Dissemination Meeting
Cost of Economic Non-Cooperation to Consumers in South Asia

An Agenda for Further Research

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Assessing SAFTA – What’s there?

- **The existing work on SAFTA**
  - Descriptive studies providing rationale
  - Analysis of processes
  - Empirical assessments
  - Assessment of trade constraints (e.g. NTBs)

- **Areas covered**
  - Mainly goods (most analytical)
  - Limited analysis – services, investment, transit
  - Bilateral trade deals

- **Data limitations and political factors**
Broad findings/arguments

- More restrictive regional trade regimes
- Low intra-regional trade
- Gravity model based studies – high potential through trade facilitation
- Partial eqm results positive but CGE results are mixed
- A shift in emphasis: most now favour RI
- Dynamic gains considered to be high
- Political will is critical for promoting RI
Consumers’ gains generally implicit in the quantitative assessment (CUTS is highlighting it)

The main argument – high mfn tariffs could lead to trade diversion (overall welfare deteriorating)

Consumers’ gains?
Multilateral versus regional liberalisation

- **Unilateral opening-up** – welfare enhancing
  - Although *multilateral negotiations* are mercantilistic in nature!

- **RTAs** – mercantilists are correct!
  - Loss of government revenue
  - When, \( p^d > p^{RTA} > p^w \) forgone revenues are subsidies to regional partners
  - Interesting - consumers’ gains \(+ve\)

- **CUTS analysis** has avoided this problem
Regional Supply Chains

- A complimentary study is ComSec-UNCTAD potential supply chains in South Asia’s T&C

- The region’s share in global T&C exports is **10%** with exports over **US$60 billion**

- **78%** of BD’s exports (5 mln people employed); **45%** SRL (1.8 mln); **55%** of PKN (15 mln); and **12%** of IND’s (35 mln).

- Main export markets - Europe and America

- Do regional SS chains promote regional competitiveness?
Research Method

- Maps out the production and export structures in different countries
- Use of HS 6-digit trade data in I-O framework
- Trade matrix with imports into and exports from the four countries
- Identifying SS chains and assessing scope
## Scope of supply chains

Global and regional imports of **identified inputs** in potential supply chains

<table>
<thead>
<tr>
<th></th>
<th>Global Imports ($'000)</th>
<th>Imports from South Asia Region ($'000)</th>
<th>Global Exports of 3 other Countries ($'000)</th>
<th>Imports from the region as % of country’s global imports</th>
<th>Global imports of a country as a % of global exports of the region</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGD</td>
<td>493,150</td>
<td>146,628</td>
<td>2,690,257</td>
<td>29.7%</td>
<td>18.3%</td>
</tr>
<tr>
<td>IND</td>
<td>4,834,969</td>
<td>221,657</td>
<td>1,380,133</td>
<td>4.5%</td>
<td>350.3%</td>
</tr>
<tr>
<td>PKN</td>
<td>1,166,083</td>
<td>202,466</td>
<td>15,543,371</td>
<td>17.3%</td>
<td>7.5%</td>
</tr>
<tr>
<td>SRL</td>
<td>327,176</td>
<td>94,808</td>
<td>3,623,488</td>
<td><strong>28.9%</strong></td>
<td>9.0%</td>
</tr>
</tbody>
</table>
Further research

- Focus on consumers’ gains where **no loss of government revenues**
  - Border management & NTBs
  - Link these costs to growth and employment
- Focus on cases when neighbours are **natural trading partners**
  - Landlocked countries
  - High trading costs because of distance
- Broaden the concept of consumers’ gains
  - **Product variety**
Further research – contd...

- Better understanding of NTBs and border management
  - E.g. The BBC project of tracking a container
  - Independent assessment would be credible
  - Disaggregation of consumer welfare costs by inefficient infra, unnecessary and restrictive regulations, etc.

- Consumers’ gains in non-traditional sectors
  - Tourism; people-to-people contact for information, exchange of ideas
  - Quantitative assessment would feasible and interesting
Further research – contd...

- **Services**
  - Enormous welfare gains (particularly education and health)
  - Quantitative assessment – linking it with growth

- **Development of complementarities**
  - How countries’ regional trade grow (lessons from East Asia, MERCOSUR)
  - What projections can be made for South Asia? (e.g. When India’s avg hh incomes will triple in 2030)
Further research (contd.)

- To complement the present CUTS study
  - With **product specific price data**
  - To impose a formal & **fuller analytical structure**
    1. to allow for studying **elimination of tariffs**;
    2. **product substitutability**;
    3. **supply side capacity**
  - To **extend the analysis for all products**
  - Could lead to a substantial figure

- Assess the future growth of regional trade under alternative scenarios and simulate consumer welfare gains
Concluding Remarks

- Further research for **supporting informative policy actions**
- Research to highlight **growth and employment implications**
- Interpreting the results in **non-technical ways**
- Dissemination in **right forums** (involving consumer groups, policymakers, analysts, journalists and other stakeholders)
Thank you.