

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**
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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
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Overall gains and Consumers' welfare

- ❑ 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?
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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
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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?
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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
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Scope of supply chains

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

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

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**
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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 be feasible and interesting
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Further research – contd...

□ **Services**

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

□ Development of **complimentarities**

- 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 tripple in 2030)
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Further research (contd.)

- To complement the present CUTS study
 - With **product specific price data**
 - To impose a formal & **fuller analytical structure**
 - (i) to allow for studying **elimination of tariffs**; (ii) product substitutability; (iii) 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
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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)
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Thank you.



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