

### Reimagining South Asia in 2030

#### **Parallel Session B3**

Fostering Connectivity and Economic Integration in South Asia: Role of Private Sector

#### **Presentation by**

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Afghanistan

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### Porsesh Research & Studies Organization

Research for Informed Decision-making

### Trade complimentarity in South Asia

Ninth South Asia Economic Summit

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### Methodology of the study

- To study how trade between countries can mutually compliment each other, there are various techniques, among which Trade Complimentarity Index (TCI) and Revealed Complimentarity Index (RCI) are the common techniques
- In this study the TCI technique is used
- The trade complementarity index is an empirical technique that can be used to assess the extent to which the export specialization and the import specialization of trade partners complement each other in relation to world trade
- This index tries to measure how well the export profile of one country, or group of countries, matches the import profiles of others
- A high index may indicate that two countries would gain from increased trade, and may be particularly useful in evaluating prospective bilateral or regional trade agreements

TCI	in	South	Asia

Bangladesh

47.58

47.62

45.37

42.39

23.57

22 69

**Afghanista** 

n

3.8

18.4

20.14

42.3

21.59

21.46

**Countries** 

Afghanistan

Bangladesh

Bhutan

Year

2003

2008

2013

2003

2008

2013

2003

2008

2013

CI III South Asia	
Trade Complimentarity Index in South Asia	

Bhutan

41.15

44.81

32.69

31.74

8.23

22.51

India

51.77

47.33

28.49

6.4

8.50

17.57

46.86

42.59

20.55

Nepal

54.78

49.11

31.41

32.67

34.54

53.47

47.82

39.57

17 17

**Maldives** 

45.82

49.53

24.69

10.04

9.55

22.05

35.4

42.46

21.02

**Pakistan** 

52.42

49.92

30.71

6.66

9.11

17.83

41.74

45.93

22.61

Sri Lanka

47.85

47.87

31.86

8.68

10.91

17.98

42.51

41.64

19.01

## in South Acia (cont'd)

TOT IN South Asia (Cont a)								
Countries	Year	Afghanista n	Bangladesh	Bhutan	India	Nepal	Maldives	Pakistar
India	2003	54.57	51.93	48.19		53.03	46.02	17.35

2008

2013

2003

2008

2013

2003

2008

2013

2003

2008

2013

2002

53.34

56.41

37.08

90.63

85.58

49.67

55.87

40.34

36.58

54.24

59.48

31.45

33.23

30.95

43.34

48.25

39.87

38.39

27.22

35.45

26 01

41.97

28.67

74.01

23.29

44.24

32.53

14.09

21.25

18.37

10 02

63.74

66.89

39.51

32.32

33.05

23.18

48.17

48.06

21 00

53.51

52.11

33.33

51.91

39.01

24.8

27.01

34.66

21 56

27.27

21.49

36.82

27.84

34.11

36.19

54.1

40.25

Sri Lanka

54.24

64.53

66.94

43.19

34.9

33.62

34.4

52.92

33.62

27.2

32.89

31.04

Maldives

Nepal

Pakistan

Cmi I omleo

51 45.85 30.87 43.47 25.72

35.66

16 20

34.5 46.34 52.69 38.46

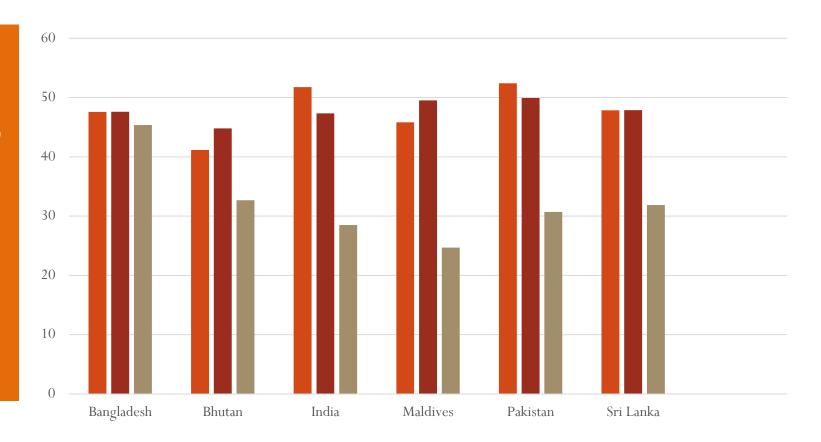
37.79

44.11

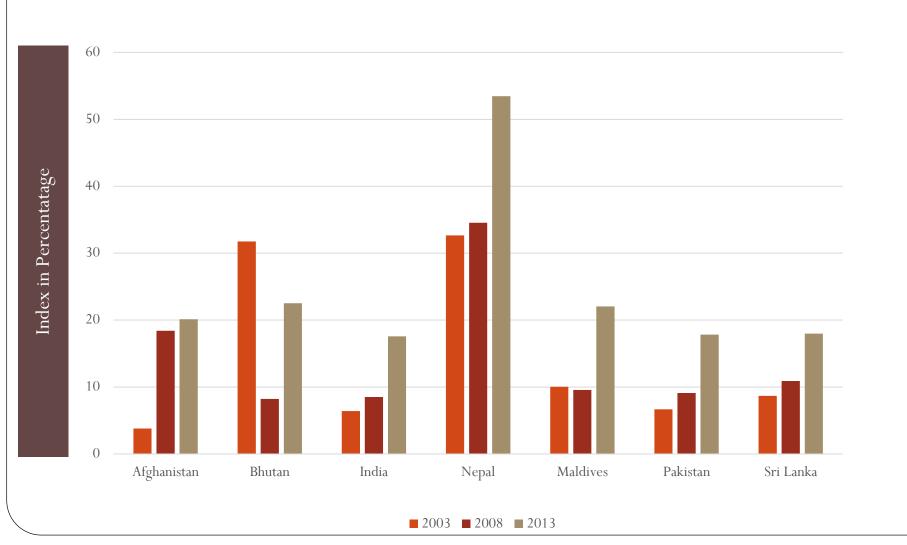
47.54

26 10

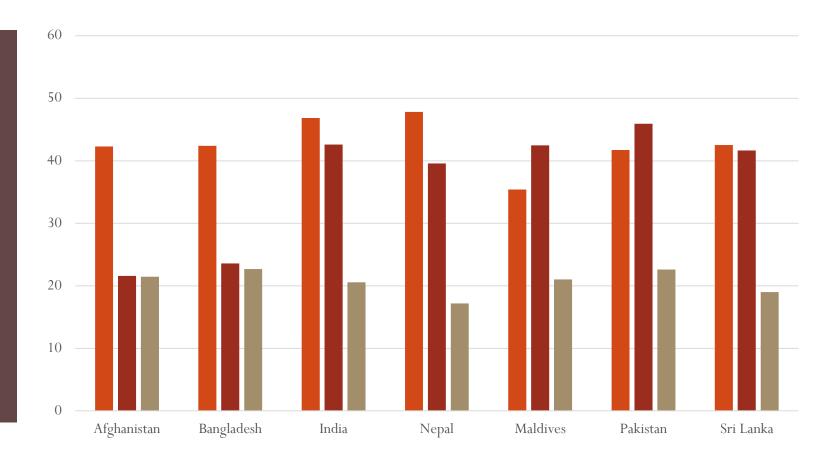
#### Trade Complementarity Index between Afghanistan and other South Asian Countries

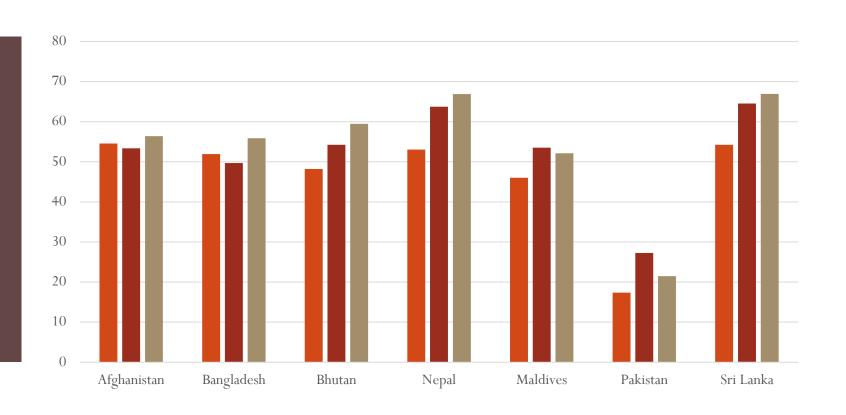


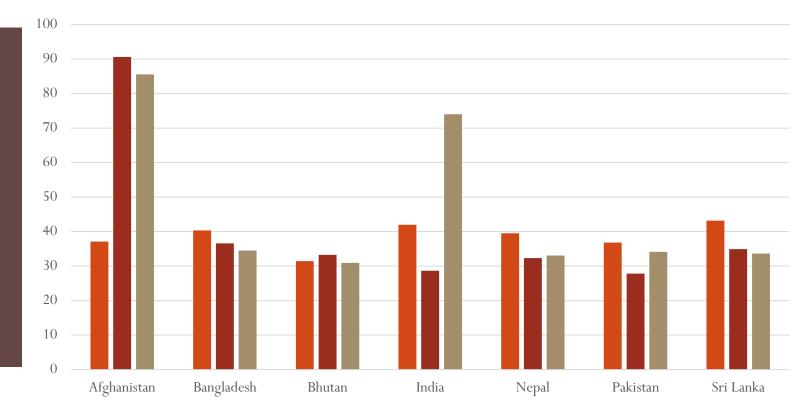
Trade Complementarity Index between Bangladesh and other South Asian Countries

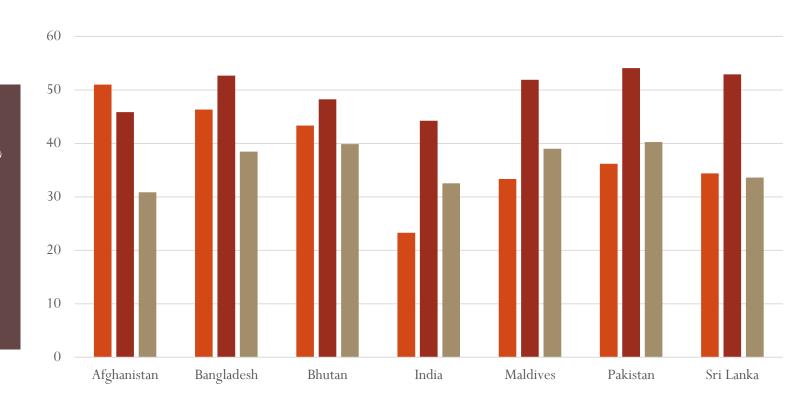


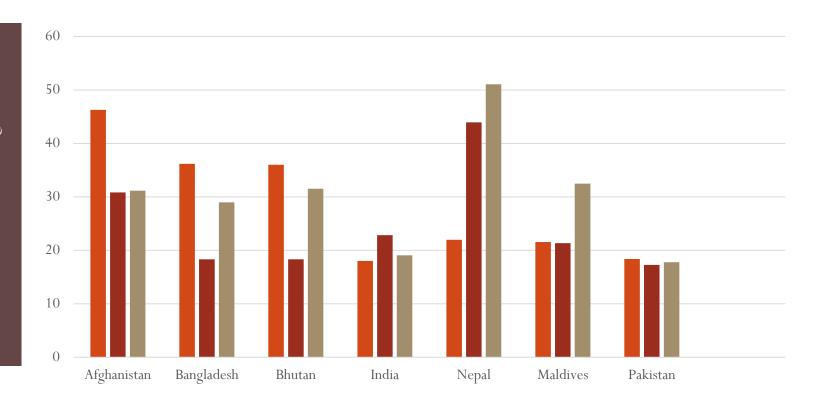


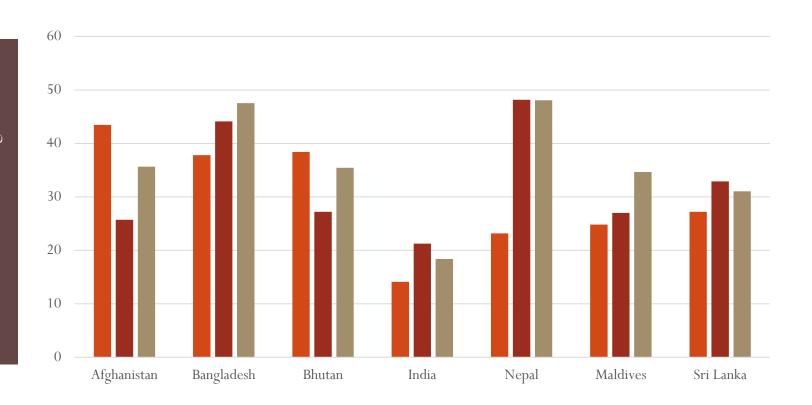












### Results

- The evidence of trade complementarity in the South Asian region is mixed
- The observed pattern implies that trade complementarities in the region have increased over time, although they are still at comparatively low levels.
- The rise in complementarities together with increasing comparative advantage suggests that intraregional trade in South Asia certainly has a potential to grow over time.
- The South Asian region is characterized by an almost identical pattern of comparative advantage in a relatively narrow range of products, and that there is a lack of strong complementarity in the bilateral trade structures of South Asian countries.
- Similarities in the trade structures, together with absence of comparative advantage in capital intensive and high value-added products (the products that are normally imported by countries in the region) may have played a role in constraining the growth of intra regional trade in South Asia.

Trade Integrity in South Asia										
Partner I	Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015
Worl	Total Trade (\$ billion)	444.7223	525.48465	481.67279	646.11189	871.21398	877.83913	975.63170	985.26590	880.25950
	Export Share (%)	4.72	4.12	3.54	3.99	3.89	4.27	5.84	6.86	7.17

2.63

3.15

20.37893

2.77

3.21

27.99761

2.59

3.22

28.25148

3.67

4.52

44.05132

4.15

5.21

51.33996

4.61

5.58

49.09799

South Asia

**Import** 

Share (%)

Intra-

regional

**Trade Share** 

(%)

**Total Trade** 

(\$ billion)

3.34

3.64

19.14371

2.57

2.95

14.22299

3.34

3.88

17.2695

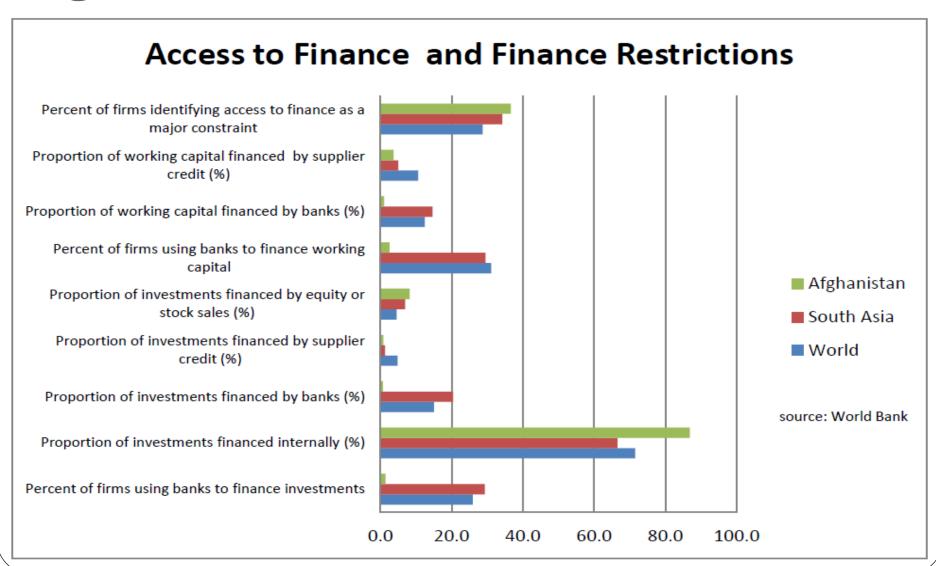
#### Trade Integrity Trend in South Asia



### Why failure?

- lack of political will among member states, border disputes and terrorism.
- High transaction costs between countries and within countries, despite geographic proximity
- The South Asian region scores poorly in surveys such as "Doing Business"
- In particular for a country like Afghanistan in which businesses are mainly small scale and if at all they produce for exports, infrastructural facilities in the form of public goods and financing opportunities is vital both for encouraging domestic trade and trade with the regional partners.

# Infrastructural problems: special case of Afghanistan



### Conclusions and findings

- South Asian countries are at different stages of production within an industry, and the exports of one country complements reasonably well with the imports of other country, which results in strengthening the potential of intraregional trade in South-Asia in future.
- The values of the trade complementarity indices for the three different points of time indicate that export complementarities of Bangladesh, Pakistan and Sri Lanka, vis-à-vis each other, have improved during the past two decades, although not significantly. As illustrated by the SAFTA, regional cooperation and integration in South Asia continues to progress but it must be accelerated.

### Recommendations

- Success stories at the sector level will serve as building blocks for further regional cooperation and integration.
- Research and policy work in support of this must be deepened and expanded, and the institutional links strengthened.
- Greater regional cooperation and integration offers immense opportunities for SAARC member countries.
- Since, mega regional connectivity may waste opportunities due to trust deficit and difficulty in managing conflicting interests, the potential of sub-regional connectivity may be explored.
- Inclusive and sustainable rapid growth is conditional on continued reduction of impediments to doing business together.
- With a majority of South Asian countries being trade dependent, trade facilitation can be used to promote trade and investment.
- Against the backdrop of low levels of trade complementarity between the major trading countries in South Asia, in which India's exports complement the imports of other countries reasonably well but the exports of those countries do not complement Indian imports, it is imperative to think of specific means through which intraregional trade could be expanded in South Asia.

Thank You

تشکر (tashakor)