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Assesing the Potential for Growth of Intra-Regional
Trade in South Asia

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Asia-Pacific Research and Training Network on Trade

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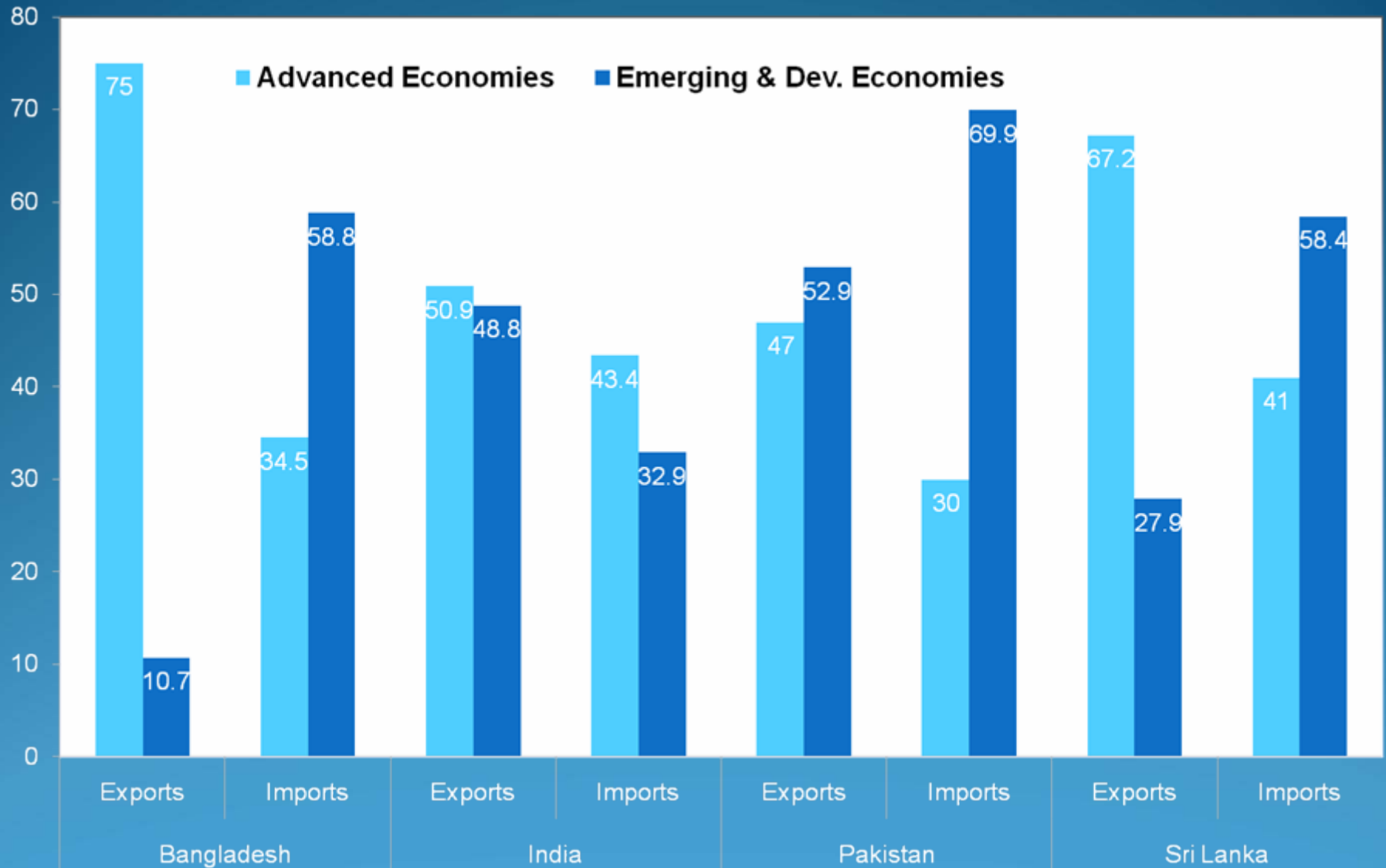
Assessing the Potential for Growth of Intra-Regional Trade in South Asia

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Context

- South Asia accounts for 24% of the world's population, but its share in world GDP is only around 2% and its share in world trade is less than 2%
- Trade has been a major channel through which the adverse impact of the *global financial crisis* got transmitted to the South Asian countries- since the Advanced Economies continue to be their most important destination for exports
- Hence, a case can be made for expansion of intra-regional trade in South Asia – which may help promote sustained growth and development of the countries in this region

Direction of trade (in %)



Objective and Scope of the paper

- To find- If there is any scope for enhancing intra-regional trade in South Asia?
- Where can we look for some possible answers?
 - the paper focuses on four countries of the region, namely, Bangladesh, India, Pakistan and Sri Lanka
 - analyze their comparative advantages
 - analyze changes in trade complementarities over time
 - intra-industry trade between these countries

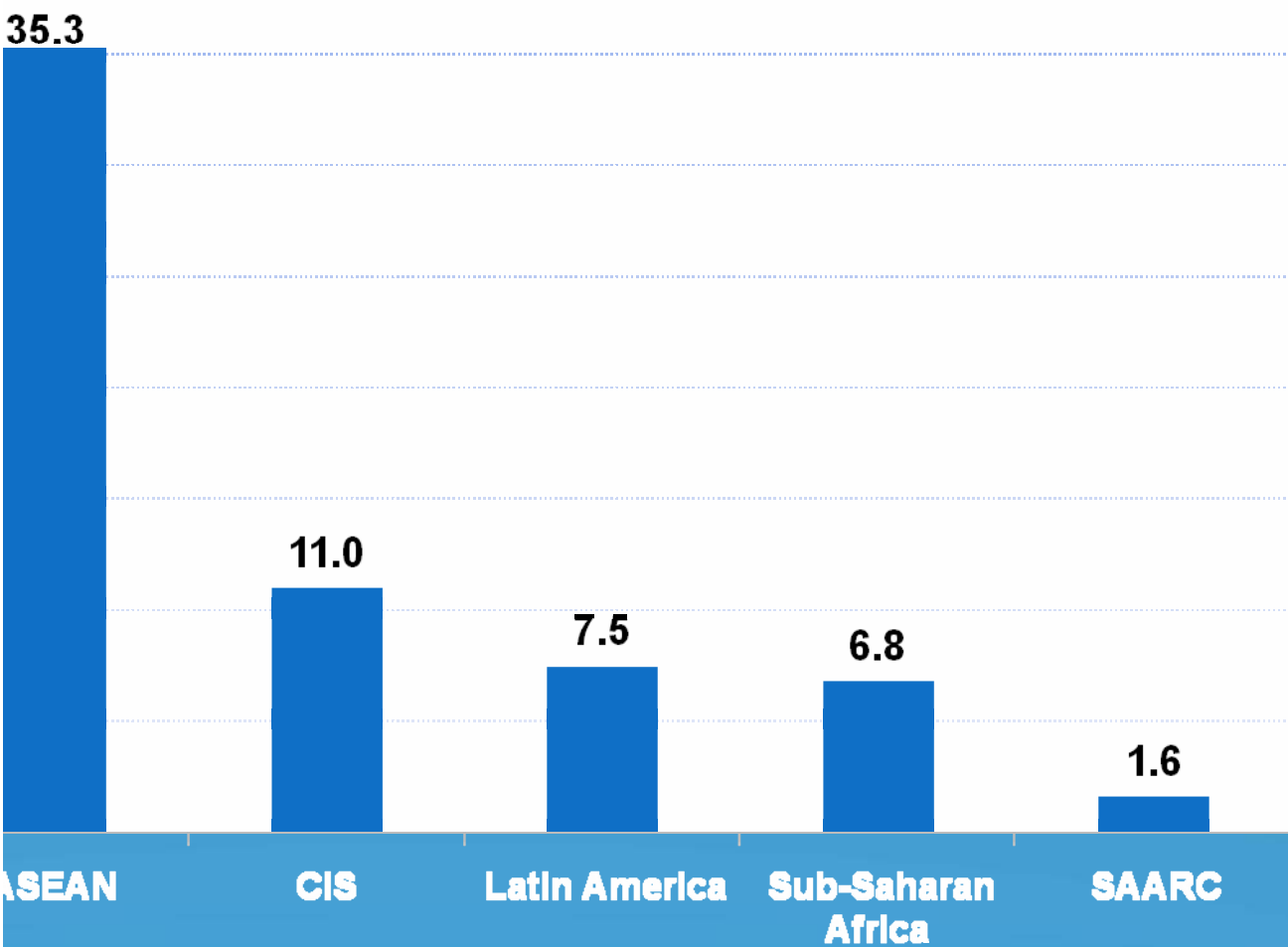
1. Important aspects of Intra-regional trade in South Asia

- Over the last two decades, intra-regional trade has grown rapidly in several regions, e.g. ASEAN, NAFTA and EU
- South Asia too has made attempts to promote intra-regional trade through bilateral agreements and multilateral agreements
- The seven South Asian countries initiated a multilateral framework for region-wide integration under the *South Asian Preferential Trade Agreement (SAPTA)* in 1995
- *South Asian Free Trade Agreement (SAFTA)* came into force in 2006, with full implementation completed between 2009 and 2013

Intra Regional Trade (as a percent of total trade to the world)

Regional Block	Exports			Imports		
	1990	2000	2006	1990	2000	2006
ASEAN	18.9	23.0	24.9	15.2	22.5	26.3
CARICOM	8.0	14.6	11.3	5.8	8.5	8.5
EU	67.6	67.7	67.6	64.4	62.5	63.2
MERCOSUR	8.9	20.0	13.5	14.2	19.8	18.6
NAFTA	41.4	55.7	53.8	33.9	40.5	34.3
SAARC	3.2	4.2	5.6	2.0	4.0	3.6

Extra-regional trade as a share of GDP in 2006



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