International Trade Centre

Exploring opportunities in the Asia and the Pacific region through the Belt and Road Initiative

An ITC assessment of untapped opportunities in the Chinese market for 14 countries

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Contents

Acronyms

Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons.

ACFTA	ASEAN-China FTA
ACP	African, Caribbean and Pacific countries
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of South East Asian Nations
BCIM	Bangladesh-China-India-Myanmar (BCIM) economic corridor
BRI	Belt and Road Initiative
CMPH	China Merchant Ports Holdings
CPEC	China Pakistan Economic Corridor
EPI	Export potential indicator
EU	European Union
FTA	Free trade agreement
HS	Harmonized System
ICT	Information and communication technology
ITC	International Trade Centre
LDCs	Least developed countries
MFN	Most-favoured nation
MOFA	The Ministry of Foreign Affairs of the People's Republic of China
MOFCOM	The Ministry of Commerce of the People's Republic of China
MSME	Micro, small and medium-sized enterprise
NTM	Non-tariff measure
SMEDA	Small and Medium Enterprises Development Authority
SPS	Sanitary and phytosanitary
TBT	Technical barrier to trade
TISI	Trade and investment support institution
UNCTAD	United Nations Conference on Trade and Development
US	United States
WTO	World Trade Organization

Executive summary

This study explores opportunities for export growth to the Chinese market for 14 countries from the Asia and the Pacific region engaged in the Chinese Belt and Road Initiative (BRI). Comparing current exports to export potential values reveals that unrealized export potential in the Chinese market across these countries ranges from $680,000 in the Maldives to $20.6 billion in Viet Nam. Our analysis demonstrates that there is significant scope for increasing exports to the Chinese market. If economic growth continues according to forecasts and countries are able to address relevant market frictions, the 14 countries could realize an additional $51.8 billion of exports by 2021 in both traditional and new products. Nearly 55% of the region's export potential in the Chinese market remains unused. The greatest share of opportunities for the region lies in the machinery and electronics, wood, paper rubber plastics, and apparel and textile product sectors.

Nevertheless, realizing these opportunities to their fullest potential will require additional efforts to overcome existing market frictions on the part of exporting countries in several regards. Exporters across countries noted the challenges in confronting linguistic barriers, accessing market intelligence, finding direct buyers in China, and in dealing with the regulatory and procedural obstacles with accessing the Chinese market for their products.

Addressing the binding constraints at the sector and product level presents a key opportunity for trade and investment support institutions (TISIs) for working closely with exporters and sector associations in their countries to offer their support in overcoming these obstacles. This work is especially critical for effectively integrating micro, small and medium-sized enterprises (MSMEs) and ensuring that they benefit from the increased trade opportunities arising from greater regional integration and investment. The modular country briefs in this study are designed to inform TISIs in each of these 14 countries about additional opportunities for export growth and highlight the market frictions that are hindering the realization of this export potential.

The study builds on the ongoing cooperation of the International Trade Centre (ITC) with China on Enhancing Export Capacities of Asia's Least Developed Countries (LDCs) for Intra-Regional Trade and the 2030 Agenda for Sustainable Development by showcasing opportunities for export growth, and highlighting areas for continued work to benefit fully from this potential.

CHAPTER 1 EXPLORING OPPORTUNITIES FOR EXPORT GROWTH THROUGH THE BRI

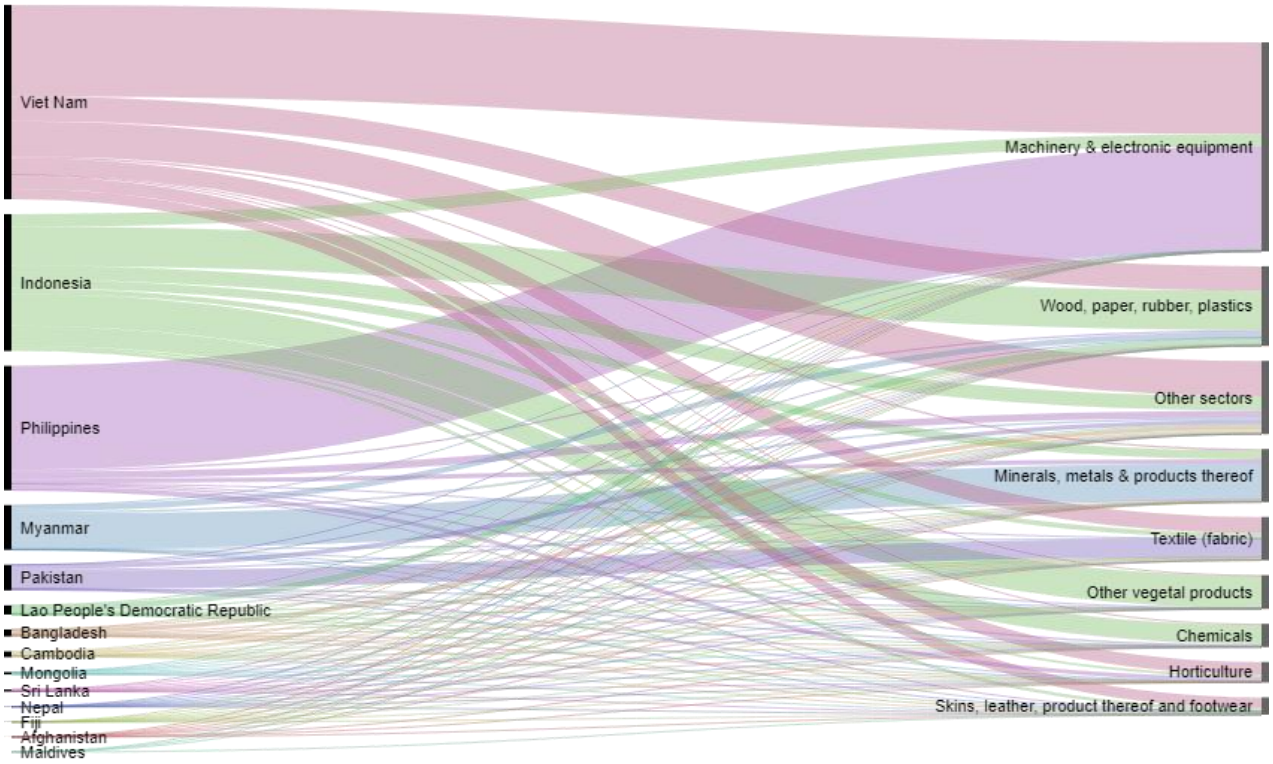
Introduction

In September 2013, Chinese President Xi Jinping announced that China would fund a New Silk Road Economic Belt across Eurasia to connect China with Europe, the Middle East, and South Asia. This signalled the beginning of the Belt and Road Initiative (BRI) to improve global connectivity and revive old trade routes for creating new economic opportunities. The BRI brings together the 21st Century Maritime Silk Road as well as the New Silk Road Economic Belt to create networks that will allow for a more efficient flow of trade, as well as further integration of international markets both physically and digitally. To begin the implementation of this BRI, the Chinese government pledged to invest hundreds of billions of dollars in new infrastructure projects and upgrades including highways, pipelines, railroads, and power grids, along with related port and logistics upgrades in maritime partner countries. According to media estimates, the BRI calls for around $890 billion of investment to cover the 890 projects in over 60 countries (Cai, 2017).

Yet, the BRI extends beyond transport and infrastructure to support development and create new opportunities through enhanced integration. To maximize its contribution to growth and poverty reduction, and to achieve the Sustainable Development Goals, one additional ingredient is essential. Micro, small and medium-sized enterprises (MSMEs) need to be equipped to take advantage of the new trade opportunities. Because they account for the vast majority of businesses and jobs, MSMEs are central to ensuring that gains from growth are broadly shared across society, including by women and youth. Competitive, internationally integrated MSMEs will translate into inclusive growth across the New Silk Road. The International Trade Centre (ITC) therefore partners with China to promote trade and investment, achieve sustainable and inclusive growth, and contribute to greater South-South cooperation and progress towards the 2030 Agenda for Sustainable Development through activities related to the BRI. As part of this effort, this study seeks to shed light on concrete opportunities for additional export growth in the Chinese market for countries from the Asia and the Pacific region participating in the BRI, and to explore some of the factors that may be hindering the realization of this potential thus far. It intends to help orient trade and investment support institutions (TISIs) on where their efforts could have significant impact to maximize the gains from BRI integration, particularly for MSMEs.

The BRI paves the path for stronger trade relationships and increased opportunities for taking advantage of China’s rapidly growing and dynamic market. This study focuses on identifying unused opportunities for deeper trade integration with the Chinese market in the Asia and the Pacific region. The study explores the existing trade links between 14 countries in the Asia and Pacific region and China and highlights opportunities for additional export growth to take advantage of the investments and trade facilitation efforts under the umbrella of the BRI. In addition, it identifies possible binding constraints to realizing full export potential in key products, to shed light on where greater trade advisory services and efforts may be needed to maximize benefits from BRI integration. Results are presented in modular country briefs for each of the 14 Asian-Pacific countries part of the initiative.

Exports to China by sector from countries in the Asia and the Pacific region



Note: The data used in this graph utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

Source: ITC calculations, based on data from ITC Trade Map.

Within the Asia and the Pacific region, the BRI aims to strengthen regional integration, and create new opportunities for export-led growth. Countries in the Asia and the Pacific region are already actively exporting to the Chinese market, although the value of exports and specialization by sector varies significantly across the 14 countries. Within this group of countries, Viet Nam, Indonesia and the Philippines supply a dominant share of exports to the Chinese market, particularly in the machinery and electronic equipment and wood, paper, rubber, and plastics sectors. Pakistan exports primarily textile and fabric products while Myanmar specialized in mineral and metal products. Regardless of their current export level and structure, this study shows that there is still significant room for strengthening export performance to the Chinese market.

Methodology

This study employs the ITC export potential assessment methodology to identify opportunities for stronger trade integration between China and 14 BRI countries in the Asia and Pacific region, and highlights some of the hindering factors that could be constraining full realization of export potential. To do so, we first analyse the evolution of exports to the Chinese market. Next, we calculate an export potential indicator (EPI) that models a five-year projection of expected trade. This indicator identifies the potential export value for any exporter in a given product and target market based on an economic model that combines the exporter's supply with the target market's demand and market access conditions. We compare the projected potential export values with actual export values to the Chinese market to identify sectors and products with additional room for export growth.

The analysis in this study looks beyond extractive industries, as well as environmentally damaging and hazardous products, to guide export development towards a less volatile and more environmentally conscious path. In practice, this means that we have deliberately excluded products covered by international conventions on waste, pollutants, arms and ammunitions, tobacco, extractive industries, products that cannot be produced (e.g. antiques) or are irrelevant for market intelligence (e.g. commodities n.e.s.). This leaves us with over 4,000 products for which we can discern opportunities for export growth. It also implies

that aggregate trade figures may vary from those found in other sources, particularly in countries that export a significant share of raw commodities.

In each of the 14 country profiles included in this study, we review recent export performance in the Chinese market both at the aggregate and sector levels, and then calculate export potential at the product and sector level to identify areas with untapped export potential. This helps us to identify in which specific products and sectors the exporting country is not reaching its full capacity in the Chinese market. We then decompose the export potential figures into their static and dynamic components. The dynamic components are those that are associated with the five-year projections of growth in supply or demand. The static components reflect export values that could be reached based on current supply, demand and market access conditions if no market frictions, information asymmetries, regulatory distortions and other factors that are hindering the full realization of export potential were in place. We focus on the static element of remaining export potential because this portion of the unused potential could be realized if the underlying frictions were addressed and it is this part that can be directly influenced by trade advisory services.

To understand the nature of the binding constraints to trade in the products with significant static untapped potential, we rely on a range of different sources to obtain the most specific and pertinent information available. We build on the results of previous ITC country projects in selected Asian countries focused on enhancing export performance to the Chinese market. These exporter perspectives give a broad overview of the domestic trade-related processes and institutions, as well as insight into key challenges in exporting specific products to the Chinese market. To capture which regulatory and procedural challenges exporters face in the Chinese market, we rely on the ITC non-tariff measure (NTM) surveys. These surveys bring together the voices of a representative sample of exporters to identify the major types of regulatory and procedural obstacles that countries face and why they are perceived as burdensome. NTM survey data is available for Bangladesh, Cambodia, Indonesia, Nepal, Philippines, and Sri Lanka. In addition, we conduct interviews with government and sectoral experts in the countries and complement this with sector- and product-specific research when possible. This allows us to explore some of the specific challenges that are driving the unrealized potential and will help inform policymakers on how to confront these challenges to make the best use possible of the trade integration opportunities presented by the BRI.

Data

The trade data used in this study comes from the ITC Trade Map for the years 2012-2016. This data undergoes several steps of treatment to enhance its reliability. First, we use five-year averages to moderate the impact of outliers. Next, we only take into consideration products that are consistently exported or imported. This means that we only consider products that were exported each year for at least the three most recent years and imported during all five years of the most recent period. Finally, a rigorous reliability assessment identifies and filters out unreliable reporters whose reported trade flows significantly deviate from those of their trade partners. To do so, we assess imports and exports separately each year. We utilize a mix of direct (as reported by the country itself) and mirror (as reported by the country's trade partners) data when reporters meet the reliability threshold, and only mirror data when the deviations are too significant, and they are considered unreliable. To maximize comparability in the export performance analysis to the Chinese market, we use Chinese import data for year-by-year evaluations to avoid fluctuations stemming from changes in trade data sources. For tariff data, we use information from ITC Market Access Map for the latest available year.

CHAPTER 2 COUNTRY BRIEFS

Afghanistan

BRI-related activities in Afghanistan

China and Afghanistan signed a Memorandum of Understanding on the BRI in 2016 and China committed to make $100 million investments in Afghanistan. In 2018, Chinese Foreign Minister Wang Yi offered to extend China Pakistan Economic Corridor (CPEC) to Afghanistan (New Indian Express, 2018).

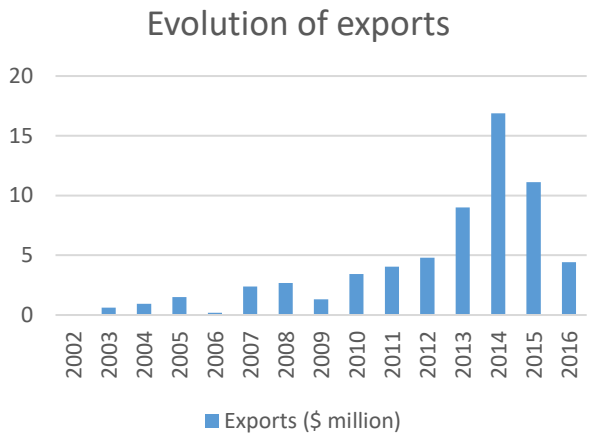
Trade policy environment with China

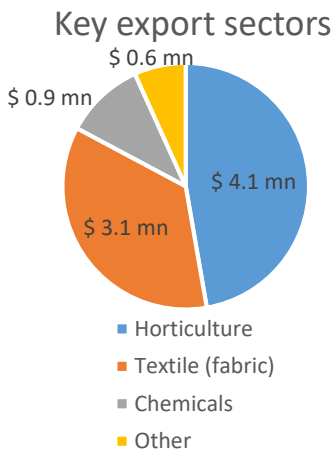
China offers unilateral preferences to 40 LDCs in three levels. Afghanistan benefits from the most preferential tariff regime set out by China for 33 LDCs. Under this regime, Afghanistan has duty free access to the Chinese market for 10,386 out of 11,839 national tariff lines at the 10-digit level (based on 2018 data from the ITC Market Access Map database).

Overview of export activity to China

Afghanistan's exports to China peaked in 2014 at $16.9 million but have declined rapidly in recent years. Export values to China dropped by 60.2% from $11.1 million to $4.4 million between 2015 and 2016. Afghanistan's key export sectors to China, based on the average amount of exports from 2012 to 2016, were mostly concentrated in horticulture, textiles, and chemicals sectors. The top export in the horticulture sector was Ephedra and other plants, used primarily in pharmaceutical products. Nevertheless, domestic political and security-related issues have transformed the trade landscape. Exports in the horticulture sector declined to $4.1 million in year 2015 and $251,000 in 2016. The textiles sector followed a similar trend, to total export value falling to $969,000 in 2016 from $6.1 million in 2014. In 2016, machinery and electronic equipment exports rose to $1.2 million, but given the volatility of export performance in this sector over time, this increase seems rather attributable to re-exports than to an expanding production capacity.

Exports from Afghanistan to China by year, and by key sector





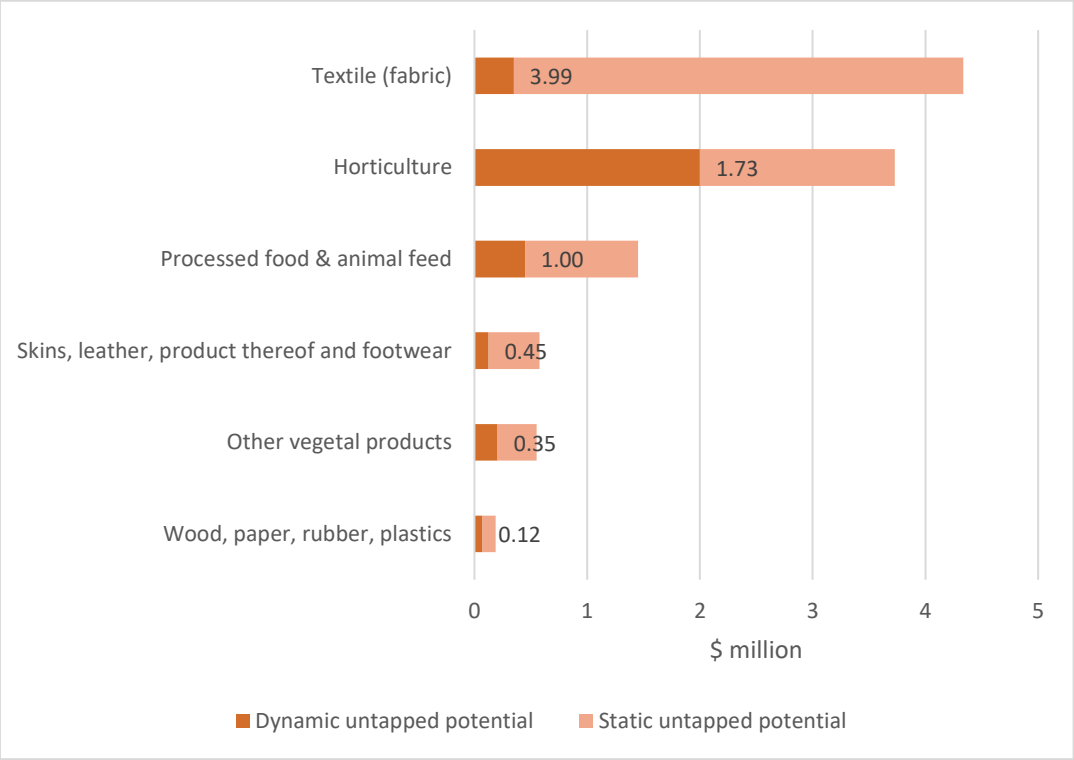
Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Afghanistan has over $12.2 million of export potential in the Chinese market concentrated primarily in the textile and fabric, horticulture, and processed food and animal feed sectors. Afghanistan has already exceeded its potential export values for medicinal plants and herbs, worked semi-precious stones, and fine animal hair. However, $11.1 million of export potential (90.5%) remains unused across a variety of sectors and products. The greatest share of this untapped potential is in the textile and fabric sector for cotton fabric. This product accounts for $4.3 million of untapped export potential, of which $4.0 million is static and thus, potentially realizable with improved trade advisory services. In the horticulture sector, $3.7 million remains unused, with a significant share of this concentrated in tamarinds ($1.2 million). Roughly, half of this is attributed to expected supply and demand growth, the other half to market frictions. Other key products with significant untapped potential include natural gums, grapes and figs, which together make up an additional $3.0 million in room for export growth, about half of which is static unused potential. These products represent the largest opportunities for growth, although there is also untapped potential in other sectors including skins and leather products, minerals and metals, as well as wood, paper, rubber and plastics.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Afghanistan's export potential in the Chinese market

In terms of shipping and transporting goods to China, Afghanistan has limited options and most trade is conducted via Pakistan. This is true for its cotton exports, as well as various horticultural exports including fresh fruit. Aside from trade logistics, exports of cotton have been decreasing at 20% per annum over the previous five years, which may indicate supply difficulties in this sector associated with recent security concerns (Mohammadai, 2018). According to ITC work with exporters, opportunities to diversify into the Chinese market are also limited by a lack of market intelligence, difficulties in obtaining visas, internal difficulties related to extra payments solicited for trade fairs, and a lack of established distributors (ITC, 2016a).

Bangladesh

BRI-related activities in Bangladesh

The economic partnership between China and Bangladesh has strengthened in the last decade through the creation of the Bangladesh-China-India-Myanmar (BCIM) economic corridor as well as engagement through the BRI. In October 2016, China committed to providing $40 billion of investment and aid mainly geared towards developing infrastructure, energy, as well as building up industrial and production capacities. Through 27 agreements delineating the development, collaboration, financial assistance and loans, the cooperation agenda outlines an ambitious program. The proposed projects include the Karnaphuli Multi-Lane Tunnel project in Chittagong, Dashekandi Sewerage Treatment Plant, the Confucius Institute at Dhaka University, the Tier-4 National Data Centre in Gazipur's Kaliakoir, the Shahjalal Fertiliser Company Limited in Fenchuganj, a thermal power plant in Patuakhali's Payra, and a coal-fired power plant in Chittagong's Banshkhali. In addition, authorities in Bangladesh created a comprehensive strategic partnership of cooperation – for maritime cooperation, conducting a joint feasibility study on a free trade area, adopting a new information and communication technology (ICT) framework, counter-terrorism collaboration, capacity building and sharing of information, tackling climate change risks, regional and international cooperation, as well as cooperation in energy sectors (Islam, 2018).

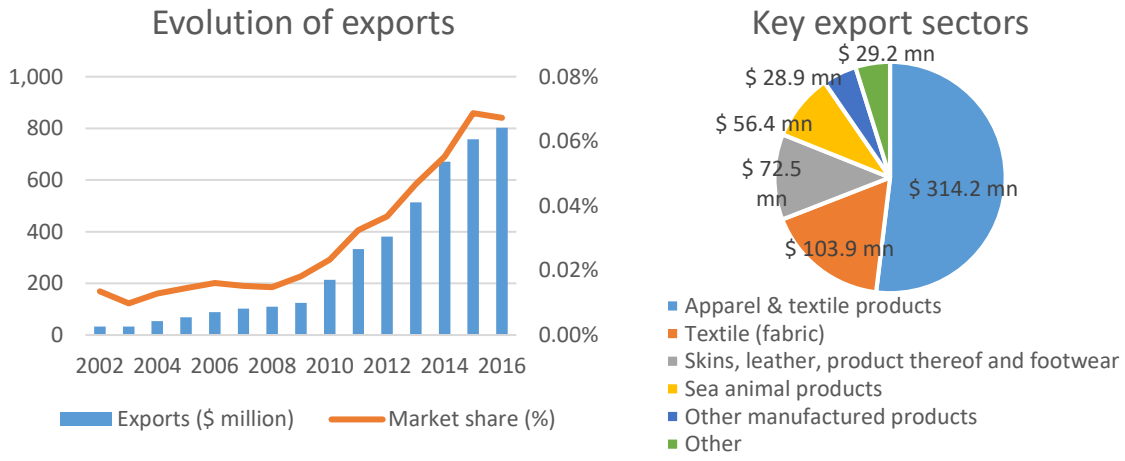
Trade policy environment with China

Bangladesh is an LDC and an original member of the Asia-Pacific Trade Agreement (APTA) signed in 1975. Thanks to its LDC status, Bangladesh benefits from duty free access on 5,875 Chinese national tariff lines at the 10-digit level, as well as an additional 20 national tariff lines as an APTA member.

Overview of export activity to China

Exports from Bangladesh to China reached nearly $802 million in 2016 following steady growth over the last decade with particularly rapid growth during the 2009-2014 period. Despite this increase in trade activity, China imports only 2% of Bangladesh's total exports, and these imports correspond to less than 1% of China's total imports from the world, showing that there is still considerable room for strengthening the trade relationship.

Exports from Bangladesh to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

Source: ITC calculations, based on data from ITC Trade Map.

Looking at average values from 2012-2016, Bangladesh's exports to China are concentrated in the apparel and textile products sector making up 51.9% of total exports to China, followed by the fabric sector accounting for 17.2% of total exports. Another sector with significant unused export potential is sea animal

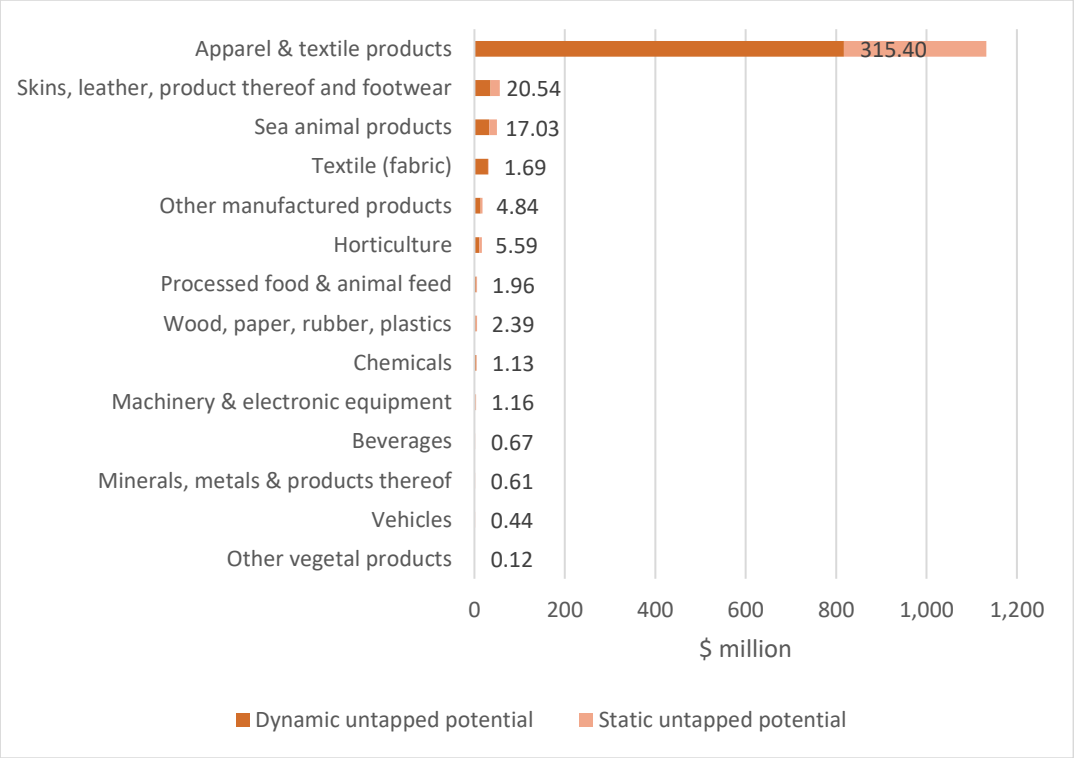
products. Whereas sea animal exports to China averaged at $56.4 million in 2012-2016, crab exports alone accounted for $59.2 million in 2016. The increasing trend observed in export values held in most of the key export sectors except for skins, leather, products thereof and footwear.

Untapped export opportunities in the Chinese market

Bangladesh has over $1.8 billion of export potential in the Chinese market, of which $1.3 billion or 72.2% of the total, remains unused. The clear majority of Bangladesh's export potential is dynamic, and thus dependent on continued growth in supply and demand. Nevertheless, one quarter of its untapped potential is static. Realizing this static untapped potential in the Chinese market will depend on Bangladesh's capacity to overcome the market frictions, improve institutional capacities, and resolve the informational asymmetries that are driving the static untapped potential.

In the apparel sector, Bangladesh has $1.1 billion of untapped potential, of which $315.4 million could be realized if all frictions were removed. Cotton T-shirts is the single product with the greatest value of $244.0 million of potential additional exports of which $64 million could be realized if frictions were fully addressed. The vast majority of current exports are directed to the European Union (EU) and United States (US) markets, with less than 2% of T-shirt exports sold to the Chinese market. On average between 2012 and 2016, exports to China amounted to $53.2 million per year, with considerable room for future growth. Other cotton products with high unused export values including trousers, jerseys, and shirts together hold an additional $133.5 million in static untapped potential. In the sea animal products sector, Bangladesh already exports more crabs to the Chinese market than predicted given our assessment of projected supply, demand and ease of trade. Yet, Bangladesh still also has over $17 million in static untapped potential in sea animal products, with over $10 million in frozen shrimp and prawns that is currently mostly shipped to European markets and $5.8 million in other frozen fish.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Bangladesh's export potential in the Chinese market

A significant share of Bangladesh's static untapped potential appears to be associated with the failure to meet product standards and lack of institutional capacity, particularly in the Bangladesh Standards and Testing Institution (ITC, 2016b). This challenge is reflected in the ITC NTM survey for Bangladesh, which sheds light on business perceptions of regulatory and procedural obstacles that are reported as burdensome by exporters trading with China. In the apparel and textile sector, where the greatest untapped potential remains, exporters have expressed difficulties in complying with the mandatory human health certificate requirement due to the procedural obstacles they face in getting their products tested and receiving the certification in a timely manner. In addition, exporters are required to pay advance duties up to three months prior to the shipment, which can be a significant constraint on exporters. Exporters also raised concerns about difficulties in benefitting from duty-free quota-free access as rules of origin stipulate a 40% local content requirement to qualify for preferential access (ITC, 2016b).

In the leather skins and products sector which holds $58.1 million in unused export potential, exporters report significant delays with getting export registration certificates and certificates of origin, possibly preventing them from using the preferential LDC scheme of China and consequently, their export potential. Furthermore, these exporters report considerable procedural obstacles associated with getting the product clearance certificate from the Bangladeshi Tanners Association. In the wood products sector, the procedural obstacles associated with getting the mandatory phytosanitary certificates for the export of wooden furniture have also been noted as burdensome.

Across sectors, exporters reported a set of common factors that inhibited the capacity of Bangladeshi exporters to reach the Chinese market. These included the language barrier which made it difficult to find the necessary trade-related information, lack of market intelligence, limited transportation routes directly to the Chinese market, as well as difficulties obtaining visas for business purposes (ITC, 2016b).

Cambodia

BRI-related activities in Cambodia

During Xi Jinping's 2016 visit, China signed 31 economic agreements, including $237 million in soft loan deals with Cambodia. Xi also pledged to push for Chinese investment in Cambodian infrastructure and cancelled roughly $89 million in Cambodian debt. Participation in the BRI brings with it access to the enormous infrastructure funding of Chinese-led financial institutions, such as the Asian Infrastructure Investment Bank, the Export-Import Bank of China, the China Development Bank, and the Silk Road Fund. China is the largest foreign investor in Cambodia's energy sector, with more than $7.5 billion in accumulated capital in hydropower plants. Cambodia and China have agreed on several hydropower dam projects. Kemchay Dam was constructed with Chinese assistance and possesses an electrical capacity of 194 megawatts. The biggest hydropower dam, Lower Sesan II Hydropower Plant, will generate up to 400 megawatts per hour once operational, providing enough power to transform Cambodia's energy infrastructure.

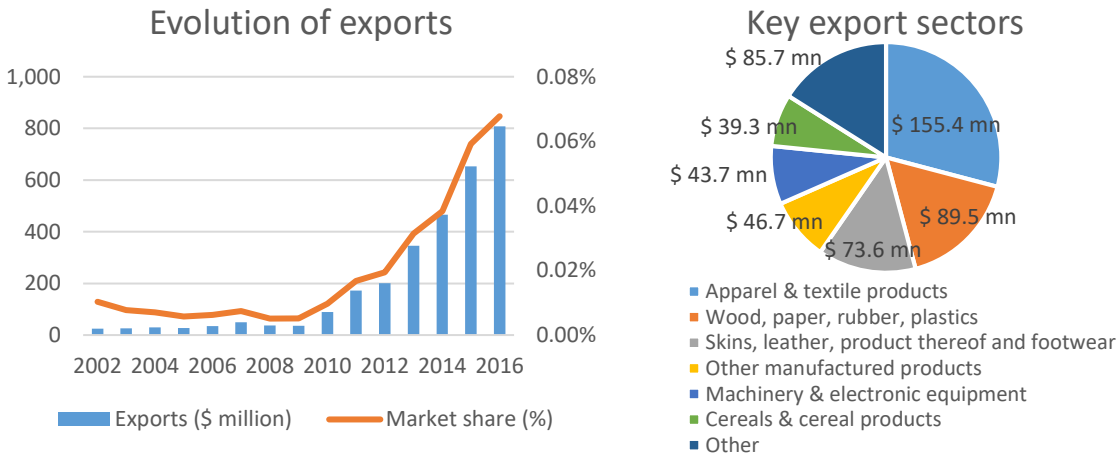
China also offers developmental assistance on Cambodia's transportation infrastructure, including bridges, highways, railways, and ports. Several projects linking major Cambodian routes are under construction, including the "Cambodia-China Friendship Bridge" crossing the Mekong River; a bridge linking Steng Trang district to Krouch Chmar; and the first 190-kilometre expressway connecting the capital Phnom Penh to the coastal Sihanoukville in the south-west. China has proposed development of 2,230 kilometres of national expressways by 2040, as well as railway infrastructure developments and renovation projects, connecting its provinces with each other and with neighbouring countries. Finally, China has also helped Cambodia to upgrade its deep water Sihanouk Autonomous Port (Lin, 2018).

Trade policy environment with China

Cambodia benefits from the preferential tariff regime set out by China for 40 LDCs as well as special tariffs for Association of South East Asian Nations (ASEAN) members. Cambodia receives the most preferential conditions of the three levels of schemes China has set out with its LDC partners and has duty-free access to the Chinese market for 10,386 out of 11,839 national tariff lines at the 10-digit level. As rules of origin apply for both, the China-ASEAN FTA and the LDC scheme, Cambodian exporters may choose one or the other regime depending on the complexity of proofing originating status for a particular product.

Overview of export activity to China

Exports from Cambodia to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

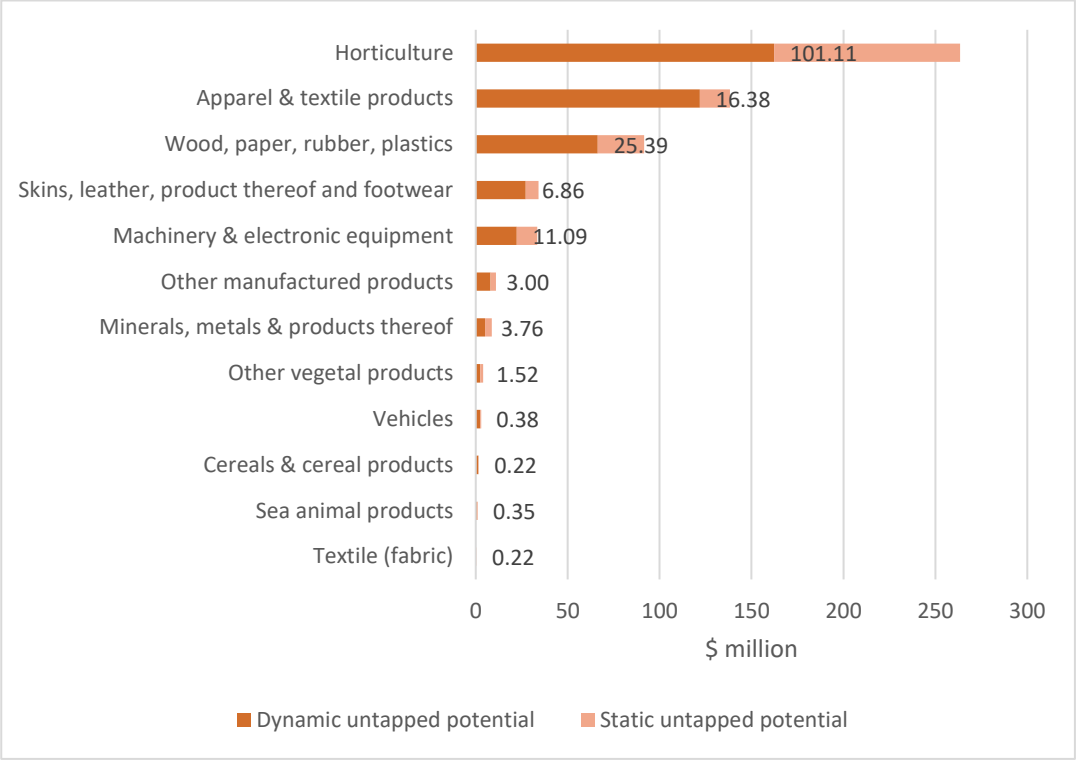
Source: ITC calculations, based on data from ITC Trade Map.

Exports from Cambodia to China have increased considerably throughout the last decade, from exports of $37.5 million in 2008 to a value of $802.0 million in 2016. The sectors that have contributed to nearly half of total exports on average over the last five years have been the apparel and textile sectors as well as the wood, paper, rubber and plastics. In addition, the skins and leather products sector has contributed over $73 million in exports during this period. The top products exported by Cambodia to China ranked by total export value in 2016 included mink fur skins, parts for LCD devices, and rice.

Untapped export opportunities in the Chinese market

Cambodia has over $947 million of export potential in the Chinese market, $591.0 million or 62.4% of which remains unused. Of this untapped export potential, roughly 70% is dependent on growth in supply and demand in line with forecasts and the remaining 30% is static. Unused potential is largest in the horticulture, apparel and textile and wood, paper, rubber and plastics sectors. At the product level, manioc has the greatest untapped potential in the Chinese market ($262.8 million), of which $101.0 million could be realized if market frictions were overcome. On average between 2012 and 2016, Cambodia exported $16.3 million worth of manioc to China. However, Thailand remains the main destination market for Cambodian manioc, accounting for over 60% of exports in 2016 and 90% in 2017. China therefore seems to offer an attractive possibility for market diversification. Other products with high values of untapped potential include woodchips, rubber, parts and components of telephones, and leather products accounting together for $120.4 million of possible additional exports, with a static component of $32.3 million. These products are already exported to the Chinese market. There could also be opportunities for entering the Chinese market with new products including soybeans. On the contrary, Cambodia has already exceeded its potential export values in rice and wood in the rough.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Cambodia's export potential in the Chinese market

Making use of untapped potential relies on transparent and efficient trade procedures in both the exporting and importing countries. In Cambodia, procedural obstacles seem to constrain access to the Chinese market. Responses from the ITC survey on NTMs of Cambodian exporters to the Chinese market shed light on business perceptions of regulatory and procedural obstacles that are reported as burdensome and could be hindering their ability to expand exports. For manioc, the product with the largest unused export potential, exporters highlighted several measures that they find to be particularly burdensome including product certification procedures, obtaining a certificate of origin, as well as pre-shipment inspections. This could be due to the scarcity of quality assessment services and the monopoly on the mandatory inspection services (ITC, 2016c). This difficulty in access to inspection services coupled with the stringent Sanitary and Phytosanitary (SPS) standards for fruits and vegetables in China can be a considerable obstacle for certain exporters, particularly in more remote parts of the country. In addition to these procedural impediments, manioc exporters expressed challenges in reaching the Chinese market directly due to linguistic and cultural barriers and a lack of market information. Nevertheless, selling to intermediaries who charged high commissions really hurt the producers' profit margins (ITC, 2016c).

In the textile and fabric sector, exporters report difficulties in obtaining certificates of origin in a timely manner, and the procedural constraints associated with this process. If this results in trade partially taking place under most-favoured nation (MFN) instead of preferential tariffs, the country will not be able to fully use its export potential in the Chinese market. Textile and fabric exporters have also highlighted challenges in import monitoring and surveillance requirements particularly in dealing with the General Department of Customs and Excise. Exporters in the skins and leather products sector as well as those in other manufacturing have both underscored the procedural obstacles related to product certification and obtaining a certificate of origin as lengthy and cumbersome.

Fiji

BRI-related activities in Fiji

Fiji and China established a strategic partnership in 2014 with the aim to strengthen cooperation in such areas as trade, investment, agricultural technology and green development, spur tourism, and encourage more Chinese enterprises to invest and establish businesses in Fiji (MOFA, 2017).

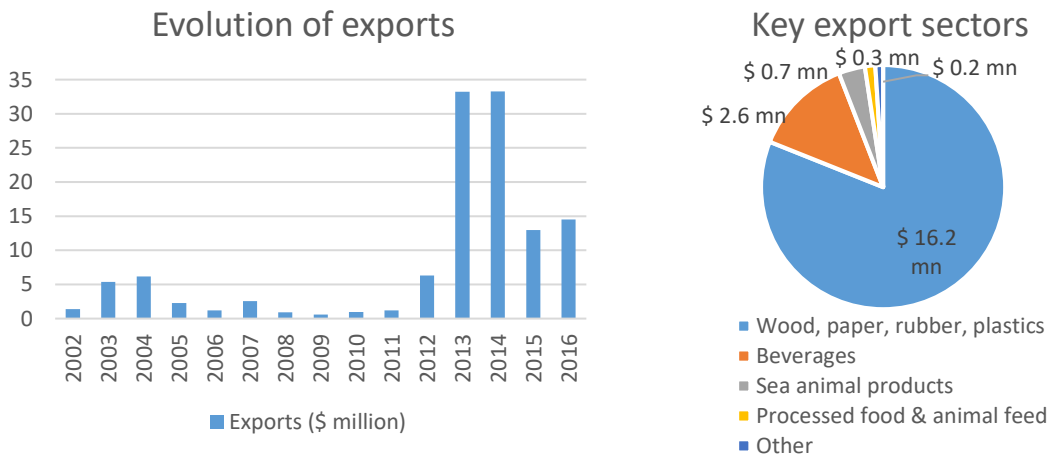
Trade policy environment with China

Fiji does not have a trade agreement in place with China, although a feasibility study was launched in 2016. Currently, Fiji receives MFN treatment. This entails duty-free access for 998 national tariff lines at the 10-digit level. Accordingly, Fiji has disadvantages in terms of access to the Chinese market as compared to the 40 LDCs and as compared to any other trade partners with whom China holds a preferential or free trade agreement (FTA).

Overview of export activity to China

Fijian exports to the Chinese market reached $14.5 million in 2016, down from a peak of $33.3 million in 2014. On average from 2012-2016, exports were predominantly concentrated in the wood, rubber, paper, and plastics sector, accounting for 81% of exports during this period. At the product level, woodchips were a significant contributor. Beverages contributed an additional 13% during this period, on average. Sea animal products, including frozen tuna and other frozen fish, made up the third largest export sector.

Exports from Fiji to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

Source: ITC calculations, based on data from ITC Trade Map.

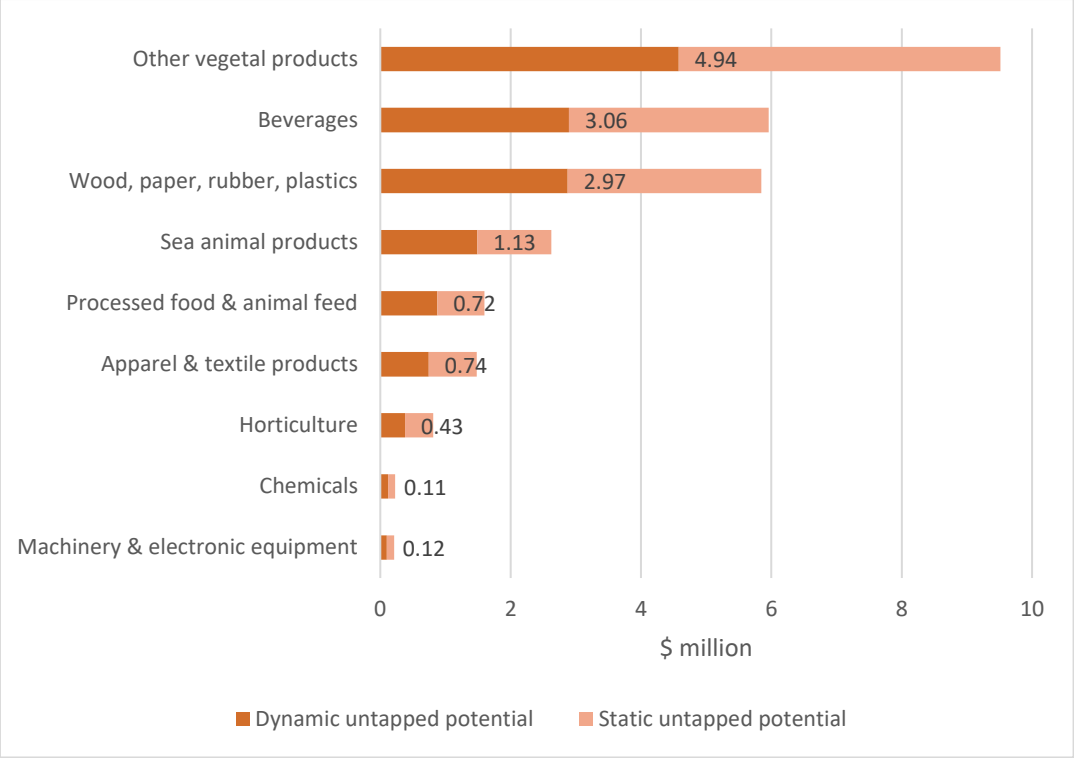
Untapped export opportunities in the Chinese market

Fiji has over $32 million of export potential in the Chinese market. While Fiji has already exceeded its potential export values in wood chips to the Chinese market, unused potential remains in other wood products, such as HMahogany and wood in the rough, which together provide another $5.1 million in untapped potential ($2.7 million of which is static).

Within the vegetal products sector, raw sugar cane is the product with the greatest untapped potential ($9.4 million) with a static value of $4.8 million. China is a significant importer of raw cane sugar. It imported $832 million of raw cane sugar in 2017, with a large share coming from Brazil, and Cuba, but regional exporters such as Thailand and Australia are also active in this market. The vast majority of Fiji's raw cane sugar exports go to European markets, particularly the United Kingdom, although Fiji has also begun to make

inroads into the Asian market with $220,000 of exports to Korea and $80,000 of exports to Chinese Taipei in 2017. While Fiji does not yet export raw sugar cane to the Chinese market, entering the Chinese market for sugar could provide lucrative opportunities to diversify from its current export concentration in wood products. The Fijian Sugar Corporation has recently expressed its interest to focus its efforts on the East Asian market (Xinhuanet, 2017). Although Fiji would not face tariff disadvantages over its competitors in the Chinese market, price competition from lower cost producers such as Brazil and Cuba may still be fierce. In Fiji, production costs have risen following the Category 5 Cyclone Winston from February 2016, which devastated especially the cane belt areas in the western division. Much of the sugar cane crop was destroyed or severely impacted with lowest quantity of cane produced in the last 50 years. In addition, one of the sugar mills was shut down due to extensive damage and two others were impacted but continued to function. According to the Fiji Sugar Corporation, crop yield was severely impacted hitting rock bottom at 37.7 tonnes per hectare which is a 20% reduction compared to the previous year (Fiji Sugar Corporation, 2017). This is compounded by the already difficult situation at the Fijian Sugar Corporation which reported $45 million in losses for 2017. These factors, combined with lack of investment in production facilities have increased the production costs for Fijian sugar and may encumber plans for market diversification to the east.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

In the beverages sector, water exports (including ordinary and mineral) totalled $2.3 million on average between 2012 and 2016. A significant portion of the export potential value of $6.6 million thus remains unused. Frozen fish together hold $1.4 million in unused potential (of which $757,000 is static).

Factors hindering the use of Fiji's export potential in the Chinese market

Fiji's sugar industry is struggling with the aftermath of the cyclone, the low productivity of its growers, the high cost of cane farming, and mill inefficiencies that combine to make the industry very cost-inefficient (Oxfam, 2005). The recent change in EU sugar policy to end domestic sugar quotas is likely to further decrease the price for sugar in the EU, possibly impacting the profitability Fiji and other African, Caribbean

and Pacific (ACP) countries previously enjoyed in this market (Therre, 2015). Although the Fijian Sugar Corporation still exported the majority of its production to the United Kingdom in 2017, there are signs it may start exploring other opportunities (Fiji Sugar Corporation, 2017).

Indonesia

BRI-related activities in Indonesia

According to business forecasts, Indonesia stands to be one of the biggest beneficiaries of the BRI in South-East Asia that will pump around $87 billion into infrastructure projects (Siniwi and Yuniarti, 2016). In a meeting in Beijing in 2018, government officials from Indonesia and China signed multiple Memoranda of Understanding with an aggregate contract value $23.3 billion (Minnock, 2018). These contracts included a $2 billion hydropower plant in Kayan, a $700 million contract to develop coal conversion facilities, a $17.8 billion joint venture to build a hydropower plant on the Kayan River, a $1.6 billion joint venture to build a power plant in Bali and a $1.2 billion project to develop a steel smelter. In addition, other projects in the pipeline include the development of an industrial park in northern Kalimantan, Borneo in which both countries will jointly pursue electric vehicle development.

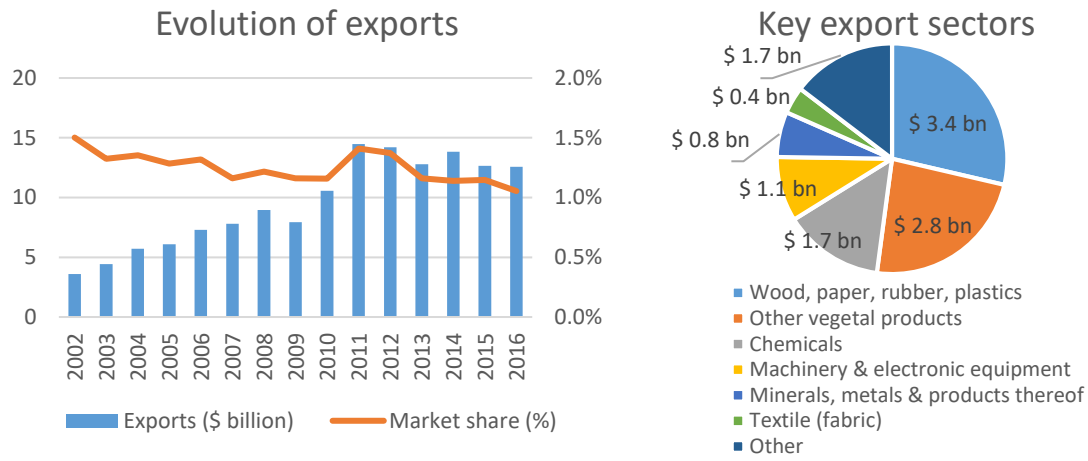
Trade policy environment with China

Indonesia is one of the original members of ASEAN since 1967 and as such, also party to the ASEAN-China FTA (ACFTA) signed in 2002. Under this regional agreement, China grants duty free access to 10,143 out of 11,839 national tariff lines at the 10-digit level.

Overview of export activity to China

Economic ties between Indonesia and China are strong. In 2016, China was Indonesia's most important trading partner and third most notable source of foreign direct investment. Indonesia's exports to China grew from a total of $9.0 billion in 2008 to exceed $12.5 billion by 2016. Exports peaked in 2011 at a value of $14.5 billion but declined at an average annual rate of 12% over the following five years. Indonesia's share in the Chinese market also has been in decline remains near 1%. The sectors that contribute to over half of total exports to China are wood, paper, rubber and plastics with average exports between 2012-2016 nearing $3.4 billion per year, and other vegetal products with an average value of $2.8 billion per year. Chemicals, machinery and electronic equipment and minerals and metals account for an additional third of total exports to the Chinese market.

Exports from Indonesia to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

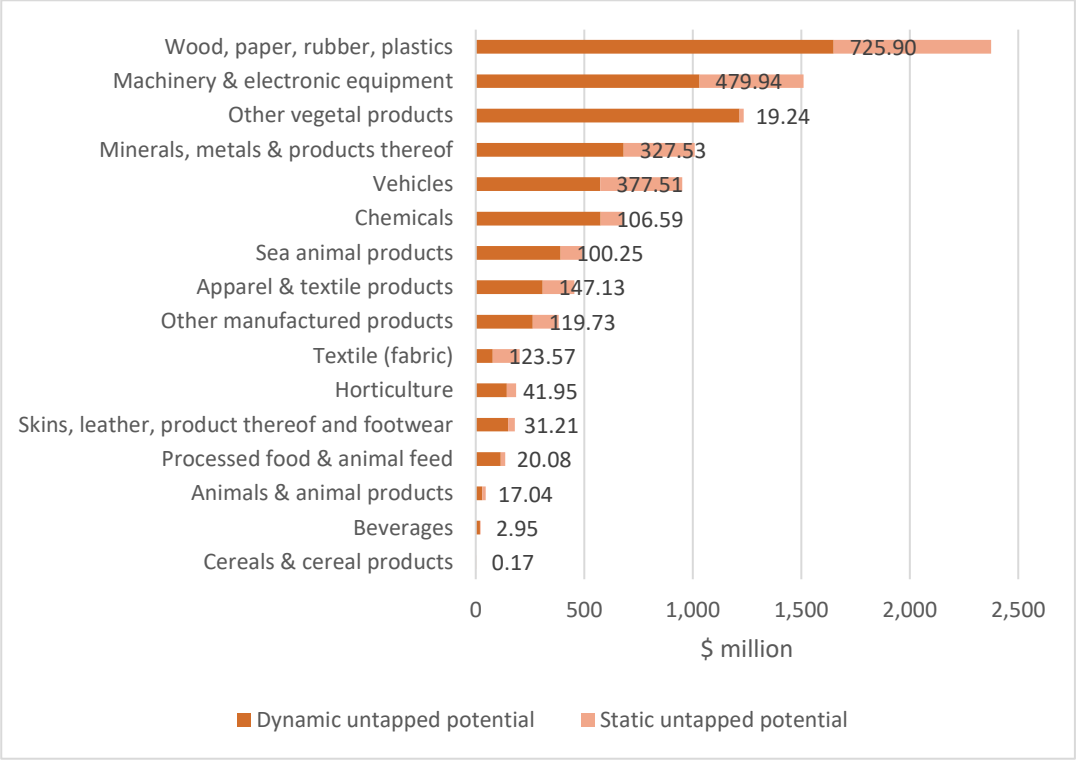
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Indonesia has the potential to export goods worth $20.0 billion to the Chinese market by 2021. Almost half of this potential currently remains unused. $2.6 billion could be realized if increased trade advisory efforts

managed to overcome market frictions and binding constraints. In turn, this shows also that the majority of Indonesia's untapped potential is dynamic, and directly linked to growth in supply and demand expected over the coming five years. This pattern varies across sectors with greater shares of static potential in wood, rubber, and plastics, machinery and electronic equipment, minerals, and vehicles, and lower shares in other vegetal products, chemicals, horticulture, and leather products.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

At the product level, the largest value of untapped export potential is found in rubber where an additional $1.5 billion of exports seem possible. About one-third ($479.9 million) could be realized if frictions were fully removed (static untapped potential). Motor vehicles, palm oil and copper cathodes also hold high values of untapped export potential accounting for $622.2 million ($271.8 million of which static), $1.1 billion (no static), and $346.8 million ($147.7 million of which static), respectively. Other products with significant untapped potential include tin, frozen fish, ferro-nickel, static converters, leather footwear, frozen shrimps, pneumatic tyres and tractor parts. In chemical wood pulp and plywood, actual exports already exceed potential exports.

Factors hindering the use of Indonesia's export potential in the Chinese market

As mentioned above, static untapped export potential plays a bigger role in some sectors than in others in Indonesia. The ITC business surveys on NTMs suggest that at least part of this current potential is influenced by regulatory and procedural barriers. Exporters in Indonesia report a number of burdensome NTMs that affect their capacity to export to the Chinese market. For the export of rubber, which is the product with the largest share of static untapped potential for Indonesia, exporters highlight the burdensome character of fumigation requirements due to the strict nature of the regulations as well as the procedural obstacles involved in this process. Rubber exporters also reported procedural obstacles in obtaining a certificate of origin for their product, indicating that they may not always be in a position to claim the preferential treatment China grants under the ACFTA. In the sea animal sector, the product certification procedures that include testing for antibiotic residues are difficult. In the skins and leather products sector, exporters find the price

setting mechanism by the local Chinese authority excessively strict and difficult to comply with for exporting leather wallets. For copper cathodes, motor vehicles, and static converters, companies in these sectors did not constitute a substantial part of the NTM survey. In addition, only a small share of these firms reported being affected by regulatory obstacles indicating that what hinders the realization of potential in these products likely comes from other factors such as the strong presence of multinationals with independent intra-firm trade strategies.

Lao PDR

BRI-related activities in Lao PDR

China is Lao PDR's largest foreign investor and in turn, Lao PDR is the third largest destination of China's investment in ASEAN countries. China is also the second largest trade partner, and the largest aid provider in Lao PDR (China Daily, 2018). Activities planned under the BRI include infrastructure development projects, energy generation facilities as well as special economic zones. These projects include the China-Lao Railway, Nam Ou River Hydropower Station, Saysettha Development Zone and Mohan-Boten Economic Zone.

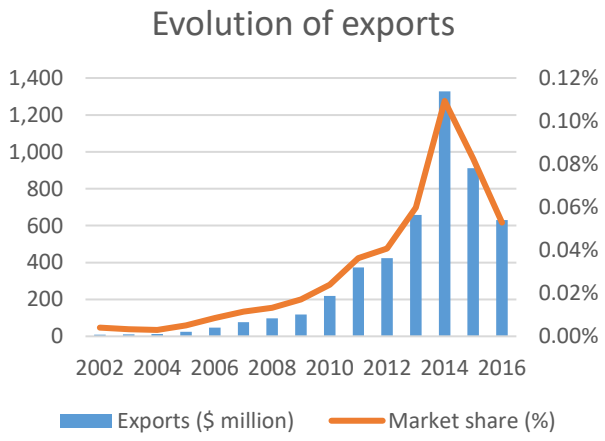
Trade policy environment with China

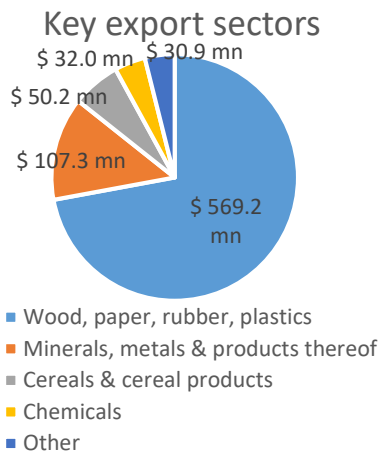
Lao PDR is member of the APTA as well as of ASEAN. Concessions under the ACFTA through which China grants duty free access for 10,143 national tariff lines at the 10-digit level go beyond those of APTA.

Overview of export activity to China

China is Lao PDR's second largest trading partner and exports to the Chinese market totalled $630.1 million in 2016. Trade peaked in 2014 at $1.3 billion but has been declining rapidly in recent years driven primarily by a fall in the export of wood. The government imposed an export ban on wood in 2015 in response to illegal trade activities (Radio Free Asia, 2016). This ban forbids the export of logs, timber, processed wood, roots, branches, and trees from natural forests, and requires all wood exports to be of finished products in accordance with ministerial guidelines. This suggests that export potential in wood will decline in coming years. Currently, the wood and rubber sector still accounts for over 80% of all exports on average between 2012 and 2016. Rubber exports grew rapidly over this period at an annual rate of 130% per year. Copper products also play an important role in the export basket, both in their primary state as well as in refined cathodes.

Exports from Indonesia to China by year, and by key sector





Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

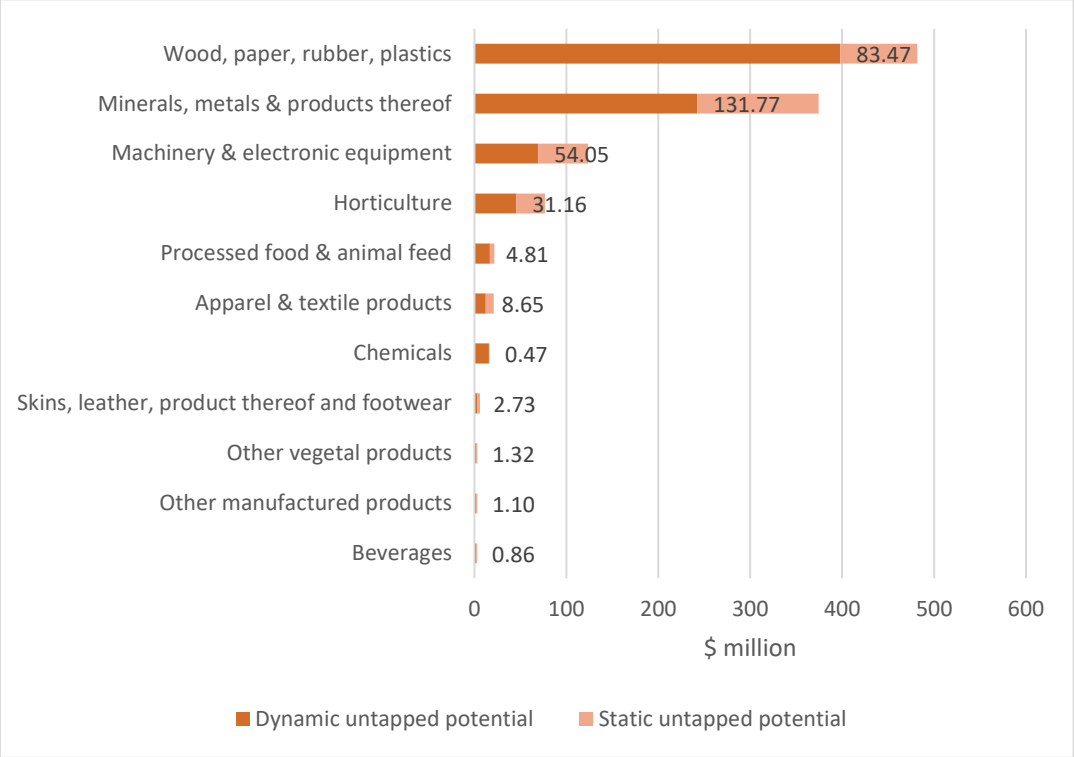
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Lao PDR has over $1.8 billion of export potential in the Chinese market, of which $1.1 billion, or 60.7%, remains unused. Roughly, one-fourth ($320 million) of this remaining potential is static and thus independent of growth dynamics and could be realized if underlying market frictions and hindering factors were addressed. Since the export potential calculations partially rely on data collected before the recent export ban, the unused export potential in the wood, paper, rubber and plastics sector is estimated at over $481

million distributed principally across a few unfinished products including woodchips ($338 million) and wood in the rough ($118 million). Rubber products hold an additional $19.1 million in untapped potential, all of which is dynamic. In minerals, metals and products thereof, copper cathodes, and electrical energy dominate the unused potential, with a combined total of $371 million of room for additional export growth. Machinery and electronic equipment holds an additional $123.6 million in untapped potential, with telephone parts accounting for $115 million. In the horticulture sector, manioc holds the lion's share of unused potential accounting for $67.3 million. While some of this remaining potential is dependent on growth in supply and demand, the static component reflects the time-independent market frictions that could be resolved in the near future. The products with the greatest shares of static untapped potential that are not covered by the export ban on wood include copper cathodes ($74.1 million), electrical energy ($56.3 million) parts of telephone sets ($50.7 million), and manioc ($27.7).

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Lao PDR's export potential in the Chinese market

While three-fourths of Lao PDR's remaining untapped potential are dependent on growth in supply and demand over the coming five years, market frictions and related static factors still account for over $320 million in unused export potential. The export ban on unprocessed wood products will minimize the opportunities in wood chips and wood in the rough, nevertheless, other opportunities remain across copper cathodes, electrical energy, telephone parts and manioc. According to the exporters surveyed in Lao PDR, linguistic and procedural obstacles are substantive, and most companies prefer to use a Chinese importer and have Chinese shipping companies take care of the customs formalities for accessing the Chinese market (ITC, 2016d). This derives from a dearth of market information, knowledge about SPS requirements and other product standards, as well as a lack of information and familiarity regarding the Chinese import process for specific products.

Maldives

BRI-related activities in the Maldives

In 2016, the presidents of China and the Maldives signed 12 agreements laying out their plans to strengthen cooperation under the BRI. These agreements included a Memorandum of Understanding on construction, an FTA and agreements on the economy, human resources, oceans, environment, health care, and finance (Xinhuanet, 2018).

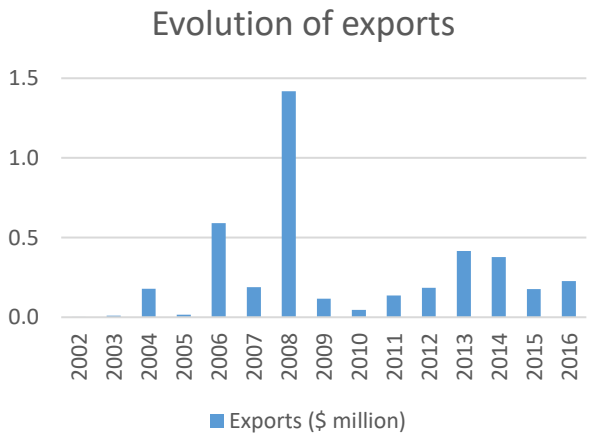
Trade policy environment with China

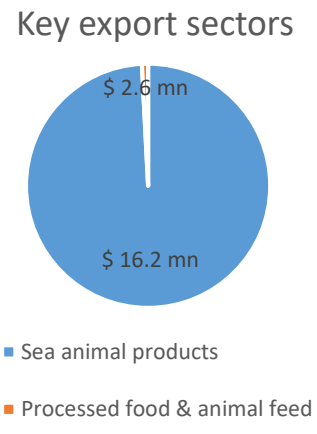
Maldives only recently signed its first bilateral FTA with China in December 2017. Though the China-Maldives FTA is yet to take force, it promises duty free access for 96% of all products from both countries, including industrial and agricultural products from China and aquatic products from Maldives (MOFCOM, 2017).

Overview of export activity to China

Exports from the Maldives to China by year, and by key sector

Exports from the Maldives to the Chinese market peaked in 2008 with a value of $1.4 million but have decreased significantly in subsequent years. In 2016, the Maldives exported $200,000 to the Chinese market. Exports from this small island nation are strongly concentrated in fresh and frozen varieties of tuna and swordfish.





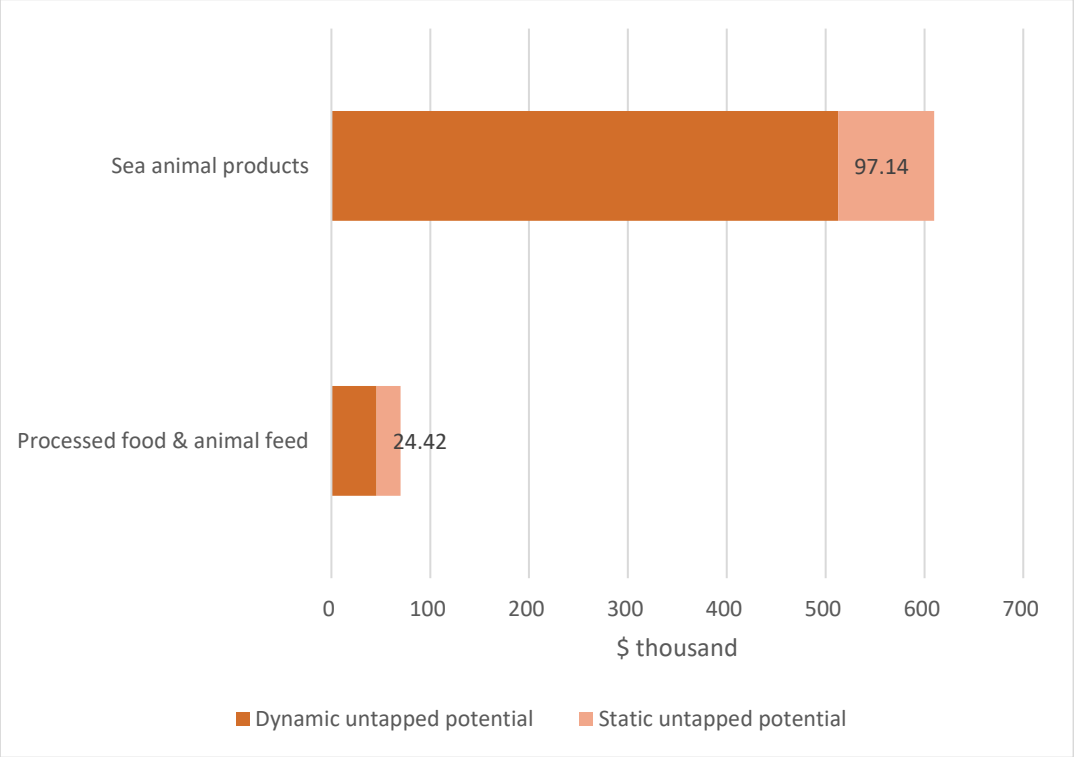
Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

The Maldives has over $1 million of export potential in the Chinese market, of which 60.7% remains unused. While the country has already surpassed its potential export value of yellowfin tuna to the Chinese market, in other products it has $662,000 in potential remaining. The clear majority of this potential is dynamic and only $114,000 is static untapped potential. This static potential lies predominately in frozen skipjack, ($33,000), fish flour ($24,000), other frozen fish ($21,000), and live fish ($20,000). The upcoming FTA will boost the Maldives' competitiveness by removing the current MFN tariffs that go up to 17.5% for fishery products and providing duty-free access instead (ITC Market Access Map, 2017 and Atif, 2017). The improvement in market access conditions will need to be weighed against supply possibilities. The decreasing catch amounts of skipjack tuna in recent years could signal that export potential for this product will decrease in the coming years (Echigo, 2016).

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $10,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of the Maldives' export potential in the Chinese market

Over 83% of the Maldives' untapped potential is dependent on growth of supply and demand. Nevertheless, the remaining 17%, mainly concentrated in fish products, could be realized if market frictions were overcome. As the fish products with unused potential are already exported to the Chinese market in small quantities, constraints to further exports could include a limited supply of cold chain logistics and transport, the size of the distribution network in the Chinese market, or a lack of market intelligence.

Mongolia

BRI-related activities in Mongolia

Mongolia's development plan launched in 2014, known as the Steppe Road plan, envisions the construction of a modern expressway and rail line across Mongolia, stretching from the Chinese mainland to Russia. In addition, it aims to extend other railways, modernize gas and oil lines, and update the electricity grid. The program calls for some $50 billion in investment in order to be completed. Mongolia and China recently agreed to align the Steppe Road plan and the BRI to form a comprehensive strategic partnership. Together with Russia, they are already collaborating on more than 30 projects, most of them focused on upgrading transport and communications infrastructure (Kenderdine, 2017).

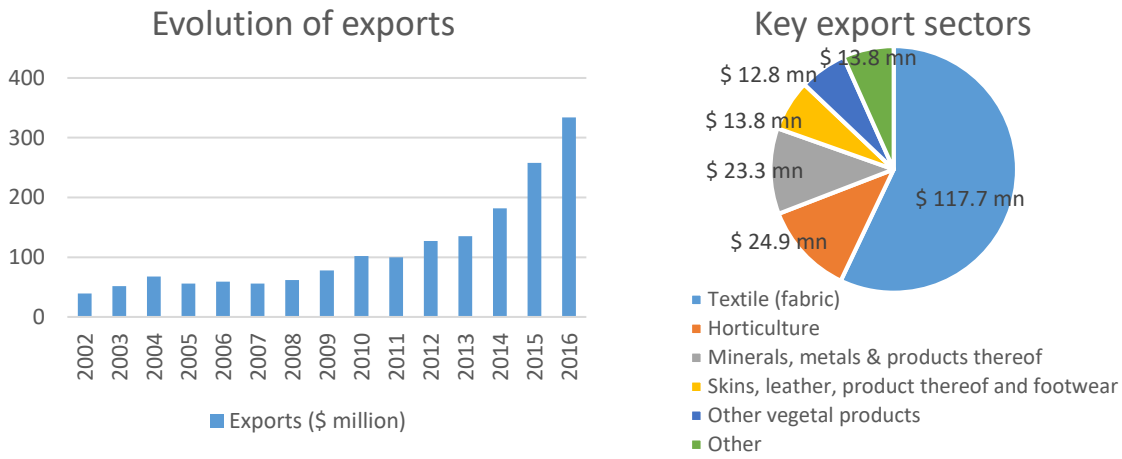
Trade policy environment with China

Mongolia does not have an FTA in place with China, resulting in MFN treatment in the Chinese market. This entails duty-free access for 998 Chinese national tariff lines at the 10-digit level. This implies that Mongolia has disadvantages in terms of access to the Chinese market as compared to the 35 LDCs and as compared to any other trade partners with whom China holds a preferential or FTA.

Overview of export activity to China

China is Mongolia's largest trading partner, accounting for 84% of its exports in 2016. This relationship has been growing steadily with Mongolia's exports increasing over the last decade to reach a value of $334.1 million in 2016. Exports are primarily concentrated on animal hair-based fabrics within the textile and fabric sector. Other key exports to the Chinese market include nuts, copper cathodes and horsemeat.

Exports from the Mongolia to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

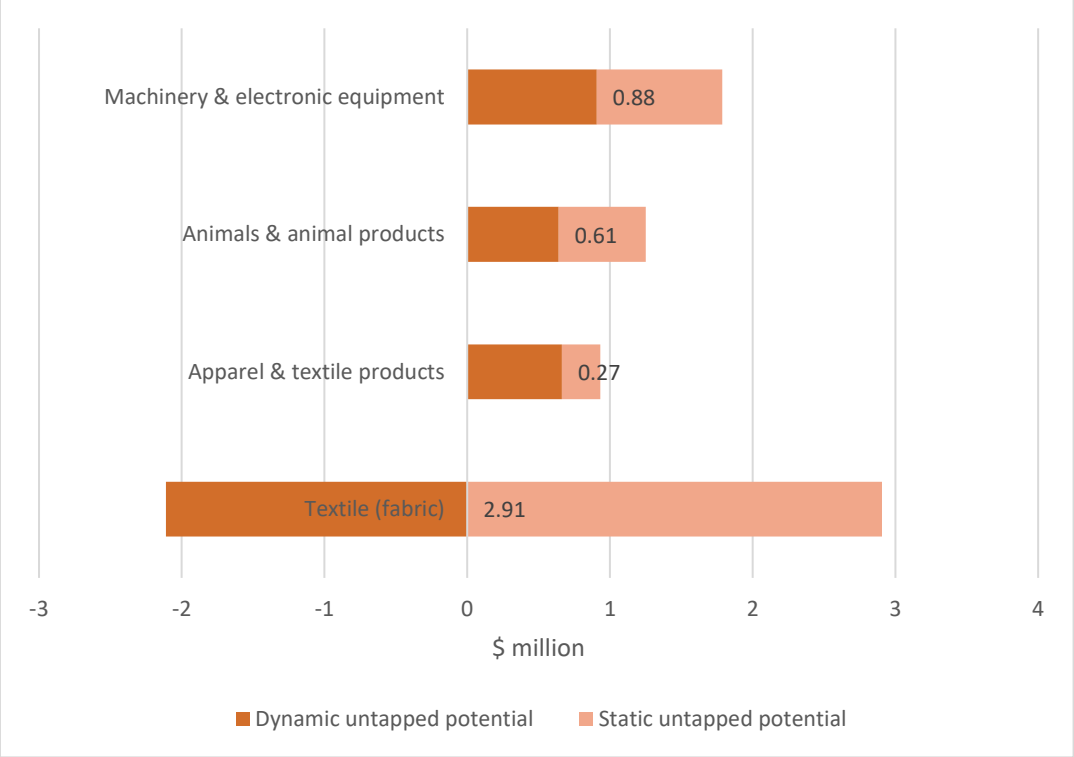
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Mongolia has $142.5 million of export potential in the Chinese market, of which only $5.0 million, or 3.5%, remains unused. This implies that given current supply, demand and market access conditions, Mongolia is performing very well in this market and growth prospects may be limited. Mongolia has exceeded the benchmark export potential levels for the Chinese market in a large number of products including fine animal hair, copper cathodes, rapeseeds, nuts, horsemeat and shorn wool. Its remaining potential is greatest in the machinery and electronics sector totalling $1.8 million. This sector includes photosensitive semiconductor devices, smart cards, and parts of non-electrical engines and motors. The static components of untapped export potential in this sector total $879,000, with just short of $1 million accounted for by growth in supply

and demand. For each of these products, trade is very concentrated in one specific market suggesting it may be driven by multinational companies with their own intra-firm supply chains and trade strategies. This could make the export potential in the Chinese market difficult to realize.

Remaining export potential by sector decomposed into dynamic and static potential



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Source: ITC calculations, based on data from ITC Export Potential Map.

In the animal products sector, untapped export potential is greatest in animal stomachs, bladders and guts reaching a value of $1.1 million with the static component accounting for roughly half of this value. China is one of the world's top importers of this product and the biggest importer from Mongolia. Mongolian exporters thus have good chances to actually tap into the additional trade potential the Chinese market offers, should they manage to scale up production.

In the apparel and textile products sector, cashmere jerseys account for the largest share of total untapped potential with a value of $790,000, of which $223,000 could be realized if no frictions were in place. In the textile and fabric sector, the dynamic component of export potential is negative due to the decreasing world demand for fine animal hair products. The static untapped potential for this sector is greatest for goat cashmere and crocheted fabrics with a combined value of $660,000.

Factors hindering the use of Mongolia's export potential in the Chinese market

Mongolia's strong export performance has taken advantage of nearly all of its export potential in the Chinese market. Of the small share that remains unused, only a fraction of this potential corresponds to market frictions. The structure of some of the sectors, such as the machinery and electronics sector mentioned above with its large multinational enterprises that pursue their own independent strategies may make it difficult to realize the additional export potential for these products in the Chinese market.

Myanmar

BRI-related activities in Myanmar

Myanmar occupies a rather unique position in the BRI. Most notably, Myanmar is a link that connects both the 21st Century Maritime Silk Road and the Silk Road Economic Belt, making it an integral component of both (Global New Light of Myanmar, 2018). In a meeting in late 2017, leaders from China and Myanmar discussed the possible creation of a China-Myanmar Economic Corridor to strengthen their cooperation.

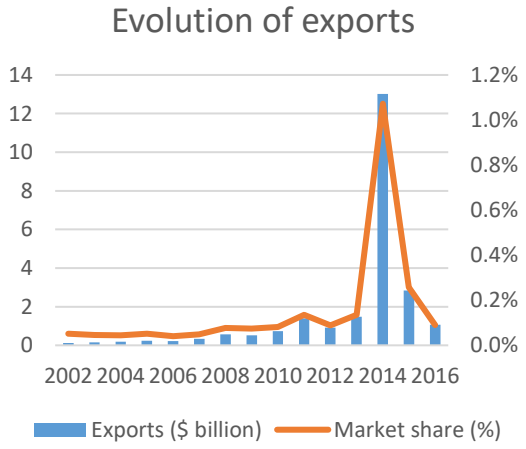
Trade policy environment with China

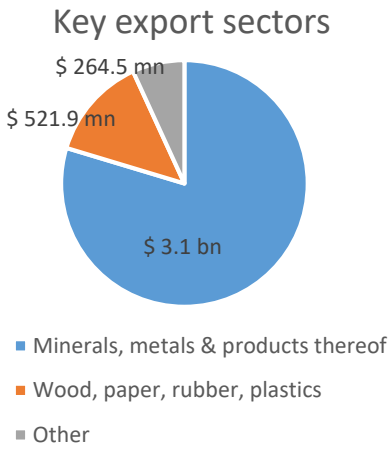
Myanmar benefits from China's duty-free quota-free tariff regime for LDCs. However, due to pending formalities, Myanmar belongs to the group of LDCs that does not yet benefit from the greatest zero-tariff product coverage and received duty-free access for 10,106 national tariff lines at the 10-digit level (UNCTAD, 2016 and ITC Market Access Map, 2018). Concessions under the China-ASEAN FTA to which Myanmar is a member go beyond those granted to this group of LDCs, providing duty-free access to the Chinese market for 10,143 national tariff lines at the 10-digit level.

Overview of export activity to China

Myanmar has a strong trade relationship with China. In 2016, Myanmar reported the Chinese market as the destination of roughly 40% of its total exports. In 2016, exports from Myanmar to China totalled $1.1 billion, after declining from their peak in 2014 of $13.0 billion driven by China's one-time report of exceptional imports of precious stones. Myanmar's exports are primarily concentrated in the minerals and metals sector across ferro-nickel and copper. Beyond the minerals sector, rubber is another key export to the Chinese market.

Exports from Myanmar to China by year, and by key sector





Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

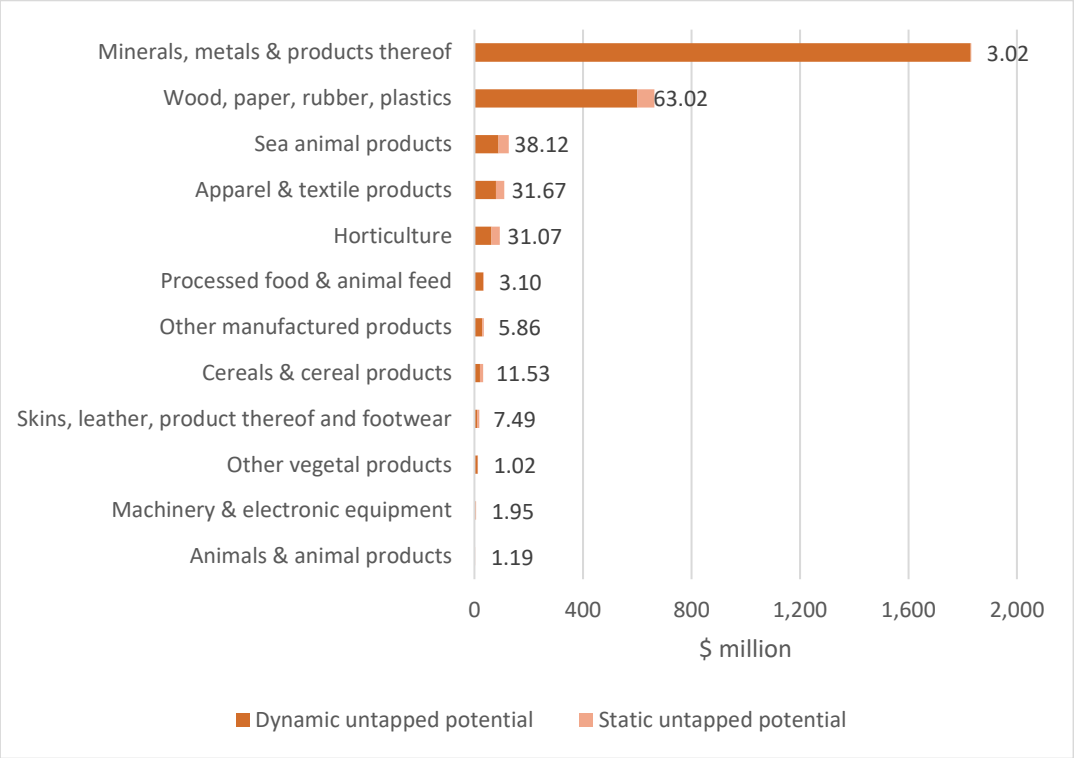
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Myanmar has $6.7 billion of export potential in the Chinese market, of which $3.0 billion, or 44.3%, remains unused. The realization of this unused potential is almost entirely dependent on the forecasted growth in supply and demand over the coming five years. Myanmar's export potential is greatest in the minerals and metals sector reaching a value of $4.8 billion, and it has already used over 60% of this potential. Nevertheless, $1.8 billion in untapped potential remains in this sector. Almost $1.7 billion of this remaining potential lies in semi-precious stones and articles thereof. Wood, paper, rubber and plastics is the only sector with a significant amount of current untapped potential that could be realized if relevant market frictions were

addressed. It is mostly concentrated in two products, wood in the rough ($43.7 million) and wood chips ($13.3 million). Rubber products hold an additional $42.2 million in untapped potential, all of which is dynamic.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Myanmar's export potential in the Chinese market

Given the overwhelmingly dynamic nature of untapped export potential across sectors, Myanmar's scope for actively addressing constraints is limited. Should growth prospects be in line according to forecasts, Myanmar is likely to strengthen its trade links with China. A temporary export ban on teak from 2016-2017 , and the ongoing efforts to change the structure of the timber industry in Myanmar and to ensure traceability by the Ministry of Natural Resources and Environmental Conservation (Goldberg, 2017) have limited and may continue to limit export supply, but could be vital to ensuring the sustainability of Myanmar's export potential in the sector, including to the Chinese market.

Nepal

BRI-related activities in Nepal

Nepal and China signed a Memorandum of Understanding on the BRI in May 2017 in Kathmandu. In early 2018, government authorities from both countries met to discuss specific strategies and plans for the implementation of the initiative. The President of the Nepal-China Chamber of Commerce noted that he was "eager to welcome investment under the BRI in various possible sectors like hydropower, agriculture, trade related infrastructure, tourism, herbs and herbal products, natural resources and service sectors" (Xinhuanet, 2018).

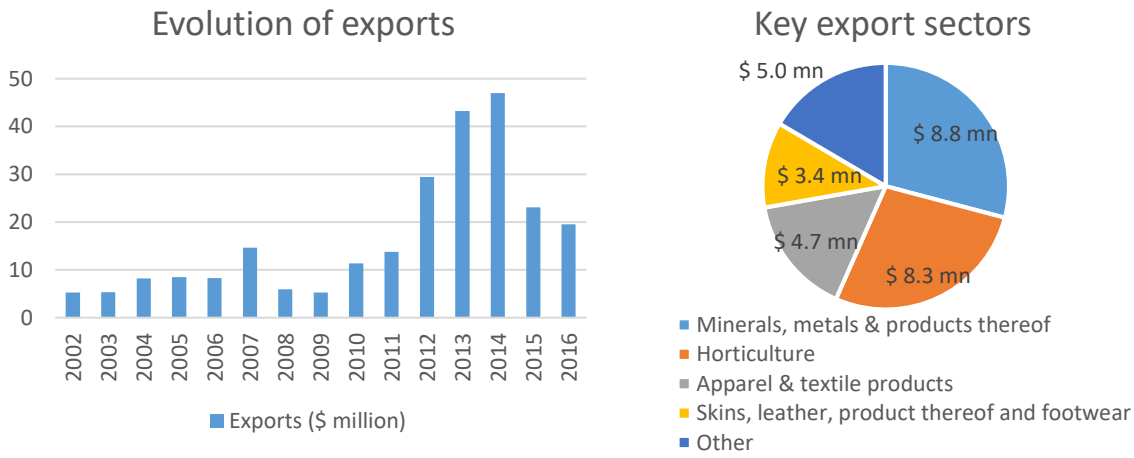
Trade policy environment with China

As an LDC, Nepal benefits from duty free quota free access for 10,386 out of 11,839 national tariff lines at the 10-digit level. Nevertheless, the Nepalese government has asked the Chinese government to consider extending duty-free access to 512 additional products at the 6-digit level, including pashmina products, wool carpets and handicrafts, which are currently on the sensitive list (Kathmandu Post, 2018).

Overview of export activity to China

Nepalese exports continue to be largely concentrated towards the Indian market, where more than half of the country's total exports are directed. China is the sixth largest destination market for Nepalese exports accounting for 3% of total exports. Exports to the Chinese market from Nepal totalled $19.5 million in 2016, after peaking at over $47 million in 2014. Total export values have declined by 8% per annum on average between 2012 and 2016. This decline was particularly notable in the exports of base metal statuettes. Exports to the Chinese market are concentrated across four key sectors. Minerals, metals, and horticulture are the sectors that account for over half of total exports to China, based on five-year averages between 2012 and 2016. Apparel and textile products as well as skins and leather products also contribute substantially with average annual exports of $4.7 million and $3.4 million, respectively.

Exports from Nepal to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

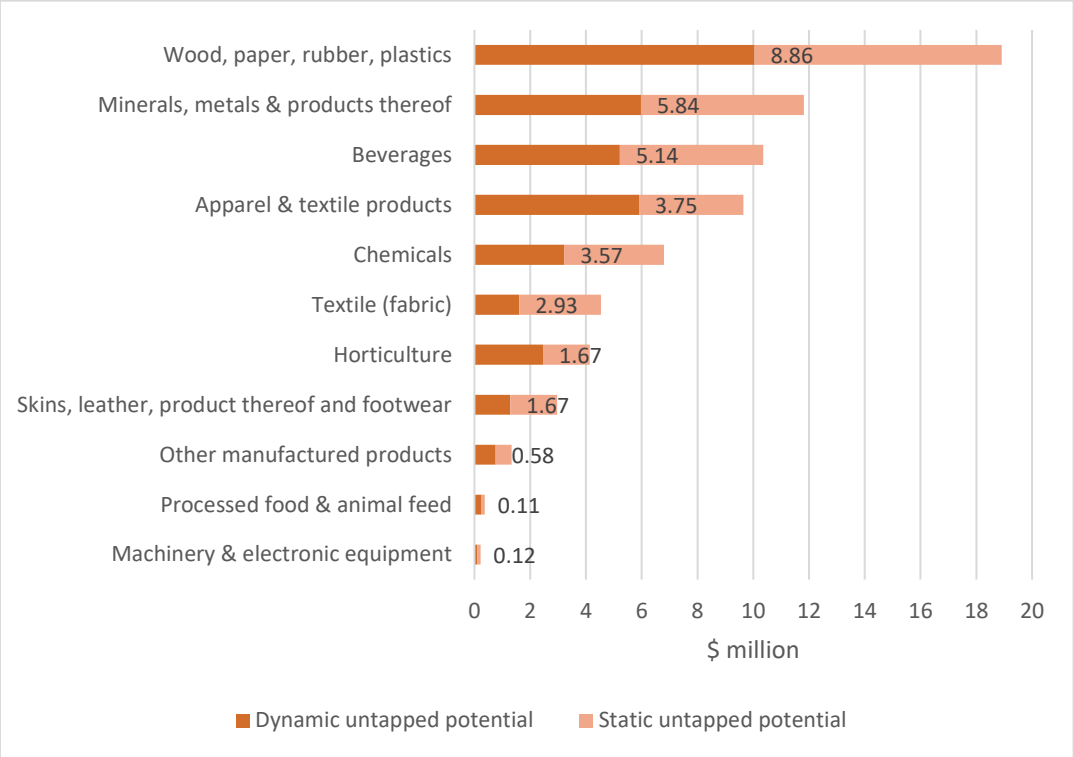
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Nepal has over $86 million of export potential in the Chinese market across a variety of sectors. While it has already exceeded its expected export value in medicinal herbs and ornamental statuettes to the Chinese market, $71.3 million of room for export growth remains unused in other products, corresponding to 82.7% of the total potential. This high share of untapped potential results from a strong export concentration in very

few products while in others, there is little or no trade despite strong projected Nepalese export performance and decent demand and market access conditions by China. The untapped potential is almost evenly split between dynamic and static components signalling room for action to address the binding constraints hindering the realization of the static potential, but also significant growth-dependent potential.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

The wood, paper, rubber, and plastics sector holds the greatest share of export potential totalling $19.3 million, $18.9 million of which remains untapped. The vast majority of this untapped potential resides in plastic articles under HS code 392690 ($15.3 million) and nearly half of this untapped potential is static ($6.8 million). Over 99% of these plastic articles are currently destined to the Indian market but Nepalese exporters have begun to also serve the Chinese market in very limited quantities: exports totalled $4,000 on average between 2012 and 2016, and there is considerable room for growth to reach the over $15 million in untapped potential.

In the minerals and metals sector, the sector with the second largest untapped potential for Nepal, out of the total export potential of $15.9 million, $11.8 million remains unused. The products in this sector with the greatest untapped value are plates of copper-zinc alloy ($3.0 million) and iron tubes ($2.0 million). For each of these, roughly half of the untapped export potential is static.

In the beverages sector, non-alcoholic beverages hold over $9 million in export potential concentrated primarily in fruit pulp beverages, all of which is currently unused in the Chinese market. Roughly, half of this amount is static potential. Nevertheless, since Indian juice companies organize Nepal's exports and directly sell to the Indian market, it is questionable whether in the near future Nepal will be able to tap into its export potential with China for this product. Black tea exports could also expand by an additional $1.2 million if underlying market frictions were addressed.

The apparel and textile products sector holds an additional $10.3 million of export potential, of which $9.6 million remains untapped. Wools scarves and jerseys hold the greatest untapped potential with a combined value of $3 million, nearly one-third of which is static. Other sectors with significant untapped potential include chemicals, horticulture, skins and leather products and fabric.

Factors hindering the use of Nepal's export potential in the Chinese market

There are a number of factors that play a role in hindering the realization of Nepalese export potential. The largest factor relates to Nepal's continued focus on the Indian market facilitated by common language, visa-free access, and a strong network of established business contacts. These factors have resulted in Nepal's limited diversification to other markets only for a very sub-set of products.

With regards to exports to China, trade-related infrastructure constraints and transportation challenges play a role. Following the 2015 earthquake, some land routes to China remain cut off completely while others are limited due to inadequate infrastructure and remaining damage. This limits direct transport options primarily to air transport with elevated costs. Regulatory and procedural obstacles continue to be a significant challenge across sectors, but particularly in agricultural products, posing challenges for realizing export potential in the horticulture sector in products such as nuts. Agricultural products face stringent rules, especially because of SPS requirements. Quarantine services for agricultural exports also remain a binding constraint for Nepalese exporters (ITC, 2016e). The procedural obstacles and elevated cost associated with getting a quarantine certificate from the appropriate authorities in Nepal requires numerous documents and creates significant procedural obstacles. Exporters also report that Chinese authorities do not consistently recognize Nepalese quarantine certificates. Furthermore, local content requirements of 40% to qualify for duty-free quota-free access are perceived by exporters to be exceedingly strict. The impacts of these diverse regulatory and procedural obstacles have been reported in other products for which we have not identified export potential including meat, poultry, fish and vegetables. A joint venture Chinese meat processing factory was reported to have closed down because of changes in Chinese technical rules that stopped importing meat from Nepal. (ITC, 2016e).

Based on the experiences of Nepalese exporters captured through the ITC survey on NTMs, we see that NTMs also affect the apparel and textile products sector. These regulatory and procedural obstacles may contribute to difficulties in realizing the $4 million in unused export potential in animal hair scarves, rugs, and felt fabrics. Exporters expressed difficulties in obtaining export licenses for pashmina scarves and knotted rugs for what exporters believed to be economic reasons and restrictions on imports of these products from Nepal. Furthermore, quality testing for Pashmina was a challenge due to the lack of accredited laboratories in Nepal to perform the necessary tests.

NTMs may also limit the ability of Nepalese exports to realize the remaining $1.2 million in unused export potential for black tea. Exporters noted the particularly stringent regulations on imported teas that imposed chromium limits of 5% on the product relative to the global standard of 15%. Exporters voiced their difficulties in meeting this stringent standard as well as the one required for anthraquinone. The cost of product certification measures at the local Nepalese authorities, as well as the two-month delays in the product inspection procedures by Chinese custom authorities were also noted as burdensome by tea exporters. In addition, the trade strategies of specific firms, including the Indian firms involved in juice production, also hinder the realization of untapped potential in China in the beverage sector.

Beyond sector-specific challenges, Nepalese exporters also report difficulties in confronting the language barrier, in particular for finding relevant market information, and for finding direct buyers in China. Exporters find participation in trade fairs to be the most efficient strategy for connecting with Chinese buyers but note procedural obstacles and limited opportunities to participate. Other challenges include a lack of official payment gateway for export to China, resulting in unofficial payments and related complications (ITC, 2016e).

Pakistan

BRI-related activities in Pakistan

In 2015, China and Pakistan signed an agreement to form the CPEC. This framework for cooperation strives to promote bilateral connectivity, construction, and explore potential for bilateral investment, and trade. Within this framework China proposed to invest $51 billion to build Pakistan's energy and transportation. The CPEC is a 3,000-km-long transportation corridor connecting Kashgar in China's Xinjiang to Gwadar in Pakistan planned to be completed by 2030. The trade corridor will provide access to the warm waters of the Arabian Sea. This will significantly reduce the time and cost of transport for goods (SMEDA, 2017). The diverse projects planned under this initiative include the construction of 13 energy plants (coal, hydroelectric and wind), eight large infrastructure projects (railways, roadways, and dry ports), the newly constructed Gwadar port, as well as other projects putting in place fibre optic cables (CPEC, 2017). In addition, the government authorities of China and Pakistan have jointly elaborated a long-term plan until 2030 that outlines the ambitious program to advance cooperation on key areas including infrastructure development, energy-related fields, trade and industrial parks, agricultural development and poverty alleviation, tourism as well as financial cooperation (CPEC, 2017a).

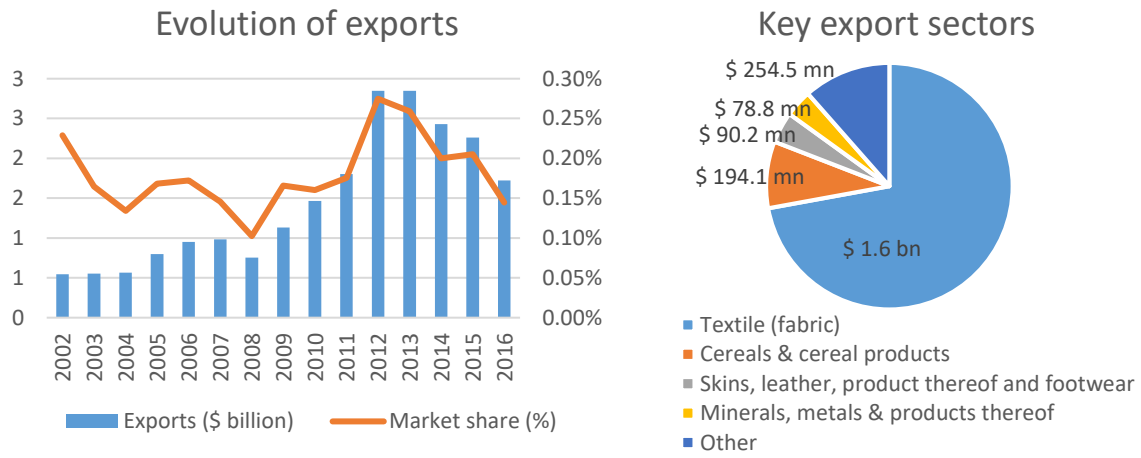
Trade policy environment with China

Pakistan signed an FTA with China in 2006 that became effective as of July 1, 2007. Under this agreement, China grants duty free access to Pakistan for 3,058 national tariff lines at the 10-digit level.

Overview of export activity to China

China is Pakistan's third largest destination market for its exports. Exports to the Chinese market peaked in 2012 at a value of $2.8 billion and have declined in recent years to $1.7 billion in 2016 primarily driven by a decline in exports of cotton yarn and fabrics. Exports to the Chinese market are primarily concentrated in the textile and fabric sector. Other key products include copper anodes, rice and nuts.

Exports from Pakistan to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

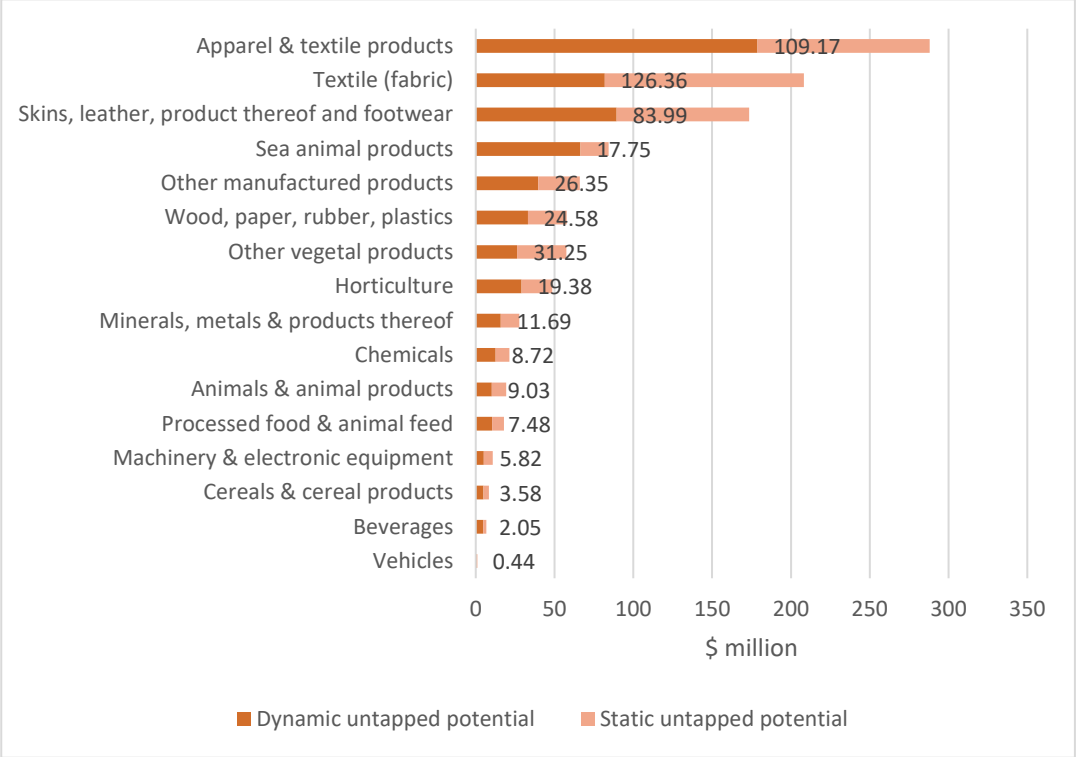
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Pakistan has over $3 billion of export potential in the Chinese market across a range of sectors, of which $1.1 billion, or 35.9%, remains unused. Half of the unused potential is static and thus driven by diverse market frictions that constrain the full realization of this potential.

Overall, the remaining potential is greatest in the apparel and textile sector totalling $287 million, and is spread across a variety of products including boys' cotton trousers ($51.5 million), pantyhose ($23.6 million), girls' cotton trousers ($20.6 million), boys' cotton shirts ($16.7 million), cotton T-shirts ($16.6 million), among others. Static potential makes up about one-third of unused potential in this sector. Other sectors with significant unused potential include textile and fabric, skins and leather, and sea animal products. Market frictions account for about half of the unused potential in the textile and fabric and skins and leather sectors, and considerably less so in the sea animal products sector. Frozen fish for instance, has the largest untapped potential to the Chinese with a value $54.7 million, of which only $15.1 million is static (ca. 28%).

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Pakistan's export potential in the Chinese market

In Pakistan, a number of factors constrain the capacity to export at full potential. In the fisheries sector, a key issue has to do with the need for expanding cold chain logistics and cold shipping infrastructure that is currently being used to its maximum capacity (SMEDA, 2017). In addition, exporters have expressed the need for increased shrimp aquaculture and the construction of joint processing facilities.

In the textile and apparel sector where about half of the unused export potential is due to frictions, there is a dearth of trusted distributors in the Chinese markets. Exports cater primarily to the US market, and linguistic difficulties as well as limitations on visas to China for Pakistani businesses create challenges in building up the relevant distribution networks. Other factors hindering exports in this sector include limited transparency about NTMs in the Chinese market as well as difficulties meeting product standards due to limited testing facilities in Pakistan, particularly for leather products. According to World Trade Organization (WTO) statistics, China initiated and enforced 87 technical barriers to trade (TBT) cases on exports from Pakistan in 2016. In addition, exporters in the textile sector have highlighted the need for collective technical facilities for ginning, processing and dyeing as well as garment manufacturing facilities.

In addition to the difficulties of finding trusted business partners in the Chinese market, Pakistani exporters are facing preference erosion in the Chinese market relative to competitors in several key products. Pakistan's exports to China increased after the signing of Pakistan-China FTA in 2006 but started decreasing after China's FTAs with other countries. When ACFTA went into effect in 2010, Pakistan registered preference erosion on tariff lines that amounted to 79 percent of its export volume to China.[i] Main tariff lines include cotton yarn, garments, leather, rice, nuts, fish. In addition to these sector-specific challenges, experts in Pakistan note the challenges in remaining competitive in the Chinese market due to the rising costs of production because of high electricity and gas charges, as well as the high cost of financing locally.

Philippines

BRI-related activities in the Philippines

In 2017, the Philippines and China signed 13 bilateral cooperation agreements pledging $24 billion worth of Chinese funding and investment in port development and other infrastructure projects (Estrada, 2017).

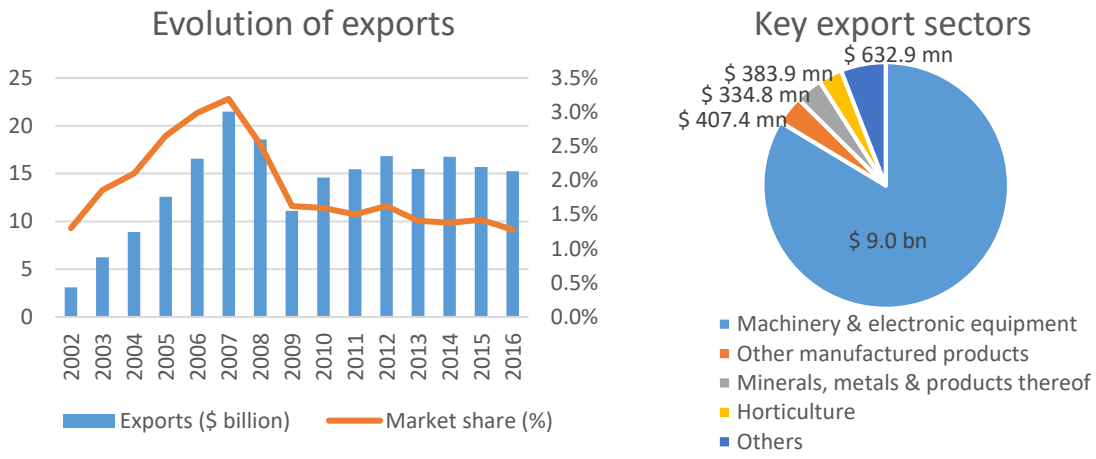
Trade policy environment with China

The Philippines is one of the original members of ASEAN from 1967, and the ACFTA signed in 2002. Under this agreement, China grants duty-free access to 10,143 national tariff lines at the 10-digit level.

Overview of export activity to China

China is the Philippines' fourth largest market for exports. Exports from the Philippines to China totalled $15.2 billion in 2016, after peaking at $21.5 billion in 2007. Exports have been declining over the last five years at an average rate of 2% per year, with notable drops in copper and nickel exports, as well as certain types of machinery and electronics. Consequently, the share of the Philippines in total Chinese imports (market share) has also been declining during this period reaching a level of 1.1% in 2016. The Philippines exports predominantly products from the machinery and electrical equipment sector accounting for 87% of exports on average during the 2012-2016 period. Within this sector, electronic integrated circuits, processors, and data storage units feature prominently. Other manufactured products, minerals (mainly nickel and copper) and horticulture contribute another 4%, 4%, and 3%, respectively.

Exports from the Philippines to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

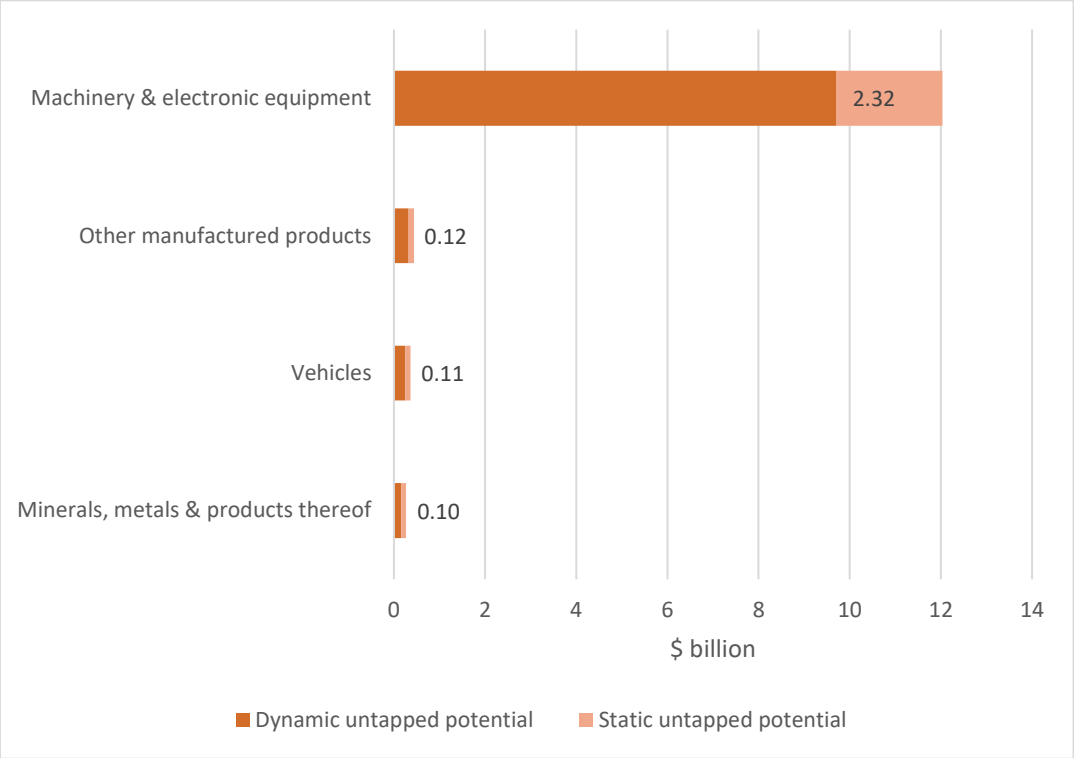
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

The Philippines has $23.9 billion of export potential in the Chinese market, and 58% of this potential remains unused. Nearly 80% of the untapped export potential is dependent on growth in supply and demand over the coming five years. The remaining one-fifth reflects the market frictions that are hindering a full use of the potential, independent of time and growth (static). The sector with the largest export potential as well as the largest untapped potential is the machinery and electronic equipment sector with $12.0 billion in unused potential of which $2.3 billion is static. Within this sector, smart cards are the product with the largest untapped potential reaching a value of $7.99 billion (of which $1.60 billion is static). Other products with notable remaining potential include storage units for automatic data processing machines ($872.8 million, none of which is static), photosensitive semiconductor devices ($592.6 million, of which $290.8 million is static), and static converters ($489.1 million, of which $253.7 million is static). The Philippines has exceeded

its export potential value in the Chinese market with its exports of copper cathodes and fixed electrical capacitators.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of the Philippines' export potential in the Chinese market

While the lion's share of untapped export potential in the Chinese market for products from the Philippines is dependent on growth in supply and demand, addressing remaining market frictions in the machinery and electronics sector could provide additional room for export growth of $2.32 billion. According to the ITC NTM survey of exporters from the Philippines to the Chinese market, regulatory and procedural obstacles appear to play a notable role. Exporters of machinery and electronics from the Philippines report difficulties in complying with the electromagnetic compatibility and interference-testing requirement due to the lack of locally available companies who do this type of testing. The greatest challenge relates to obtaining certificates of origin due to the difficulty in traceability and proving the origin of certain components of the products. This may lead to an underutilization of preferences granted under the ACFTA and hence prevent the full realization of export potential. Furthermore, the presence of large multinational companies in the electronics sector with strategic company trading preferences may limit the ability to completely realize the remaining potential in the Chinese market.

Sri Lanka

BRI-related activities in Sri Lanka

In 2017, Sri Lankan Prime Minister, Ranil Wickremesinghe, announced that Sri Lanka had joined the BRI with the launch of operations at the Hambantota Port through a joint venture between China and Sri Lanka. The port was handed over to the China Merchant Ports Holdings (CMPH) on a 99-year lease agreement at a ceremony, and the Sri Lanka Ports Authority together with CMPH will manage the operations of the southern port (Belt and Road Portal, 2017). The project seeks to take advantage of Sri Lanka's geostrategic location for maritime transport within the maritime Silk Road. Other projects under this initiative include the Lakvijaya Power Station, the Colombo-Katunayake Expressway and the Colombo International Container Terminal, and the newly completed Moragahakanda dam project and the Matara-Kataragama railway extension project.

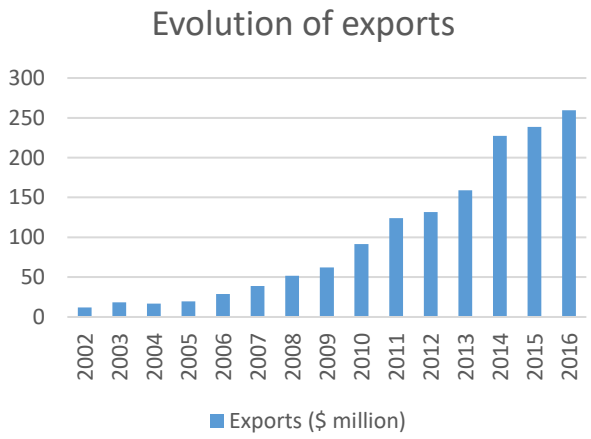
Trade policy environment with China

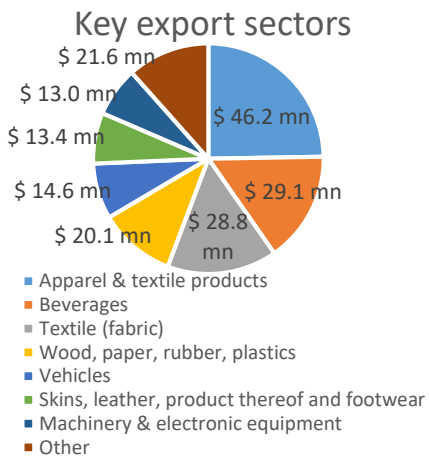
Sri Lanka is currently negotiating a FTA with China. Sri Lanka is a member of APTA under which China grants duty free access for 1,017 national tariff lines at the 10-digit level.

Overview of export activity to China

China is Sri Lanka's sixth largest export market accounting for 3.7% of its exports. Total exports from Sri Lanka to the China reached a value of $259.5 million in 2016 following a decade of strong and steady growth. Sri Lanka's exports to the Chinese market are diversified across eight key sectors. Apparel and textile products accounted for 24.7% of exports on average during the 2012-2016 period. Beverages and textile and fabric provided an additional 15.5% and 15.2%, respectively. Wood, paper, rubber and plastics contributed 10.7% while vehicles accounted for 7.8% of exports on average. In addition, skins and leather products and the machinery and electronic equipment sector contributed another 7% each.

Exports from Sri Lanka to China by year, and by key sector





Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

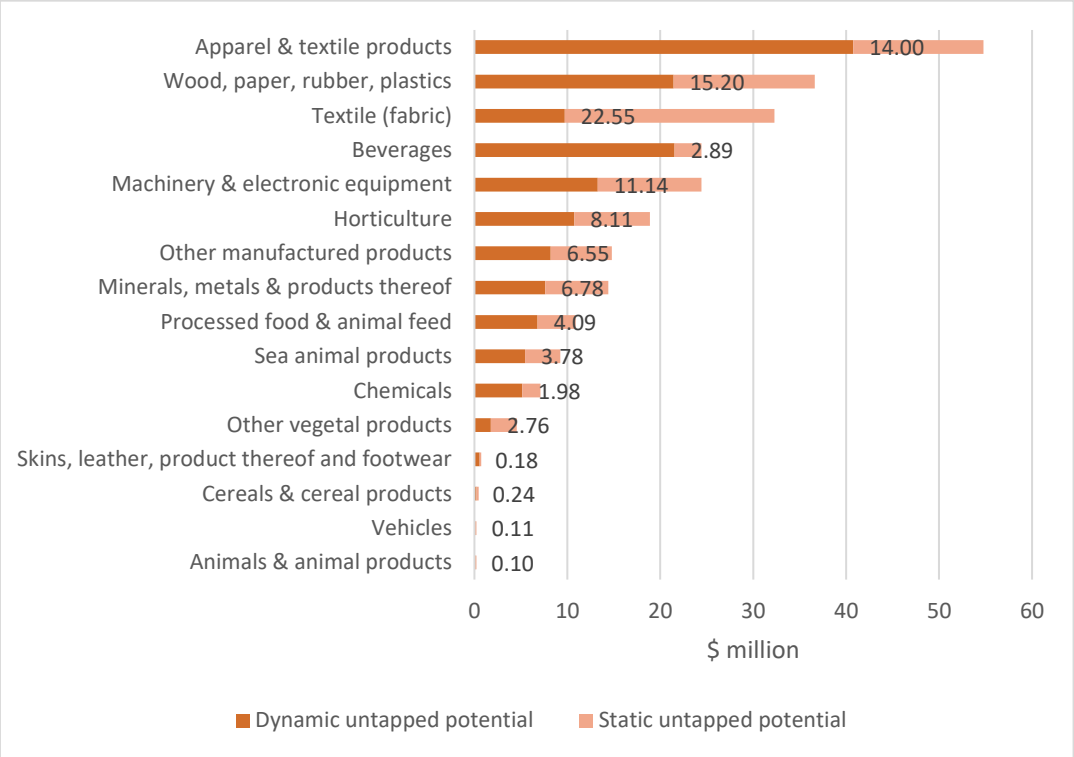
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Sri Lanka has a total of $396.7 million of export potential in the Chinese market, of which $254 million, or 64%, remains unused. While part of this unused potential depends on the forecasted growth in supply and demand, $100.5 million is static, and could be realized promptly if underlying market frictions were addressed. The apparel and textile product sector holds over $54.8 million in unused potential, of which $14 million is static. This potential is spread across a variety of textile products including trousers, T-shirts, baby

garments and pullovers. A future trade deal between the two countries could level Sri Lanka's playing field with major regional competitors, such as Viet Nam, Bangladesh and Cambodia who all face lower tariffs in the Chinese market. Currently, the vast majority of exports in this sector is directed towards the US and EU markets where Sri Lankan apparel exporters enjoy duty-free access.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

The wood, paper, rubber and plastics sector holds $36.6 million of room for additional export growth of which $15.2 million is static, notably across rubber products, and wooden furniture. Vulcanised rubber products are exported primarily to the US and EU, while unvulcanised rubber exports have been decreasing rapidly to all trade partners over the last five years. The fabric sector holds a further $32.3 million in unused potential. Coconut and manila hemp with $27.7 million ($19.4 million static) accounts for most of this sector's unused potential, and China is the top importer of this product. Other products and sectors with considerable room for export growth include machinery and electronic equipment ($24.4 million, $11.1 million static), black tea ($23.2 million, $2.6 million static), horticulture ($18.8 million, $8.1 million static), and other manufactured products ($14.7 million, $6.6 million static).

Factors hindering the use of Sri Lanka's export potential in the Chinese market

Sri Lanka exports very limited quantities of products in the apparel and textiles sector to China and directs the lion's share of its exports to US and EU markets. Exports to the Chinese market may be limited by the relatively high tariffs as well as by a lack of trusted distributers in this market. Opportunities for continued growth in coconut and manila fiber, the single product with the greatest unused potential, seem quite promising given China's position as the top importing market for this product with strong growth in the last year.

In the beverage sector, and particularly for tea exports, regulatory and procedural obstacles constrain Sri Lankan exporters in certain sectors according to the ITC survey on NTMs. Exporters have noted challenges

with quality testing for tea exports to the Chinese market due to both the stringency of the regulations as well as the procedural obstacles associated with this process. Other NTMs may also impact exporters in the horticulture sector, such as those related to coconut products. Sri Lankan exporters of crude coconut oil reported difficulties related to the product certification procedures for their products due to the lack of a harmonised system for the certificates as well as the cost involved in receiving them.

Viet Nam

BRI-related activities in Viet Nam

During President Xi Jinping's visit to Hanoi in November 2017, China and Viet Nam signed a Memorandum of Understanding to link the "Two Corridors, One Belt" framework and the BRI. The "Two Corridors, One Belt" framework was initially proposed by China in 2003 to foster economic cooperation with Viet Nam. The two "economic corridors," namely, the Kunming-Lao Cai-Ha Noi-Hai Phong-Quang Ninh corridor and the Nanning-Lang Son-Ha Noi-Hai Phong-Quang Ninh corridor, were designed to improve connectivity between Yunnan and Guangxi with 12 cities and provinces in North Viet Nam. Meanwhile, the Tonkin Gulf "economic belt" was meant to enhance economic cooperation between provinces of the two countries located around the Tonkin Gulf. Implementation of transport infrastructure in Viet Nam is still pending (Hiep, 2018).

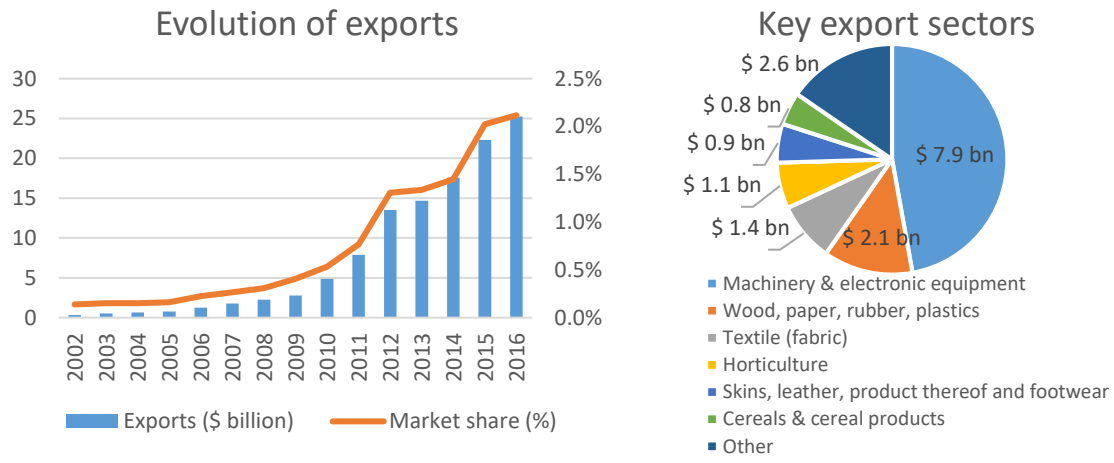
Trade policy environment with China

Viet Nam acceded to ASEAN in 1995 and joined as part of the ACFTA signed in 2002. Under this regional agreement China grants duty free access to 10,143 national tariff lines at the 10-digit level.

Overview of export activity to China

Exports from Viet Nam to China have grown steadily over the previous decade to reach $25.2 billion in 2016. China is the largest destination market for Vietnamese exports. Nearly half of the exports on average between 2012 and 2016 were in the machinery and electronic equipment sector. Other key sectors included wood, paper, rubber and plastics (13%), textile and fabric (8%), horticulture (6%), and skins and leather products (5%). At the product level, telephone parts, broadcasting machinery parts and ear and headphones were top exports to the Chinese market.

Exports from Viet Nam to China by year, and by key sector



Note: The data used to measure the evolution of exports are Chinese import data whereas the analysis of key export sectors utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

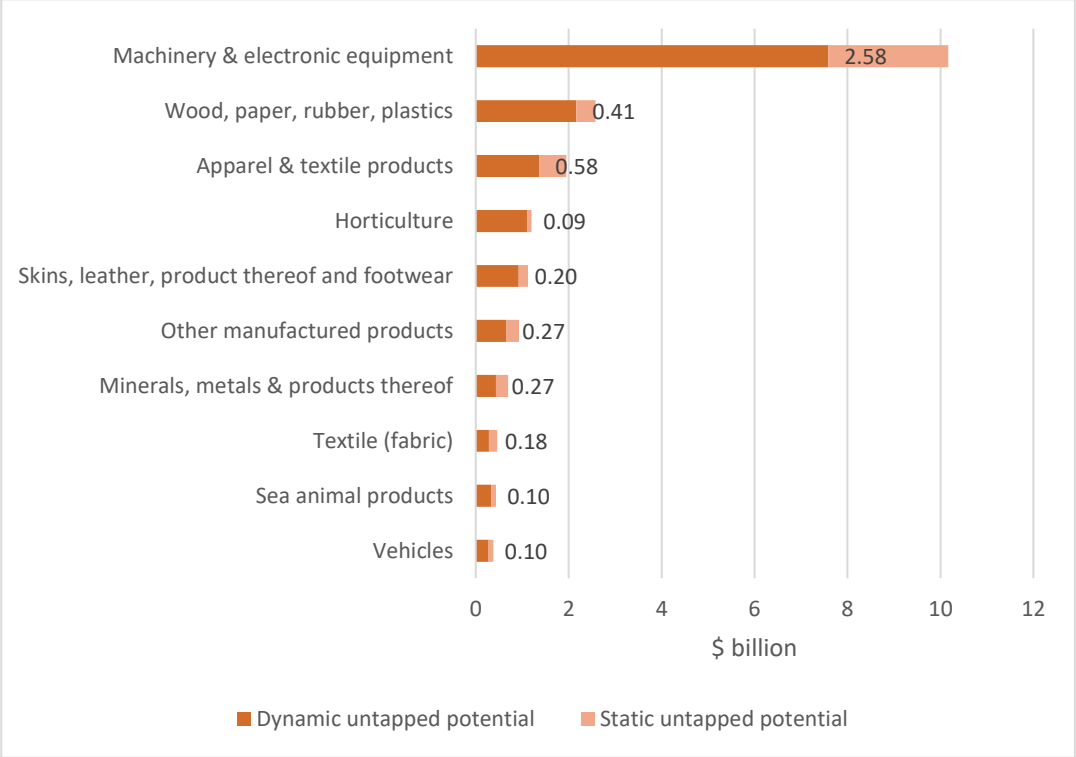
Source: ITC calculations, based on data from ITC Trade Map.

Untapped export opportunities in the Chinese market

Viet Nam has a total of $36.1 billion of export potential in the Chinese market, of which $20.6 billion, representing 57.1%, remains unused. Half of the remaining potential resides in the machinery and electronic equipment sector. This comes to $10.2 billion in total untapped potential of which $2.6 billion could be realized if the existing market frictions were resolved. The remainder of the unused potential in this sector is contingent on growth in supply and demand in the coming years. Within the machinery and electronic equipment sector, the products with the greatest untapped potential include apparatus for the transmission of voice, images and other data ($3.0 billion of unused export potential, of which $1.5 billion is static). Other

key products include smart cards ($1.7 billion of remaining export potential, none of which is static), and telephone parts ($1.3 billion in unused potential, none of which is static). The wood, paper, rubber and plastics sector has an untapped potential worth $2.6 billion, of which $2.1 billion is static. Technically specified natural rubber and articles of plastic corresponding to HS 392690 offer most room for export growth in this sector: together, they would allow for additional exports of nearly $100 million if there were no frictions and exports would allocate to those markets that offer the best demand and relative market access conditions. Apparel and textile products finally have $1.9 billion in remaining potential, of which $576 million is static.

Remaining export potential by sector decomposed into dynamic and static potential



Note: Unused export potential by sector is decomposed into the dynamic untapped potential, driven by expected supply and demand growth and the static untapped potential which is due to market frictions, information asymmetries and other hindering factors that constrain the utilisation of full potential independent of growth effects. Minerals and other products are excluded. The graph depicts sectors exceeding a minimum threshold of $100,000,000 of static untapped potential.

Source: ITC calculations, based on data from ITC Export Potential Map.

Factors hindering the use of Viet Nam's export potential in the Chinese market

A considerable share of Viet Nam's unused export potential is contingent upon growth of supply and demand in accordance with forecasts. Nevertheless, 25% of the unused potential in the machinery and electronics sector could be realized if market frictions were overcome. However, the structure of the companies in this sector may hinder the use of this potential. Large multinationals in the electronics sector may have their own trade strategies influenced by intra-firm trade and operation strategy. This may account for some of the static potential in this sector, which could be difficult to realize.

In the rubber sector, challenges related to quality standards and fluctuating international prices have contributed to the recent drop in Vietnamese exports of this product. The national association has been calling for new measures to adopt national standards for rubber and to consider new methods for enhancing the quality of rubber products (Voice of Vietnam, 2017).

CHAPTER 3 SUMMARY AND RECOMENDATIONS

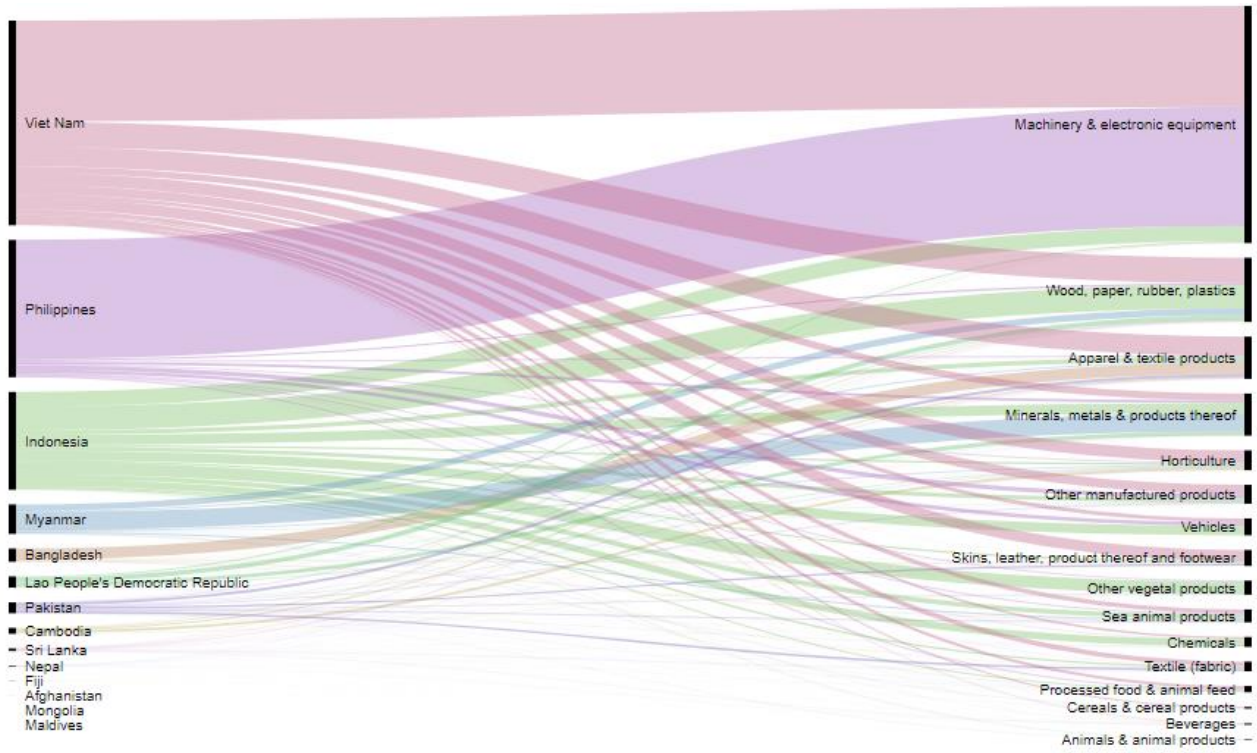
The BRI is enhancing connectivity in the region

The ongoing BRI is creating new partnerships, projects, and opportunities for trade-led growth across the Asia and the Pacific region. This investment towards enhancing physical and digital connectivity can play an important role in accelerating inclusive trade-led growth in the region. Through decreasing transportation and trade costs, regional exporters will be better placed to take advantage of new opportunities resulting from the rapid growth of the Chinese economy, the largest and most dynamic importer in the region.

Over half of the region's export potential in the Chinese market is currently untapped

The analysis in this study shows that for the region as a whole, nearly 55%, or $51.8 billion, of export potential in the Chinese market remains unused. Unrealized export potential in the Chinese market across these countries ranges from $680,000 in the Maldives to $20.6 billion in Viet Nam. There is significant scope for increasing exports to the Chinese market, with abundant opportunities in both traditional and new products for the 14 countries in the Asia and the Pacific region. The greatest share of opportunities for the region lies in the machinery and electronics, wood, paper rubber plastics and apparel and textile product sectors.

Unrealized export potential the Chinese market by sector from countries in the Asia and the Pacific region



Note: The data used in this graph utilizes a mix of direct and mirror data for an average of the 2012-2016 period, in accordance with the rigorous reliability check outlined in the Data section. Minerals and other products are excluded.

Source: ITC calculations, based on data from ITC Export Potential Map.

Market frictions play a notable role in hindering the realization of remaining potential

By breaking down export potential into both dynamic and static components, the study highlights sectors and products in which frictions are hindering export potential from being realized across countries independent of time and growth-related factors. For the region as a whole, $12.1 billion of additional exports could be realized if relevant market frictions were addressed. The presence of frictions varies significantly across countries in the region. In Myanmar, less than 7% of untapped potential is static and thus driven by

market frictions. On the contrary, in Nepal and Pakistan, the shares of static in total untapped potential account for 48% and 44%, respectively. The remaining countries in the region fall within this range with a share of static in total untapped potential of 23%, on average. The presence of market frictions implies that realizing these export opportunities to their fullest potential will require additional efforts to overcome existing obstacles in several regards.

Factors such as the dearth of market intelligence, diverse regulatory and procedural obstacles, and limited access to testing facilities are impeding trade efforts with the Chinese market

Exporters across countries in the region engaged in trade with China noted challenges in confronting linguistic barriers, accessing market intelligence, finding direct buyers in China, and in dealing with the regulatory and procedural obstacles with accessing the Chinese market for their products. Furthermore, in several countries limitations in access to testing laboratories and obtaining the appropriate certification of product quality hindered efficient market access. Exporters also noted preference erosion in the Chinese market due to the proliferation of new Chinese FTAs.

TISIs can play a pivotal role in helping exporters in high potential sectors overcome specific constraints

Addressing these binding constraints at the product and sector level is key for benefitting from the opportunities for additional export growth. TISIs need to work closely with exporters and sector associations in their countries to offer their support in overcoming these challenges. This includes working on 'behind-the-border' processes and strengthening institutional capacities to ensure that the necessary documentation and processes required for exporting high potential goods function effectively. In addition, increasing transparency and exporter familiarity with Chinese import and customs procedures particularly for exporters in high potential sectors to ensure compliance with all product standards, regulations, and preferential access requirements is also crucial. Helping exporters better understand consumer preferences and purchasing behaviours, as well as relevant private and public voluntary standards is particularly important for realizing the potential for products that are currently successfully exported to other markets but have not yet entered the Chinese market. Exporters could also benefit from assistance in building their business network of direct buyers in China, such as through participation in trade fairs, as well TISI guidance on branding, labelling and packaging specificities for the Chinese market.

Integrating MSMEs is critical for supporting sustainable and shared growth in the region

This work is especially critical for effectively integrating MSMEs into the global marketplace and ensuring that they benefit from the increased trade opportunities arising from greater regional integration and investment. MSMEs are less likely to have access to the resources necessary to confront these export challenges independently, yet make up the lion's share of businesses across countries. Competitive, internationally integrated MSMEs will translate into inclusive growth across the New Silk Road.

APPENDIX

Detailed information by country

The table below provides a summary of key sectors and products with untapped potential in the Chinese market. The blue bar shows the extent to which export potential in a sector remains unused. The table covers 75% of untapped export potential for each country at the sector and product level, limited to the five most significant products for brevity.

Country	Sector	Unrealized potential	Products
Afghanistan	Horticulture	83%	Fruits nes, fresh (HS 0810XX), Medicinal plants, herbs, etc., nes (HS 1211XX), Grapes, fresh (HS 080610), Figs, fresh or dried (HS 080420), Grapes, dried (HS 080620)
	Processed food & animal feed	100%	Lac; natural gums (excl gum arabic), resins, balsams, etc. (HS 130190), Fruit stones & kernels for human consumption, sugar cane, carob, etc. (HS 1212Xb)
	Textile (fabric)	97%	Cotton, not carded/combed (HS 520100)
Bangladesh	Apparel & textile products	79%	T-shirts & vests of cotton, knit/crochet (HS 610910), Trousers & shorts of cotton (HS 620342 & 620462), Men's shirts of cotton (HS 620520), Jerseys & similar of cotton, knit/crochet (HS 611020)
Cambodia	Apparel & textile products	48%	Jerseys & similar of cotton, knit/crochet (HS 611020), Jerseys & similar of man-made fibres, knit/crochet (HS 611030), T-shirts & vests of cotton, knit/crochet (HS 610910), T-shirts & vests, knit/crochet, nes (HS 610990), Men's trousers & shorts of cotton (HS 620342)
	Horticulture	94%	Roots & tubers of manioc (HS 071410), Guavas, mangoes & mangosteens, fresh or dried (HS 080450), Medicinal plants, herbs, etc., nes (HS 1211XX), Pepper (Piper), not crushed, not ground (HS 090411), Cashew nuts, in shell (HS 080131)
Fiji	Beverages	89%	Ordinary natural water (HS 220190), Mineral waters & aerated waters (HS 220110), Beer made from malt (HS 220300), Juice of fruit or vegetables, unfermented (HS 2009XX), Rum (HS 220840)
	Other vegetal products	100%	Raw cane sugar (HS 1701XX), Crude coconut oil (HS 151311), Coconut oil (excl crude) & fractions (HS 151319), Cane molasses from sugar refining (HS 170310), High erucic acid rape or colza oil & mustard oil, not chemically modified (HS 151499)
	Sea animal products	92%	Molluscs & other aquatic invertebrates (HS 03XXXX), Fish nes, whole, frozen (HS 0303Xa)
Indonesia	Chemicals	33%	Miscellaneous chemical products (HS 38XXXX), Fatty acids, industrial, monocarboxylic; acid oils from refining (HS 382319), Fatty alcohols, industrial (HS 382370), Stearic acid, industrial (HS 382311), Styrene (HS 290250)
	Machinery & electronic equipment	61%	Static converters (HS 850440), Other office machines (HS 84XXXc), Fixed electrical capacitors, tantalum (HS 853221), Electric motors<=37.5W (HS 850110), Smart cards; electronic integrated circuits; LED lamps (HS 85XXXd)
	Minerals, metals & products thereof	64%	Copper cathodes (HS 740311), Ferro-nickel (HS 720260), Unwrought tin, not alloyed (HS 800110), Wire of refined copper (HS 740819), Jewellery, of precious metal, nes (HS 711319)
	Other vegetal products	31%	Palm oil (excl crude) & fractions (HS 151190), Palm kernel & babassu oil (excl crude) & fractions (HS 151329), Crude palm kernel & babassu oil (HS 151321), Vegetable fats, oil & fractions, hydrogenated, inter-esterified, etc. (HS 151620), Coconut oil (excl crude) & fractions (HS 151319)
	Vehicles	89%	Motor vehicles for the transport of persons, nes (HS 8703XX), Parts & accessories of motor vehicles, nes (HS 8708XX), Parts for spark-ignition internal engine (HS 840991), Bicycle parts, nes (HS 871499), Spark-ignition reciprocating piston engine (HS 840734)
Lao People's Democratic Republic	Minerals, metals & products thereof	78%	Copper cathodes (HS 740311), Electrical energy (HS 271600), Copper mattes (HS 740100), Articles of iron or steel wire (HS 732620), Unrefined copper (HS 740200)
	Wood, paper, rubber, plastics	46%	Wood in the rough, nes (HS 4403Xc), Wood, sawn/chipped lengthwise, sliced/peeled, thickness >6mm (HS 4407Xc)
Maldives	Sea animal products	63%	Skipjack & bonito, frozen (HS 030343), Tuna (yellowfin), frozen (HS 030342), Fish nes, whole, frozen (HS 0303Xa)
Mongolia	Animals & animal products	30%	Equine meat (HS 020500), Guts, bladders & stomachs (HS 050400), Bovine cuts bone in, frozen (HS 020220), Tortoiseshell, whalebone, horns, etc. (HS 050790), Extracts & juices of meat (HS 160300)
	Apparel & textile products	64%	Jerseys, pullovers & similar, of cashmere, knit/crochet (HS 611012), Jerseys, pullovers & similar, of wool, knit/crochet (HS 611011), Scarves, veils & similar of wool/fine animal hair (HS 621420), Scarves, veils & similar, knit/crochet (HS 611710), Jerseys, pullovers & similar, of fine animal hair, knit/crochet, nes (HS 611019)
	Machinery & electronic equipment	84%	Photosensitive semiconductor devices (HS 854140), Smart cards; electronic integrated circuits; LED lamps (HS 85XXXd)
Myanmar	Minerals, metals & products thereof	38%	(Semi-)precious stones, worked, nes (HS 710399), Articles of (semi-)precious stones, nes (HS 711620), Ferro-nickel (HS 720260), Copper cathodes (HS 740311), Rubies, sapphires & emeralds, worked (HS 710391)

Nepal	Apparel & textile products	75%	Scarves, veils & similar of wool/fine animal hair (HS 621420), Floor coverings of wool/fine animal hair, knotted (HS 570110), Jerseys, pullovers & similar, of wool, knit/crochet (HS 611011), Jerseys, pullovers & similar, of cashmere, knit/crochet (HS 611012), Made-up articles, nes (HS 630790)
	Beverages	99%	Non-alcoholic beverages (HS 2202XX), Black tea, packings >3kg (HS 090240), Black tea, packings <=3kg (HS 090230), Green tea, packings >3kg (HS 090220), Coffee, not roasted, not decaffeinated (HS 090111)
	Chemicals	100%	Rosin & resin acids (HS 380610), Dentifrices (HS 330610), Medicaments consisting of two or more constituents mixed together (HS 3003Xb), Compound plasticisers for rubber/plastics, nes (HS 381220), Colouring matter of vegetable/animal origin & preparations (HS 320300)
	Minerals, metals & products thereof	74%	Plates of copper-zinc base alloys (HS 740921), Statuettes & other ornaments (HS 830629), Tubes of iron or non-alloy steel (HS 730630), Copper articles, nes (HS 74XXXX), Iron/steel wire, in coils, plated/coated with zinc (HS 721720)
	Wood, paper, rubber, plastics	98%	Articles of plastics & other materials of HS39, nes (HS 392690)
Pakistan	Apparel & textile products	84%	Trousers & shorts of cotton (HS 620342 & 620462), Hosiery, knit/crochet (HS 6115), Bedlinen of cotton, nes (HS 630231), Men's shirts of cotton, knit/crochet (HS 610510)
	Other manufactured products	85%	Instruments used in medical sciences, nes (HS 901890), Articles of bedding/furnishing (HS 940490), Sports & outdoor games equipment, nes (HS 950699), Inflatable balls (HS 950662), Instruments used in dental scienes, nes (HS 901849)
	Sea animal products	68%	Fish nes, whole, frozen (HS 0303Xa), Flatfish, whole, frozen (HS 0303Xb), Crabs, fresh or chilled, dried, salted, smoked or in brine (HS 0306Xe), Shrimps & prawns, frozen (HS 0306Xb), Molluscs & other aquatic invertebrates (HS 03XXXX)
	Skins, leather, product thereof and footwear	67%	Grain splits leather, of the portions of hides & skins of bovine or equine animals (HS 410792), Apparel, of (composition) leather, nes (HS 420310), Leather further prepared after tanning/crusting, of goats, without wool/hair (HS 411310), Grain splits leather, of whole hides & skins of bovine or equine animals (HS 410712), Leather further prepared after tanning/crusting, of sheep/lambs, without wool (HS 411200)
Philippines	Machinery & electronic equipment	58%	Smart cards; electronic integrated circuits; LED lamps (HS 85XXXd), Computer data storage units (HS 847170), Parts of office machines (HS 84XXXd), Photosensitive semiconductor devices (HS 854140), Static converters (HS 850440)
Sri Lanka	Apparel & textile products	55%	Men's trousers & shorts of cotton (HS 620342), T-shirts & vests, knit/crochet, nes (HS 610990), Brassieres (HS 621210), Men's shirts of cotton (HS 620520), T-shirts & vests of cotton, knit/crochet (HS 610910)
	Beverages	46%	Black tea, packings >3kg (HS 090240), Black tea, packings <=3kg (HS 090230), Green tea, packings <=3kg (HS 090210), Non-alcoholic beverages (HS 2202XX), Green tea, packings >3kg (HS 090220)
	Horticulture	96%	Nuts nes (HS 0802Xc), Coconuts, fresh (HS 0801XX), Pepper (Piper), not crushed, not ground (HS 090411), Desiccated coconuts (HS 080111), Bananas, fresh or dried (HS 0803)
	Machinery & electronic equipment	80%	Boards for electric control (HS 853710), Parts for use with apparatus of HS8535-8537, nes (HS 853890), Parts of fork-lift trucks (HS 843120), Transformers,<=1kVA (HS 850431), Fixed electrical capacitors, paper/plastics dielectric (HS 853225)
	Textile (fabric)	55%	Coconut, abaca Manila hemp, ramie, agave & other vegetable fibres (HS 530500)
Viet Nam	Apparel & textile products	79%	Wind-jackets & similar of man-made fibres (HS 620193 & 620293), Jerseys & similar of cotton, knit/crochet (HS 611020), Jerseys & similar of man-made fibres, knit/crochet (HS 611030), Made-up articles, nes (HS 630790)
	Horticulture	54%	Roots & tubers of manioc (HS 071410), Fruits nes, fresh (HS 0810XX), Cashew nuts, shelled (HS 080132), Coconuts, fresh (HS 0801XX), Pepper (Piper), not crushed, not ground (HS 090411)
	Machinery & electronic equipment	57%	Smart cards; electronic integrated circuits; LED lamps (HS 85XXXd), Telephone sets & other voice/image transmission apparatus (HS 85XXXb), Parts of telephone sets & other transmission apparatus (HS 85XXXc), Parts of office machines (HS 84XXXd), Other office machines (HS 84XXXc)

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[i] Information provided in an interview with Sumaira Kanwal, Senior Manager, S.U. Khan Associates.