
Trade Pattern in SAARC Countries: Emerging Trends and Issues

Rajeev Jain and J. B. Singh*

Focusing on the analysis of South Asia Association for Regional Co-operation (SAARC) trade, the paper attempts to analyse the merchandise trade performance of SAARC region and also the trend in intra-SAARC trade. A brief analysis of trade baskets of SAARC countries shows that export baskets of major SAARC countries are significantly similar reflecting that they may be competing with one another in same industries in the international market. However, export baskets are relatively more diversified for India and Pakistan. Grubel-Lloyd index provides an empirical evidence of growing intra-industry trade in SAARC countries which perhaps is an off-shoot of trade and industry reforms that have taken place in recent years. An attempt is also made to examine SAARC region's relative competitiveness by calculating revealed comparative advantage index [as suggested by Balassa (1965)] and compare the structure of specialisation using relative trade comparative advantage (RTA) index [as suggested by Scott and Vollrath (1992)]. It is found that India has relative trade comparative advantage in a larger number of industry groups than other SAARC countries and all major SAARC countries have RTA in textile sector. Certain issues pertaining to SAARC trade are also briefly discussed. The study concludes that despite significant business cycle convergence in major SAARC countries (India, Pakistan, Bangladesh and Sri Lanka), trade integration is growing only at a slow pace.

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Introduction

One of the major objectives of formation of SAARC forum was to accelerate the process of economic and social development in member States. Subsequently, trade promotion was also actively

* Rajeev Jain and J.B. Singh are Assistant Advisers in the Department of Economic Analysis and Policy of the Reserve Bank of India. The authors are grateful to Dr. R.K. Pattnaik and Shri Amitava Sardar for their encouragement and support. Thanks are also due to Smt. Ambika Padmanabhan and Smt. Shobha Kambli for their assistance. Views expressed in the paper are entirely personal and not of the Reserve Bank of India. An earlier version of the paper was presented at the SAARCFINANCE Governors' Symposium held at the Central Bank of Sri Lanka, Colombo on August 21, 2008.

pursued as an area of economic co-operation. The possibility of Intra-SAARC trade expansion has been investigated using macroeconomic and regional trade link models. It is generally found that inter-country differences in production and consumption patterns, investment behaviour, tax and non-tax structures leave considerable scope for further regional trade expansion. At present, intra-SAARC trade is quite low as compared with that of regional forums such as European Union (EU) and Association of South East Asian Nations (ASEAN).

In order to examine what has happened to the overall SAARC trade, intra-SAARC trade and product group wise comparative advantage in trade of individual member countries, this paper attempts an inter-temporal analysis particularly for the post-SAARC formation period. Before discussing these aspects, a brief account of macroeconomic performance of all SAARC countries is given in Section I. In Section II, an inter-temporal analysis is made in terms of trade openness, overall trade performance, direction of SAARC trade, intra-SAARC trade and its comparison with other regional forums. Trade policy of SAARC countries is discussed briefly in Section III. Section IV touches upon the issues of diversification, similarity of trade basket and trend in intra-industry trade in SAARC countries. Section V analyses the aspect of product group-wise relative comparative trade advantage of SAARC countries. Section VI discusses certain trade related issues and concluding observations are made in Section VII.

Section I

Macroeconomic Overview of SAARC Economies

The South Asian region (as defined by SAARC)¹ constitutes about 23 per cent of the world's population and has 15 per cent of the world's arable land, but only 6.0 per cent of Purchasing Power Parity (PPP) based global gross domestic product (GDP) and account for around 2.0 per cent of world goods trade, and around 3.0 per cent of world foreign direct investment. The South Asian region is extraordinarily diverse in terms of country size, economic and social development, geography, political systems, languages, and cultures. Three of the eight countries under South Asian region, *viz.*, Afghanistan, Nepal, and Bhutan, are landlocked and mountainous; while Sri Lanka is an island and the Maldives is an archipelago of low-lying coral islands in the central Indian Ocean.

The region translated itself from a position of slowest growing region during the 1960s and the 1970s to one of the fastest growing regions in the world since the 1980s. In terms of GDP growth, the South Asia has performed robust growth over the years among the low income countries. As per the World Bank database, during the 1960s, GDP growth in the region was placed at 4.2 per cent as compared to 5.4 per cent at the global level. Except during the 1960s and 1970s, the GDP growth in South Asia was higher than those of the world output growth till 2008. The growth in South Asia had been sustained at an average of 5.4 per cent during 1980-1999 followed by higher average growth of 6.8 per cent during 2000-08.

Reflecting growing savings, the gross capital formation of South Asian economies almost doubled from 15.1 per cent during the 1960s to 29.1 per cent during 2008 as against a decline from 23.1 per cent to 21.5 per cent during the same period at the world level. However, some economies of the region, viz., Afghanistan, Nepal, Bhutan and Bangladesh still depend on foreign savings/aid for financing their resource gaps.

As regards fiscal position of the South Asian region, at present, all countries have fiscal deficit. Some of the economies of the region are highly sensitive to external and natural shocks. For instance, the deteriorating fiscal balance on account of reconstruction projects undertaken in the aftermath of *tsunami* in recent years was a major concern in Maldives. The fiscal deficit for Maldives was at 15.7 per cent of GDP in 2008. Similarly, it has been noted that fiscal position of Bhutan is quite sensitive to project-specific revenues and expenditure of the government. The budget deficit was at 3.2 per cent of GDP in 2008. In Pakistan, despite overall improved revenue position, a sharp increase in current expenditures led by interest payments and continued expansion in development spending kept the fiscal deficit at 7.4 per cent of GDP in 2008. Continued modernisation of revenue administration broadened the tax base in Sri Lanka, which along with lower than expected expenditure, contributed to some reduction of the fiscal deficit to 6.8 per cent of GDP in 2008 as compared with the previous year. In Bangladesh, revenue collection slipped and

total spending was contained by a reduction in outlays for the annual development program, which kept the fiscal deficit at 4.7 per cent of GDP in 2008. The budget deficit remained steady at 2.0 per cent of GDP in Nepal during 2008 despite increase in expenditures during the year. The fiscal position in India, both at Centre and States, was undergoing consolidation (till the outbreak of the recent financial crisis) in terms of targeted reduction in fiscal deficit indicators under the Fiscal Responsibility and Budget Management (FRBM) Act. As per the revised estimates, the gross fiscal deficit (GFD) and revenue deficit (RD) of Central Government for 2008-09 were placed higher at 6.0 per cent and 4.5 per cent of GDP, respectively, mainly on account of the recent fiscal stimulus and the 6th Central Pay Commission awards.

All South Asian countries, except Nepal, Bangladesh have largely incurred current account deficit (CAD). CAD as a ratio to GDP is highest in Maldives despite a net surplus in services trade, most of which comes from tourism that had financed the trade deficit until 2004. Even though tourism earnings recovered to exceed the *pre-tsunami* level in 2007, larger services payments and the expansion in imports meant that net services covered only about 40 per cent of the trade deficit. The CAD in Maldives, therefore, widened further to 51.4 per cent of GDP in 2008. In Afghanistan, the current account deficit was at 1.6 per cent of GDP in 2008. The current account surplus in Bangladesh increased to 1.9 per cent of GDP in 2008 resulting from narrowing trade deficit and higher remittance inflows. In Nepal, the current account turned into surplus at 2.7 per cent of GDP in 2008 on account of narrowing trade deficit and higher remittance inflows. In Pakistan, the current account deficit is under pressure because of higher oil import bill and deteriorating income and services accounts, despite moderate growth in exports and continued strong receipts of workers' remittances. During 2008, CAD as a rates to GDP stood at 8.4 per cent in Pakistan. The trend of strong remittance growth in Sri Lanka since 2004 reversed in 2008 on account of global financial crisis. In 2008, the CAD as a ratio to GDP widened to 9.4 per cent of GDP in Sri Lanka. In India, although the trade deficit widened during 2008-09, it was offset by a steady inflow of remittances and a

higher surplus from exports of services such as software and business services, though their expansion in earnings was reduced from the rapid rates seen in previous years. During 2008-09, the widening of the trade deficit mainly led by imports resulted in a higher level of CAD which stood at US\$ 28.7 billion or 2.4 per cent of GDP (US\$ 17.0 billion or 1.5 per cent of GDP in 2007-08) (Table 1).

Despite a number of substantial reforms undertaken in South Asian economies in recent period, the region remained one of the poorest in terms of per capita income. Furthermore, the region has significantly lagged behind in the field of infrastructure, social provisions and working of the institutional set-up. Only the Sri Lankan economy is exceptional. Sri Lanka is exceptional not only in South Asia, but in the developing world. It has achieved high literacy and low infant and adult mortality rates and continues to provide universal health and education coverage and in its commitment to gender equality and social development. Its current levels of human development indicators are comparable to those of high-income countries (Srinivasan, 2004).

Table 1: Macroeconomic Indicators of SAARC Economies: 2008

Items	AFG	BD	BT	IND#	MALD	NEP	PAK	SRL
1	2	3	4	5	6	7	8	9
Real GDP Growth, %	3.4	6.0	5.0	6.7	6.3	5.3	2.0	6.0
GDP Per Capita (Current Prices US\$)	419	522	1789	1020	3653	455	1022	1972
GDP (PPP) % of World Total	0.03	0.3	0.005	4.7	0.002	0.05	0.6	0.1
CPI Inflation, Average, %	26.7	7.7	8.3	8.4\$	12.3	7.7	12.0	22.6
Fiscal Balance, % of GDP, FY Basis	-4.1	-4.7	-3.2	-6.0	-15.7	-2.0	-7.4	-6.8
Merchandise Export, % Growth	18.9	17.4	4.4	13.7	45.2	9.3	18.2	6.5
Merchandise Import, % Growth	12.1	25.6	27.4	19.4	26.6	24.1	31.2	24.0
Current Account Balance (US\$ Billion)	-0.2	1.9	-0.03	-28.7	-0.6	0.3	-13.9	-3.7
Current Account Balance, % of GDP	-1.6	1.9	-2.2	-2.4	-51.4	2.7	-8.4	-9.4
Debt Service Ratio, % of Exports	1.2	3.2	18.5	4.4	5.1	10.1	12.2	14.3
Reserves (Excluding Gold), US\$ Billion, End-Period	3.5	6.1	0.6	242	0.2	2.5	8.6	1.8

#: For 2008-09. \$: WPI (Average).

AFG: Afghanistan. BD: Bangladesh. BT: Bhutan. IND: India. MALD: Maldives.

NEP: Nepal. PAK: Pakistan. SRL: Sri Lanka.

Source: World Economic Outlook, International Financial Statistics, IMF and Asian Development Outlook, ADB.

Section II

Recent Trade Performance of SAARC Region

The importance of trade as growth facilitator has been recognised in SAARC countries as well. It is evident from the growing trade openness of SAARC economies over the years. However, there are wide disparities within the SAARC region. For instance, Maldives is highly dependent on external sector with 161 per cent trade openness ratio (Trade-GDP ratio) while Pakistan is least open country in the SAARC region (Table 2). Saxena (2005) elaborates that India has a huge domestic market, hence trade forms a substantially smaller percentage of GDP, especially when compared with East Asian economies, that are small and essentially require trade for growth. The rest of the countries are fairly open to trade.

Despite growing trade-GDP ratio, the South Asian economies continued to remain least open relative to other groups of emerging and developing economies. The proportion of trade in GDP of SAARC region increased markedly from 15.1 per cent during the 1970s to 51.8 per cent in 2008. For East Asia and Pacific, however, it soared from 20.9 per cent during the 1970s to as much as 88.6 per cent in 2007 but declined to 64 per cent in 2008 on account of the recent global financial crisis leading to deceleration in trade.

Table 2 : Trade Openness (Export and Import as per cent of GDP) in SAARC Countries

(Per cent)

Country	1960	1970	1980	1990	2000	2008
1	2	3	4	5	6	7
Afghanistan	11.2	21.7	...	...	...	87.0#
Bangladesh	19.3	20.8	23.4	19.7	33.2	47.0
Bhutan	...	...	50.4	56.7	76.2	146.0
India	11.8	7.8	15.6	15.7	27.4	54.0
Maldives	...	...	...	...	161.1	...
Nepal	...	13.2	30.3	32.2	55.7	45.0
Pakistan	...	22.4	36.6	38.9	28.1	34.0
Sri Lanka	62.4	54.1	87.0	68.2	88.6	63.0

#: For 2006. ...: Not available.

Source: World Development Indicators, World Bank.

Table 3: Share of SAARC Region in World Exports

(Per cent)

Country	1950	1960	1970	1980	1990	2000	2008
1	2	3	4	5	6	7	8
Afghanistan	0.09	0.04	0.03	0.03	0.01	0.002	0.004
Bangladesh	...	...	...	0.04	0.05	0.10	0.10
Bhutan	...	...	...	0.001	0.002	0.002	0.003
India	1.85	1.02	0.64	0.42	0.52	0.66	1.10
Maldives	0.003	0.002	0.001	0.000	0.002	0.002	0.002
Nepal	0.002	0.01	0.01	0.004	0.01	0.01	0.01
Pakistan	1.23	0.55	0.29	0.13	0.16	0.14	0.13
Sri Lanka	0.53	0.30	0.11	0.05	0.05	0.08	0.05
SAARC	3.71	1.92	1.08	0.68	0.80	1.00	1.39

... : Not available.

Note: Data for Pakistan during 1950, 1960 and 1970 includes erstwhile East Pakistan.**Source:** UNCTAD.

As regards the trend in the share of SAARC region in total world trade, it witnessed a persistent decline during the 1960s, 1970s and 1980s. However, there has been a gradual pickup in share in total world exports since 1990s but still lower than the level of share in 1950. During 2008, share of SAARC region in total world exports stood at 1.4 per cent (3.7 per cent in 1950) (Table 3 and Chart 1). Similarly, the share of SAARC region in total world imports declined but picked up in recent years (Table 4 and Chart 1).

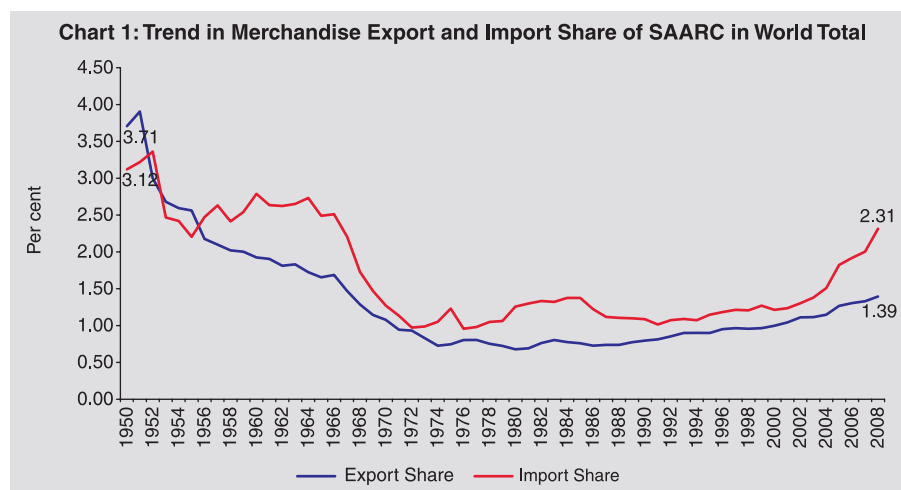


Table 4: Share of SAARC Region in World Imports

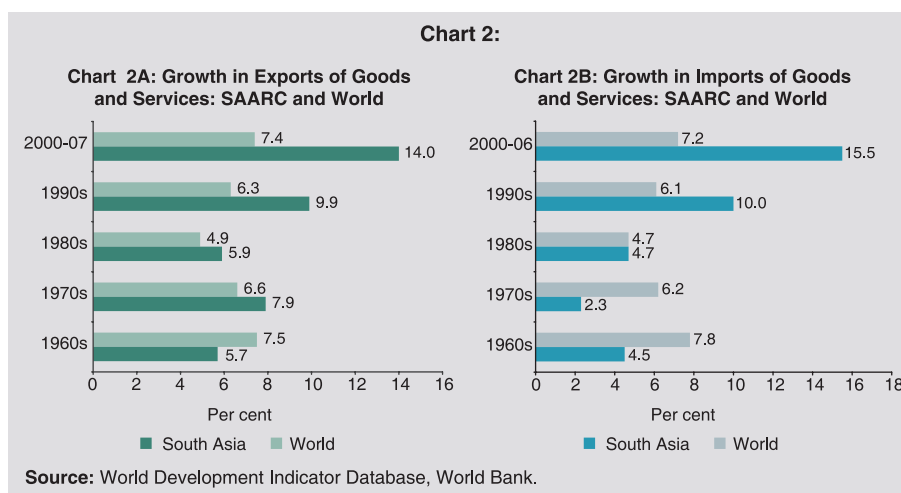
(Per cent)

Country	1950	1960	1970	1980	1990	2000	2008
1	2	3	4	5	6	7	8
Afghanistan	0.09	0.06	0.03	0.04	0.03	0.02	0.02
Bangladesh	...	...	...	0.13	0.10	0.13	0.15
Bhutan	...	...	...	0.002	0.002	0.003	0.003
India	1.70	1.68	0.64	0.72	0.66	0.77	1.79
Maldives	0.01	0.003	0.001	0.001	0.004	0.01	0.01
Nepal	0.03	0.03	0.02	0.02	0.02	0.02	0.01
Pakistan	0.91	0.72	0.45	0.26	0.21	0.16	0.26
Sri Lanka	0.38	0.30	0.12	0.10	0.07	0.09	0.08
SAARC	3.12	2.79	1.27	1.26	1.09	1.21	2.31

... : Not available.

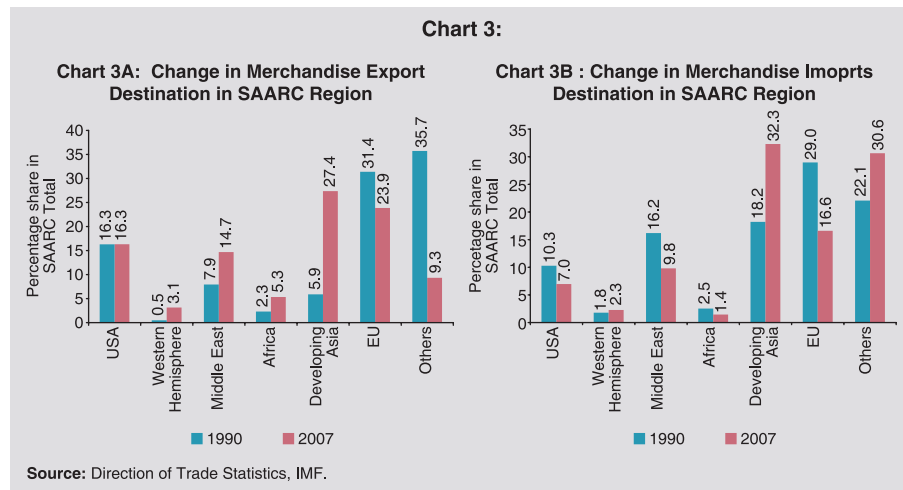
Note: Data for Pakistan during 1950, 1960 and 1970 includes erstwhile East Pakistan.**Source:** UNCTAD.

The trade analysis of the countries in South Asian region shows that they witnessed a wide fluctuation in terms of export and import growth over time (Chart 2A and 2B). During the 1960s, the average annual growth of exports of goods and services for Pakistan was at 8.3 per cent followed by India at 5.4 per cent, Bangladesh at 2.6 per cent and Sri Lanka at 1.3 per cent. During the same period, import growth was maximum in Bangladesh among the South Asian countries followed by Pakistan. The export growth was further accelerated to 10.5 per cent for India in the 1970s followed by Bangladesh at 7.9 per cent. There was



also maximum import growth for India in the South Asian region in the 1970s followed by Pakistan. In the 1980s, Pakistan recorded export growth as high as 10.7 per cent followed by Sri Lanka at 6.3 per cent, Bangladesh at 6.1 per cent and India at 4.8 per cent. India witnessed maximum import growth at 7.6 per cent during the 1980s within South Asian economies followed by Bangladesh at 7.0 per cent. India and Bangladesh recorded a robust export growth, respectively, at 12.0 per cent and 12.6 per cent in the 1990s. In terms of import growth, India and Maldives had maximum import growth in the 1990s among the South Asian countries. During 2000-06, the average export growth was as high as 17.1 per cent for Bhutan followed by India at 13.5 per cent. Similar trend was followed in import growth during 2000-06.

As far as direction of trade is concerned, share of exports from South Asia increased significantly to developing Asia (particularly China), Africa, Western Hemisphere and Middle-East while that to EU and UK declined over the years. In 2007, exports from South Asia have been to the extent of 27.4 per cent to developing Asia (7.2 per cent to China), followed by EU (23.9 per cent), USA (16.3 per cent), middle-east (14.7 per cent) (Chart 3A). The direction of import in the region is mainly from developing Asia to the extent of 32.3 per cent (including China with 11.6 per cent), EU (16.6 per cent) and Middle East (9.8 per cent). However, import dependence on US, UK and EU seems to have declined over the recent years (Chart 3B).



Intra-regional Trade in South Asia

Intra-regional trade in South Asia is relatively low compared with other regions, such as ASEAN in Asia. The South Asian countries exchange goods principally with countries outside the region. SAARC had a slow start, but gained momentum with the launch of (SAPTA) SAARC Preferential Trading Agreement in the mid-1990s. Since the implementation of South Asian Free Trade Area (SAFTA) at the beginning of the new millennium, it has begun to perform robustly (Mohanty and Chaturvedi, 2006). Intra-regional trade as a ratio of South Asia's total foreign trade was only 4.8 per cent in 2008, compared with 25.8 per cent for ASEAN member countries (Table 5). For individual countries, the intra-regional trade ratio varies from a low of 2.7 per cent for India and 6.6 per cent for Pakistan to a high of 60.5 per cent for Nepal and 43.1 per cent for Afghanistan (Table 6). India's trade with SAARC region has expanded significantly in recent years. During 2000-01 and 2006-07, the overall exports from India to other SAARC countries increased by an annual average of 25 per cent underpinned by an average of 53 per cent with Pakistan followed by Nepal with an average of 34 per cent. During this period, export expansion with Bangladesh was lowest. Similarly, imports from SAARC countries to India increased by an annual average of 22 per cent. A significant increase was observed in imports from Pakistan and Sri Lanka during this period.

Table 5: Trend in Intra - Regional Group Trade

(Per cent)

Regional Group	1950	1960	1970	1980	1990	1995	2000	2008
1	2	3	4	5	6	7	8	9
MERCOSUR	6.1	7.6	9.4	9.7	11.0	19.2	19.9	15.5
NAFTA	35.5	30.4	36.0	33.2	37.2	42.0	46.8	40.0
ASEAN	2.8	12.7	22.4	15.9	17.0	21.0	22.7	25.8
ASEAN +3	16.1	21.9	25.8	29.0	26.8	34.9	33.7	34.0#
GCC	...	...	4.6	3.9	8.1	7.5	6.2	5.5
SAARC	11.6	5.0	3.2	3.5	2.7	4.3	4.5	4.8
EU 25	47.9	51.8	61.0	61.8	67.4	66.4	67.2	66.7#
Euro Zone	36.1	41.2	53.7	48.1	54.5	53.2	50.3	49.3
APEC	44.2	47.0	57.9	57.5	67.7	71.7	72.5	65.5
CIS	...	...	...	...	...	33.4	28.4	22.7

: For 2006. ... : Not available.

Source: UNCTAD .

Table 6: Intra-regional Trade Share of South Asia's Total Trade

(Per cent)

Country	1985	1990	1995	2000	2004	2007
1	2	3	4	5	6	7
Afghanistan	11.4	14.5	11.1	29.7	35.3	43.1
Bangladesh	4.7	6.0	12.8	7.9	10.5	9.4
Bhutan	...	...	...	...	...	...
India	1.7	1.6	2.7	2.5	3.0	2.7
Maldives	12.5	12.7	14.3	22.2	19.8	12.2
Nepal	34.3	11.9	14.8	22.3	47.2	60.5
Pakistan	3.1	2.7	2.3	3.6	5.0	6.6
Sri Lanka	5.5	5.6	7.8	7.4	15.1	18.9

... : Not available.

Source: Regional Co-operation Strategy and Programme, South Asia (2006-2008), ADB.

Despite growing trade with SAARC region, the intra-SAARC trade continues to remain lowest among all the major regional groups (except Gulf Co-operation Council) formed so far. In 2008, intra-SAARC trade was merely 4.8 per cent while APEC countries had 65.5 per cent of total trade within the region (Table 5). Despite the formation of regional grouping, trade flows within the SAARC region are not much significant. This is perhaps on account of the disparities in the market size of SAARC economies unlike other regional groupings. For instance, Bhutan or Nepal cannot be the major export destinations for India and Pakistan. Thus, one cannot expect beyond a modest potential in the intra-SAARC trade, particularly of big SAARC countries with small SAARC economies. In stark contrast, the small economies of Bhutan and Nepal have maintained strong trade links with India. For instance, Nepal and Sri Lanka import around 46 and 16 per cent of their imports from India but these cover a negligible portion of Indian exports.

Section III Trade Policy in SAARC Countries

The importance of international trade as an important engine for growth has been widely debated among the economists. However, the trade as one of the essential ingredients in economic growth is overwhelmingly supported in the literature. Even the multilateral

institutions such as the World Bank, International Monetary Fund (IMF), and the Organisation of Economic Co-operation and Development (OECD) propagate policy advice based on the presumption that openness generates predictable and positive consequences for growth. It has been found that more open and outward-oriented economies consistently outperform countries with restrictive trade and foreign investment policies. Thus, policies toward foreign trade are among the more important factors promoting economic growth and convergence in developing countries.

As far as the trade policy of SAARC countries is concerned, there is a lot of change in the approach. South Asia has made good progress in liberalising trade regimes and slashing tariffs since the early 1990s when most of the countries started with reforms. The countries have also undertaken considerable industrial deregulation and other structural reforms. The governments and the private sector recognise that strong exports are critical for overall economic growth and poverty reduction, and export-led growth has become a key thrust in each country. Each country has been integrating with the global economy, as evidenced by the significant increases in the merchandise trade [(exports plus imports)/GDP] ratios. The following discussion in this section provides an overview of trade policy measures initiated in SAARC countries.

Trade is considered as a component of overall development policy of Bangladesh. Bangladesh has pursued prudent structural reforms in priority areas and trade liberalisation with positive results on growth and foreign direct investment inflows. In recent years, Bangladesh has adopted an outward-oriented growth strategy which aims at reducing the anti-export bias prevalent in the economy and improving competitiveness while keeping in view medium-term imperatives and long-term development agenda. Bangladesh's trade policy objectives as per Import Policy Order 2003-2006 have been to keep pace with globalisation and the gradual development of a free market economy under the World Trade Organisation (WTO) rules; facilitate imports of technology to expand use of modern technology; ease imports for export industries, in order to place them on a sound basis and, to this

end, co-ordinate the import policy with the industrial policy, export policy and other development programmes; and make industrial raw materials more easily available to increase competition and efficiency. Calibrating trade policy reform to support small and medium-sized enterprises development is another priority (WTO, 2006). The objectives stated in the Export Policy 2003-2006, which stresses the need for product-based and sector-based development, include product diversification/expansion, capacity building of export-related institutions, and identification and appraisal of advantages for Least Developed Countries (LDCs) provided under WTO rules. Measures taken to promote exports in Bangladesh include income tax rebates, project loans at concessional interest, cash support, export credit on easy terms, and reduced interest rates, reduced costs for air cargo, and duty drawbacks. Annual sector-specific export targets (envisaging more than 10 per cent annual increase) are set for, *inter alia*, highest priority and special development sectors which include ready made garments (RMGs), knitwear, frozen food, leather, jute products, raw jute, chemicals, tea, agri-products, handicrafts, electronic goods, engineering products, petroleum products, computer software, specialised fabrics, textile fabrics, ceramic tableware, bicycles, and shoes.

Sri Lanka began economic liberalisation in 1997 with a move away from socialism. Sri Lanka's export-oriented policies have seen a shift from a reliance on agricultural exports to an increasing emphasis on the services and manufacturing sectors. The service sector accounts for over 55 per cent of GDP. Manufacturing, the fastest growing sector, is dominated by the garment industry. The agriculture sector, though decreasing in importance to the economy, nevertheless accounts for around 18 per cent of national output and employs more than one third of the workforce. The public sector remains large, with the state continuing to dominate in the financial, utilities, health and education sectors.

In Pakistan, during the past four years, various initiatives have been announced as a part of the Trade Policy. These measures aimed at reducing cost of doing business and included long-term financing of export oriented projects, relocation of industries, freight subsidy,

sales tax facilitation for export sectors, incentives for priority export sectors, research and development (R&D), marketing and business facilitation, special export zones, garment skill development board, creation of Trade Development Authority of Pakistan (TDAP), revamping of the trade bodies law and framing of rules, tariff rationalisation initiative, Trade Competitiveness Institute of Pakistan, *etc.* A Rapid Export Growth Strategy (REGS) was also announced in 2005. The strategy aimed at (i) trade diplomacy to increase market access; (ii) diversification of export markets; (iii) strengthening of trade promotion infrastructure; (iv) skill development; and (v) early provision of modern infrastructure.

In India, the external sector has exhibited a marked transformation since the balance of payments crisis in 1991. The crisis was overcome by a series of stringent measures with an overriding objective to honour all external obligations without resorting to rescheduling of any external payment obligation. While successfully dealing with the crisis through an adjustment programme, it was decided to launch simultaneously a comprehensive programme of structural reforms in which the external sector was accorded a special emphasis. The policy measures undertaken aimed at making domestic industry cost-efficient by enhancing efficiency in resource use under international competition, which was expected to derive a better export performance in the long-run. The major trade policy changes in the post-1991 period included simplification of procedures, removal of quantitative restrictions, and substantial reduction in the tariff rates. Furthermore, the reach of the export incentives was broadened, extending the benefits of various export-promotion schemes to a large number of non-traditional and non-manufactured exports. Following the announcements in the Export-Import (EXIM) policies, various changes were effected such as the removal of quantitative restrictions, strengthening the export production base, removal of procedural bottlenecks, technological upgradation and improvement of product quality. Various steps were also taken to promote exports through multilateral and bilateral initiatives, including identification of thrust areas and focus regions. The policy stance also marked a

move away from the provision of direct export subsidy to indirect promotional measures. India also took several policy initiatives at the multilateral levels for tariffication of the non-tariff barriers.

As per India's commitment to the WTO, India agreed to the phased removal of all balance-of-payments (BoP) related quantitative restrictions by end-March 2001 (RBI, 2002). The tariff rates have undergone considerable rationalisation during the 1990s. Prior to the 1990s, the maximum import duty rates on certain items were over 300 per cent. The peak rate of import duty on non-agricultural imports was gradually reduced from as high as 150 per cent in 1991-92 to the present level of 10 per cent (subject to certain exceptions). In 2004, India's first ever integrated Foreign Trade Policy for 2004-09 was announced by the Ministry of Commerce and Industry. The policy aimed at double the India's percentage share in global merchandise trade within 5 years and to use trade expansion as an effective instrument of economic growth and employment generation. The present trade policy of India envisages achieving a share of 5 per cent in world trade in both goods and services by the year 2020. Policy announced in April 2008 provides that with a view to achieve the desired share in global trade and expanding employment opportunities, especially in semi-urban and rural areas, certain special focus initiatives have been identified for agriculture, handlooms, handicraft, gems & jewellery, leather, marine, electronics and information technology (IT) hardware manufacturing industries and sports goods and toys sectors. As per the policy, the Government of India shall make concerted efforts to promote exports in these sectors by specific sectoral strategies that shall be notified from time to time (Government of India, 2008).

In Maldives, the export and import law of 1979 was changed in 2000. It formally adopted the Harmonised System (HS). At the same time, tariff rates were changed up or down. Trade and economic liberalisation is considered to be means of promoting private-sector investment and development in Maldives. However, trade liberalisation, such as tariff reductions, is not specifically included in the current development plan. Relatively high tariffs are maintained, mainly for revenue reasons. These account for about two-thirds of

tax receipts in Maldives. Nevertheless, the Government is committed to further outward orientation of the economy to improve trade and economic performance, and to diversify the economy away from fishing and tourism. The Maldives provides at least Most Favoured Nation (MFN) treatment to all WTO Members and is eligible for “special and differential treatment” under WTO Agreements. The export regime in Maldives is relatively open; export controls (on timber), taxes (on ambergris), and regulations are minimal, although some foreign investment royalties apply only to exports.

The basic objective of Nepalese trade policy 1992 was (i) to enhance the contributions of trade sector to national economy by promoting internal and international trade with the increased participation of private sector through the creation of an open and liberal atmosphere, (ii) to diversify trade by identifying, developing and producing new exportable products through the promotion of backward linkages for making export trade competitive and sustainable, (iii) to expand trade on a sustained basis through gradual reduction in trade imbalances and (iv) to co-ordinate trade with other sectors by expanding employment-oriented trade. Compared to other SAARC countries, Nepal was relatively late to join the WTO in April 2004. The most notable ingredients of Nepal’s accession package are: (i) agreement to bind other duties and charges at zero and phase them out within 10 years; (ii) agreement to bind average tariff at 42 per cent for the agricultural products and 24 per cent for all other products, and; (iii) agreement to allow up to 80 per cent foreign equity participation in 70 services sub-sectors spanning distribution, retail and wholesale services and audio-visual. Second, the rescinding of Multi-Fiber Agreement quotas at the end of 2004 has dramatically changed prospects for Nepal’s garment industry that accounted for a significant portion of total exports.

In Afghanistan, improving trade policy and customs administration has consistently been a high priority for policy agenda. In late 2001, Afghanistan inherited a highly differentiated import tariff regime (including 25 tariff bands with a maximum rate of 150 per cent and a simple average rate of 43 per cent. However, there has been a major rationalisation of the tariff structure, introducing use of

the market exchange rate in calculating import duties and reducing the number of different tariff rates to six (Maximum 16 per cent) with a relatively low level of dispersion. The simple average tariff rate correspondingly declined to 5.3 per cent, making for one of the lowest and least differentiated tariff structures in the region. Afghanistan has embarked on a major program to strengthen and reform the customs administration, with support from the World Bank and other external partners. The country has been pursuing trade and transit agreements at bilateral level with regional countries, and at the multi-lateral level it has recently initiated the WTO accession process (World Bank, 2004). Afghanistan maintains import bans on only a few products (largely for religious reasons) and imposes no seasonal restrictions, quotas, or other non-tariff barriers. Das (2008) views that trade reforms have helped to erode the most egregious forms of anti-export bias from which these economies suffered in the past.

Overall, import barriers have shrunk dramatically throughout the region. Although tariffs are now the principal means by which the South Asian countries protect their domestic industries. Sri Lanka embarked on trade liberalisation and reduced tariffs substantially in the late 1970s, and presently has the lowest average tariffs in the region. During the 1990s, the other four major South Asian countries have also steadily reduced their tariffs levels. Apart from reducing the tariff levels, reforms in South Asia have also reduced the complexity of customs duties by reducing the number of “tariff slabs” *i.e.*, the number of generally applied customs duties rates. Overall, the South Asian countries have made considerable progress in simplifying their trade regimes and making them more transparent, especially through the elimination of most quantitative restrictions and the reduction and simplification of customs schedules. The average tariff profile of SAARC countries as per the WTO’s Report on Tariff Profile 2008 is shown in Table 7. Available data show that Sri Lanka and Afghanistan has the lowest average MFN tariff rates in the region. MFN tariff rates are normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).

Table 7: Tariffs Rates: Non-Agriculture Products

Country	Av. MFN Applied	Av. Final Bound	Trade Weighted Av.	No. of MFN Applied Tariff Lines
1	2	3	4	5
Afghanistan	5.7	...	...	5376
Bangladesh	14.6	169.2	...	6652
Bhutan	19.2	...	...	5238
India	14.5	50.2	8.0	11689
Maldives	20.2	36.9	21.5	8995
Nepal	12.6	26.0	...	5162
Pakistan	14.1	59.9	12.8	6803
Sri Lanka	11.0	30.3	8.0	6400

... : Not available.

Note : Applied duties that are actually charged on imports. These can be below the bound rates. Bound rates are commitment not to increase a rate of duty beyond an agreed level without compensating affected party. Tariff Line is a product, as defined by a system of code numbers for tariffs.

Source : Compiled from WTO 2006 Tariff Profiles, 2008.

A World Bank study (2004) highlighted that one broad area that has facilitated trade policy reforms in the SAARC region is the move towards more market-based exchange-rate regimes. India, Pakistan, and Sri Lanka now maintain floating exchange rates; Bangladesh, which had a moderately flexible exchange rate system after 1991, floated its currency as of May 2003. However, Maldives's currency is pegged to the US dollar, and periodically devalued while Nepal's and Bhutan's currencies are pegged to the Indian rupee. The study further revealed that flexibly managed exchange rates have been important supports for the trade liberalisation in the South Asian region, by offsetting or partially off-setting the effects of removal of quantitative restrictions and tariff reductions on import competition for domestic industries. Because of their fixed exchange rates with the Indian Rupee, for Nepal and Bhutan, these effects have been partial and indirect and have not affected their trade with India. More generally, unlike the other South Asian countries, they are not able to use the exchange rate as a means of adjusting to terms-of-trade and more general macro-economic changes.

Section IV Trade Basket of SAARC Countries

In comparison to other regions, South Asia's exports include an unusually large share of labor-intensive manufactures. India enjoys the best position in the region in terms of a relatively diversified export structure with its top 20 commodity groups accounting for only 43 per cent of exports. However, the composition of exports in different SAARC member countries has undergone significant changes in the recent past. An encouraging feature is that their manufacturing output has been steadily increasing. Using United Nation's COMTRADE (Commodity Trade) data² for the year 2004 for Bangladesh, India, Maldives, Pakistan and Sri Lanka, the calculated Hirschman-Herfindahl Index (HHI)³ shows that among the SAARC countries, export basket is highly diversified for India followed by Pakistan (Table 8). This also reflects their relatively more diversified industrial structure. Looking at the top 20 export items (6 digit level) of each country, it can be observed that top 20 commodities (from 16 different 2-digit industry groups) account for 43.1 per cent of total value of export from India, while concentration is highest in Bangladesh where top 20 items (from 5 different 2-digit industry groups) account for about 67 per cent of total exports. Likewise, top 20 items (from 11 different 2-digit industry groups) in the import basket of India account for 58 per cent of total value of Indian imports followed by Pakistan (Table 9).

An analysis of exports based on six digit commodity data aggregated to 99 broad industry groups shows that all SAARC

Table 8: HHI of Exports of Major SAARC Countries

Country	2-Digit Commodity Group*		6-Digit level Commodity	
	1995		2004	
1	2	3	4	5
Bangladesh	0.25	0.29	0.04	0.05
India	0.05	0.06	0.03	0.03
Maldives	0.30	0.25	0.17	0.24
Pakistan	...	0.12	...	0.02
Sri Lanka	...	0.16	...	0.02

... : Not available.

*: HHI index has been calculated for HS 1992 COMTRADE Data for 99 commodity groups.

Note: HHI varies between 0 and 1. A value closer to one indicates least diversification.

Table 9: Share of top 20 Export Items (6 digit level) in Major SAARC Countries

Country	Export (%)	No. of 2 digit groups*	Import (%)	No. of 2 digit groups*
1	2	3	4	5
Bangladesh	66.6	5	28.2	12
India	43.1	16	58.3	11
Maldives	97.6	15	32.4	14
Pakistan	50.4	14	46.3	16
Sri Lanka	45.0	7	35.7	12

* : No. of 2 digit Industry groups that top 20 export/import items belong to.

countries have quite a similar export basket. This perhaps also partly explains the low intra-SAARC trade as the member countries tend to specialise in broadly similar items for exports. For instance, the rank correlation between India and Pakistan is highest at 0.60. Correlation matrix shows that all the correlation coefficients are statistically significant at 5 per cent (Table 10). Export and import composition of SAARC countries also shows that India and Pakistan's exports

Table 10: Rank Correlation Matrix of Export Baskets of Major SAARC Countries

Country	(99 Commodity HS 1992 Groups)				
	BD	IND	MALD	PAK	SRL
1	2	3	4	5	6
BD	1	0.49	0.32	0.53	0.55
IND		1	0.36	0.60	0.57
MALD			1	0.34	0.45
PAK				1	0.49
SRL					1
t-Statistics of Correlation					
Country	BD	IND	MALD	PAK	SRL
1	2	3	4	5	6
BD		5.58	3.83	6.17	6.44
IND			3.84	7.44	6.92
MALD				3.6	5.02
PAK					5.57
SRL					

Note: Critical t value at 5% level of significance is 1.67 (N=99, d.f. = 97).

are notably complementary to the imports of some South Asian economies, particularly those of Bangladesh and Sri Lanka. Other economies, however, demonstrate efficiency in only a small number of export areas, most of which are not complementary to India's imports (or those of any other country).

The similarity in the export pattern can also be gauged from the 'Export Similarity Index' (EXS) which provides useful information on distinctive export patterns from country to country (Finger and Kreinin, 1979). Unlike the Rank correlation method which is based on the relative position of a particular commodity/commodity group in the overall export basket of countries, EXS is defined as the sum of smaller values of the two countries' shares of all products in their total exports to the third market.⁴ To compute this index, an export share of each product to total exports of each country is required. This was an intention to remove the scale effect when measuring the similarity index between a large country and a small country. It is defined as:

$$EXS_{j,k} = \sum [\min (X_{ij}, X_{ik}) * 100]$$

Where X_{ij} and X_{ik} are industry i 's export shares in country j 's and country k 's exports, which usually include a group of countries or competitors. The index varies between zero and 100, with zero indicating complete dissimilarity and 100 representing identical export composition. The EXS could be used as a basis for forming a common stance by the countries during trade talks and the public can be informed to prepare for the opportunities and threats. It also implies that if two countries produce and export similar products, then the level of competition will be intensified by opening up trade between the two. In short, it can reflect the degree of potential trade diversion in case the trade liberalisation is further allowed in particular country.

The results based on data available for five SAARC countries show EXS of Bangladesh and Sri Lanka is highest while that between India and Maldives is lowest in the SAARC countries (Table 11).

Table 11: Export Similarity Index (EXS) for SAARC Countries

Country	Finger and Kreinin's EXS Index				
	BD	IND	MALD	PAK	SRL
1	2	3	4	5	6
BD	100.0	20.4	35.8	32.7	57.8
IND		100.0	19.9	33.9	31.5
MALD			100.0	22.3	26.5
PAK				100.0	32.7
SRL					100.0

South Asian export markets compete in a narrow range of products, particularly in textiles, apparel, and other light manufactured goods. While in the case of Bangladesh, 18 out of the top 20 export items (6 digit level commodities) belong to textile/jute textile sector, in the case of India, all the top 20 export items belong to different sectors. As per the COMTRADE data (2004), the top five exported items from India were 'diamonds', 'Oils petroleum, bituminous, distillates, except crude', 'jewellery', 'iron ore', 'rice'. Like Bangladesh, most of the top 20 exporting items from Pakistan were from the textile sector. Table 11 shows that major SAARC countries are competing with each other in 15 out of top 20 export items. It can be observed that India, Bangladesh, Pakistan and Sri Lanka compete in almost all textile items with other SAARC countries, the sector in which they have strong comparative advantage (discussed in the section V). Similarly, India competes with Pakistan, Bangladesh and Sri Lanka in rice in semi-wholly-milled form. Similarly, in the category of diamonds, India and Sri Lanka compete with each other. These facts confirm the high rank correlation found for the export baskets of SAARC countries (Table 12 and Annex I).

Analysis based on 6-digit commodity level import data aggregated to 2-digit industry group shows that import basket of SAARC countries are also quite similar in terms of composition as bilateral rank correlations are positive and statistically significant (Table 13). However, India's import basket is comparatively less diversified than other SAARC countries (Table 14).

Table 12: Common Exporting Items of SAARC Countries

S. No.	6 digit	Items	Top 20	Other than Top 20
	1	2	3	4
1	030613	Shrimps and prawns, frozen	BD, IND	PAK, SL
2	100630	Rice, semi-milled or wholly milled	IND, PAK	BD, SL
3	271000	Oils petroleum, bituminous, distillates, except crude	IND, MD, PAK	BD, SL
4	610510	Men's, boys shirts, of cotton, knit	BD, PAK, SL	IND
5	610910	T-shirts, singlets and other vests, of cotton, knit	BD, IND, SL	IND, PAK
6	610990	T-shirts, singlets etc, of material nes, knit	BD, SL	IND, PAK
7	611020	Pullovers, cardigans etc of cotton, knit	BD, SL	IND, PAK
8	620342	Men's, boys trousers & shorts, of cotton, not knit	BD, MD, PAK, SL	IND
9	620343	Men's, boys trousers shorts, synthetic fibre, not knit	BD, SL	IND, PAK
10	620462	Women's, girls trousers & shorts, of cotton, not knit	BD, MD, SL	IND, PAK
11	620520	Men's, boys shirts, of cotton, not knit	BD, IND, SL	PAK
12	620630	Women's, girls blouses & shirts, of cotton, not knit	BD, IND, SL	PAK
13	620690	Women's, girls blouses & shirts, material nes, not knit	BD, SRL	IND, PAK
14	710239	Diamonds (jewellery) worked but not mounted or set	IND, SR	...
15	880330	Aircraft parts nes.	MD, SR	IND, PAK, BD

Note : Col. 4 shows that these country export these items but do not figure among their respective top 20 commodity items.

Source : Compiled from UN Database.

Intra-Industry Trade in SAARC countries

Another notable aspect that one expects after a substantial industrial and trade liberalisation is the increase in intra-industry trade (IIT). For instance, the potential for the occurrence of IIT was limited under the import substitution policy regime in India. Given the size limits for companies imposed by the Monopolies and Restrictive Trade Practices (MRTP) Act 1969, firms tended to diversify rather than specialise in a particular business. There was no

Table 13: Rank Correlation Matrix of Import Baskets of Major SAARC Countries

Country	(99 Commodity HS 1992 Groups)				
	BD	IND	MALD	PAK	SRL
1	2	3	4	5	6
BD	1	0.63	0.59	0.67	0.76
IND		1	0.41	0.78	0.56
MALD			1	0.49	0.66
PAK				1	0.60
SRL					1
t-Statistics of Correlation					
Country	BD	IND	MALD	PAK	SRL
1	2	3	4	5	6
BD		8.03	7.13	8.98	12.9
IND			4.46	11.42	6.70
MALD				5.59	8.60
PAK					7.39
SRL					

Note: Critical t value at 5% level of significance is 1.67 (N=99, d.f. = 97).

compulsion for firms to rationalise their product lines. According to Veeramani (2003), greater liberalisation brings about rationalisation in the choice of product lines by individual plants. Rationalisation of product lines and efficient allocation of resources can take place through inter-industry shifting, inter-firm shifting within an industry and intra-firm resource shift. In order to examine the intensity of IIT,

Table 14: Herfindhal Index of Imports of Major SAARC Countries

Country	2-Digit Commodity Group*	6-digit level Commodity
1	2	3
Bangladesh	0.06	0.02
India	0.13	0.07
Maldives	0.06	0.02
Pakistan	0.09	0.06
Sri Lanka	0.05	0.01

*: HHI index has been calculated for 99 HS 1992 COMTRADE Data.

Note: HHI varies between 0 and 1.

Grubel and Lloyd (1975) provided an Index known as G-L Index, which is calculated as:

$$GLi = \frac{(Xi + Mi) - |Xi - Mi|}{(Xi + Mi)} \times 100$$

where GLi is the index of IIT in industry i, and Xi and Mi are respectively the values of exports and imports in industry i. The value of GLi ranges from 0 to 100. If there is no IIT (*i.e.*, one of Xi or Mi is zero) GLi takes the value 0. If all trade is IIT (*i.e.*, Xi = Mi), GLi takes the value of 100. Grubel and Lloyd (1975) also suggested the following formula, which is a weighted average.

$$GL = \frac{\sum (Xi + Mi) - |Xi - Mi|}{\sum (Xi + Mi)} \times 100$$

Table 15 shows that weighted IIT is highest for India, followed by Pakistan and Sri Lanka. IIT index for Maldives is lowest. This reflects that trade liberalisation biases trade expansion towards IIT in India. There are simultaneous expansion of exports and imports from the majority of industry groups. Industry-wise G-L index shows that out of 99 (2-digit) industry groups, IIT index for the year 2004 was more than 50 in 40 industry groups in India, 30 in Sri Lanka and 22 in Pakistan. Greater IIT Index also perhaps reflects industrial restructuring efforts made in recent years by SAARC countries which enabled firms to focus on their core competence rather than unnecessarily diversifying their business into non-core areas. This made it possible that in a particular industry group, domestic firm tend to specialise and in other segments of the same industry with no core competence, final and intermediate demand is met through imports. This phenomenon seems to have led to greater IIT in SAARC countries over the years (Table 15).

Table 15: Intra-Industry Trade in SAARC Countries

Year	Items	BD	IND	MALD	PAK	SRL
1	2	3	4	5	6	7
1995	No. of Industry Groups > G-L Index 50	8	35	1	...	...
	Weighted G-L IIT	11.0	38.2	3.9	...	...
2004	No. of Industry Groups > G-L Index 50	17	40	4	22	30
	Weighted G-L IIT	47.6	62.7	20.5	52.5	52.0

...: Not available.

Section V

Trade Comparative Advantage of SAARC Countries

The large scale trade liberalisation and domestic reform in most of the SAARC countries in recent years have led to an increasingly competitive international environment. Thus, it is timely to examine the extent to which SAARC countries have become more specialised in various sectors. Specifically, through analysing trade data for six SAARC countries, viz., Bangladesh, India, Maldives, Pakistan, Nepal and Sri Lanka and the rest of the world by commodity type, it is possible to reveal in which sectors and products their comparative advantage lies. Several indicators can be used to analyse competitive and comparative advantage.

In the present paper, Revealed Comparative Advantage (RCA) index and the Relative Trade Advantage (RTA) Index have been used to describe the tendency for countries to specialise and export those goods and services that they produce at a lower relative cost compared with other countries. However, before analysing the results, it is pertinent to briefly discuss the methodology to calculate these indices.

(a) Revealed Comparative Advantage (RCA)

The Revealed Comparative Advantage Index (RCA) is the most frequently employed measurement of trade specialisation. This index was first proposed by Balassa (1965) and defined as:

$$RCA_i = (X_{i,j} / \sum X_j) / (X_{i, World} / \sum X_{World})$$

Where:

RCA_i = revealed comparative advantage for good i.

X_{i,j} = exports of good i by country j

∑X_j = total exports by country j

X_{i,World} = world exports of good i

∑X_{World} = total world exports

If $RCA_i > 1$, then country j has a comparative advantage in good i . If $RCA_i < 1$, then country j has a comparative disadvantage in good i .

RCA is based on observed trade patterns. The RCA measures a country's exports of a commodity relative to its total exports and to the corresponding export performance of a set of countries. This index takes values between 0 and +1. A value of index greater than 1 denotes product in which country is relatively more specialised. On the contrary, a value less than 1 characterises that country j is accepted not specialised in product i .

(b) *The Relative Trade Advantage Index (RTA)*

The Relative Trade Advantage Index (RTA), which was first used by Scott and Vollrath (1992), shows the net trade advantage/disadvantage. This index is computed as the difference between the Relative Export Advantage (RXA) and the Relative Import Penetration Index (RMP). Considering both exports and imports, the RTA is a more comprehensive measure of competitiveness, and expressed as:

$$RTA_{ij} = RXA_{ij} - RMP_{ij}$$

The competitive advantage revealed by this indicator is implicitly weighted by the importance of the relative export and the relative import advantages. It can be greater or less than zero. A positive value expresses a situation of net competitive advantage, and a negative one shows a competitive disadvantage.

An inter-temporal analysis of Standard International Trade Classification (SITC) data for 1995 and 2006 based on the Balassa index of RCA shows that in 1995, SAARC countries, as a whole, had comparative advantage only in a few SITC broad industry groups. In 1995, India had comparative advantage in five trade sectors. However, India has developed comparative advantage in 10 sectors over the years. In contrast, Pakistan and Bangladesh have lost their comparative advantage in some sectors over the same period.

Pakistan had RCA index of more than one in agricultural raw material in 1995 but it witnessed a decline in RCA to 0.8 in 2006. Similarly, Bangladesh has lost its comparative advantage in food items and agricultural raw material as respective RCA indices turned from above one to below one. Nepal has developed comparative advantage in a number of sectors such as food items, ores and metals, non-ferrous metals, chemical products and iron and steel as the respective RCA indices turned more than one in 2006 (Tables 16 and 17) .

None of the countries has comparative advantage in capital intensive and high value added products. For instance, no SAARC country has RCA greater than one in machinery and transport equipment. In contrast, all SAARC countries, except Maldives, have strong comparative advantage in the industry group of textile fibres, yarn, fabrics and clothing. In the overall manufactured goods sector, Bangladesh and Pakistan have comparative advantage with RCA index of 1.29 and 1.14, respectively, followed by Nepal and Sri Lanka with RCA index of 1.01 each. Out of 12 broad SITC Groups as classified by UNCTAD (though not mutually exclusive), India has

Table 16: Revealed Comparative Advantage of Major SAARC Countries : 1995

Broad SITC Groups /Countries	BD	IND	MALD	NEP	PAK	SRL
1	2	3	4	5	6	7
Primary commodities, including fuels (SITC 0+1+2+3+4+68)	0.63	1.16	3.45	0.42	0.77	1.11
All food items (SITC 0+1+22+4)	1.16	2.08	8.22	0.87	1.31	2.08
Agricultural raw materials (SITC 2 - 22 - 27 - 28)	1.00	0.49	0.28	0.42	1.46	1.62
Ores and metal (SITC 27 + 28 + 68)	0.00	1.10	0.06	0.04	0.05	0.22
Non-ferrous metals (SITC 68)	0.00	0.25	0.00	0.00	0.00	0.01
Fuels (SITC 3)	0.06	0.24	...	0.00	0.14	0.06
Manufactured goods (SITC 5 to 8 less 68)	1.13	0.97	0.34	1.11	1.10	1.00
Chemical products (SITC 5)	0.32	0.86	0.00	0.13	0.07	0.10
Machinery and transport equipment (SITC 7)	0.04	0.19	0.00	0.00	0.01	0.09
Other manufactured goods (SITC 6 + 8 less 68)	3.00	2.14	0.94	3.06	3.04	2.63
Iron and steel (SITC 67)	0.00	0.96	0.00	0.96	0.00	0.03
Textile fibres, yarn, fabrics and clothing (SITC 26 + 65 + 84)	10.39	3.85	3.61	11.08	10.69	7.61

Table 17: Revealed Comparative Advantage of Major SAARC Countries : 2006

Broad SITC Groups /Countries	BD	IND	MALD	NEP	PAK	SRL
1	2	3	4	5	6	7
Primary commodities, including fuels (SITC 0+1+2+3+4+68)	0.29	1.34	3.94	1.09	0.74	1.07
All food items (SITC 0+1+22+4)	0.84	1.36	15.69	3.20	1.88	3.42
Agricultural raw materials (SITC 2 - 22 - 27 - 28)	0.86	1.30	0.00	0.76	0.80	1.38
Ores and metal (SITC 27 + 28 + 68)	0.06	1.97	0.23	1.46	0.13	0.80
Non-ferrous metals (SITC 68)	0.02	1.31	0.00	1.07	0.03	1.08
Fuels (SITC 3)	0.03	1.13	2.08	0.00	0.38	0.01
Manufactured goods (SITC 5 to 8 less 68)	1.29	0.91	0.01	1.01	1.14	1.01
Chemical products (SITC 5)	0.12	1.09	0.00	1.44	0.24	0.12
Machinery and transport equipment (SITC 7)	0.03	0.29	0.01	0.05	0.05	0.14
Other manufactured goods (SITC 6 + 8 less 68)	4.20	1.98	0.00	2.57	3.58	3.05
Iron and steel (SITC 67)	0.08	1.78	0.00	2.10	0.09	0.02
Textile fibres, yarn, fabrics and clothing (SITC 26 + 65 + 84)	17.84	3.25	0.00	7.52	13.96	10.60

comparative advantage in highest number of sectors while Pakistan, Sri Lanka and Bangladesh have only 4, 3 and 7 sectors, respectively. However, India does not seem to have comparative advantage in manufacturing goods sector. India has improved its comparative advantage substantially in 'iron and steel', 'chemical products', 'non-ferrous metals', 'ores and metal' and 'agriculture raw material'.

The analysis of competitiveness indicators, based on the index of relative trade advantages (RTA) which represents the difference between the index of relative export advantages (RXA) and the index of relative import advantages (RMP) shows that out of 12 broad industry groups, India enjoys relative trade advantage in 9 industry groups while Bangladesh enjoys only in textile items and manufactured goods (which are not entirely mutually exclusive). Pakistan has relative trade advantage in textile, food items, manufactured goods and other manufactured goods (Tables 18, 19 and 20). One thing comes out clearly that SAARC countries seem to compete with each other in textile sector as most of them have relative trade advantage in this sector.

Table 18 : Relative Trade Advantage Index of Major SAARC Countries : 1995

Broad SITC Groups /Countries	BD	IND	MALD	NEP	PAK	SRL
1	2	3	4	5	6	7
Primary commodities, including fuels (SITC 0+1+2+3+4+68)	-0.70	-0.52	1.75	-0.63	-1.03	0.24
All food items (SITC 0+1+22+4)	-0.75	1.62	5.56	-0.22	-0.64	0.44
Agricultural raw materials (SITC 2 - 22 - 27 - 28)	-0.14	-0.86	-0.43	-0.37	-0.39	1.06
Ores and metal (SITC 27 + 28 + 68)	-0.62	-0.76	-0.44	-0.68	-0.66	-0.18
Non-ferrous metals (SITC 68)	-0.67	-1.30	-0.13	-1.00	-0.63	-0.38
Fuels (SITC 3)	-0.96	-2.96	...	-1.27	-2.02	-0.24
Manufactured goods (SITC 5 to 8 less 68)	0.19	0.26	-0.48	0.61	0.33	-0.04
Chemical products (SITC 5)	-0.71	-0.69	-0.59	-0.74	-1.64	-0.83
Machinery and transport equipment (SITC 7)	-0.35	-0.35	-0.71	-0.40	-0.77	-0.58
Other manufactured goods (SITC 6 + 8 less 68)	1.33	1.51	-0.13	2.56	2.63	1.02
Iron and steel (SITC 67)	-1.34	-0.27	-1.04	0.58	-1.19	-0.82
Textile fibres, yarn, fabrics and clothing (SITC 26 + 65 + 84)	5.79	3.54	2.57	9.86	9.96	4.23

Note: Industry groups are not entirely mutually exclusive.

As far as the global competitiveness index compiled by the World Economic Forum is concerned, all SAARC countries, except India and Sri Lanka, are placed among the bottom 50 countries.

Table 19 : Relative Trade Advantage Index of Major SAARC Countries : 2006

Broad SITC Groups /Countries	BD	IND	MALD	NEP	PAK	SRL
1	2	3	4	5	6	7
Primary commodities, including fuels (SITC 0+1+2+3+4+68)	-0.99	-0.32	2.41	-0.69	-0.85	-0.07
All food items (SITC 0+1+22+4)	-1.53	0.86	13.13	0.77	0.24	1.45
Agricultural raw materials (SITC 2 - 22 - 27 - 28)	-1.74	0.24	-2.13	-0.45	-1.47	0.65
Ores and metal (SITC 27 + 28 + 68)	-0.57	0.53	-0.28	1.05	-0.56	0.06
Non-ferrous metals (SITC 68)	-0.57	0.69	-0.13	0.77	-0.52	0.42
Fuels (SITC 3)	-0.84	-1.17	0.74	-1.99	-1.38	-0.94
Manufactured goods (SITC 5 to 8 less 68)	0.37	0.25	-0.84	0.29	0.34	0.03
Chemical products (SITC 5)	-0.83	0.25	-0.51	0.33	-1.02	-0.78
Machinery and transport equipment (SITC 7)	-0.6	-0.32	-0.75	-0.42	-0.76	-0.42
Other manufactured goods (SITC 6 + 8 less 68)	2.82	1.37	-1.15	1.61	3.01	1.33
Iron and steel (SITC 67)	-0.93	0.69	-1.02	1.24	-1.29	-1.07
Textile fibres, yarn, fabrics and clothing (SITC 26 + 65 + 84)	13.11	3.03	-0.56	6.05	13.24	6.01

Note: Groups are not entirely mutually exclusive. RTA greater than zero indicates net competitive advantage (*i.e.*, after taking into account import intensity of country in the group).

Table 20 : Net Revealed Comparative Advantage of Major SAARC Countries : 2006

Broad SITC Groups /Countries	BD	IND	MALD	NEP	PAK	SRL
1	2	3	4	5	6	7
Primary commodities, including fuels (SITC 0+1+2+3+4+68)						
All food items (SITC 0+1+22+4)		✓	✓	✓	✓	✓
Agricultural raw materials (SITC 2 - 22 - 27 - 28)		✓	✓			✓
Ores and metal (SITC 27 + 28 + 68)		✓		✓		✓
Non-ferrous metals (SITC 68)		✓		✓		✓
Fuels (SITC 3)			✓			
Manufactured goods (SITC 5 to 8 less 68)	✓	✓		✓	✓	✓
Chemical products (SITC 5)		✓		✓		
Machinery and transport equipment (SITC 7)						
Other manufactured goods (SITC 6 + 8 less 68)	✓	✓		✓	✓	✓
Iron and steel (SITC 67)		✓		✓		
Textile fibres, yarn, fabrics and clothing (SITC 26 + 65 + 84)	✓	✓		✓	✓	✓

Note: Groups are not entirely mutually exclusive.

As the indicators show that main reasons seem to be lack of quality infrastructure, technological readiness, strong institutional mechanism, *etc.* While India is relatively better than other SAARC countries in respect of all competitiveness indicators, but a lot needs to be done in respect of labour market efficiency and technological advancements. However, the SAARC region is placed better in terms of potential market size. India is placed third, followed by Sri Lanka with 28th place and Pakistan with 36th place (Table 21).

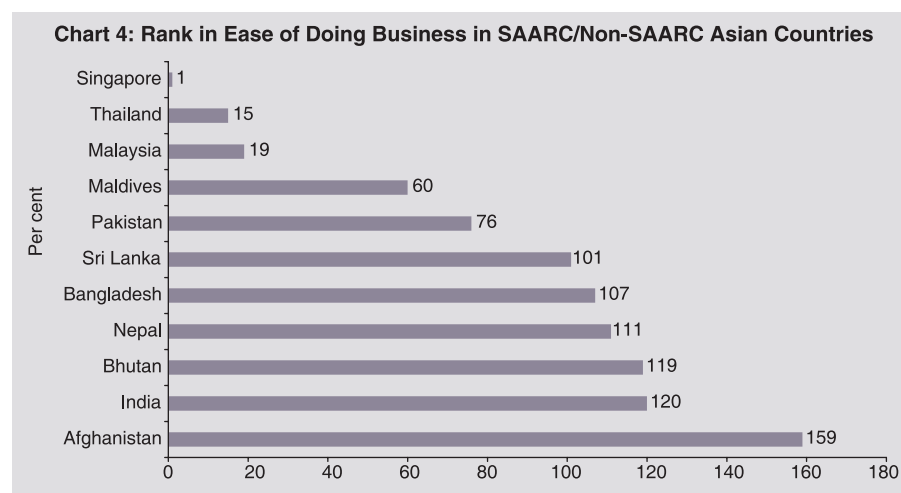
Interestingly, the World Bank Report on Doing Business 2008 highlights that South Asia picked up the pace of regulatory reform over the past year to become the second-fastest reforming region in the world, on par with the speed of reform in the countries of the OECD. The pickup in reform was led by India, which rose 12 places on the ease of doing business and made the reform of business regulation as a policy objective. India was the top reformer worldwide in trading across borders. Bhutan and Sri Lanka were the other top reformers in South Asia. Bhutan introduced the country's first fundamental labour protections. Sri Lanka made it easier to start a

Table 21: Rank of SAARC Countries based on Indicators of Competitiveness (2007-08)

Country/Competitiveness Indicators	IND	SRL	PAK	BD	NEP	Total No. of Countries
1	2	3	4	5	6	7
Global Competitiveness Index	48	70	92	107	114	131
Institutions	48	70	92	107	114	131
Infrastructure	67	72	73	120	128	131
Macrostability	85	87	101	108	125	131
Goods Market Efficiency	36	53	82	93	102	131
Labour Market Efficiency	96	113	118	76	122	131
Financial Market Sophistication	37	63	65	75	107	131
Market Size	3	28	36	58	85	131
Technological Readiness	62	88	89	125	115	131
Business Competitiveness Index	31	52	79	118	120	131
Sophist. of comp. opera. and strat.	27	44	88	117	118	131
Quality of the business environment	33	54	76	118	119	131

Source: World Economic Forum.

business and to trade across borders. Notwithstanding the ongoing positive developments on reform fronts as highlighted in the Doing Business Report, SAARC economies including India are still far below the advanced and emerging economies in terms of ranking in ease of doing business (Chart 4).



Section VI Some Trade Related Issues

It is generally perceived that trade integration plays an important role in transmitting disturbances and influencing business cycle co-movements. However, in the case of SAARC region, it is found that despite a negligible share of intra-SAARC trade in total SAARC trade, the major economies of the region are significantly synchronised with each other. Using real GDP data of SAARC countries for the period 1960-2006, it is found that cyclical real GDP behavior in India, Pakistan, Bangladesh and Sri Lanka exhibits significant convergence. Since the bilateral trade intensity between these countries is still low, the real GDP cyclical convergence could be perhaps on account of common external shocks and largely similar output structure. Furthermore, amplitude of cyclical behavior of India, Pakistan and Sri Lanka is also found to be largely the same (Table 22).

The key criteria in the optimal currency area literature are that countries should join a currency union if they have closer international trade links and more symmetric business cycles. As found above, the SAARC region meets the second criteria but not the first one. Therefore, in order to envisage the introduction of a common currency in South Asia which at best is likely only in the long run, it is necessary that trade links in the SAARC area are strengthened. Providing an

Table 22: Bilateral Correlations of Cyclical Behaviour of Real GDP in SAARC Countries (1960-2006)

Country	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
1	2	3	4	5	6	7	8
Bangladesh	1.00	0.09	0.57*	0.29	-0.01	0.57*	0.47*
Bhutan		1.00	-0.25	-0.15	-0.62	0.02	-0.46
India			1.00	0.26	-0.17	0.87*	0.74
Maldives				1.00	-0.10	0.00	0.45*
Nepal					1.00	-0.27	-0.07
Pakistan						1.00	0.58*
Sri Lanka							1.00
Amplitude of Cycles	0.01	0.02	0.02	0.04	0.01	0.02	0.02

* : Indicates statistical significant of positive bilateral correlations at 1 per cent.

Note: Calculations for Bhutan and Maldives were based on data available from 1980 and 1995 respectively.

optimistic view, Rahman, Shadat and Das (2006) argue that potential high economic growth of south Asian countries (particularly for India, Bangladesh and Sri Lanka) may boost their trade flows.

The best way to co-operate and collectively benefit is to establish tradability of some key resources that our region is richly endowed with, and to complement each other in economic development. Only then would South Asian economic co-operation lead to significant trade creating and growth generating impact. For instance, Bhutan has huge hydro power potential, which could find optimum utilisation by facilitating technological assistance by big neighbouring economies. Major SAARC economies such as India, Pakistan, Bangladesh and Sri Lanka can provide a large and virtually inexhaustible market for many of these resources. There are other tradable items which can be traded between SAARC countries with least transport costs, *etc.* Moreover, two major SAARC countries, *viz.*, India and Pakistan have been co-operating each other over the last few years to overcoming their shortages of agricultural products. For instance, Pakistan supplied chickpeas, pulses, grains and sugar when these were short in supply in India. India supplied onions, potatoes, pulses and other food items to Pakistan. Now Pakistan has started to export cement to India taking advantage of the duty reduction announced by the Indian Government. Despite all these developments, extra-ordinary issues still cloud over the potential of economic co-operation in the SAARC region. In the absence of redressal of trade issues, informal trade is also reportedly taking place in region, particularly between India and Pakistan, which is estimated to the extent of US\$ 2 billion. Much of this informal trade takes place via third countries such as Dubai, CIS countries and Afghanistan (Taneja, 2006). Pohit and Taneja (2000) and Taneja, *et al.* (2002) argue that informal trading is taking place due to policy distortions. As and when such distortions are corrected informal trade would shift to the formal channel.

As seen above, share of SAARC trade in world trade is abysmally low in comparison to other regional groups. Even Intra-SAARC is growing at very modest pace and remains substantially lower than that of other regional groups. The main reason for this could be the

vast disparity of size of economies. World Bank highlights that the reasons for this low level of trade include protectionist trade regimes, which discriminated against trade among larger neighbours; continued conflict between India and Pakistan; and transport and trade facilitation constraints. Chaturvedi (2007) also argues that the intra-regional trade has remained far below potential as not enough trade facilitation measures are being taken. Baysan, Panagariya and Pitigala (2006) argue that despite some bilateral Free Trade Agreement (FTAs) existing even before SAFTA outright excluded many of major sectors in which countries have comparative advantage and imposed tariff quotas on many other sectors. Apart from these, strict 'rules of origin' further handicapped the potential expansion of intra-regional trade on preferential basis in products that had large potential of trade. It is important to note that the follow-up agreements on concessions, dispute settlement, negotiation of a Rules of Origin Agreement would be important factors in determining the SAFTA being either a trade creating or a trade diverting RTA. Secretary General SAARC puts the cost of opportunity lost due to non-cooperation among the South Asian nations at US\$ 8 billion a year.

Economic co-operation was always high on the SAARC agenda and formal attempt has been through SAFTA becoming effective in 2004. SAFTA came into effect with aim of reducing tariffs for intra-regional trade among seven SAARC members. Pakistan and India have to complete implementation by 2012, followed by Sri Lanka in 2013 and Bhutan, Bangladesh, Maldives and Nepal by 2015. The SAFTA agreements suggest provisions regarding paperless trading, electronic means of reporting and identification of low risk, high risk goods, harmonisation in standards, technical assistance and customs co-operation at the SAARC level. However, there are certain issues that still remain to be addressed by the country authorities. For instance, Chaturvedi (2007) argues that although SAFTA has some provisions for ensuring trade facilitation in the region but at the same time misses out on several important provisions. He highlights the additional measures other than in SAFTA which need to be initiated. These issues relate to containerisation of regional trade and movement

of transit goods, security related concerns, infrastructure at the land customs stations and border agency co-ordination. In addition to these problems, the issue that Baysan *et al* (2006) emphasise is that *prima facie* the economic case for SAFTA becomes weak because of high level of protection among the SAARC countries. If the country participating in a regional arrangement were itself open, it would not suffer from trade diversion even if it were tiny as its union partners have to compete with outside trade partners on equal footing.

It is important to note that India has recently become more proactive in updating arrangements with five least developed countries (LDCs) of SAARC (Bangladesh, Bhutan, Nepal, Maldives and Afghanistan). There is a form of non-reciprocity for LDCs. India has accorded special and favourable treatment for LDCs. These preferences are non-reciprocal and unconditional to make the tariff concessions deeper and wider in coverage. As Table 23 shows, effective preferential agreement coverage rate on products for all SAARC economies has increased from 0.89 per cent in 1992 to 15.29 per cent, which is even higher for LDCs.

Analysing the empirical literature on the possible gains from SAFTA and given the present circumstances, Das (2008) reveals that South Asia, on the whole, stands to gain more from unilateral non-discriminatory liberalisation and multilateral liberalisation than from

Table 23: India's Preferential Tariff to SAARC/SAFTA Countries and LDCs

Items	Year	No. of Duty Free Lines	Effective Preferential Agreement Coverage Rate %
1	2	3	4
SAARC Preferential Tariff	1992	0	0.89
SAARC Preferential Tariff (LDC)		12	1.35
SAARC Preferential Tariff	1997	0	0.87
SAARC Preferential Tariff (LDC)		13	1.37
SAARC Preferential Tariff	1999	12	2.17
SAARC Preferential Tariff (LDC)		13	1.34
SAARC Preferential Tariff	2005	0	15.29
SAARC Preferential Tariff (LDC)		291	39.63

Source: UNCTAD-JETRO Report, 2008.

the formation of SAFTA. None of the empirical studies predicted robust welfare gains from the formation of a free trade agreement in South Asia. Such apprehensions point towards the economic as well as political issues that need to be persuasively addressed to make SAFTA more fruitful to the region. It is quite possible that as SAARC economies grow and economic complementarities begin to develop, the countries of South Asia, particularly the larger ones, may find that SAFTA can offer a potentially significant contribution to their progress.

A recent World Bank Study by Wilson and Otsuki (2006) finds that if the countries of South Asia raise their capacity halfway to East Asia's average, the intra-SAARC trade would rise by an estimated US\$ 2.6 billion. This is approximately 60 per cent of the total intra-regional trade in South Asia. The category of trade facilitation that will produce the greatest gains is service-sector infrastructure, followed by efficiency in air and maritime ports. South Asia also has a stake in the success of efforts to promote capacity building outside its borders. If South Asia and the rest of the world raised their levels of trade facilitation halfway to the East Asian average, the gains to the region would be an estimated US\$ 36 billion. Out of these gains, about 87 per cent of the total gains to South Asia would be generated from South Asia's own efforts (leaving the rest of the world unchanged).

In addition to implement capacity building in trade facilitation, the successful economic co-operation requires reducing barriers to foreign direct investment (FDI), further lowering tariff rates of protection, and eliminating other non-tariff barriers that slow productivity and hamper private sector growth. Macroeconomic policy stability of the region is also important factor for region's trade with the rest of world. In fact, the SAARC countries should strengthen co-ordinated mechanism under SAFTA so that it could be used as stepping stone towards greater integration into the world economy and the WTO as well as a laboratory for understanding the WTOs complexities. At present, certain disputes concerning SAARC countries are pending at the WTO (Table 24). SAFTA could be used as an appropriate forum not only to address intra-regional trade disputes but also for taking collective stand on WTO related issues.

Table 24: Disputes Pending at the WTO

Country	As Complainant	As Respondent	As Third Party
1	2	3	4
Bangladesh	1 (1)	0 (0)	1 (1)
India	18 (0)	19 (1)	51 (1)
Maldives	...	...	...
Nepal	...	...	...
Pakistan	3 (0)	2 (0)	9 (4)
Sri Lanka	1 (0)	0(0)	3 (2)

... : Not available.

Note : Figures in brackets indicate the number of disputes in which other SAARC Country is involved.

Source : WTO.

At present, the cost of trading across borders in South Asia is one of the highest in the world as the economies of the region have maintained a higher level of protection within the region than with the rest of the world. In fact, a study by Baysan, Panagariya and Pitigala (2006) warned that the region should avoid substituting intra-regional trade liberalisation for extra-regional liberalisation. They suggested that if countries in the region bring down the customs duties to 5 per cent, the impact of trade diversion will be considerably reduced. Procedural formalities in the region are still relatively cumbersome. It takes on average more than 33 days to export from South Asia compared to 12 days from OECD countries and more than 46 days to import into South Asia compared to 14 days for OECD. However, there are vast opportunities in the region to grow intra-SAARC trade if appropriate regional agreements on roads, rail, air, and shipping are put in place enabling seamless movement. Furthermore, since the countries of South Asian region are net energy importers, to meet the growing energy requirements, energy trade between these countries is essential. However, South Asia's current cross-border energy trade is limited to Bhutan, India and Nepal. Dhungel (2008) suggests that more energy trade projects between India, Pakistan and Bangladesh can help in contributing to integrate regional economies. There should be an effective mechanism that allows exporters in one country to obtain unique, less costly, or better quality inputs from suppliers in neighbouring countries and enhance global competitiveness.

Section VII

Summing Up

To sum up, the growth of intra-regional trade has remained subdued due to considerations other than economic issues. In ensuring stability and growth in intra-regional trade, the Indo-Pak bilateral relationship plays a very crucial role. Apart from this, SAARC countries need to put in place adequate physical infrastructure in place which hampers their global competitiveness even in those sectors where they have revealed comparative advantages. Although major SAARC countries are better synchronised in terms of their GDP cycles, trade integration continues to be low due to high level of protectionism existing among the SAARC countries than the rest of world. In this context, successful outcome of SAFTA could play an important role in strengthening trade ties within the region. It is, however, to be expected that with further dismantling of tariff barriers under the SAFTA, a large part of the informal trade may come under purview of formal trade. This along with favorable Rules of Origin could raise intra-regional trade in the SARRC region. SAARC countries will need to take concrete steps for harmonisation of customs and other procedures, mutual recognition of certificates and standards and trade facilitation measures. Trade policy of SAARC countries, therefore, needs to ensure that SAFTA ensures trade creation rather than trade diversion from the region as many researchers apprehend.

Notes:

¹ SAARC includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

² Commodity-wise 6-digit comparable data were available for majority of the SAARC countries only till 2004. It is quite possible that commodity ranking may have undergone some change in post 2004 period for SAARC countries.

³ The Herfindahl index equals the sum of squared share of each commodity in total export of respective country and hence, has a maximum of 1 when the country is completely focused on one sector, and lower values of the index indicate more diversification.

⁴ For the present exercise, instead of item-wise export to third market, we have used item-wise total exports due to paucity of country-wise and item-wise export data for SAARC. Furthermore, since the trade between SAARC countries is significantly low, this may not have affected the results significantly.

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**Annex I : Top 20 Export Items of SAARC Countries
(6-digit HS 1992 Classification)**

Sr No.	6 Digit Code	Country
Bangladesh		
1	610910	T-shirts, singlets and other vests, of cotton, knit
2	620342	Men's, boys trousers & shorts, of cotton, not knit
3	611090	Pullovers, cardigans etc of material nes knit
4	620520	Men's, boys shirts, of cotton, not knit
5	30613	Shrimps and prawns, frozen
6	620590	Men's, boys shirts, of material nes, not knit
7	620462	Women's, girls trousers & shorts, of cotton, not knit
8	611020	Pullovers, cardigans etc of cotton, knit
9	610510	Men's, boys shirts, of cotton, knit
10	620349	Men's, boys trousers & shorts, material nes, not knit
11	410439	Bovine and equine leather, nes
12	530710	Yarn of jute or textile bast fibres nes, single
13	620690	Women's, girls blouses & shirts, material nes, not kni
14	611030	Pullovers, cardigans etc of manmade fibres, knit
15	620333	Men's, boys jackets, blazers, synthetic fibre, not kni
16	620343	Men's, boys trousers shorts, synthetic fibre, not knit
17	620630	Women's, girls blouses & shirts, of cotton, not knit
18	620469	Women's, girls trousers, shorts, material nes, not kni
19	530310	Jute and other textile bast fibres, raw or retted
20	610990	T-shirts, singlets etc, of material nes., knit
India		
1	710239	Diamonds (jewellery) worked but not mounted or set
2	271000	Oils petroleum, bituminous, distillates, except crude
3	711319	Jewellery and parts of precious metal except silver
4	260111	Iron ore, concentrate, not iron pyrites, unagglomerate
5	100630	Rice, semi-milled or wholly milled
6	294200	Organic compounds, nes
7	721049	Flat rolled iron or non-alloy steel, coated with zinc, width >600mm, ne
8	300490	Medicaments nes, in dosage
9	999999	Commodities not specified according to kind
10	610910	T-shirts, singlets and other vests, of cotton, knit
11	620630	Women's, girls blouses & shirts, of cotton, not knit
12	30613	Shrimps and prawns, frozen

**Annex I : Top 20 Export Items of SAARC Countries
(6-digit HS 1992 Classification) (Contd.)**

Sr No.	6 Digit Code	Country
13	620520	Men's, boys shirts, of cotton, not knit
14	711719	Imitation jewellery nes of base metal including plate
15	630492	Furnishing articles nes, of cotton, not knit, crochet
16	230400	Soya-bean oil-cake and other solid residues
17	80130	Cashew nuts, fresh or dried
18	630790	Made up articles (textile) nes, textile dress pattern
19	870899	Motor vehicle parts nes
20	390210	Polypropylene in primary forms
Maldives		
1	271000	Oils petroleum, bituminous, distillates, except crude
2	610821	Women's, girls briefs or panties, of cotton, knit
3	160414	Tuna, skipjack, bonito, prepared/preserved, not mince
4	490700	Documents of title (bonds etc), unused stamps etc
5	620462	Women's, girls trousers & shorts, of cotton, not knit
6	610829	Women's, girls briefs or panties, material nes, knit
7	880330	Aircraft parts nes
8	230120	Flour or meal, pellet, fish, etc, for animal feed
9	620342	Men's, boys trousers & shorts, of cotton, not knit
10	220890	Alcoholic liqueurs nes
11	840710	Aircraft engines, spark-ignition
12	845229	Sewing machines, other than book-sewing machines, nes
13	720429	Waste or scrap, of alloy steel, other than stainless
14	220830	Whiskies
15	847420	Machines to crush or grind stone, ores and minerals
16	490110	Brochures, leaflets and similar, in single sheets
17	740400	Copper/copper alloy waste or scrap
18	560490	Textile yarn/strip, rubber, plastic impregnated/coate
19	240220	Cigarettes containing tobacco
20	901590	Parts and accessories for surveying etc instruments
Pakistan		
1	630231	Bed linen, of cotton, nes
2	100630	Rice, semi-milled or wholly milled
3	520512	Cotton yarn >85% single uncombed 714-232 dtex, not ret
4	630260	Toilet or kitchen linen, of cotton terry towelling
5	610510	Men's, boys shirts, of cotton, knit
6	520819	Woven cotton nes, >85% <200g/m2, unbleached
7	620342	Men's, boys trousers & shorts, of cotton, not knit

**Annex I : Top 20 Export Items of SAARC Countries
(6-digit HS 1992 Classification) (Concl.)**

Sr No.	6 Digit Code	Country
8	271000	Oils petroleum, bituminous, distillates, except crude
9	420310	Articles of apparel of leather or composition leather
10	521051	Plain weave cotton, <85% +manmade fibre, <200g print
11	570110	Carpets of wool or fine animal hair, knotted
12	890510	Dredgers
13	521213	Woven cotton fabric, > 200g/m2, dyed, nes
14	520522	Cotton yarn >85% single combed 714-232 dtex,not retai
15	950662	Inflatable balls
16	630210	Bed linen, of textile knit or crochet materials
17	940490	Articles of bedding nes
18	611490	Garments nes, of materials nes, knit
19	610590	Men's, boys shirts, of materials nes, knit
20	901890	Instruments, appliances for medical, etc science, nes.
Sri Lanka		
1	90240	Tea, black (fermented or partly) in packages > 3 kg
2	90230	Tea, black (fermented or partly) in packages < 3 kg
3	621210	Brassieres and parts thereof
4	620342	Men's, boys trousers & shorts, of cotton, not knit
5	610910	T-shirts, singlets and other vests, of cotton, knit
6	620462	Women's, girls trousers & shorts, of cotton, not knit
7	620469	Women's, girls trousers, shorts, material nes, not kni
8	880330	Aircraft parts nes
9	620520	Men's, boys shirts, of cotton, not knit
10	401290	Solid or cushioned tyres, interchangeable treads
11	710391	Rubies, sapphires and emeralds worked but not set
12	740319	Refined copper products, unwrought, nes
13	611020	Pullovers, cardigans etc of cotton, knit
14	610510	Men's, boys shirts, of cotton, knit
15	710239	Diamonds (jewellery) worked but not mounted or set
16	620630	Women's, girls blouses & shirts, of cotton, not knit
17	611610	Gloves impregnated or coated with plastic,rubber, kni
18	620343	Men's, boys trousers shorts, synthetic fibre, not knit
19	610990	T-shirts, singlets etc, of material nes, knit
20	620690	Women's, girls blouses & shirts, material nes, not kni

Source: Compiled from the UNCTAD COMTRADE Database.