted with HS six-digit import flows for traded national tariff lines. Binding coverage: Share of HS six-digit subheadings containing at least one bound tariff line. The percentage share is also presented separately for non-agricultural (Non-AG) tariff lines. Full binding coverage is indicated by 100 without further decimals. If some tariff lines are unbound but the result still rounds to 100 this is reflected by maintaining one decimal, i.e. 100.0.

The four Southeast Asian countries analysed here are members of ASEAN Free Trade Area (AFTA) and also benefit from several other bilateral trade agreements between ASEAN and a number of countries including Australia, New Zealand, India, China, Japan and the Republic of Korea among others. Myanmar and Thailand are also members of Global System of Trade Preferences among

Developing Countries (GSTP) and under negotiation to join the Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Table 4.4.8 lists all regional trade agreements (both in force or under negotiation) in which these four Southeast Asian countries are a member or participating states, as per their notification to the WTO.

Table 4.4.8 RTAs of 4 Southeast Asian Countries, 2022

Country	RTAs
Cambodia	▪ ASEAN - Australia - New Zealand ▪ ASEAN - China ▪ ASEAN - Hong Kong, China ▪ ASEAN - India ▪ ASEAN - Japan ▪ ASEAN - Korea, Republic of ▪ ASEAN Free Trade Area (AFTA)
Myanmar	▪ ASEAN - Australia - New Zealand ▪ ASEAN - China ▪ ASEAN - Hong Kong, China ▪ ASEAN - India ▪ ASEAN - Japan ▪ ASEAN - Korea, Republic of ▪ ASEAN Free Trade Area (AFTA) ▪ Global System of Trade Preferences among Developing Countries (GSTP) ▪ Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (under negotiation)
Thailand	▪ ASEAN - Australia - New Zealand ▪ ASEAN - China ▪ ASEAN - Hong Kong, China ▪ ASEAN - India ▪ ASEAN - Japan ▪ ASEAN - Korea, Republic of ▪ ASEAN Free Trade Area (AFTA) ▪ Chile - Thailand ▪ Global System of Trade Preferences among Developing Countries (GSTP) ▪ India - Thailand ▪ Japan - Thailand ▪ Lao People's Democratic Republic - Thailand ▪ Thailand - Australia ▪ Thailand - New Zealand ▪ Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (under negotiation) ▪ EU-Thailand (under negotiation)
Viet Nam	▪ ASEAN - Australia - New Zealand ▪ ASEAN - China ▪ ASEAN - Hong Kong, China ▪ ASEAN - India ▪ ASEAN - Japan ▪ ASEAN - Korea, Republic of ▪ ASEAN Free Trade Area (AFTA) ▪ Chile - Viet Nam ▪ Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) ▪ EU - Viet Nam ▪ Eurasian Economic Union (EAEU) - Viet Nam ▪ Global System of Trade Preferences among Developing Countries (GSTP) ▪ Japan - Viet Nam ▪ Korea, Republic of - Viet Nam ▪ United Kingdom - Viet Nam ▪ EFTA - Viet Nam (under negotiation)

Source: World Trade Organization (WTO) RTA database.
Available at: https://rtais.wto.org/UI/PublicSearchByCr.aspx, accessed on: 10 October 2022

4.4.1 Overview of Trade between APTA PS and 4 Southeast Asian Countries

This section evaluates current trade relations between four Southeast Asian countries and APTA members. Table 4.4.9 and Table 4.4.11 present the total exports and imports of these four countries to and from the APTA Participating States in 2015 and 2019, along with the share of APTA countries in their total county-year exports and imports. Table 4.4.10 and Table 4.4.12 list the top 5 export and import items of Cambodia, Myanmar, Thailand and Vietnam to and from the APTA Participating States in 2019, their country-product-year total export and import values and shares in respective countries' exports and imports to and from the APTA countries.

Cambodian export share to the APTA PS in its total exports is quite low, 6.56% in 2015 and slightly increased in 2019. Cambodia's main export items to APTA are mainly apparel and clothing, footwear and leather items. Myanmar exports to APTA increased in terms of value between 2015 and 2019; Myanmar mainly exports Mineral fuels, mineral oils along with apparel and clothing and cereal to APTA countries. Thailand exports around one-fifth of its total exports to APTA countries, valued at US$ 46.2 billion in 2019. Thailand's top exports to APTA include boilers, machinery, electrical machinery and equipment. Vietnam's exports to participating states of APTA increased significantly during this period from US$ 29.3 billion in 2015 to US$69.5 billion in 2019, and APTA members' share in its total exports also increased from 18% to more than 26% during this period. More than one-third of its exports to APTA members are concentrated in electrical machinery and equipment. Vietnam also exports footwear, apparel and clothing and machinery to APTA PS.

Table 4.4.9 Exports of the 4 Southeast Asian Countries to the APTA Participating States, 2015 and 2019

Country	Export to APTA PS (mil US$)		Share in Total Exports to the World (%)	
	2015	2019	2015	2019
Cambodia	559.97	1,300.44	6.56%	8.77%
Myanmar	5,753.16	7,019.25	50.33%	38.77%
Thailand	38,063.60	46,232.26	18.02%	18.84%
Viet Nam	29,238.54	69,484.63	18.05%	26.26%

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022.
Note: For some countries, mirror data has been used in the absence of reported data by the country, and hence may consist incomplete data.

Table 4.4.10 Top 5 Export items of 4 Southeast Asian Countries to the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Share in Country's Total Exports to APTA (%)
Cambodia	61	Articles of apparel and clothing accessories, knitted or crocheted	40.48
	62	Articles of apparel and clothing accessories, not knitted or crocheted	15.42
	64	Footwear, gaiters and the like; par	8.55
	42	Articles of leather	7.45
	85	Electrical machinery and equipment	3.90
Myanmar	27	Mineral fuels, mineral oils and products of their distillation	25.11
	62	Articles of apparel and clothing accessories, not knitted or crocheted	21.30
	61	Articles of apparel and clothing accessories, knitted or crocheted	7.03
	10	Cereals	5.77
	07	Edible vegetables and certain roots	5.49
Thailand	84	Nuclear reactors, boilers, machinery	15.80
	85	Electrical machinery and equipment	13.26
	87	Vehicles other than railway or tram	11.36
	40	Rubber and articles thereof	6.58
	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	6.31
Viet Nam	85	Electrical machinery and equipment	36.72
	64	Footwear, gaiters and the like; par	7.18
	62	Articles of apparel and clothing accessories, not knitted or crocheted	5.73
	61	Articles of apparel and clothing accessories, knitted or crocheted	5.63
	84	Nuclear reactors, boilers, machinery	4.95

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022.

Cambodia imports more than 40% of its total imports from the Participating States of APTA, which almost doubled from $4.5 billion in 2015 to $8.5 billion in 2019. Cambodia's main import source is China which is a participating state of APTA. Myanmar imports from APTA countries remained almost stable in terms of value between 2015 and 2019; however, APTA members' share slightly decreased in Myanmar's total imports. Thailand sourced approximately 28% of its imports from APTA countries in 2019, worth of US$ 67.3 billion. Its major import source was China and major import goods were electrical machinery and equipment, mineral fuels, mineral oils and products of their distillation, and machinery. Vietnam imports half of its total imports from the APTA countries with almost 30% from China and 19% from the Republic of Korea. Its imports from APTA PS was US$128 billion in 2019.

Table 4.4.11 Imports of 4 Southeast Asian Countries from the APTA Participating States, 2015 and 2019

Country	Import from APTA PS (mil US$)		Share in Total Imports from the World (%)	
	2015	2019	2015	2019
Cambodia	4,530.43	8,471.55	42.46%	41.77%
Myanmar	7,331.17	7,634.95	43.35%	41.02%

Thailand	52,236.28	67,316.28	25.85%	28.03%
Viet Nam	80,376.73	127,659.03	48.49%	50.37%

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022

Table 4.4.12 Top 5 Import items of 4 Southeast Asian countries from the APTA Participating States, 2019

Country	HS Code (Chapter)	Product Description	Share in Country's Total Imports from APTA (%)
Cambodia	60	Knitted or crocheted fabrics	13.23
	87	Vehicles other than railway or tram	11.72
	27	Mineral fuels, mineral oils and products of their distillation	11.68
	84	Nuclear reactors, boilers, machinery	6.97
	85	Electrical machinery and equipment	5.28
Myanmar	27	Mineral fuels, mineral oils and products of their distillation	19.99
	84	Nuclear reactors, boilers, machinery	9.31
	85	Electrical machinery and equipment	6.71
	87	Vehicles other than railway or tram	6.10
	72	Iron and steel	5.01
Thailand	85	Electrical machinery and equipment	17.61
	27	Mineral fuels, mineral oils and products of their distillation	16.18
	84	Nuclear reactors, boilers, machinery	12.27
	72	Iron and steel	5.09
	71	Natural or cultured pearls, precious metals, stones; imitation jewellery; coin	4.89
Viet Nam	85	Electrical machinery and equipment	30.69
	84	Nuclear reactors, boilers, machinery	9.25
	39	Plastics and articles thereof	6.26
	27	Mineral fuels, mineral oils and products of their distillation	6.14
	72	Iron and steel	4.47

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 5 October 2022

4.4.2 Illustration of potential benefits for four Southeast Asian countries

This section analysed potential benefits for four select Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam, from their possible accession to the APTA. It attempts to identify items with high trade potential across different pairs of these target countries at the aggregate and product levels. The potential benefits for these countries from their probable accession to APTA are analysed based on the following:

i. Revealed Comparative Advantages (RCA) analysis: The RCA analysis to identify sectors that would benefit Cambodia, Myanmar, Thailand and Vietnam in their goods exports through their market access to the Participating States of APTA.

ii. Regional Intensity of Trade (RIT) analysis: The RIT indices analysis to measure, based on existing trade flows, to what extent Cambodia, Myanmar, Thailand and Vietnam and APTA PS trade with each other more intensely than with other countries.

iii. Trade Complementary Index (TCI) analysis: The TCI indices analysis to measure the overall complementarity level of trade between Cambodia, Myanmar, Thailand and Vietnam and the APTA Participating States.

iv. Intra-industry Trade (IIT): The IIT indices identify the potential of production supply chains (regional) that can be formed between Cambodia, Myanmar, Thailand and Vietnam and the APTA PS to support deeper trade integration among these countries.

For this analysis, data is collected from UN COMTRADE database using World Bank's WITS platform for 2015-2019. The potential product lines for supply chains were identified at 2- and 4-digit levels of HS classification. For country-year, where data is not reported/available, mirror trade data reported by the partner countries are used, which may provide partial or incomplete information and should be interpreted with caution.

I. Analysis of Revealed Comparative Advantages

In this subsection, RCA analysis is conducted using the methodologies detailed in Box 4.1 to identify the comparative advantage for products exported by Cambodia, Myanmar, Thailand and Vietnam to the APTA countries. Table 4.2.13 provides top 5 export items of these four Southeast Asian countries to the APTA PS with the highest RCA and normalised RCA (NRCA) indices for 2015 and 2019. The RCA index greater than 1 indicates export competitiveness of these countries in that product group in the world market and the future potential of increased exports to the APTA countries through their market access to the Participating States of APTA if they decide to accede. Some products exported by these countries have extremely high RCA values. For example, Cambodia's top export to APTA PS comes from textile, cotton, apparels and cereals (see table 4.4.10), which also showed consistently high RCA values in 2015 and 2019 and may be further benefitted from increased market access following its possible joining of APTA. However, a detailed analysis of RCA and NRCA indices surfaced significant volatility of their competitiveness in most of their export items. (Table 4.4.13).

Table 4.4.13 Top 5 Export items of 4 Southeast Asian countries with highest RCA and NRCA indices, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RCA 2015	NRCA 2015	RCA 2019	NRCA 2019
Cambodia	43	Furskins and artificial fur	30.252	0.936	37.633	0.948
	61	Articles of apparel and clothing accessories, knitted or crocheted	48.516	0.960	34.597	0.944
	42	Articles of leather	2.543	0.436	15.750	0.881
	62	Articles of apparel and clothing accessories, not knitted or crocheted	3.179	0.521	13.232	0.859
	64	Footwear, gaiters and the like; par	9.242	0.805	11.060	0.834
Myanmar	62	Articles of apparel and clothing accessories, not knitted or crocheted	5.146	0.675	18.282	0.896

	07	Edible vegetables and certain roots	27.976	0.931	13.819	0.865
	01	Live animals	0.027	-0.947	10.548	0.827
	10	Cereals	12.871	0.856	9.376	0.807
	03	Fish and crustaceans, molluscs and	6.447	0.731	6.173	0.721
Thailand	16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	9.787	0.815	9.483	0.809
	93	Arms and ammunition; parts and accessories	0.073	-0.864	8.723	0.794
	17	Sugars and sugar confectionery	5.303	0.683	6.595	0.737
	40	Rubber and articles thereof	5.442	0.690	6.507	0.734
	11	Products of the milling industry; malt; starches; inulin; wheat gluten	5.561	0.695	5.493	0.692
Viet Nam	64	Footwear, gaiters and the like; par	9.516	0.810	9.281	0.805
	46	Manufactures of straw	8.188	0.782	7.336	0.760
	62	Articles of apparel and clothing accessories, not knitted or crocheted	5.181	0.676	4.916	0.662
	09	Coffee, tea, matT and spices	8.134	0.781	4.851	0.658
	61	Articles of apparel and clothing accessories, knitted or crocheted	4.660	0.647	4.807	0.656

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

II. Analysis of Regional Intensity of Trade

Regional Intensity of Trade (RIT) indices are presented here to show the intensity of trade between four Southeast Asian Countries and APTA PS to show potential welfare effects from possible accession of these countries into APTA. The methodology outlined in Box 4.2 is used in calculating the RIT indices presented in Table 4.4.14. The RIT indices provide descriptive information about to what extent countries trade with each other more intensely than with other countries. The findings suggest that except for Cambodia, the intensities of trade between these Southeast Asian Countries and the APTA members are relatively low.

Table 4.4.14 Five Export items of 4 Southeast Asian countries to the APTA Participating States with highest RIT, 2015 and 2019

Country	HS Code (Chapter)	Product Description	RIT 2015	RIT 2019
Cambodia	26	Ores, slag and ash	20.216	13.626
	53	Other vegetable textile fibres		13.626
	78	Lead and articles thereof	20.202	13.614
	18	Cocoa and cocoa preparations	15.398	13.607
	57	Carpets and other textile floor coverings	8.886	13.538
Myanmar	50	Silk	0.437	2.756
	51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	-	2.739

	31	Fertilisers		2.738
	01	Live animals	1.932	2.684
	29	Organic chemicals	1.882	2.667
Thailand	97	Works of art, collectors' pieces antiques	0.287	5.233
	47	Pulp of wood; waste and scrap of paper or paperboard	3.629	4.264
	53	Other vegetable textile fibres	4.949	4.218
	26	Ores, slag and ash	3.968	3.915
	07	Edible vegetables and certain roots	5.335	3.700
Viet Nam	47	Pulp of wood; waste and scrap of paper or paperboard	3.243	5.207
	11	Products of the milling industry; malt; starches; inulin; wheat gluten	6.503	4.435
	43	Furskins and artificial fur	5.084	4.360
	52	Cotton	6.352	4.207
	26	Ores, slag and ash	6.367	4.088

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

III. Analysis of Trade Complementary Index

In this subsection, Trade Complementarity indices (TCI) are constructed between the four Southeast Asian Countries and the APTA countries for 2015 and 2019 using the methodology outlined in Box 4.3. TCI indices, presented in Table 4.4.15, provide information on how well these countries' export or import patterns match with their partners from APTA PS import or export patterns, thus indicating the prospect of trade between the two countries. The TCI values between Thailand and all APTA countries are significantly large and show high trade complementarity. A value close to 100 is ideal, but for these countries, the TCI values are above 40, which essentially indicates high trade complementarity. Vietnam also shows greater complementarity, especially with the Republic of Korea, China and Lao PDR.

Table 44.15 TCI between four Southeast Asian countries and the Participating States of APTA

APTA PS	Cambodia		Myanmar		Thailand		Vietnam	
	2015	2015	2015	2019	2015	2019	2015	2019
Bangladesh	17.05	19.65	27.23	27.70	45.23	51.23	36.03	35.18
China	14.60	18.65	31.01	35.09	58.87	55.27	50.72	47.14
India	11.45	15.78	41.15	39.60	47.85	51.94	37.06	36.35
Republic of Korea	17.03	19.84	36.38	40.31	58.15	56.40	51.19	48.69
Lao PDR	14.64	17.32	27.17	28.89	60.36	59.79	45.71	41.11
Mongolia	15.59	17.93	32.77	32.47	60.01	59.13	38.82	32.01
Sri Lanka	19.45	20.16	30.22	34.07	60.56	54.06	40.63	38.75

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

IV. Analysis of Intra-Industry Trade

This subsection analyses intra-industry trade between four select Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam and the APTA countries to identify the potential of developing regional supply chains among these country groups following their possible accession to the APTA. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups. The top potential product lines identified for regional supply chains, presented in Table 4.4.16, are indicative since they are calculated at the regional aggregated level using the 2-digit level of HS classification. Further analysis at the bilateral levels may be done at a more disaggregated product level. At the sectoral level, the IIT indices of all these countries under investigation with the APTA countries indicate a high potential of creating a regional supply chain in certain products. For example, Cambodia's IIT values in sugars and sugar confectionery (Chapter 17) and articles of apparel and clothing accessories, not knitted or crocheted (Chapter 62) is close to 1 and indicate great potential for developing production supply chains in this sector with the APTA countries. The aggregate IIT values between these countries with the APTA are quite; however, aggregation bias could affect this result.

Table 4.4.16 Top 5 Trade items with highest IIT and AIT of Trade between 4 Southeast Asian countries and APTA PS, 2015 and 2019

Country	HS Code (Chapter)	Product Description	IIT 2015	AIT 2015	IIT 2019	AIT 2019
Cambodia	17	Sugars and sugar confectionery	-	0.078	0.995	0.097
	62	Articles of apparel and clothing accessories, not knitted or crocheted	0.309		0.994	
	74	Copper and articles thereof	-		0.988	
	11	Products of the milling industry; malt; starches; inulin; wheat gluten	0.765		0.954	
	09	Coffee, tea, matT and spices	0.575		0.832	
Myanmar	20	Preparations of vegetables, fruit, nuts	0.259	0.095	0.979	0.115
	61	Articles of apparel and clothing accessories, knitted or crocheted	0.470		0.917	
	22	Beverages, spirits and vinegar	0.083		0.908	
	02	Meat and edible meat offal	-		0.780	
	40	Rubber and articles thereof	0.907		0.680	
Thailand	97	Works of art, collectors' pieces antiques	0.846	0.533	0.998	0.553
	12	Oil seeds and oleaginous fruits; grains, seeds and fruit; industrial or medicinal plants	0.616		0.976	
	07	Edible vegetables and certain roots	0.336		0.952	
	90	Optical, photographic, cinematographic	0.855		0.941	
	68	Articles of stone, plaster, cement, asbestos	0.985		0.931	
Vietnam	24	Tobacco and manufactured tobacco substitutes	0.985	0.397	0.990	0.584

	90	Optical, photographic, cinematographic	0.868		0.950	
	04	Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.160		0.942	
	33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.760		0.942	
	06	Live trees and other plants	0.684		0.940	

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

4.4.3 Illustration of potential benefits for the APTA PS

This section briefly reflects potential benefits for the current APTA countries following the possible accession of four select Southeast Asian countries- Cambodia, Myanmar, Thailand and Vietnam to the APTA. The exercise focus on identifying potential export products that would be benefited from increased market access, measure the extent of trade complementary to assess the likelihood of being the 'natural trading partners' for the APTA members, as well as the possibility of developing regional supply chains and production networks by analysing intra-industry trade among these country groups.

I. Potential Export Products

Section 4.4.2 provides an overview of trade between the APTA members and four Southeast Asian countries. However, this subsection presents the export composition and trend of the APTA Participating States to Cambodia, Myanmar, Thailand and Vietnam at the 4-digit level of HS classification. These are indicative of future potential exports from the APTA countries and could be benefited from increased market access in these countries, if they decide to accede to APTA.

Table 4.4.17 Top 10 Export Items of the APTA Participating States to 4 Southeast Asian countries, 2015 and 2019

HS Code (4-digit)	Product label	Export value (million US$)	
		2015	2019
Cambodia			
6006	"Fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics ""incl. . . .	684.91	936.31
6004	"Knitted or crocheted fabrics, of a width > 30 cm, containing by weight >= 5% of elastomeric . . .	249.11	364.95
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	139.74	360.48
6001	"Pile fabrics, incl. ""long pile"" fabrics and terry fabrics, knitted or crocheted"	189.66	344.00
5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross . . .	116.57	260.13
Myanmar			
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	780.29	989.26
9999	Commodities not elsewhere specified	43.60	751.43
5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross	153.52	529.35
6006	"Fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics ""incl. . . .	130.71	397.89
7210	"Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-roll	235.75	352.92
Thailand			

8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	3,152.04	3,313.04
7210	"Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled . . .	828.74	1,515.01
8471	Automatic data-processing machines and units thereof; magnetic or optical readers, machines . . .	1,044.61	1,468.82
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing . . .	244.52	1,346.37
8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, . . .	1,063.17	1,291.46
Vietnam			
8542	Electronic integrated circuits; parts thereof	3,175.56	19,694.89
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks; other . . .	8,858.19	14,924.73
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing . . .	1,420.02	3,543.04
8529	Parts suitable for use solely or principally with transmission and reception apparatus for . . .	1,061.70	3,302.29
8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices	481.57	3,130.96

Source: Author calculation based on data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 12 October 2022.

II. Analysis of Trade Complementary Index

An analysis of Trade Complementarity Indices (TCI) between the Participating States of APTA with Cambodia, Myanmar, Thailand and Vietnam for the years 2015 and 2019 is presented here. The TCI values, presented in Table 4.4.18, are calculated following the methodology outlined in Box 4.3. TCI provides information on how well the export or import patterns of a country match with the import or export patterns of another partner country thus indicating the prospect of future trade between the two countries or groups. The TCI analysis suggests that, among the APTA PS, the Republic of Korea has the highest prospects of being a "natural trading partner" of all four Southeast Asian countries under study. China and India also show high trade complementarity, especially with Myanmar, Thailand and Vietnam, while Bangladesh indicates the least trade complementarity with these Southeast Asian countries.

Table 4.4.18 TCI between the Participating States of APTA and 4 Southeast Asian countries

APTA PS	Cambodia		Myanmar		Thailand		Vietnam	
	2015	2015	2015	2019	2015	2019	2016	2019
Bangladesh	8.66	6.45	6.11	5.66	8.03	6.78	8.00	5.98
China	39.86	43.90	45.54	47.12	64.80	63.46	69.43	68.80
India	45.36	55.81	51.30	61.64	58.91	65.23	48.63	50.67
Republic of Korea	40.92	51.95	65.58	55.76	68.53	71.24	72.67	76.22
Lao PDR	23.48	29.96	18.27	37.32	26.82	38.46	24.05	24.17
Mongolia	21.27	24.00	14.59	23.50	23.68	25.24	9.26	10.74
Sri Lanka	9.65	15.85	19.59	23.56	21.78	25.41	19.67	23.35

Source: Author calculation based on data from The World Integrated Trade Solution (WITS), Available at: https://wits.worldbank.org/, accessed on: 10 October 2022.

III. Analysis of Intra-Industry Trade

The potential of intra-industry trade between the APTA members and the four select Southeast Asian countries is analysed here to identify the potential of evolving regional supply chains among these countries through increased market access if they decide to join APTA. The prospect of intra-industry trade would indicate the possibility of deeper integration between these country groups through production and supply chain networks. For this analysis, Intra-industry Trade (IIT) indices are calculated using the methodology outlined in Box 4.4. The IIT analysis indicates that the potential of creating a regional supply chain between the APTA PS and Cambodia, Myanmar, Thailand and Vietnam is very high in a number of sectors. Specifically, the IIT values between Thailand and Vietnam have been consistently high over the years showing great potential for developing regional production networks with the APTA PS. The potential product lines identified for regional supply chains, presented in Table 4.4.19, are indicative since they are calculated at the regional aggregated level using the 4-digit level of HS classification.

Table 4.4.30 Top 10 Trade items with highest IIT between APTA PS and 4 Southeast Asian countries, 2015 and 2019

HS Code (4-digit)	Product label	IIT	
		2015	2019
Cambodia			
3006	Pharmaceutical preparations and products of subheadings 3006.10.10 to 3006.60.90	0.895	0.999
8533	Electrical resistors, incl. rheostats and potentiometers (excluding heating resistors); parts . . .	0.320	0.890
1005	Maise or corn	0.286	0.887
8715	Baby carriages and parts thereof, n.e.s.	0.000	0.881
2402	Cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	0.068	0.849
Myanmar			
7101	Pearls, natural or cultured, whether or not worked or graded, but not strung, mounted or set, . . .	0.899	0.974
2716	Electrical energy	0.506	0.970
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding . . .	0.305	0.966
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of . . .	0.109	0.964
9005	Binoculars, monoculars, astronomical and other optical telescopes, and mountings therefor; . . .	-	0.941
Thailand			
8443	Printing machinery used for printing by means of plates, cylinders and other printing components . . .	0.946	0.998
9007	Cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing . . .	0.953	0.996
5207	Cotton yarn put up for retail sale (excluding sewing thread)	0.492	0.995
5807	Labels, badges and similar articles, of textile materials, in the piece, in strips or cut to . . .	0.885	0.989
7106	Silver, incl. silver plated with gold or platinum, unwrought or in semi-manufactured forms, . . .	0.003	0.988

Vietnam			
4804	Uncoated kraft paper and paperboard, in rolls of a width > 36 cm or in square or rectangular . . .	0.002	0.995
4302	Tanned or dressed furskins, incl. heads, tails, paws and other pieces, scraps and remnants, . . .	0.660	0.994
8501	Electric motors and generators (excluding generating sets)	0.770	0.994
2006	"Vegetables, fruit, nuts, fruit-peel and other edible parts of plants, preserved by sugar ""drained, . . .	0.085	0.992
8487	Machinery parts, n.e.s. in chapter 84 (excluding parts containing electrical connectors, insulators, . . .	0.538	0.990

Source: Author calculation based on data from ITC TradeMap, Available at: https:/trademap.org/, accessed on: 15 October 2022.

4.4.4 Summary Findings

The four Southeast Asian countries, Cambodia, Myanmar, Thailand and Vietnam, are analysed in this section although different in terms of size; however, they all are achieving continuous growth showing the strength and advancement of their economy. Consequently, the potential benefits from their possible accession to APTA would be different but mostly positive for both the parties involved as evidenced by the above analysis. Except for Myanmar, other three Southeast Asian countries' exports are dominated by manufacturing goods indicating their upward progression along the value chain. China is already one of the major export destinations and import sources of these four Southeast Asian countries and the Republic of Korea also has significant bilateral trade with these countries. These four counties have comparative advantages in several sectors, which are also their major export items to the APTA countries. While Cambodia shows encouraging regional intensity in some export products, Thailand and Vietnam show higher trade complementarity, specifically with China, India and the Republic of Korea. Intra-industry trade analysis suggests that these Southeast Asian countries have a very high potential to develop regional supply chains in certain sectors following increased market access if they decide to accede to APTA. The development of such supply chains can also be benefitted from the streamlined local value-added content criteria and cumulation provisions of APTA rules of origin which are much more flexible than other FTAs. Among the APTA members, China would enjoy the market access benefit most, followed by the Republic of Korea and India based on their existing exports to these countries and current tariff concessions regime if these four Southeast Asian countries decide to join APTA.

4.5 Concluding Remarks

Mandated by the Second APTA Ministerial Council Declaration in 2007 and reaffirmed by its subsequent Ministerial Council Declarations, APTA aims to evolve as a Pan-Asian economic integration

platform. APTA intends to expand its membership to realise the true potential of being a Pan-Asia-Pacific agreement. With this objective, the above analysis focuses on examining the potential benefits of joining APTA for new members from four regions: i) Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan); ii) Pacific Islands (Fiji, Papua New Guinea, Samoa, and Vanuatu), iii) South Asia (Maldives, Nepal and Pakistan); and iv) Southeast Asia (Cambodia, Myanmar, Thailand and Vietnam). It explores the existing trade between APTA PSs and the country group or countries of interest and the potential benefits for the prospective new members as well as for the APTA Participating States following the accession of new members into the APTA. The key findings are summarised below:

a. Overall, the geographical location, macroeconomic context and trade complementarity of the CARs and APTA PS suggest scope of favourable outcomes for both the country groups if they strengthen their trade and investment ties by the CARs accession to the APTA. A number of export items of the CARs have higher comparative advantages, which are also their major exports indicating the possibility of further expansion of the CARs exports to the APTA PS. The regional intensity of trade among these country groups is not that high; however, showed a growing trend between 2015 and 2019. Among the CARs, Kazakhstan and Uzbekistan have the potential to be the natural trading partners of the APTA PS, specifically with India, the Republic of Korea and China. In certain product groups, there is a high potential for developing a regional production supply chain between the CARs and the APTA Participating States, especially with China, the Republic of Korea and India following possible increased market access opportunity if the CARs accede to APTA.
b. The Pacific Islands countries studied here are small island countries less integrated with the world market. Joining the APTA would give them access to more than 20 percent of the world market and also integrate them with the world's major merchandise goods suppliers, which are the major imports of these four Pacific Islands countries. Specifically, Papua New Guinea would be benefitted the most from joining the APTA. These four Pacific countries also have export competitiveness in certain product groups, and have the potential to develop regional production supply chains with the APTA members in some specific products.
c. The three South Asian countries analysed in this section are quite diverse in terms of the size and performance of their economy. Accordingly, their potential benefits from accession to APTA would also be different, as evidenced from the above analysis. There is high potential for trade complementarity and the development of regional supply chains in certain sectors following increased market access if they decide to accede to APTA. Among these countries,

Pakistan would be benefited most, whereas the potential benefit for Maldives is relatively low that they would enjoy from the current tariff concessions regime in goods trade following their possible accession to APTA.

d. The four Southeast Asian countries studied here are high achieving economies progressing upward along the value chain. Their possible accession to APTA would generate much trade gains for both the parties involved. Among these Southeast Asian countries, Thailand and Vietnam show higher trade complementarity, specifically with China, India and the Republic of Korea from the APTA and have a very high potential to develop regional supply chains in certain sectors following increased market access if they decide to accede to APTA. The development of such supply chains can also be benefitted from the streamlined local value-added content criteria and cumulation provisions of APTA rules of origin which are much more flexible than other FTAs. Among the APTA members, China would enjoy the market access benefit most, followed by the Republic of Korea and India based on their existing exports to these countries and current tariff concessions regime.

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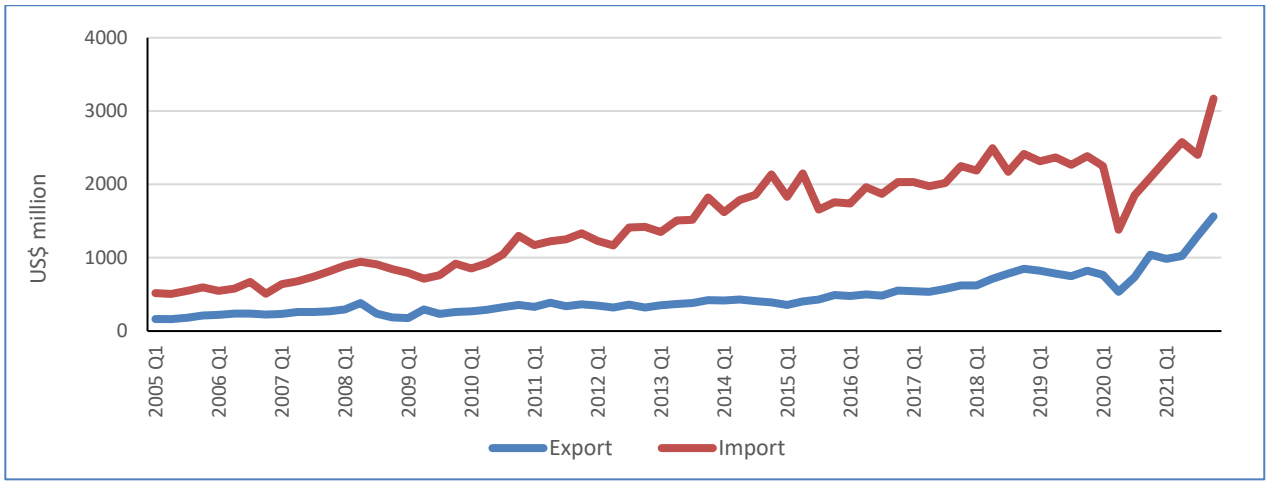
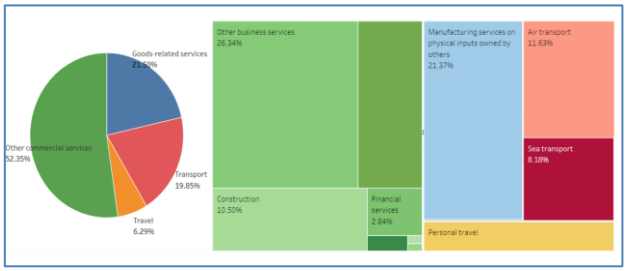
Annex 1

Figure: A.1 Bangladesh's Performance in Trade in Service

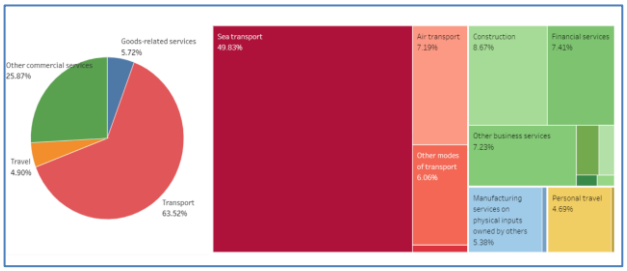
a. Commercial Services Trade, 2005-2021, Quarterly



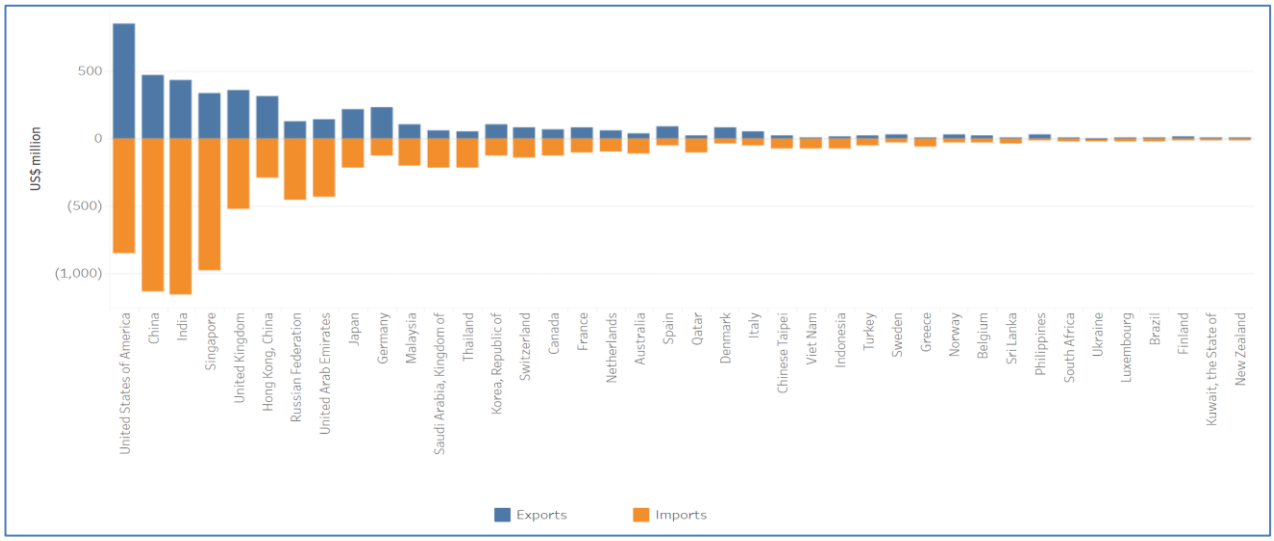
b: Commercial Services Exports, 2020, by Sector



c. Commercial Services Imports, 2020, by Sector



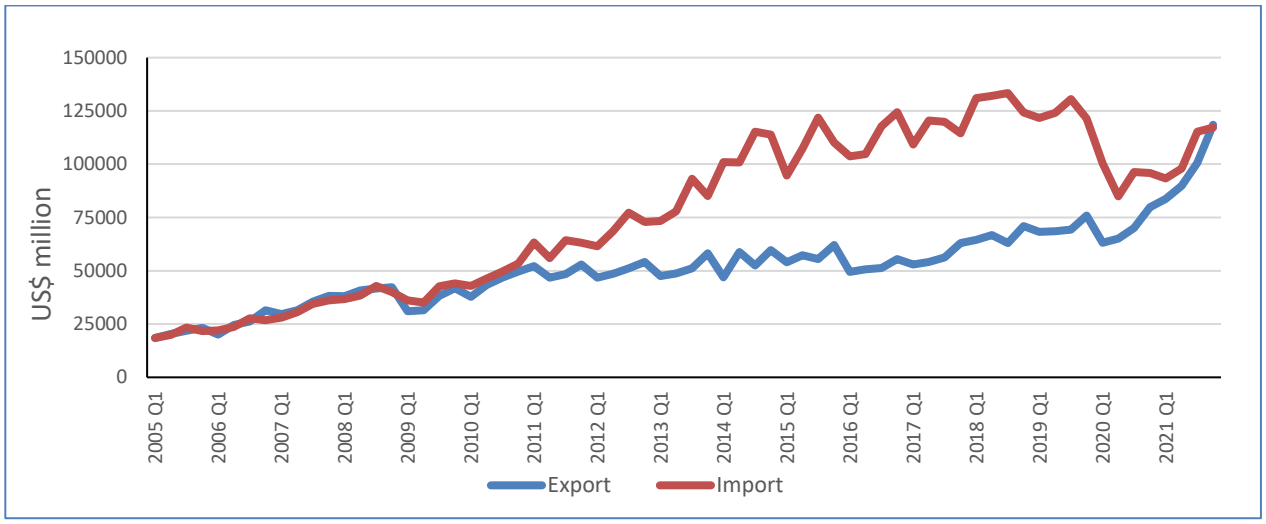
d. Commercial Services Trade, 2019, by Partner



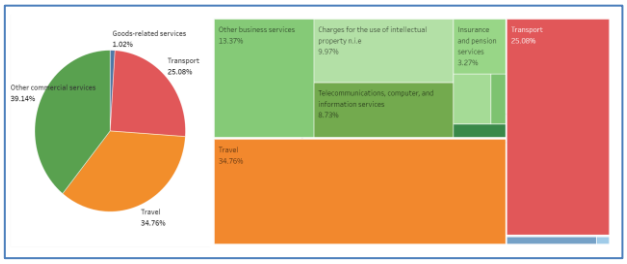
Source: WTO-OECD Balanced Trade in Services Dataset (BaTiS), at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Figure A.2 China's Performance in Trade in Service

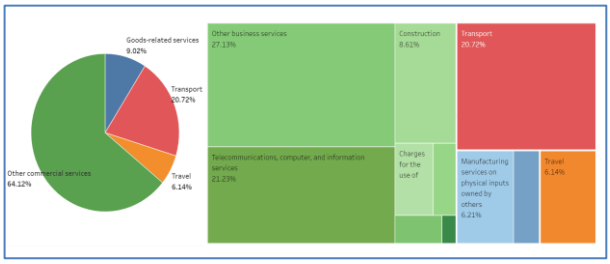
a. Commercial Services Trade, 2005-2021, Quarterly



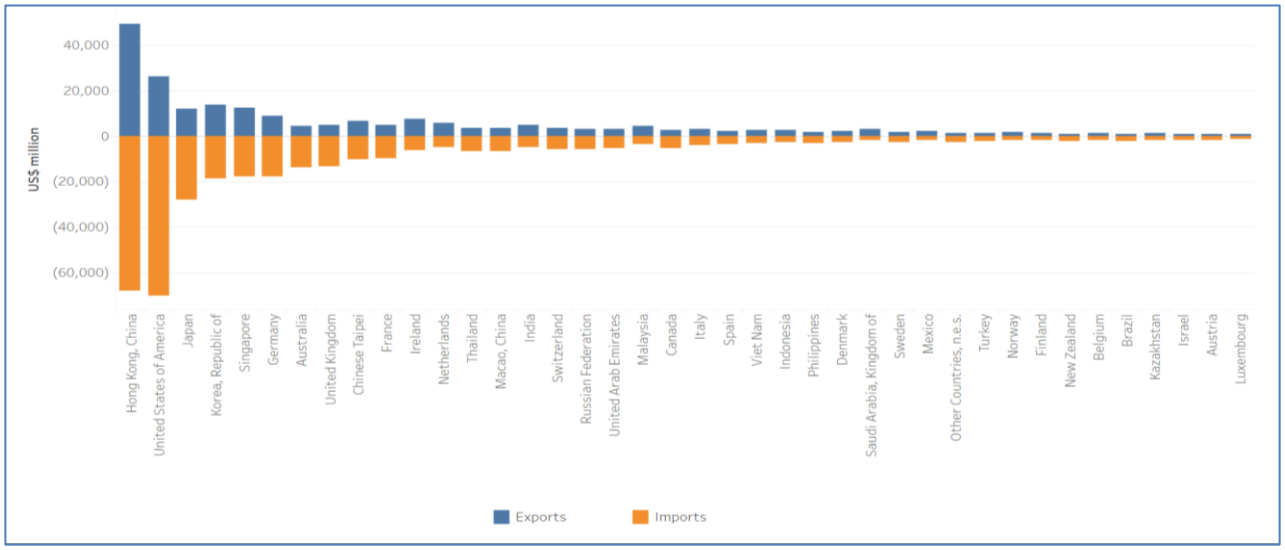
b: Commercial Services Exports, 2020, by Sector



c. Commercial Services Imports, 2020, by Sector



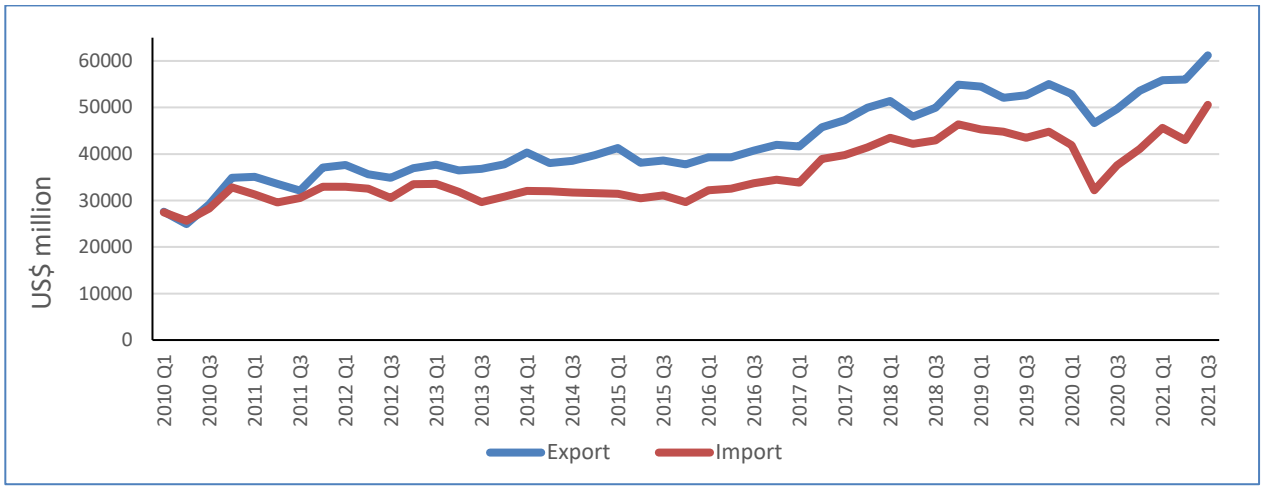
d. Commercial Services Trade, 2019, by Partner



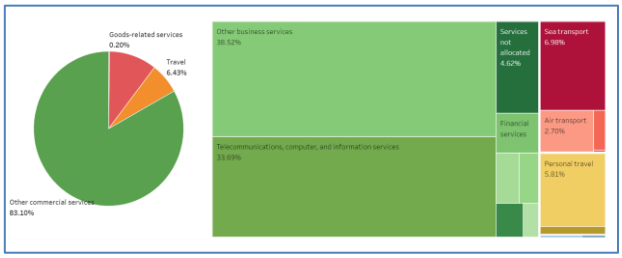
Source: WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Figure A.3 India's Performance in Trade in Service

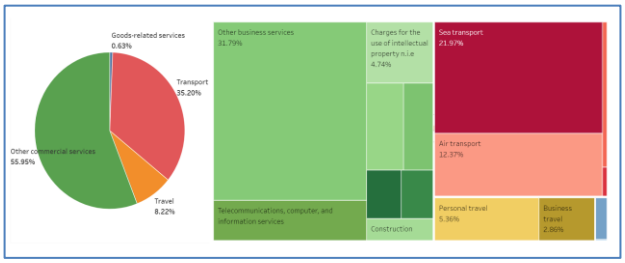
a. Commercial Services Trade, 2005-2021, Quarterly



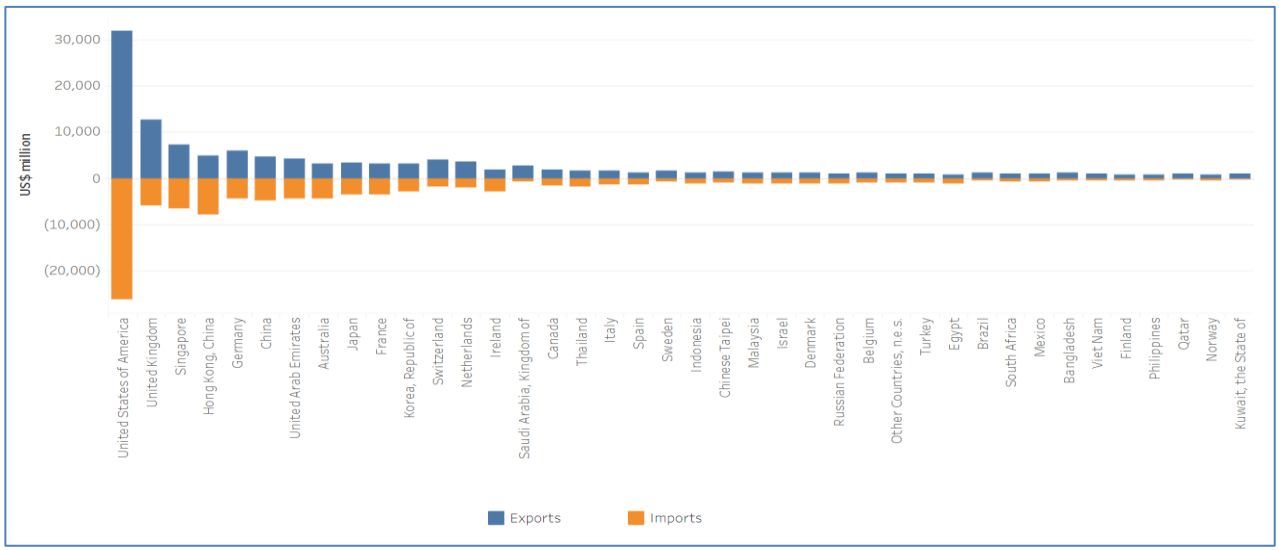
b: Commercial Services Exports, 2020, by Sector



c. Commercial Services Imports, 2020, by Sector



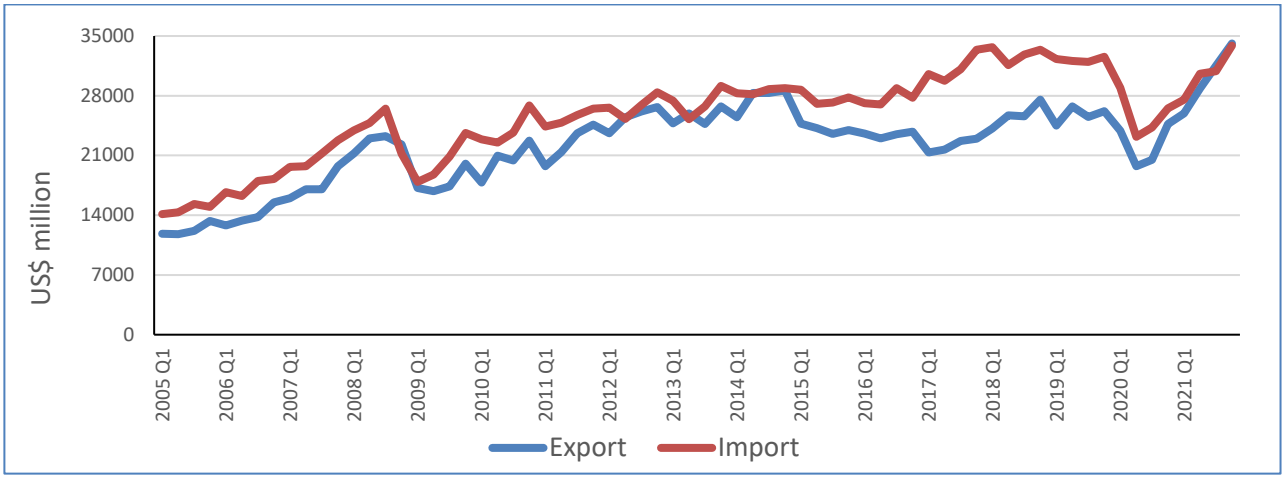
d. Commercial Services Trade, 2019, by Partner



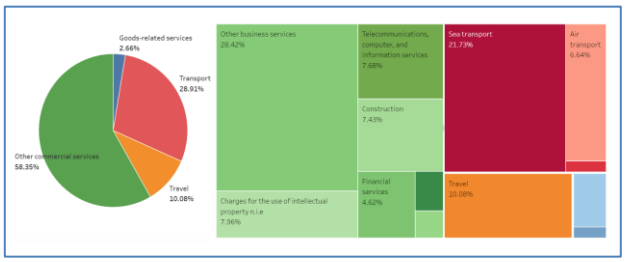
Source: WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Figure A.4 Republic of Korea's Performance in Trade in Service

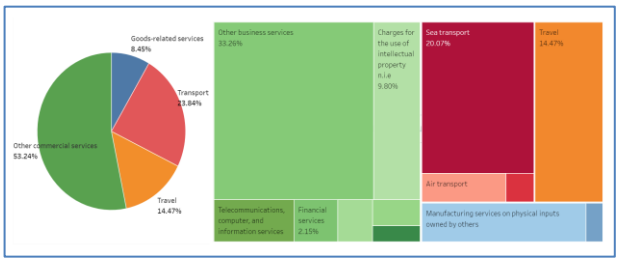
a. Commercial Services Trade, 2005-2021, Quarterly



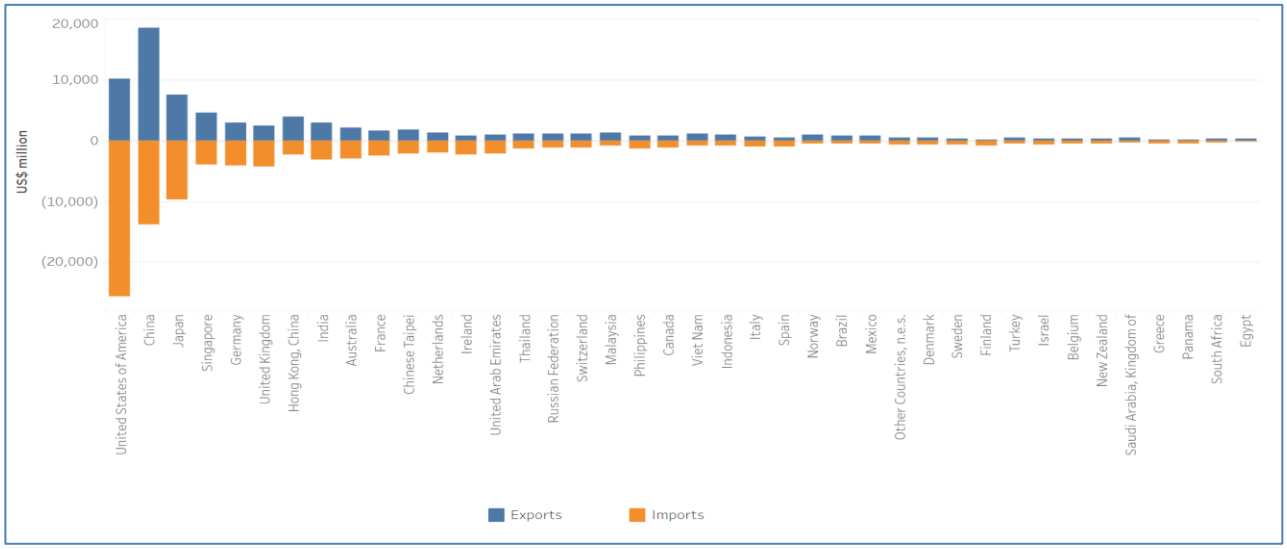
b: Commercial Services Exports, 2020, by Sector



c. Commercial Services Imports, 2020, by Sector



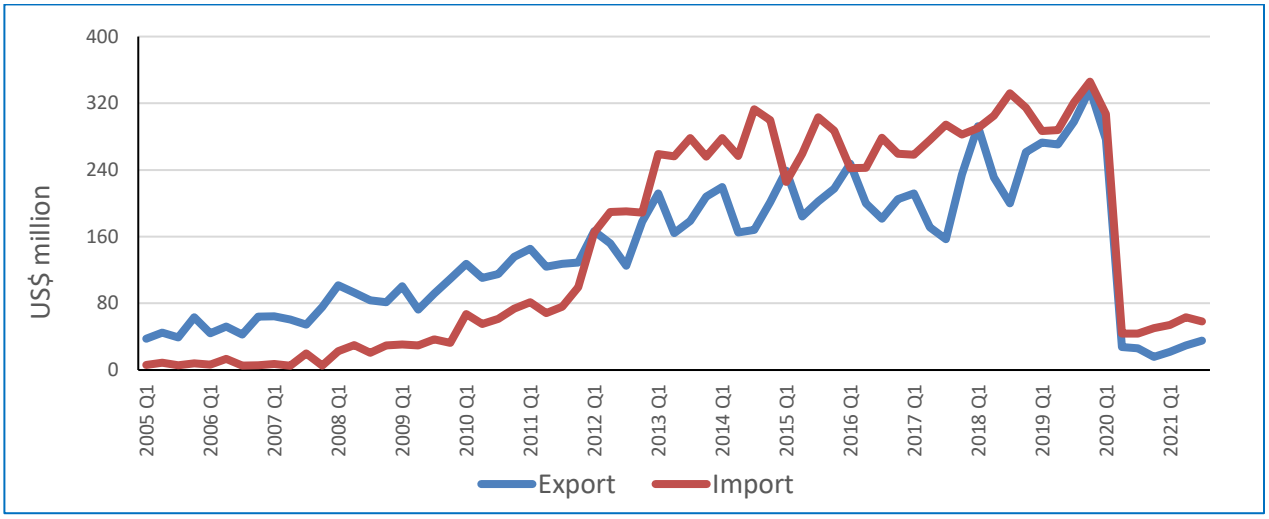
d. Commercial Services Trade, 2019, by Partner



Source: WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Figure A.5 Lao People's Democratic Republic's Performance in Trade in Service

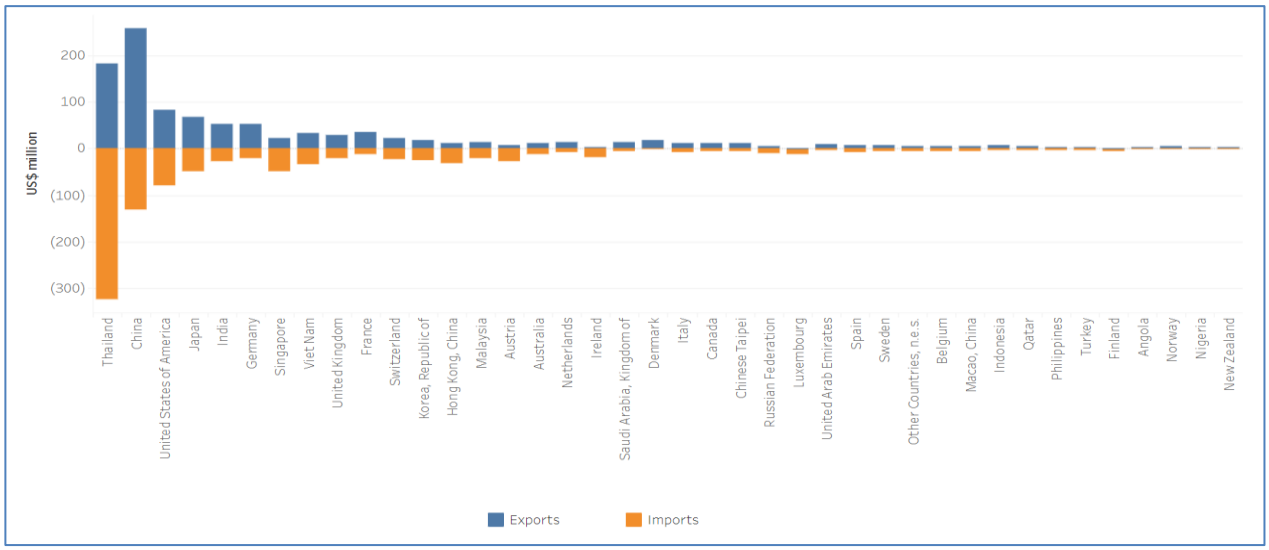
a. Commercial Services Trade, 2005-2021, Quarterly



b: Commercial Services Exports, 2020, by Sector **c. Commercial Services Imports, 2020, by Sector**

*****Data not available for Mongolia by sector

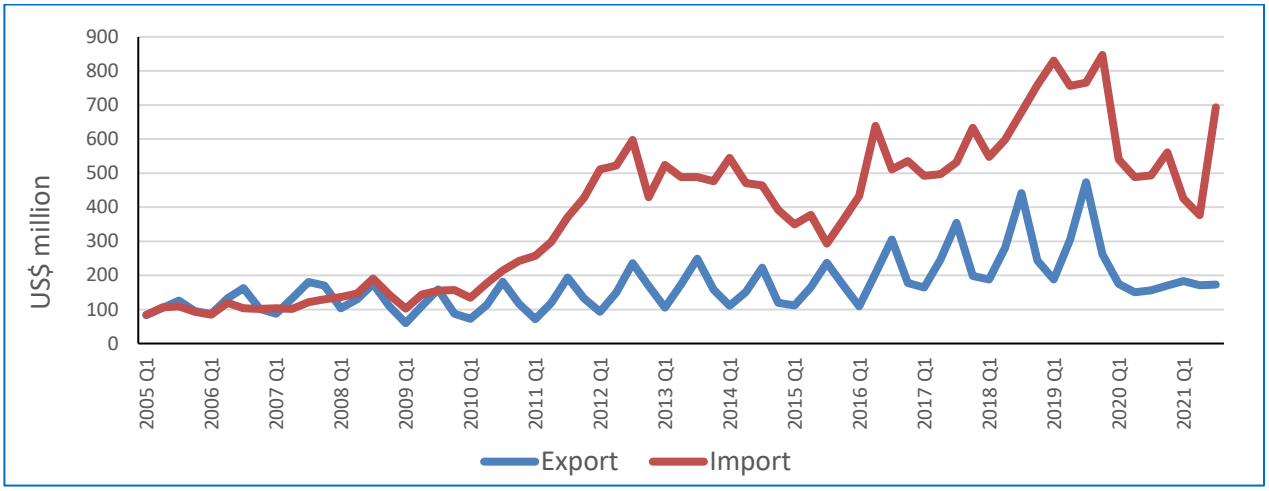
d. Commercial Services Trade, 2019, by Partner



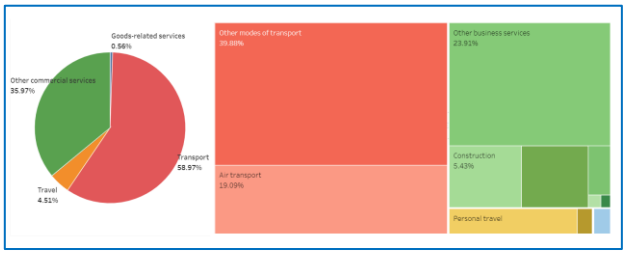
Source: WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Figure A.6 Mongolia's Performance in Trade in Service

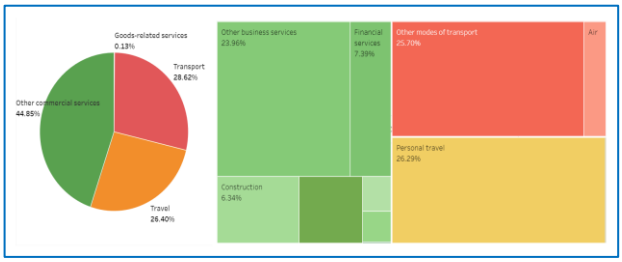
a. Commercial Services Trade, 2005-2021, Quarterly



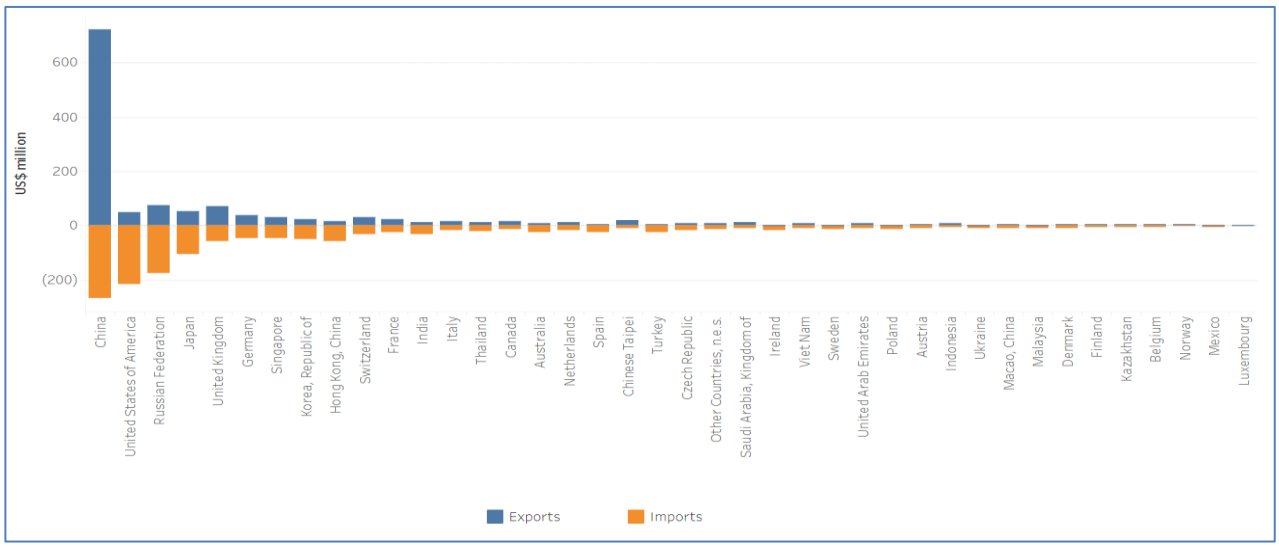
b: Commercial Services Exports, 2020, by Sector



c. Commercial Services Imports, 2020, by Sector



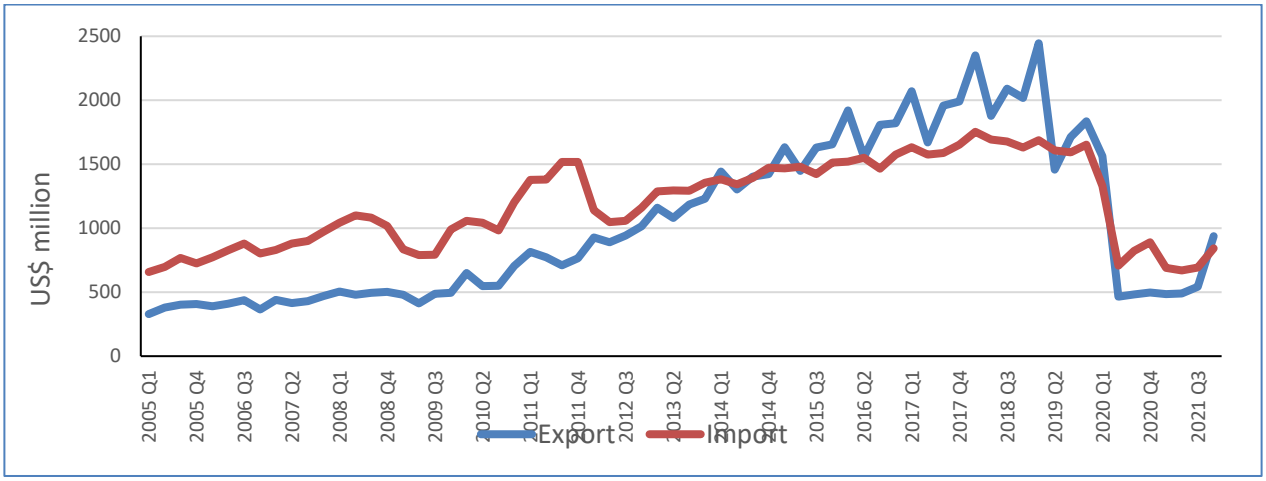
d. Commercial Services Trade, 2019, by Partner



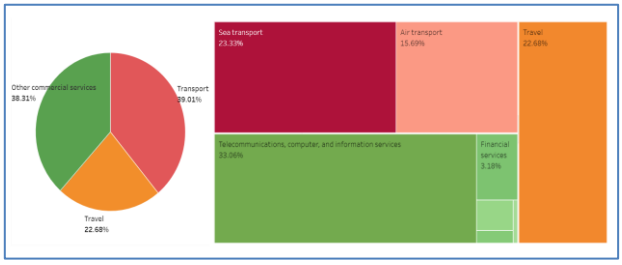
Source: WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Figure A.7 Sri Lanka's Performance in Trade in Service

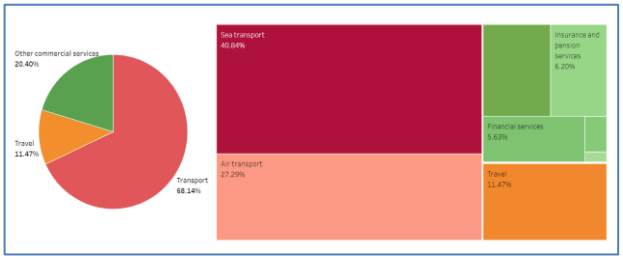
a. Commercial Services Trade, 2005-2021, Quarterly



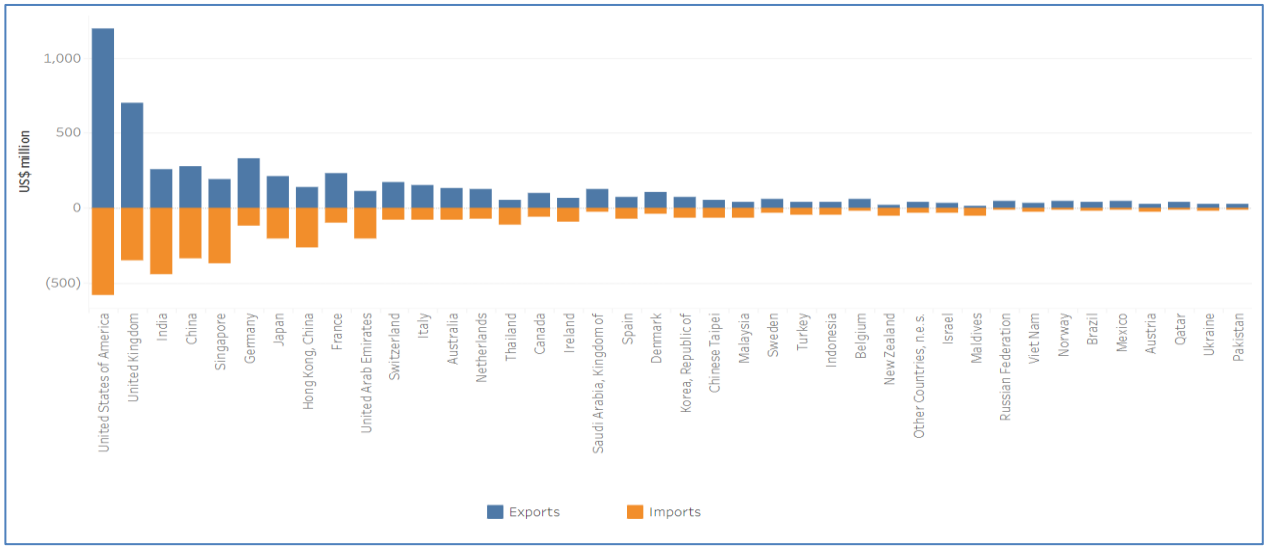
b: Commercial Services Exports, 2020, by Sector



c. Commercial Services Imports, 2020, by Sector



d. Commercial Services Trade, 2019, by Partner



Source: WTO Statistics Database, available at: https://stats.wto.org/dashboard/services_en.html. accessed on: 21 June, 2022

Annex 2

RTA Commitments by APTA Participating States in Services Trade

CHINA

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		ASEAN	CHILE	COSTA RICA	NEW ZEALAND	REP. OF KOREA	SINGAPORE	ICELAND	PAKISTAN	PERU	SWITZERLAND
Horizontal		●	●	●	●	●	●	●	●	●	●
1. BUSINESS SERVICES											
A	Professional services	⊗	861, 8671-8674	861, 862, 8630, 8671-8674, 9312	861, 862, 8630, 8671-8674, 9312, 86751, 86752	861, 862, 8630, 8671-8674, 9312	861, 862, 8630, 8671-8674, 9312	861, 862, 8630, 8671-8674, 9312	861, 862, 8630, 8671-8674, 9312	861, 862, 8630, 8671-8674, 9312	861, 862, 8630, 8671-8674, 9312
B	Computer and related services	841, 842, 843 (8431, 8432, 8433)	841, 842, 843, 8431-8433, 845	841, 842, 8431-8433, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	841, 842, 8431-8433	841, 842, 8431-8433, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	841, 842, 8431-8433	841, 842, 8431-8433, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	841, 842, 8431-8433, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	841, 842, 8431-8433	841, 842, 8431-8433, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)
C	Research and Development services	⊗	⊗	⊗	⊗	⊗	⊗	⊗	8510	8510	8510
D	Real Estate services	821, 822	821, 822	821, 822	821, 822	821, 822	821, 822	821, 822	821, 822	821, 822	821, 822
E	Rental / Leasing services without operators	⊗	⊗	63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	⊗	63, 6112, 6122, 845, 886, 831, 832 (ex-83202), 83202	63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	⊗	63, 6112, 6122, 845, 886, 831, 832 (ex-83202), 83202
F	Other Business services	86401, 865, 86601, 872 (ex 87209), 874, 875, 87905	871, 86401, 865, 86601, 881-883, 86751, 86752, 87905	871, 86401, 865, 8676, 749, 881-883, 86751, 86752, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202), 875, 876, 87909, 87905	63, 6112, 6122, 845, 886, 831, 832 (ex-83202), 871, 865, 86601, 8676, 749, 881, 882, 8675, 875, 876, 87909, 87905	871, 86401, 865, 86601, 8676, 749, 881, 882, 872 (ex-87209) 8675, 86751, 86752, 874-876, 87909, 87905	871, 86401, 865, 86601, 8876, 749, 881, 882, 872 (ex-87209), 86751, 86752, 874-876, 87909, 87905, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	871, 86401, 865, 86601, 8876, 749, 881, 882, 8675, 86751, 86752, 831, 832 (ex-83202), 874-876, 87909, 87905	871, 86401, 865, 86601, 8876, 749, 881-883, 872 (ex-87209), 86751, 86752, 63, 6112, 6122, 845, 886, 831, 832 (ex 83202), 874-876, 87909, 87905	86401, 865, 86601, 8676, 749, 881-883, 872 (ex-87209), 86751, 86752, 874-876, 87909, 87905, 63, 6112, 6122, 845, 886, 831, 832 (ex 83202)	871, 86401, 865, 86601, 8876, 749, 881-883, 86751, 86752, 63, 6112, 6122, 831, 832 (ex 83202), 874, -876, 87909, 87905
2. COMMUNICATION SERVICES		⊗	⊗								
A	Postal services	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
B	Courier services	⊗	⊗	75121	75121	75121	75121	75121	75121	75121	75121

CHINA

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector		RTA Partners: ASEAN	CHILE	COSTA RICA	NEW ZEALAND	REP. OF KOREA	SINGAPORE	ICELAND	PAKISTAN	PERU	SWITZERLAND
C	Telecommunication services	⊗	⊗	◈	◈	◈	◈	◈	◈	◈	◈
D	Audiovisual services	⊗	⊗	83202	83202	83202	83202	83202	83202	83202	83202
E	Other	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES			511-518			511-518			511-518		
A	General construction work for buildings	511- 518	◈	511- 518	◈	◈	511- 518	511- 518	◈	511- 518	511- 518
B	General construction work for civil engineering	511- 518	◈	511- 518	◈	◈	511- 518	511- 518	◈	511- 518	511- 518
C	Installation and assembly work	511- 518	◈	511- 518	◈	◈	511- 518	511- 518	◈	511- 518	511- 518
D	Building completion and finishing work	511- 518	◈	511- 518	◈	◈	511- 518	511- 518	◈	511- 518	511- 518
E	Other	511- 518	◈	511- 518	◈	◈	511- 518	511- 518	◈	511- 518	511- 518
4. DISTRIBUTION SERVICES		⊗									
A	Commission agents' services	⊗	◈	◈	◈	◈	◈	◈	◈	◈	◈
B	Wholesale trade services	⊗	⊗	◈	◈	◈	◈	◈	◈	◈	◈
C	Retailing services	⊗	◈	◈	◈	◈	◈	◈	◈	◈	◈
D	Franchising	⊗	⊗	◈	◈	◈	◈	◈	◈	◈	◈
E	Other	⊗	⊗	⊗	⊗	◈	⊗	⊗	⊗	⊗	⊗
5. EDUCATIONAL SERVICES		⊗				921 (ex-92190), 922 (ex-92210), 923, 924, 929					
A	Primary education services		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929
B	Secondary education services		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929

CHINA

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		ASEAN	CHILE	COSTA RICA	NEW ZEALAND	REP. OF KOREA	SINGAPORE	ICELAND	PAKISTAN	PERU	SWITZERLAND
C	Higher education services		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929
D	Adult education		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929
E	Other education services		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929		921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929	921 (ex-92190), 922 (ex-92210), 923, 924, 929
6. ENVIRONMENTAL SERVICES						9401-9406, 9409					
A	Sewage services	9401-9406, 9409	9401-9406, 9409	9401	9401-9406, 9409		9401-9406, 9409	9401-9406, 9409	9401	9401-9406, 9409	9401
B	Refuse disposal services	9401-9406, 9409	9401-9406, 9409	9402	9401-9406, 9409		9401-9406, 9409	9401-9406, 9409	9402	9401-9406, 9409	9402
C	Sanitation and similar services	9401-9406, 9409	9401-9406, 9409	9403	9401-9406, 9409		9401-9406, 9409	9401-9406, 9409	9403	9401-9406, 9409	9403
D	Other	9401-9406, 9409	9401-9406, 9409	9404-9406, 9409	9401-9406, 9409		9401-9406, 9409	9401-9406, 9409	9404-9406, 9409	9401-9406, 9409	9404-9406, 9409
7. FINANCIAL SERVICES		⊗	⊗	⊗							
A	All insurance and insurance-related services				◈	◈	◈	◈	◈	◈	◈
B	Banking and other financial Services				◈	◈	◈	◈	◈	◈	◈
C	Other				⊗	⊗	⊗	⊗	⊗	⊗	⊗
8. HEALTH RELATED AND SOCIAL SERVICES		⊗	⊗	⊗	⊗	⊗		⊗		⊗	⊗
A	Hospital services						9311		9311		
B	Other human health services						⊗		⊗		
C	Social services						⊗		⊗		
D	Other						⊗		⊗		
9. TOURISM AND TRAVEL-RELATED SERVICES											

CHINA

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector \ RTA Partners		ASEAN	CHILE	COSTA RICA	NEW ZEALAND	REP. OF KOREA	SINGAPORE	ICELAND	PAKISTAN	PERU	SWITZERLAND
A	Hotels and restaurants (incl. catering)	⊗	⊗	641-643	641-643	641-643	641-643	641-643	641-643	641-643	641-643
B	Travel agencies and tour operators services	⊗	7471	7471	7471	7471	7471	7471	7471	7471	7471
C	Tourist guides services	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
D	Other	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES											
A	Entertainment services (incl. theatre, live bands and circus services)	⊗	⊗	⊗	⊗	96191, 96192	⊗	⊗	⊗	⊗	⊗
B	News agency services	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
C	Libraries, archives, museums and other cultural services	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
D	Sporting and other recreational services	96411-96413	96411- 96413	96411- 96413	96411- 96413	96411- 96413	96411- 96413	96411- 96413	96411- 96413	96411- 96413	96411- 96413
E	Other	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
11. TRANSPORT SERVICES											
A	Maritime transport services	⊗	⊗	7211, 7212	7211, 7212	7211, 7212	7211, 7212	7211, 7212	7211, 7212	7211, 7212	7211, 7212
B	Internal waterways transport	⊗	⊗	7222	7222	7222	7222	7222	7222	7222	7222
C	Air transport services	8868	8868	8868	8868	8868	8868	8868	8868	8868	8868
D	Space transport	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
E	Rail transport services	7112, 7123	⊗	7112, 7123	7112	⊗	7112, 7123	7112, 7123	7112, 7123	71213, 7112, 7123	7112, 7123
F	Road transport services	7112, 7123, 71213, 61120	⊗	7112, 7123	7123, 61120	7112, 7123, 71213, 63, 6112, 845, 886, 831, 832 (ex-83202)	7112, 7123, 71213, 61120	7112, 7123, 71213, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)	7112, 7123, 71213, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202), 61120	71213, 7112, 7123	7112, 7123, 63, 6112, 6122, 845, 886, 831, 832 (ex-83202)
G	Pipeline transport	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
H	Services auxiliary to all modes of transport	742, 748, 749	⊗	741, 742, 748, 749, 8676	741, 742, 748, 749	741, 742, 748, 749	741, 742, 748, 749	741, 742, 748, 749, 8676	741, 742, 748, 749	741, 742, 748, 749	741, 742, 748, 749, 8676
I	Other transport services	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗
12. OTHER SERVICES NOT INCLUDED ELSEWHERE		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗

INDIA

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector \ RTA Partners		JAPAN	MALAYSIA	SINGAPORE
Horizontal		●	●	●
1. BUSINESS SERVICES				
A	Professional services	862, 8671-8674, 9312, 932, 93191	862, 8671-8674, 9312, 932, 93191	862, 863, 8671-8673, 86741, 9312, 932, 93191
B	Computer and related services	84	84	841- 845, 849
C	Research and Development services	85101, 85103, 85104, 852	85101, 85103, 85104, 852	85101, 85103,
D	Real Estate services	822	822	822
E	Rental / Leasing services without operators	83103-83106, 83109, 832	83104, 83106-83109, 832	83104, 83106-83109, 832
F	Other Business services	87110, 87120, 86501-86506, 86509, 86601,8676, 882, 883, 5115, 887, 872, 633, 874, 875, 876, 87909, 87907	86501-86503, 86505, 86509, 86601,8676, 882, 872, 633, 874, 875, 876, 87909	87110, 87120, 86501-86506, 86509, 86601, 882, 883, 5115, 887, 872, 633, 875, 876, 87909, 87907
2. COMMUNICATION SERVICES				
A	Postal services	⊗	⊗	⊗
B	Courier services	⊗	⊗	⊗
C	Telecommunication services	7521-7523, 7529, 843	7521-7523, 7529, 843	7521-7523, 7529, 843
D	Audiovisual services	96113	96113	96113
E	Other	⊗	⊗	⊗
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES				511- 518
A	General construction work for buildings	511- 518	511-518	
B	General construction work for civil engineering	511- 518	511-518	
C	Installation and assembly work	511- 518	511-518	
D	Building completion and finishing work	511- 518	511-518	
E	Other	511- 518	511-518	
4. DISTRIBUTION SERVICES				
A	Commission agents' services	62111, 62112, 62114, 62115. 62116	62111, 62112, 62114, 62115. 62116	◈
B	Wholesale trade services	6221-6224, 6226, 6228	6221-6224, 6226, 6228	◈
C	Retailing services	◈	⊗	⊗
D	Franchising	◈	⊗	⊗
E	Other	⊗	⊗	⊗
5. EDUCATIONAL SERVICES				

INDIA

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		JAPAN	MALAYSIA	SINGAPORE
A	Primary education services	⊗	⊗	⊗
B	Secondary education services	⊗	⊗	⊗
C	Higher education services	923	923	⊗
D	Adult education	⊗	⊗	⊗
E	Other education services	⊗	⊗	⊗
6. ENVIRONMENTAL SERVICES				
A	Sewage services	⊗	⊗	⊗
B	Refuse disposal services	9402, 9403	9402, 9403	⊗
C	Sanitation and similar services	9402, 9403	9402, 9403	⊗
D	Other	⊗	⊗	⊗
7. FINANCIAL SERVICES				
A	All insurance and insurance-related services	◈	⊗	◈
B	Banking and other financial Services	◈	⊗	◈
C	Other	⊗	⊗	⊗
8. HEALTH RELATED AND SOCIAL SERVICES				
A	Hospital services	9311	9311	9311
B	Other human health services	⊗	⊗	⊗
C	Social services	⊗	⊗	⊗
D	Other	⊗	⊗	⊗
9. TOURISM AND TRAVEL-RELATED SERVICES				
A	Hotels and restaurants (incl. catering)	◈ (ex-641)	◈ (ex-641)	641-643
B	Travel agencies and tour operators services	7471	7471	7471
C	Tourist guides services	7472	⊗	⊗
D	Other	⊗	⊗	⊗
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES				
A	Entertainment services (incl. theatre, live bands and circus services)	9619	9619	⊗
B	News agency services	⊗	⊗	⊗
C	Libraries, archives, museums and other cultural services	⊗	⊗	96311, 96312
D	Sporting and other recreational services	964	964	964

INDIA

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Sector / RTA Partners		JAPAN	MALAYSIA	SINGAPORE
E	Other	⊗	⊗	⊗
11. TRANSPORT SERVICES				
A	Maritime transport services	◈	◈	7211, 7212, 8868
B	Internal waterways transport	⊗	⊗	⊗
C	Air transport services	8868	⊗	8868, 732
D	Space transport	⊗	⊗	⊗
E	Rail transport services	⊗	⊗	⊗
F	Road transport services	⊗	⊗	⊗
G	Pipeline transport	⊗	⊗	⊗
H	Services auxiliary to all modes of transport	◈, 748	◈, 748	748, 749, 8676
I	Other transport services	⊗	⊗	⊗
12. OTHER SERVICES NOT INCLUDED ELSEWHERE		⊗	⊗	⊗

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		ASEAN-China
Horizontal		●
1. BUSINESS SERVICES		
A	Professional services	⊗
B	Computer and related services	⊗
C	Research and Development services	⊗
D	Real Estate services	⊗
E	Rental / Leasing services without operators	⊗
F	Other Business services	⊗
2. COMMUNICATION SERVICES		
A	Postal services	⊗
B	Courier services	⊗

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector		RTA Partners ASEAN-China
C	Telecommunication services	⊗
D	Audiovisual services	⊗
E	Other	⊗
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES		
A	General construction work for buildings	⊗
B	General construction work for civil engineering	⊗
C	Installation and assembly work	⊗
D	Building completion and finishing work	⊗
E	Other	⊗
4. DISTRIBUTION SERVICES		
A	Commission agents' services	⊗
B	Wholesale trade services	⊗
C	Retailing services	⊗
D	Franchising	⊗
E	Other	⊗
5. EDUCATIONAL SERVICES		
A	Primary education services	⊗
B	Secondary education services	⊗
C	Higher education services	⊗
D	Adult education	⊗
E	Other education services	⊗
6. ENVIRONMENTAL SERVICES		
A	Sewage services	⊗
B	Refuse disposal services	⊗
C	Sanitation and similar services	⊗
D	Other	⊗
7. FINANCIAL SERVICES		
A	All insurance and insurance-related services	◈
B	Banking and other financial Services	8112 81339, 81333, 81321
C	Other	⊗
8. HEALTH RELATED AND SOCIAL SERVICES		
A	Hospital services	⊗
B	Other human health services	⊗
C	Social services	⊗
D	Other	⊗

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		ASEAN-China
9. TOURISM AND TRAVEL-RELATED SERVICES		
A	Hotels and restaurants (incl. catering)	⊗
B	Travel agencies and tour operators services	⊗
C	Tourist guides services	⊗
D	Other	⊗
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES		
A	Entertainment services (incl. theatre, live bands and circus services)	⊗
B	News agency services	⊗
C	Libraries, archives, museums and other cultural services	⊗
D	Sporting and other recreational services	⊗
E	Other	⊗
11. TRANSPORT SERVICES		
A	Maritime transport services	⊗
B	Internal waterways transport	⊗
C	Air transport services	⊗
D	Space transport	⊗
E	Rail transport services	⊗
F	Road transport services	⊗
G	Pipeline transport	⊗
H	Services auxiliary to all modes of transport	⊗
I	Other transport services	⊗
12. OTHER SERVICES NOT INCLUDED ELSEWHERE		⊗

Mongolia

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		JAPAN
Horizontal		●
1. BUSINESS SERVICES		
A	Professional services	862, 8671, 8672, 9312, 932
B	Computer and related services	◈
C	Research and Development services	851-853

Mongolia

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector		RTA Partners: JAPAN
D	Real Estate services	821, 822
E	Rental / Leasing services without operators	◈
F	Other Business services	871, 864, 865, 8676, 883, 5115, 884, 885 8675, 874, 875, 876, 88442, 87909, 87904, 87907
2. COMMUNICATION SERVICES		
A	Postal services	7511
B	Courier services	7512
C	Telecommunication services	7521-7523, 7529, ◈
D	Audiovisual services	9611, 9612, 9613
E	Other	⊗
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES		
A	General construction work for buildings	512- 514, 516, 517
B	General construction work for civil engineering	512- 514, 516, 517
C	Installation and assembly work	512- 514, 516, 517
D	Building completion and finishing work	512- 514, 516, 517
E	Other	⊗
4. DISTRIBUTION SERVICES		
A	Commission agents' services	621
B	Wholesale trade services	622
C	Retailing services	61112, 6113, 6121
D	Franchising	8929
E	Other	⊗
5. EDUCATIONAL SERVICES		
A	Primary education services	⊗
B	Secondary education services	⊗
C	Higher education services	923, 924, 929
D	Adult education	923, 924, 929
E	Other education services	923, 924, 929
6. ENVIRONMENTAL SERVICES		
A	Sewage services	⊗
B	Refuse disposal services	◈
C	Sanitation and similar services	⊗
D	Other	◈
7. FINANCIAL SERVICES		

Mongolia

Classification as per Central Product Classification (CPC) code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector		RTA Partners: JAPAN
A	All insurance and insurance-related services	812
B	Banking and other financial Services	81115-9, ◈
C	Other	◈
8. HEALTH RELATED AND SOCIAL SERVICES		
A	Hospital services	9311, 9319, 933
B	Other human health services	9311, 9319, 933
C	Social services	9311, 9319, 933
D	Other	⊗
9. TOURISM AND TRAVEL-RELATED SERVICES		
A	Hotels and restaurants (incl. catering)	641-643, 7471, 7472
B	Travel agencies and tour operators services	641-643, 7471, 7472
C	Tourist guides services	641-643, 7471, 7472
D	Other	641-643, 7471, 7472
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES		
A	Entertainment services (incl. theatre, live bands and circus services)	9619
B	News agency services	⊗
C	Libraries, archives, museums and other cultural services	963
D	Sporting and other recreational services	9641, 96491, 96499
E	Other	⊗
11. TRANSPORT SERVICES		
A	Maritime transport services	7211-7213, 8686, 7214, 745
B	Internal waterways transport	⊗
C	Air transport services	⊗
D	Space transport	⊗
E	Rail transport services	7122
F	Road transport services	⊗
G	Pipeline transport	7131, 7139
H	Services auxiliary to all modes of transport	741, 742, 748, 749
I	Other transport services	⊗
12. OTHER SERVICES NOT INCLUDED ELSEWHERE		⊗

REP. OF KOREA

Classification as per CPC code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector \ RTA Partners		CHINA	CHILE	EFTA	SINGAPORE	VIETNAM	PERU	US
Horizontal		●	●	●	●	●	●	●
1. BUSINESS SERVICES								
A	Professional services	861-3, 8671-8674, 932	◈	861-3, 8671-8674, 932	◈	861-3, 8671-8674, 932	◈	◈
B	Computer and related services	841- 5, 849	⊗	841- 5, 849		841- 5, 849	◈	◈
C	Research and Development services	851-3	◈	851-3	◈	851-3	◈	◈
D	Real Estate services	82201-6	◈	82201-6	◈	82201-6	◈	◈
E	Rental / Leasing services without operators	83101, 83103-9, 832	◈	83101, 83103-9	◈	83101, 83103-9, 832	◈	◈
F	Other Business services	871, 864-5, 86601, 86761, 86764, 8811, 8812, 8814, 882-4, 885 (ex-88411, 88450, 88442, 88493), 87201-2, 86751-4, 633, 8861-6, 875-6, 88442, 87909, 87905, 87907	◈	871, 864-5, 86601, 86761, 86764, 8811, 8812, 8814, 882-4, 885 (ex-88411, 88450, 88442, 88493), 87201-2, 86751-4, 633, 8861-6, 875-6, 88442, 87909, 87905, 87907	◈	871, 864-5, 86601, 86609, 86761-4, 86769, 8811, 8812, 8814, 882-4, 885 (ex-88411, 88450, 88442, 88493), 87201-2, 86751-4, 633, 8861-6, 874 (ec-87409), 875-6, 88442, 87909, 87905, 87907	◈	◈
2. COMMUNICATION SERVICES								
A	Postal services	⊗	◈	⊗	◈	⊗	◈	◈
B	Courier services	7512, ◈	⊗	75121, ◈	◈	7512	◈	◈
C	Telecommunication services	◈	◈	◈	◈	◈	◈	◈
D	Audiovisual services	96112-3	◈	96112-3	◈	96112-3	◈	◈
E	Other	⊗		⊗		⊗	◈	⊗
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES		511-518	◈	511-518		511-518		
A	General construction work for buildings						⊗	⊗
B	General construction work for civil engineering		◈		◈		⊗	⊗
C	Installation and assembly work				◈		⊗	⊗
D	Building completion and finishing work						⊗	⊗
E	Other		◈		◈		◈	◈
4. DISTRIBUTION SERVICES			◈					
A	Commission agents' services	621 (ex-62111, 62112)		621 (ex-62111, 62112)	◈	621 (ex-62111, 62112)	◈	◈
B	Wholesale trade services	622 (ex-62211, 62223, 62229, 62276)		622 (ex-62211, 62223, 62229, 62276)	◈	622 (ex-62211, 62223, 62229, 62276)	◈	◈

REP. OF KOREA

Classification as per CPC code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector \ RTA Partners		CHINA	CHILE	EFTA	SINGAPORE	VIETNAM	PERU	US
C	Retailing services	61112, 61130, 61210, 613, 631(ex-63108), 632		61112, 61130, 61210, 613, 631(ex-63108), 632	◈	61112, 61130, 61210, 613, 631(ex-63108), 632	◈	◈
D	Franchising	8929		8929	◈	8929	⊗	◈
E	Other	⊗		⊗		◈	⊗	⊗
5. EDUCATIONAL SERVICES			◈	◈				
A	Primary education services	⊗			◈	⊗	◈	◈
B	Secondary education services	⊗			◈	⊗	◈	◈
C	Higher education services	923		923	◈	923	◈	◈
D	Adult education	924		924	◈	924	◈	◈
E	Other education services	⊗	◈		◈	⊗	◈	◈
6. ENVIRONMENTAL SERVICES			◈					
A	Sewage services	⊗		9401	◈	9401		
B	Refuse disposal services	9401-2		9402	◈	9402		
C	Sanitation and similar services	⊗		⊗	◈	⊗		
D	Other	9404-6, 9409		9404-9406, 9409	◈	9404-9406, 9409		
7. FINANCIAL SERVICES								
A	All insurance and insurance-related services	◈		◈		◈	◈	◈
B	Banking and other financial Services	◈		◈	⊗	◈	◈	◈
C	Other	⊗	◈	⊗	◈		⊗	⊗
8. HEALTH RELATED AND SOCIAL SERVICES								
A	Hospital services	⊗		⊗		⊗	◈	◈
B	Other human health services	⊗	◈	⊗	◈	⊗	◈	◈
C	Social services	⊗		⊗		⊗		
D	Other	⊗		⊗		⊗		
9. TOURISM AND TRAVEL-RELATED SERVICES								
A	Hotels and restaurants (incl. catering)	641, 642, 6431	⊗	641, 642, 6431	⊗	641, 642, 6431		
B	Travel agencies and tour operators services	7471	⊗	7471	⊗	7471		
C	Tourist guides services	7472	⊗	7472	⊗	7472		

REP. OF KOREA

Classification as per CPC code; ● = All Sectors included; ⊗ = no sector specific commitments; ◈ = Sector-specific reservation on, but CPC not specified

Sector / RTA Partners		CHINA	CHILE	EFTA	SINGAPORE	VIETNAM	PERU	US
D	Other	⊗	⊗	⊗	⊗	⊗		
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES								
A	Entertainment services (incl. theatre, live bands and circus services)	96191-2	◈	96191-2	◈	96191-2	◈	◈
B	News agency services	⊗	⊗	⊗	◈	⊗	◈	◈
C	Libraries, archives, museums and other cultural services	⊗	⊗	⊗	⊗	⊗	◈	◈
D	Sporting and other recreational services	⊗	◈	⊗	◈	⊗	◈	◈
E	Other	⊗	⊗	⊗	⊗	⊗	⊗	⊗
11. TRANSPORT SERVICES								
A	Maritime transport services	7211-4	◈	7211-4	◈	7211-4, 745	◈	◈
B	Internal waterways transport	⊗	⊗	⊗	◈	⊗	◈	◈
C	Air transport services	◈	◈	◈	◈	◈	◈	◈
D	Space transport	⊗	⊗	⊗	◈	⊗	◈	◈
E	Rail transport services	7111, 7112	◈	7111, 7112	◈	7111, 7112, 741. 7113, 8868	◈	◈
F	Road transport services	71233	◈	71233	◈	71233	◈	◈
G	Pipeline transport	7131	◈	7131	◈	7131	◈	◈
H	Services auxiliary to all modes of transport	741-2, 745, 748-9	◈	741-2, 748-9	⊗	741-2, 748-9, 8868, 7113	◈	◈
I	Other transport services	◈	⊗	◈	⊗	◈	⊗	⊗
12. OTHER SERVICES NOT INCLUDED ELSEWHERE		⊗	⊗	⊗	◈	9702	◈	◈