REGIONAL ECONOMIC COOPERATION IN SOUTH ASIA AND ITS IMPACT UPON THE LDCs OF THE REGION

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Certificate

This is to certify that this dissertation entitled **"Regional Economic Cooperation in South Asia and its Impact upon the LDCs of the Region"** submitted by Kaveri Deb, in partial fulfillment of the award of the degree of **Master of Philosophy**, is entirely her own work and has not been considered for the award of any other degree either at this or any other university.

We recommend that this dissertation be placed before the examiners for evaluation.

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To my parents & my sister...

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List of Abbreviations

ASEAN	Association of South East Asian Nations
CEC	Committee for Economic Cooperation
CU	Customs Union
ESCAP	Economic and Social Commission for Asia and Pacific
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GEP	Group of Eminent Persons
GNI	Gross National Income
GSP	Generalised System of Preferences
HDI	Human Development Index
HS	Harmonised System
LDCs	Least Developed Countries
LLDCs	Landlocked Least Developed Countries
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
PTA	Preferential Trade Area
RCA	Revealed Comparative Advantage
RTA	Regional Trade Arrangements
SAARC	South Asian Association for Regional Cooperation
SACU	South Asian Customs Union
SAEU	South Asian Economic Union
SAFTA	South Asian Free Trade Area
SAPTA	SAARC Preferential Trading Arrangement
SITC	Standard International Trade Classification

Introduction

Backdrop

Economic cooperation among a group of countries can be forged through the formation of regional trade arrangements. Regional trade arrangements are formed when a group of countries agree to cooperate amongst themselves by the way of either partial tariff elimination or complete tariff elimination. The former forms the basis of a preferential trade area and the latter, a free trade area. These in effect are measures to enhance intra-regional trade. The trade arrangements can either be among developed countries (north-north cooperation), between developed and developing countries (north-south cooperation) and between developing countries (south-south cooperation). My dissertation focuses on a regional trade arrangement among developing countries of South Asia. SAARC Preferential Trading Arrangement (SAPTA) was born out of the need to liberalise trade and enforce economic cooperation among the members of South Asian Association for Regional Cooperation (SAARC). Thus SAPTA, made operational from 1995, was a preferential trade arrangement among India, Pakistan, Sri Lanka, Bangladesh, Bhutan, Maldives and Nepal. In course of time the authorities felt the need to further economically integrate the countries by transforming the region's preferential trade into free trade. Hence the Agreement on South Asian Free Trade Area (SAFTA) was signed in 2004 and made operational from 1st January 2006. The authorities even look forward to a South Asian Customs Union and eventually to a South Asian Economic Union, when the economies of SAARC would be fully integrated.

However, a careful analysis of facts would reveal that SAPTA could not live up to its expectations. SAPTA did not play an effective role in boosting the intra-regional trade, which in effect remained meager as compared to the intra-regional trade of other important regional groupings of the world. In this scenario, the potential of SAFTA to increase intra-regional trade is questionable.

Objective and Scope

My study would try to explicate two issues:

(1) Whether SAPTA had been able to increase the trade participation of the Least Developed Countries (LDCs) of SAARC. If not, what were the underlying causes for it?

(2) Whether SAFTA has the potential to increase the trade participation of the LDCs.

Thus, the study concentrates exclusively on the four SAARC LDCs Bangladesh, Bhutan, Maldives and Nepal. Since Afghanistan, which is also a LDC, has been recently introduced as a member of SAARC, I do not include it in my study. By increasing trade participation of LDCs I do not however mean increasing the trade of LDCs with the entire region. Here I shall specifically try to assess the trade of LDCs with India. India is the most technologically advanced country of the region, with a large market. Based on the notion that increased exports by LDCs to such a large market would be able to ensure greater gains for the LDCs in terms of their faster economic growth, I would be evaluating the potential of SAPTA and SAFTA for increasing the exports of LDCs to India. Further, since most of these countries have trade deficits with India, increasing their exports to India is the only way of relieving these economies from their foreign exchange constraint. It is to be noted here, I shall look into trade among the concerned countries on the basis of commodities. Services are excluded from my analysis.

It is important here to mention that the two LDCs, Bhutan and Nepal have bilateral trade arrangements with India which permit duty free movement of goods between the partners. Indo-Nepal trade relationship however extends beyond a free trade area as both the countries permit free movement of labour between them as well, which in effect implies the presence of a common market. The same thing does not hold true in case of Indo-Bhutan trade relationship as there is only one way free movement of labour and that is from Bhutan to India. Without going into any controversies regarding the usage of term, in the following chapters I shall be referring to trade between these two LDCs and India as bilateral trade arrangements which allow duty free movement of goods between the concerned members. Due to the presence of such bilateral trade arrangements, no concessions were exchanged between these two LDCs and India within the purview of

SAPTA. Even trade between them is not covered by the Agreement on SAFTA. Hence, attempts to evaluate the performance of LDCs in terms of their increased exports to India, under the SAPTA and SAFTA Agreements, remain largely limited to Bangladesh and Maldives, with whom India has not yet entered into bilateral trade arrangements which approve duty free movement of goods. I do not however completely exclude Bhutan and Nepal from my study. By including them, it becomes possible to compare the extent of their exports to India, with that of Bangladesh and Maldives.

To summarize, my dissertation is not an extensive study of regional trade arrangements in South Asia. Nor is it an expansive scrutiny of the LDCs of South Asia. Rather it is an intersection of two, as it tries to evaluate the relevance of SAPTA and SAFTA in the context of the LDCs of the region.

Structure of the Dissertation

The dissertation is divided into four chapters. Here I shall briefly present the chief contents of each chapter.

Chapter 1 will start with a brief description of how the regional trade arrangements came into being and what are the gains expected from the formation of a trade arrangement among a group of countries. The discussions in this chapter will then focus on the formation of SAARC and how it eventually paved the way for ratification of SAPTA. I shall present a brief review of the extent of tariff concessions exchanged among the members of SAPTA. In the process I shall analyze how the agreement promised to ensure greater gains for the LDCs, whether in the form of deeper tariff cuts by the non LDCs on imports from the LDCs, or in the form of certain other special and differential treatments for the LDCs.

Chapter 2 will present a short analysis of the characteristics of the SAARC LDCs. It will try to evaluate in what respects the SAARC LDCs differ from rest of the LDCs of world. In the process, the discussions in this chapter will look into the commodity composition

of trade of these LDCs and also their trade with different regional groupings of the world, including SAARC.

Chapter 3 will look into the intra-regional trade of the LDCs. It makes an attempt to determine whether the LDCs have been able to increase their exports to India within the framework of SAPTA. If not, the chapter then proceeds to analyse some of the reasons responsible for this.

Chapter 4 studies the origin of SAFTA. It tries to analyse whether SAFTA has the potential to increase the exports of LDCs to India. This chapter then enumerates several measures through which it will be possible to make SAFTA more beneficial for the LDCs in terms of their increased exports to India.

Chapter 4 will be followed by the concluding part of my dissertation where I shall summarize the main findings of my study and the conclusions that emerge from them.

Before concluding this discussion, it is important to point out certain things. I have not used any complex econometric tools for my analysis. I have only resorted to simple statistical indices to prove my claim. For this purpose, I have relied on standard secondary sources of data such as, World Development Indicators, various editions of Statistical Yearbook for Asia and the Pacific, International Trade Statistics Yearbook, UNCTAD Handbook of Statistics, the United Nations COMTRADE database - available online and the International Financial Statistics (IFS) online.

Chapter 1

Regional Trade Arrangements and South Asia

Introduction

Regional Trade Arrangements (RTAs) which are a mechanism for economic cooperation among a group of countries, now constitute an important feature of the world economy. The growing proliferation of regional trade arrangements would be evident from the fact that the total number of notified trade arrangements in force up to 1st February 2005 was 170. About 20 RTAs are on the verge of coming into force upon completion of their respective ratification procedures. Another 70 RTAs are under negotiation or proposal stage.[1] Trade between RTA partners today make up nearly 40% of total global trade.[2] The Regional Trade Arrangements can assume various forms. They can be in the form of a Preferential Trade Area (PTA), a Free Trade Area (FTA), a Customs Union (CU), a Common Markets and an Economic Union. A PTA is a trade arrangement between two or more countries in which goods produced within the arrangement are subjected to lower trade barriers than goods produced outside the arrangement. Two or more countries form a FTA when they abolish all import duties and all quantitative restrictions on their mutual trade in all goods but retain original tariffs against the rest of the world. Two or more countries form a CU when in addition to abolishing all import duties and quantitative restrictions on their mutual trade in all goods, they maintain a common external tariff, instead of their respective national tariffs on imports from outside the union. Two or more countries can form a Common Market, if they form a CU and in addition allow free movement of all factors of production between the member countries. In an Economic Union, countries form a Common Market and in addition proceed to unify their fiscal, monetary and socio-economic policies.[3] The process of economic integration is a movement from PTA – the lowest degree of economic integration, to Economic Union –

[1] Indra Nath Mukherji, *Regional Trade Agreements in South Asia*, South Asian Yearbook of Trade and Development, 2005, p. 363.
[2] Ibid., p. 364.
[3] See, Miltiades Chacholiades, *International Trade Theory and Policy*, McGraw-Hill, New York, 1978, p. 545-546.

the highest degree. FTA, CU and Common Markets are three successive stages that fall between the stages of PTA and Economic Union.

The present chapter provides a background to the formation of regional trade arrangements and the commencement of the SAARC Preferential Trading Arrangement (SAPTA) in South Asia. The discussion in this chapter is divided into four parts. Part A discusses how the regional trade arrangements came into being through the notifications issued by General Agreement on Trade and Tariffs (GATT). Part B focuses on gains from RTAs – both economic and non economic. Part C enumerates the origin of South Asian Association for Regional Cooperation (SAARC) and explores the factors that led to the formation of SAARC. Part D then proceeds to discuss the beginning of economic cooperation in South Asia through the formation of SAARC Preferential Trading Arrangement (SAPTA). It makes a brief study of tariff negotiations under different rounds of SAPTA and looks into the special provisions, made by the Agreement on SAPTA, for the Least Developed Countries (LDCs) of SAARC.

Part A

GATT and the Enabling Clause

The most significant element of the General Agreement on Trade and Tariffs (GATT) is the Most Favoured Nation (MFN) principle as prescribed in Article I which prevents member countries from pursuing discriminatory trade policies against one another. The principle requires that each member country must grant to all members the same advantage, privilege or favour that it grants to any other country [Panagariya (2000)]. However, Article XXIV of GATT specifies that MFN principle need not be followed if the members can form an arrangement through which they eliminate, rather than just lower all the trade barriers within the union on "substantially all trade". Further, the arrangements must take note of the fact that they do not raise barriers on goods produced outside the region. In effect, these provisions are meant for the FTA and CU and explicitly rule out partial RTAs or what are commonly known as PTAs [Panagariya (1998)]. The provisions of Articles XXIV are not very useful for the formation of RTAs which involve weak developing countries. These countries, with their poor resource base

and weakly developed industries, might find it difficult to open up their economies to the member countries by eliminating all tariffs and non tariff restrictions. This move would invite foreign competitions and hurt their domestic industries. In order to enable the developing countries to join RTAs, in 1979, decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (also known as the Enabling Clause) was undertaken which ratified partial tariff elimination by countries forming a RTA. Para 2(a) of the clause provides for one-way partial tariff preferences being accorded by the developed countries to the developing countries and this formed the basis of Generalised System of Preferences (GSP). Para 2(c) permits regional or global arrangements among the less developed contracting parties for mutual reduction of tariff and non tariff barriers on products of mutual trade interest. This arrangement formed the background for the formation of economic cooperation among developing countries, or what is commonly termed as South-South Cooperation.[4] My dissertation is based on one such economic cooperation among the developing countries – the SAARC Preferential Trading Arrangement which eventually gave way to the South Asian Free Trade Area.

Part B

Gains from RTAs

Countries voluntarily enter into cooperative arrangements amongst themselves as they expect to derive gains from the formation of a RTA. These gains – both *economic* and *non economic*, have been recognized by many theorists.

Economic Gains

Much of the literature on customs unions, classifies the *economic gains* into *static* and *dynamic*. *Static economic gains* were first realized by the earliest theories on customs unions which laid stress on welfare improvements from increased trade among the union members. The whole point of their argument was based on the notion that free trade maximizes world welfare. Since customs union in a move towards free trade, through

[4] Arvind Panagariya, *The Regionalism Debate: An Overview*, Nov. 1998, p. 2. Accessed from http://129.3.20.41/eps/it/papers/0309/0309007.pdf

tariff elimination among the union members, it increases world welfare, even if it does not lead to a world welfare maximum. Later, Viner (1950)[5] challenged this belief and using the concepts of *trade creation* and *trade diversion* argued that customs unions are not always welfare improving. He believed, formation of a customs union between two countries A and B, would result in a shift in production from a higher cost domestic producer of A to a lower cost producer in partner country B, which in effect is *trade creation*. It would raise the welfare levels of A. At the same time, formation of a customs union would result in shift in production from a lower cost non member C, to a higher cost customs union member B, which in effect is *trade diversion*. Such a move will reduce the welfare of country A. If the welfare losses due to *trade diversions* outweigh the welfare gains due to *trade creation*, Viner argued a customs union would not lead to welfare improvements. This conclusion of Viner triggered further developments in the customs union theory with the writings of Meade (1956)[6], Lipsey (1957)[7] and others. These writers claimed that Viner in his theory on customs unions considered only the inter-country substitution in production and ignored the inter-commodity substitution in consumption. Viner's analyses was entirely based on the assumption that the commodities were consumed in a fixed proportion in the home country and were independent of changes in relative prices arising from the formation of a customs union. The arguments of Meade and Lipsey could be explained in terms of the three country framework which has been adopted in the foregoing discussion. Meade and Lipsey independently of each other showed, because of the removal of tariffs on imports from the partner country B, goods could be obtained from it by A, at a price less than that obtainable from the non member C, on whom A maintains the tariff. This would be followed by a substitution in consumption by the consumers of country A, from goods importable from C, to goods importable from B. In effect, the welfare of A would increase due to the greater consumption permitted by cheaper commodities importable from B. This increase in welfare arises out of inter-commodity substitution in consumption. The authors claimed that once such inter-commodity substitution in

[5] Jacob Viner , *The Customs Union Issue,*, Carnegie Endowment for International Peace, New York, 1950.
[6] James E. Meade, *The Theory of Customs Unions*, Amsterdam: North Holland Publishing Company, 1956.
[7] Richard G. Lipsey, *The Theory of Customs Unions: Trade Diversion and Welfare*, Economica, Vol. 24, No. 93, 1957.

consumption is allowed in addition to inter-country substitution in production, the total increase in welfare would be much large so that even in the presence of *trade diversions* the formation of a customs union might not reduce the welfare of the home country A.[8]

Besides *static economic gains*, formation of a customs union would also give rise to certain *dynamic economic gains*.[9] Firstly, expansion of market size due to tariff elimination would infuse greater competition within the region. Greater competition would stimulate further research and development which would in turn lead to faster economic growth. Secondly, a large market creates an environment for foreign direct investment (FDI). Increase in the inflow of FDI into the region often enables the regional members to gain access to advanced technologies either through capital goods imports which are later imitated, or through diffusion of know-how and expertise. This would help the regional members to become more productive and hence improve their output growth.[10] Thirdly, creation of a large market would generate greater scope for division of labour and specialization, which would reduce the unit cost of production.

Apart from these *static* and *dynamic economic gains*, another *economic gain* in the form of enhanced *collective bargaining power* of the RTA members in extra regional affairs, demands some attention too. If some countries could form a RTA amongst themselves, then, they could bargain collectively for their demands at international forums.[11] Such collective bargaining makes it much easier for the countries to fulfill their demands, which would have been otherwise very difficult to achieve, had the countries bargained individually.

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[8] For a detailed overview of these theories, refer to *The Theory of Customs Unions: A General Survey* by R.G. Lipsey, The Economic Journal, Vol. 70, No. 279, 1960.

[9] Chacholiades, n. 3, p. 558-559.

[10] See, Etem Karakaya & Andrew Cooke, *Economic Integration: An Overview of the Theoretical and Empirical Literature*, Nottingham Trent University, Applied Economic Policy Discussion Paper Series, Discusion Paper No. AEP2002/01, 2002, p. 10-11.

[11] Raquel Fernandez, *Returns to Regionalism: An Evaluation of Nontraditional Gains from the Regional Trade Agreements*, The World Bank International Economics Department International Trade Division, Working Paper No. 1816, 1997, p. 22.

Non Economic Gains

A major *non economic* gain that countries joining a RTA look forward to include, gains related to *security* of nations joining a RTA. The ability of regional groupings to provide security to nations is manifested in two broad forms. First is, potential of a regional grouping through its peace keeping machinery and diplomatic techniques, to settle disputes among its own members.[12] For instance, if a country suffers from the fear of its political regime being threatened by other countries, then it could look forward to joining a RTA whose arrangements to restore peace amongst member countries would be able to secure the stability of its regime. Another way in which a RTA could provide security to its members is its ability to present itself as common military front against an outside actor or actors.[13]

Part C

Regional Cooperation in South Asia

In South Asia, regional cooperation commenced with the formalization of South Asian Association for Regional Cooperation (SAARC) in 1985 at Dhaka. The signatories included the non LDCs, India, Pakistan, Sri Lanka and the LDCs, Bangladesh, Bhutan, Maldives and Nepal. As per the SAARC Charter, the group of countries aimed at working collectively to:

(a) Achieve self reliance;

(b) Promote welfare of the people of South Asia and to improve their quality of life;

(c) Accelerate economic growth, social progress and cultural development in the region;

(d) Promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;

(e) Contribute to mutual trust, understanding and appreciation of one another's problems;

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[12] See, Jeanette Edblad, *The Political Economy of Regional Integration in Developing Countries*, Umea University, Centre for Regional Science, Working Paper No. 3, 1996, p. 16.

[13] Ibid

(f) Strengthen cooperation among themselves in international forums on matters of common interest. [14]

However, the reasons behind the formation of this regional organization were much too complex and at the time of its formalization, the member countries did not consider SAARC as an organization whose primary concern was to generate economic gains for them through a regional trade agreement. In the course of time however the need to form a RTA was realized, which is left for analysis in part D. It is of relevance here to discuss some of the complex issues which led to the formation of SAARC.

Reasons for forming SAARC

Theorists argue that both economic and non economic factors played a role in SAARC formation.[15] However, careful analyses of facts reveal that non economic factors to a greater extent influenced the countries of South Asia to cooperate amongst themselves. Political differences and lack of trust among the countries were inherent at the time of formation of SAARC. Nevertheless, each of the countries joining SAARC, considered it as an instrument which could be exercised to protect their individual interests. In the opinion of Murthy (2000), "though regional cooperation was the stated objective for forming and joining the association, it is seen each of the countries had a specific agenda – primarily political with regard to the association.....each country had a clear cut political agenda to fulfill and a political role to gain by institutionalizing regional cooperation."[16] Bangladesh, which was the first country to formally propose the idea of regional cooperation, for instance, looked forward to benefiting in a number of ways through the arrangement. First, having failed to enforce a solution to the Ganges water

[14] Complied from Article I of SAARC Charter.

[15] The economic factors, though not a major factor, but it did play a role the formation of SAARC. The crisis of US $ in 1971, followed by the OPEC decision to raise oil prices in 1973 worsened the economic situation of the South Asian countries. The real GDP growth rate in 1974-75 was as low as 2.2%. Though the economy recovered to some extent in 1979, the "second oil shock" further dampened the economies of South Asia. With growing indifference being noticed on the part of the developed world towards the problems of the developing world, the South Asian countries hoped to achieve nothing from North-South dialogue. Thus the countries of South Asia had no other option but to look inward the region in order to solve their own problems. This to certain extent led to the demand of forging cooperation among the countries of South Asia. See *Regional Cooperation in South Asia* by S.D. Muni and Anuradha Muni, 1984, p. 23.

[16] Padmaja Murthy, *Relevance of SAARC*, Strategic Analysis, IDSA, Vol. XXIII, No. 10, 2000.

sharing problem with India, Bangladesh wanted to put pressures on India through a regional forum. Secondly, President Zia-ur-Rahman of Bangladesh, was facing internal political pressures from the rightist forces to open up the economy, which induced him to undertake a foreign policy that supported regionalism.[17]

Bangladesh's proposal to formulate the cooperative arrangement was readily endorsed by the smaller member countries of Bhutan, Nepal, Maldives and Sri Lanka. These small countries feared India's dominance in the region. Nevertheless, they saw SAARC as an effective platform from where they can collectively voice their concerns and extract a better deal from India on various economic and non economic issues.[18] Bhutan and Maldives, in addition, looked at SAARC as an arrangement which would help them to expand their foreign and economic relations without antagonizing India.[19]

The larger countries of the region, Pakistan and India were initially reluctant to join the organization and this to a considerable extent delayed the formalization of the procedures of SAARC.[20] Nevertheless both the countries ultimately agreed to join the cooperative arrangement. Pakistan hoped that by joining SAARC, it could coordinate with other smaller SAARC members to act against the will of India if future situations demanded so.[21]

Apart from the aforesaid factors, the countries also volunteered to join SAARC in order to secure their ruling regimes. It is to be noted, at the time of joining SAARC the

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[17] S.D. Muni and Anuradha Muni, *Regional Cooperation in South Asia*, National Publishing House, New Delhi, 1984, p. 31.
[18] Murthy, n. 16.
[19] Murthy, n. 16.
[20] Pakistan's reluctance to join SAARC traces back to its political rivalry with India. It considered the regional cooperation to further strengthen India's economic dominance over the region with consequent political implications. Pakistan also feared that its involvement in the South Asian region would cast a doubt on its credibility and serious efforts to forge closer ties with the Islamic countries of West Asia. India on the other hand had initially experienced some isolation in the region on some world vital issues on which India's position was contradictory to that of its neighbours. Hence India feared that such cooperative arrangement would enable its neighbours to 'gang up' and put pressures on it on matters affecting the latter, both collectively and individually. See *Relevance of SAARC* by Padmaja Murthy, Strategic Analysis, IDSA, Vol. XXIII, No. 10, 2000. Also see *Regional Cooperation in South Asia* by S.D. Muni and Anuradha Muni, 1984.
[21] Murthy, n. 16.

countries did not have a uniform political regime. While India had a democratic form of Government, most countries were non democratic. Bhutan and Nepal were ruled by Monarchs while Pakistan and Bangladesh were under military dictatorship. These countries sought to protect their ruling regimes which they feared were under threat from the supporters of democracy in India. Various authors identify this to be one of the major reasons for Nepal to join SAARC. The SAARC Charter provides for "sovereign equality, territorial integrity, national independence, non use of force and non interference in internal affairs of other states and peaceful settlement of all disputes." These provisions were viewed as a guarantee by the countries against any pressure to overthrow their ruling regime.[22]

The above discussion shows that different countries had different reasons for joining SAARC. However, there were certain developments in South Asia which the countries collectively sought to counter through a cooperative arrangement amongst themselves. In the event of Soviet military interventions in Afghanistan, the security concerns of South Asian countries against external threats were heightened. Such developments induced the South Asian countries to cooperate and guard themselves against foreign threats in future.[23]

Thus political factors contributed significantly towards the formation of SAARC. However, this should not come as a surprise as the formation of almost all regional groupings in the world had motives other than economic. Seen with reference to European Community, fears of Europe of the possibility of a resurgent Germany led to the formation of European Coal and Steel Community (ECSC) in 1951 which resulted in joint control of coal and steel. Coal and steel were considered essential for entering into war and thus their joint control ensured that members do not enter into war with each other. This move was a step closer to regional cooperation and finally led to the formation of European Union.[24] Even ASEAN was formed out of the need for security

[22] Padmaja Murthy, *Role of Smaller Members in SAARC Forum*, Strategic Analysis, IDSA, Vol. XXII, No. 8, 1998.
[23] Muni and Muni, n. 18, p. 31.
[24] Murthy, n. 16.

from the threats of communism in the neighbouring country of Vietnam.[25] However in course of time, these regional groupings have worked out their political differences in order to make them economically viable. Within SAARC political differences still exist at a large extent and whether with the passage of time the member countries would be able to overcome it, is an object of further research which is beyond the scope of my dissertation.

Part D

SAARC Preferential Trading Arrangement: The Beginning of SAARC as an Economic Cooperative Arrangement

The first ever approach towards economic cooperation among the SAARC countries was the inception of SAPTA. During the 1988 Islamabad Summit of SAARC, a group of experts worked out the modalities for studies to be carried out for cooperation in the areas of trade, manufactures and services with the objective of meeting the basic needs of the people of the region.[26] Accordingly, the SAARC Study on Trade, Manufactures and Services, recommended the establishment of the Committee for Economic Cooperation (CEC) in May 1991. The CEC was entrusted with the authority to strengthen and enhance intra-regional cooperation in the fields of trade and economic relations through implementation of various policies and programmes.[27] The Colombo Summit of SAARC held in December 1991 declared the leaders' commitment towards liberalization of trade in the region through a step-by-step approach in such a manner that all the countries in the region share the benefits of trade expansion equitably. Thus from 1991 onwards, the SAARC countries were consciously trying to leave behind their perception of SAARC as a means through which they could satisfy their political agendas only. This was the period when economic agendas started to gain some importance in countries' interaction with each other. It is to be noted that since 1991, all the countries of SAARC began liberalizing their economies and in this scenario, it was quite obvious for the countries to look forward for any possibilities for trade liberalization within the region which could

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[25] Edblad, n.12, p. 22.

[26] Anshuman Gupta, *SAARC, SAPTA to SAFTA*, Maulana Abul Kalam Institute of Asian Studies, Kolkata, Shipra Publications, New Delhi, 2002, p. 85.

[27] See *Regional Economic Cooperation,* available at http://www.saarc-sec.org/main.php?id=43&t=3.2

generate economic gains.[28] Eventually, an Inter Governmental Group of Trade Experts was set up to formulate an agreement which would present the institutional framework for the implementation of SAPTA.[29] The Agreement on SAPTA was signed on 11th April 1993 and entered into force on 7th December 1995. The Agreement reflected the desire of the member countries to promote and sustain economic cooperation among themselves through exchange of concessions on selected products.[30] Thus it took ten long years since the formation of SAARC to formalize the attempts towards economic cooperation.

SAPTA allowed negotiation between the countries to be held on the basis of tariffs, para-tariffs, non tariff measures and direct trade measures.[31] The Agreement permitted the members countries to conduct their negotiations for trade liberalization using any one or a combination of the following methods: (1) product-by-product basis; (2) across-the-board tariff reductions; (3) sectoral basis; and (4) direct trade measures. As per Article 12 of the Agreement, the member countries agreed to undertake appropriate steps and measures for developing and improving the communication system, the transport infrastructure and transit facilities for accelerating the growth of trade within the region.[32]

Special Provisions for the LDCs under SAPTA

With a view to providing equitable benefits for all the members of SAARC, SAPTA realized that special treatments have to be rendered to the LDCs of the region. Such special treatments were meant to help the LDCs and thereby ensure that they do not loose out from the regional trade liberalization programme. Accordingly deeper tariff cuts were permitted by the other members of the region on imports from LDCs. Other provisions such as, removal of non tariff and para-tariff barriers, special considerations by the non

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[28] Murthy, n. 22.
[29] Gupta, n. 27, p. 85-86.
[30] http://www.saarc-sec.org/main.php?t=2.1.5
[31] *Para-tariffs* are border charges and fees, other than tariffs, on foreign trade transactions of a tariff like effect which are levied solely on imports, but not those indirect taxes, which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures. *Direct Trade Measures* are for promoting mutual trade of the contracting parties through long and medium term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations and government and public procurement. See *Agreement on SAPTA.*
[32] See the *Agreement on SAPTA*, p. 4. Available at www.saarc-sec.org

LDCs of the region in the application of safeguard measures on imports from LDCs, were also provided.[33] The LDCs were even allowed to introduce and continue quantitative and other restrictions on imports from other member countries under certain circumstances.[34] As per Article 6 of the Agreement, the LDCs were made eligible for certain other facilities to be provided by the non LDCs of the region. These include:

(1) Assisting the LDCs in identifying, preparing and establishing various industrial and agricultural projects in their territories in order to expand their export capabilities;

(2) Setting up of manufacturing and other facilities by the non LDCs in LDCs to meet intra-regional demand under cooperative arrangement;

(3) Formulation of export promotion policies and the establishment of training facilities in the field of trade to assist LDCs in expanding their exports and maximizing their benefits from SAPTA;

(4) Provision of support to export and marketing of products of LDCs by enabling these countries to share the existing facilities such as export credit insurance, access to market information etc. with the advanced economies of the region.

(5) Promoting joint ventures between the LDCs and other member countries designed in such a way as to increase trade;

(6) Provision of special facilities and rates to the LDCs in respect to shipping.[35]

Different Rounds of SAPTA

Since the authorities wanted to move towards preferential trade liberalization in a cautious manner, they adopted a step-by-step approach. Hence negotiations for tariff liberalization under SAPTA were conducted in four successive rounds. With the

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[33] Safeguard measures have been provided to protect the member countries from sudden adverse impact on their economies due to the implementation of the Agreement. Such adverse impact might be in the form of severely worsened balance of payment position or major injury to the domestic suppliers in any specific item. In both the cases the affected country can suspend its concessions on all or some commodities (in the former case) or any specific commodity (in the latter case) for a couple of days within which a solution to the problem must be worked out after consultation with other countries. See *SAARC, SAPTA to SAFTA* by Anshuman Gupta, 2002, p. 78-79.

[34] See Article 10 of the *Agreement on SAPTA*, p. 4. Available at www.saarc-sec.org

[35] See Annex I of the Agreement on SAPTA. Available at www.saarc-sec.org

completion of each round, larger and larger product groups were brought under the preferential regime. The later rounds even permitted deeper tariff cuts on products already considered for preferential tariff reductions in the previous rounds.

In every round, each of the SAARC countries prepared a schedule of concessions on the basis of which tariff negotiations among the countries were held. Concessions were offered in three ways: (1) concessions exclusively applicable to the LDCs; (2) concessions meant for both LDCs and non LDCs and (3) concessions given against some items to both LDCs and non LDCs with the former being eligible for higher reductions in tariffs.[36] Concessions were initially exchanged at the bilateral level and then made available to all the other member countries. Initially countries entered into tariff negotiations amongst themselves on a product-by-product basis. Only during the Fourth Round of SAPTA, it was envisaged that trade negotiations would be conducted either chapter wise, on sectoral basis or across the board which would enable the coverage of a wide range of goods.[37] However in the Third Round, sectoral tariff preferences were exchanged between India and Bangladesh.[38]

The First Round of negotiations under SAPTA ie, SAPTA (I) was concluded on December 1995, the Second Round ie, SAPTA (II) in March 1997, the Third Round ie, SAPTA (III) in November 1998 and the Fourth Round ie, SAPTA (IV) by the end of 2002. The table 1.1 presents a summary of the number of items at 6 digit HS (Harmonized System) level, offered for tariff concessions by different SAARC nations under the First and the Second Rounds of SAPTA.

[36] Gupta, n. 26, p. 86.
[37] Gupta, n. 26, p. 94.
[38] Saman Kelegama, *SAFTA: A Critique*, South Asian Journal, April-June 2004.

Table 1.1: Number of Tariff Lines at HS-6 Digit Level offered for Concessions under First and Second Rounds of SAPTA

Rounds of SAPTA	Country	For All Countries	For LDCs only	Total
	Bangladesh	11	1	12
	Bhutan	4	7	11
	India	44	62	106
	Maldives	17	0	17
	Nepal	10	4	14
	Pakistan	20	15	35
	Sri Lanka	20	11	31
I	**Total**	**126**	**100**	**226**
	Bangladesh	215	11	226
	Bhutan	37	10	47
	India	390	512	902
	Maldives	2	3	5
	Nepal	166	67	233
	Pakistan	232	131	363
	Sri Lanka	72	23	95
II	**Total**	**1114**	**757**	**1871**

Source: *SAARC, SAPTA to SAFTA* by Angshuman Gupta Maulana Abul Kalam Institute of Asian Studies, Kolkata, Shipra Publications, New Delhi, 2002.

Thus, in the First Round, a total of 226 items were offered for tariff concessions by all the SAARC countries. India had offered the maximum number of product concessions that is, 106 out of which 62 were meant exclusively for the LDCs. India was followed by the other two non LDCs, Pakistan and Sri Lanka, each offering 35 and 31 items respectively for tariff concessions. Bhutan's list of concessions covered the least number of tariff lines.

In the Second Round, the product coverage was extended considerably as evident from the total number of tariff lines considered eligible for tariff concessions. Concessions meant exclusively for the LDCs had also increased significantly (from 100 in SAPTA (I) to 757 in SAPTA (II)). In this round too, India offered the maximum number of tariff concessions.

In the Third Round of SAPTA, a total of 3,456 commodities at HS 6 digit level were brought under the preferential regime. In this round, India alone extended concessions on

1,917 items which included deepening of tariff concessions on commodities already incorporated within SAPTA (I) and SAPTA (II) negotiations. The LDCs Bangladesh, Bhutan, Maldives and Nepal presented concession lists consisting of 481, 124, 368 and 189 items respectively. Pakistan and Sri Lanka extended concessions on 295 and 82 items respectively. [39]

The rates of concessions offered in the first three rounds of SAPTA varied to some extent between the SAARC countries. The countries sometime offered different rates for the LDCs and non LDCs with higher rates meant for the LDCs of the region. The non LDCs have extended higher rates of concessions than the LDCs. In all these three rounds, Bangladesh offered merely 10% product concessions both to LDCs and non LDCs. Bhutan's extension of tariff concessions were in the range of 10% to 20% for the LDCs while 10% to 15% for the non LDCs. Maldives offered 15% tariff concessions on imports from other LDCs and 5% to 10% tariff concession on imports from non LDCs. Nepal proposed concessions of 7.5% and 10% for the non LDCs while 10% and 15% for the LDCs. India offered concession of highest value in the region. Though its concessions on imports from non LDCs were usually in the range of 10% to 50%, concessions on imports from LDCs were as high as 60% and sometimes even extending to 100%. Apparently such high tariff concessions coupled with the grant of largest number of concessions in the region appear to be a positive gesture on the part of India to help the weaker countries of the region and gain the latter's trust. However to what extent these tariff concessions could be of use to the LDCs, is one of the topics of discussion in chapter 3. Sri Lanka emerged second to India in terms of offering high tariff concessions. Though the country offered 10% concessions on most products of imports from both LDCs and non LDCs, concessions granted to the LDCs on imports of certain commodities were as high as 35%, 50%, 60% and even 75%. Pakistan's reluctance to cooperate actively in SAARC would be evident from low tariff concessions offered by it on imports from other SAARC countries. Despite being a developing country, Pakistan proposed to offer tariff concessions of 15% and 30% to the LDCs and 5%, 10%, 20% to the non LDCs.

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[39] Gupta, n. 26, p. 93.

Table 1.2 demonstrates the extent of product coverage in the Fourth Round of SAPTA. It also provides the rates of tariff concessions offered by different SAARC countries in this last round.

Table 1.2: Number of Tariff Lines at HS-6 Digit Level offered for Concessions under the Fourth Round of SAPTA

Country	For All Countries	For LDCs only	Total
Bangladesh	66 (10%, 15%)	26 (10%, 15%, 20%)	92
Bhutan	13 (10%, 15%, 20%, 50%)	32 (10%, 15%, 18%, 20%, 25%)	45
India	262 (10%, 20%, 25%)	97 (15%, 20%, 25%, 60%, 75%)	359
Nepal	56 (10%, 15%)	38 (10%, 10+5%, 15%)	94
Sri Lanka	-	89 (10%, 20%, 55%, 75%, 100%)	89

Source: SAPTA Fourth Round of Trade Negotiations, Consolidated National Schedule of Concessions granted by Countries. Available at www.saarc-sec.org

Note: (1) Data for Pakistan could not be presented as Pakistan's Consolidated Concession Schedule as available at the website does not exclusively specify the commodities covered for tariff concession in the Fourth Round.

(2) Figures in parentheses denote percentage rate of tariff concession offered by respective countries in the Fourth Round.

(3) The Consolidated National Schedule of Concession is not available at the SAARC Secretariat website for Maldives. Concession schedules at bilateral level are only available. Thus Maldives permitted preferential imports of 12 products at HS-6 digit level from Bangladesh, 34 products at HS-2, 5, 6 digits levels from Bhutan, 17 products at HS-2 digit level from Nepal, 4 products at HS-6 digit level from India, 6 items at HS-2, 4, 8 levels from Pakistan and 12 items at HS-6 digit level from Sri Lanka. The rates of tariff concessions granted on imports from non LDCs were usually 5% and 7.5%. Tariff concessions on imports from Bangladesh and Nepal were 15% while from Bhutan 12%, 17.5% and 19.5%.

Table 1.2 shows, in the Fourth Round too majority of tariff concessions were put on offer by India. Apart from providing concessions on a number of new products, the most important feature of this round was considerable deepening of rates of concessions on a number of products which had been already brought under the preferential regime in the previous rounds. This was meant to further increase the volume of intra-regional trade.

For instance, India increased the rates of concessions on import of certain commodities from LDCs, from 50% to either 60% (for example, pre-shaving or after shaving preparations, with HS code 330710), or 75% (for example, smoked fish, with HS code 030549). Similarly where the preference was 60%, it had been enhanced to 75 %(for example, articles of apparel, with HS code 420310). Even Bhutan, along with tariff concessions on 21 new products, granted deeper tariff concessions on 24 products already existing in its concession list to other SAARC members.[40] The country enhanced the rates of concessions on imports of certain products (for example, food items like pasta, macaroni, with HS code 1902 and soaps, with HS code 3401) from the LDCs, from 20% to 25%. Maldives at the bilateral level too had considerably deepened the tariff concessions. For instance, certain products on which tariff preference granted in the initial rounds were 5% (for example, particle board or similar board of ligneous material, with HS code 441090) and 7.5 % (for example, furniture and parts, with HS code 9403), had been enhanced to 17.5% and 19.5% respectively at the time of importing from Bhutan. Bangladesh too increased the rates concessions on imports of certain products (for example, live trout fish, with HS code 030191 and live carp fish, with HS code 030193) from LDCs, from 10% to 20%.[41]

Not only tariff concessions, non tariff barriers (NTBs) removal is also an important feature of trade liberalization. However the first Round of SAPTA did not consider the NTBs. NTBs, particularly quantitative restrictions, were explicitly considered for removal in the Second Round.[42] Following this, India had unilaterally withdrawn all its NTBs regarding quantitative restrictions in case of imports from within the SAPTA region in the year 1998.[43] However, it has been claimed that NTBs still existed in several other forms which perhaps made the expansion of intra-regional trade difficult.

[40] www.mof.gov.bt/drc/notice/notice_20030609_drchq.pdf
[41] Comparing the National Schedule of Concessions of the SAARC countries for different rounds.
[42] Gupta, n. 26, p. 92.
[43] Gupta, n. 26, p. 96.

Conclusion

Regional cooperation in South Asia began with the formation of SAARC which eventually paved the way for SAPTA. The underlying causes for the formation of SAARC were not merely economic. Various non economic factors were largely responsible for the formation of SAARC. In course of time, however, the SAARC countries realized the need to liberalize trade amongst themselves as evident from the emergence of SAPTA. SAPTA was the first approach towards economic cooperation in the region. The Agreement on SAPTA aimed at increasing intra-regional trade while ensuring that the benefits from regional trade liberalization accrue to all the member countries. Thus, the Agreement accorded special treatment to the LDCs of the region by making them eligible for deeper tariff cuts on their exports to other regional members. It even reserved certain other special and differential treatments for the LDCs. How far such arrangements under SAPTA have been able to increase the trade participation of the LDCs is an open question, which is left for analysis in chapter 3.

Chapter 2

Characteristics of the LDCs of SAARC

Introduction

The Least Developed Countries (LDCs) of the world as a separate category of developing countries was identified within the United Nations (UN) in 1968 and officially instituted in 1971.[1] These countries are the poorest of the poor, "....highly disadvantaged in their development process (many of them for geographical reasons) and facing more than other countries the risk of failing to come out of poverty. As such, the LDCs are considered to be in need of the highest degree of attention on the part of the international community."[2] Hence as a part of their special treatment, the United Nations (UN) grants proportionately greater allocation of funds from the United Nations Development Programme. Even European Union (EU) since 2001 has been granting duty free and quota free access of products originating from LDCs into the former's market.[3] To designate a country as LDC, the UN every three years applies three criteria: gross national income (GNI) per capita which is used as an indicator of income, Human Asset Index[4] (HAI) used as an indicator of the stock of human assets and Economic Vulnerability Index[5] (EVI) used as an indicator of economic vulnerability. A country qualifies to be included in the list of LDCs if it meets the inclusion threshold on all three criteria. To qualify for graduation

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[1] Philippe Hein, "*Small Island Developing States: Origin of the Category and Definition Issues*" in *Is Special Treatment of Small Island Developing States Possible?*, UNCTAD, 2004, p. 2.

[2] UN Conference on Trade and Development, "UN Recognition of the LDCs", accessed from www.unctad.org/Templates/Page.asp?intItemID=3618&lang=1.

[3] Hein, n. 1, p. 3.

[4] Human Asset Index comprises four subindices : (a) average calorie intake per capita as a percentage of minimum calorie requirements which reflects the level of nutrition in the country, (b) the mortality rate of children at five years and under five which reflects health of the population and (c) the gross school enrollment ratio, and adult literacy rate which reflects level of education of the population of the country. Visit http://www.unescap.org/LDCCU/LDCs/LDC.asp

[5] Economic Vulnerability Index is computed by aggregating two broad indices: exposure index (has four components - population size, remoteness, merchandise export concentration and share of agriculture, forestry and fisheries in GDP) and shock index (comprises of three components - homelessness due to natural disasters, instability of agricultural production and instability of exports of goods and services). See "*The Least Developed Countries: The Tyranny of Definition*" by Sarath Rajapatirana, American Enterprise Institute for Public Policy Research, Development Policy Outlook, No. 3, 2006, p. 5.

from the list, a country must meet at least two of the three criteria for graduation, in two consecutive triennial reviews of the list of LDCs.[6] The 2003 triennial review specified the threshold for inclusion in the list of LDCs in terms of income, a three year average (1999-2000) of US$ 750 while the threshold for graduation was fixed at US$ 900. For HAI, the threshold value for inclusion in the list was 55 and threshold value for graduation, 61. For EVI the threshold for inclusion was a value of 37 and for graduation, 33.[7]

Since the identification of LDCs as a separate category, more and more countries qualified to be included in the list of LDCs. In 1986, the list consisted of 37 countries. In 1990, some more countries met the threshold value for inclusion in the list so that the total number of LDCs stood to be 42. In 1996 the number of LDCs increased to 48. The 2000 review of the list identified Senegal to be an LDC. In the 2003 triennial review, Timor Leste was added to the list making the total number of LDCs, 50. This triennial review also considered Cape Verde and Maldives for graduation from the list.[8] However the graduation of Maldives was postponed for three years because of the devastation caused to the island by the tsunami on 26th of December, 2004.[9] In the 2006 triennial review, the graduation of Samoa from the list of LDCs was confirmed while three other countries Kiribati, Tuvalu and Vanuatu were noted for graduation from the list.[10] As per the latest classification, 50 countries out of 148 developing countries of the world are identified to be least developed.

This method of defining LDCs however has been under critical review, as critics point out, the methodologies that the United Nations use to estimate a country's per capita income, human resources and economic vulnerability are problematic [Rajapatirana(2006)].[11] Despite such controversies regarding the definition of LDCs, it is

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[6] Sarath Rajapatirana, *The Least Developed Countries: The Tyranny of Definition*, American Enterprise Institute for Public Policy Research, Development Policy Outlook, No. 3, 2006, p. 2.
[7] Visit http://www.unescap.org/LDCCU/LDCs/LDC.asp
[8] Visit http://www.un.org/geninfo/faq/factsheets/FS20.HTM
[9] Visit http://www.unctad.org/TEMPLATES/Page.asp?OutItemID=3643&lang=1
[10] UNCTAD, *The Least Developed Countries Report 2006: Developing Productive Capacities*, p. 47.
[11] To determine a country's per capita income UN uses per capita gross national income as calculated by the World Bank's Atlas method. But in the author's opinion this method suffers from several limitations. He also reserves the view that HAI assigns equal weights to each of its four indicators thus making it an artificial measure of human resources. He proceeds further to prove that EVI is based on several indicators

preferable to continue the discussions in the present chapter with the prevailing methodology for defining LDCs. This chapter will provide a brief outline of the characteristics of the four LDCs, Bangladesh, Bhutan, Maldives and Nepal which are also the members of South Asian Association for Regional Cooperation (SAARC). The chapter is divided into three parts – Part A, Part B and Part C. Part A will briefly discuss the characteristics and types of LDCs in the world. Part B will focus on the SAARC LDCs and attempt to integrate their characteristics with those of the LDCs in general, as outlined in Part A. Part C makes a comparative analysis of the SAARC LDCs' trade with important regional groupings of the world.

Part A

Characteristics of Least Developed Countries

The Least Developed Countries are in general characterized by prevalence of high levels of poverty, largely rural based population, heavy dependence on agriculture in terms of Gross National Income, massive undernourishment among people and predominance of primary commodity exports. Nearly 75% of the total population of LDCs lives in rural areas, and 71% of the economically active population are involved in agriculture.[12] However, this sector is characterized by very low value added per worker which implies, a major segment of the population counted as being employed in agriculture, are under employed.[13] The proportion of undernourished has not changed significantly in the LDCs since 1970s and is estimated to be around 38% in 1998-2000 as was in 1969-1971. In

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which are correlated e.g., the shock index and exposure index. The degree of exposure of an economy determines the nature of shock to the economy and as such a single index would suffice as a measure of economic vulnerability. See Sarath Rajapatirana, *The Least Developed Countries: The Tyranny of Definition*, American Enterprise Institute for Public Policy Research, Development Policy Outlook, No. 3, 2006, p. 2-5.

[12] *Activities of FAO in Support of Least Developed Countries, Landlocked Developing Countries and Small Island Developing States*, at FAO Council Hundred and Twenty Forth Session, Rome, Italy, 2003, June 23-28. Accessed from http://www.fao.org/DOCREP/MEETING/006/Y9308E.HTM

[13] *Decent Work for Poverty Reduction: An Agenda for Development in the Least Developed Countries*, Issues paper for Thematic session on Human Resource Development and Employment, 2001, presented at third United Nations Conference on the Least Developed Countries (LDC III), Brussels. Accessed from http://www.ilo.org/public/english/bureau/exrel/events/ldciii-issues.htm

contrast, the proportion of undernourished in the total population has decreased from 37% to 18% for all developing countries over the same period.[14]

The "openness" of LDCs, measured by the level of trade integration with the rest of the world is considerably high. During 1999–2001, exports and imports of goods and services constituted on average 51 per cent of the GDP of the LDCs, compared to 43% of the high income OECD countries.[15] Increased trade participation for the LDCs is also considered to be essential as through exports, it is possible to import goods which are necessary for economic growth and poverty reduction and at the same time, not produced domestically. These include food, manufactured consumer goods, fuel and raw materials, machinery and equipment and means of transport, and intermediate inputs and spare parts. Due to the absence of domestic capital goods industry and engineering capabilities, LDCs have to depend on imported capital goods. However, growth in imports has always been higher than the growth in exports contributing to the growing balance of payment difficulties of most LDCs.[16]

The greatest challenge that the LDCs face while participating in international market is the supply constraint. The productive capacities of LDCs are weakly developed.[17] Fugazza (2004) shows for example, poor supply side conditions have often been an important constraint on the export performance of Africa. Trade related infrastructure is inadequate or missing in many LDCs. To add, foreign direct investment (FDI) as a source of productive capacity building or infrastructure development has hardly materialized in these countries. It has been largely concentrated in fuels, minerals and some agricultural commodities, and in very few manufacturing and service sectors [Puri (2005)][18].

Of 50 countries identified to be least developed, 33 are in Sub-Saharan Africa, 16 are in Asia and only one in America. Further, 16 of them are classified to be landlocked and 12

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[14] FAO, n.12.
[15] *Least Developed Countries Report 2004: Linking International Trade with Poverty Reduction*, UNCTAD.
[16] Ibid.
[17] Ibid.
[18] Lakshmi Puri, *Towards a New Trade "Marshall Plan" for Least Developed Countries*, Trade Poverty and Cross Cutting Development Issues, Study Series No. 1, UNCTAD, 2005, p. 36.

as remote island LDCs.[19] Before proceeding further, it is relevant here to discuss some of the noted features of land locked and small island LDCs, which will help in better comprehension of the problems of SAARC LDCs that are dealt with in part B.

Landlocked LDCs and Small Island LDCs

The landlocked LDCs and the small island LDCs in general share common characteristics except that the former is landlocked while the latter is not. In the following discussion a brief analysis of their chief features in respect to their participation in international trade are presented.

Characteristics of Landlocked LDCs (LLDCs)

The landlocked LDCs are in general characterized by poor physical infrastructure, weak institutional and productive capacities, small domestic markets, remoteness from world markets and vulnerability to external shocks.[20]

By definition, Landlocked LDCs (LLDCs) have no access to sea and are bound to trans-ship most of merchandise exports and imports through foreign territory.[21] Thus, this feature of LLDCs make them dependent on the neighbouring countries' transit infrastructure, on cross border political relations, on peace and stability in neighbouring countries and lastly, the neighbours' administrative practices.[22] Trade participation of all LLDCs remains crucially dependent upon their own transit infrastructure, as well as the neighbours'. Inadequate transit infrastructure like low road density, absence of railway infrastructure whether in the landlocked country themselves or their neighbours could be a serious obstacle to efficient trade transactions and add to higher costs for products of export interest to the landlocked countries.[23] Further the neighbouring countries could

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[19] Rajapatirana, n. 6, p. 5.

[20] Visit http://www.unctad.org/Templates/Page.asp?intItemID=3619&lang=1

[21] See report by UNCTAD Secretariat, *Effective Participation of Landlocked Developing Countries In The Multilateral Trading System,* at International Meeting of Landlocked Developing Countries, UNCTAD, 2005, July 1, p. 3.

[22] M.L Faye, J.W. Mcarthur and others, "*The Challenges Facing Landlocked Developing Countries*", Journal of Human Development, Vol. 5, No. 1, 2004, March, p. 31.

[23] UNCTAD, n. 21, p. 11.

adopt regulatory impediments to trade against a landlocked country if the latter does not maintain good political relations with its transit neighbours.[24] Lengthy and costly administrative procedures adopted by the transit neighbours of LLDCs could further delay and add to costs of the products of export interest of the latter.[25]

Most LLDCs are unable to enjoy the benefits of economies of scale due to small size of their markets, being determined by their low domestic demand. Absence of economies of scale in production also makes their products internationally uncompetitive.[26]

Primary commodities dominate merchandise exports of LLDCs. Exports of manufactured products tend to be concentrated in low skilled and low value added industries such as textiles, footwear and leather goods.[27]

Characteristics of Small Island LDCs

The chief characteristics and problems of small island LDCs constitute, their smallness and remoteness, constraints in transport and communications, distance from market centres, low resource endowments, dependence on few commodities as source of foreign exchange earnings, limited internal markets and vulnerability to natural and environmental disasters.[28] Lack of economies of scale arising from their small size, inadequate infrastructure facilities, and remote locations leading to higher transport and communications costs, erode the export competitiveness of these island LDCs.[29] Thus the basic features of small island LDCs are almost identical to that of the LLDCs. Most of these island LDCs are dependent upon international trade in services as a source of foreign exchange earnings.[30]

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[24] Faye, Mcarthur and others, n. 22, p. 45.
[25] Faye, Mcarthur and others, n. 22, p. 47.
[26] UNCTAD, n.21, p. 13.
[27] UNCTAD, n. 21, p.13.
[28] Hein, n.1, p. 5.
[29] Rene Vossenaar *"Trade and the Environment: An Important Relationship for SIDS"*, in *Is a Special Treatment of Small Island Developing States Possible?*, UNCTAD, 2004, p. 58.
[30] Stefano Inama, *"Preferential Market Access and Erosion of Preferences: What Prospects for SIDS?"* in *Is a Special Treatment of Small Island Developing States Possible?*, UNCTAD, 2004, p. 23.

Considering all the above mentioned problems faced by the landlocked and small island LDCs, it is expected that products of these countries do not fare well in the international market, nevertheless these economies are considerably outward oriented in order to overcome the difficulties associated with small size of their domestic market, poor mineral and natural resource base and the constraints of either a weakly developed or the absence of a domestic capital goods industry.

Part B

Characteristics of SAARC LDCs

South Asia is characterized by persistence of high levels of poverty and income inequality with masses living in deplorable conditions. With a population of 1.5 billion and an average annual growth rate of 1.8% during the years 1990-2003, South Asia exhibits moderate life expectancy at birth and considerably high infant mortality rate measured at around 72.4 in 2000 and 66.4 in 2004 per thousand live births. [31] No doubt, South Asian region houses the four LDCs of the world, Bangladesh, Bhutan, Maldives and Nepal which are also members of SAARC. Of them Bangladesh had the largest population of 141 million in the year 2005 which was also the highest among all LDCs of the world. [32] Nepal and Bhutan are the landlocked LDCs while Maldives falls in the category of small island LDCs. Though all the four countries exhibit most of the characteristics of LDCs, there are still certain divergences between the countries which will become evident in the course of discussion. Accordingly the discussion in this part proceeds by analyzing the population, poverty and health indicators, growth of real Gross Domestic Product (GDP), sectoral composition of GDP, share of foreign trade in GDP and commodity composition of trade of the four SAARC LDCs.

Population, Poverty and Indicators of Health

LDCs are generally identified with high rate of population growth and the presence of a significant number of poor. The tables 2.1 and 2.2 below provide a comparative illustration of the population growth and poverty estimates for the four LDCs.

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[31] Life expectancy at birth 62.6 years in the year 2000 and 63.4 years in 2004 ; See *World Development Indicators 2006*, The World Bank. Available at http://web.worldbank.org

[32] As per World Bank estimates.

Table 2.1: Population Estimates of the SAARC LDCs

Country	Population, total (millions)			Annual Average Population Growth (%)		
	1990-1995	2000	2004	1990-1995	2000	2004
Bangladesh	116.5	128.9	139.2	2.3	2.0	1.9
Bhutan	0.7	0.8	0.8	2.9	2.9	2.5
Maldives	0.3	0.2	0.3	3.1	2.7	2.5
Nepal	21.7	24.4	26.6	2.5	2.3	2.0

Source: World Development Indicators 2006, The World Bank.

Table 2.2: Poverty Estimates of the SAARC LDCs

Country	Poverty (Percentage of population below national poverty line)	
	Survey Year	
	1995-1996	2000
Bangladesh	51.0	49.8
Bhutan	n.a.	n.a.
Maldives	n.a.	n.a.
Nepal	42.0	n.a.

Source: World Development Indicators 1999 and 2006, The World Bank.
Note: n.a. data not available.

Table 2.1 shows, among the four SAARC LDCs, Bangladesh ranks first in terms of total population. Nepal ranks second, followed by Bhutan and Maldives. All of them exhibit quite high population growth rates though a declining trend in the growth rates are visible and it falls to below 2% for Bangladesh in the year 2004. Since the data on poverty estimates for all the four countries are not available in a consistent manner, it is not possible to compare the prevalence of poverty in all four LDCs. Nevertheless from the available data in table 2.2, one can say that prevalence of poverty is rather high in the LDCs and Bangladesh houses relatively more poor than the other country Nepal.

The UNDP Human Development Index (HDI), which integrates longevity and health (measured by life expectancy), knowledge (measured by adult literacy and enrolment at primary, secondary and tertiary levels) and standard of living (measured by purchasing power parity) in its measure of development, ranked Maldives as 98th, Bhutan as 135th, Bangladesh 137th and Nepal as the 138th, out of 177 countries.[33] In this context a study of life expectancy at birth, infant mortality rate and the extent of undernourishment among

[33] See UNDP, *Human Development Report,* 2006, Oxford University Press, New York.

children in the four countries deserve attention. Undernourishment among children could be estimated from the percentage of children under age 5 who are underweight.

Table 2.3: Indicators of Health

Country	Life Expectancy at birth, total (years)		Mortality Rate, infant (per thousand live births)		Percentage of Children under age 5 who are under weight
	2000	2004	2000	2004	1995-2003
Bangladesh	61.5	63.5	66.0	56.4	52.2
Bhutan	61.5	63.5	100.0	80.0	n.a.
Maldives	65.4	67.2	45.0	35.4	n.a.
Nepal	60.5	62.2	95.0	76.2	48.3

Source: Life expectancy at birth and infant mortality rate accessed from World Development Indicators 2006, online. Percentage of underweight children from World Development Indicators 2005, The World Bank.

Note : n.a. implies data not available.

Table 2.3 shows, all the four LDCs exhibit moderate life expectancies at birth and in the year 2004 they are higher than the average of all LDCs in the world which is 52 years.[34] Maldives emerges as the best performer among the four LDCs by recording relatively high life expectancy at birth and low infant mortality rate. Bangladesh stands next to Maldives in terms of lower infant mortality rate. The other two LDCs Bhutan and Nepal exhibit very high infant mortality rates. The extent of undernourishment among children is also quite high in Bangladesh and Nepal. Thus, based on the available data it is possible to conclude that excepting Maldives, the other three LDCs of SAARC do not fare well in terms of health indicators and thus their low rankings on the basis of HDI are completely justifiable.

Performance of Gross Domestic Product: It's Growth

Low income constitutes another characteristic of the LDCs. The table below (table 2.4) illustrates the average annual growth rate of total real GDP of the four SAARC LDCs.

[34] *World Development Indicators 2006*, The World Bank.

Table: 2.4 Average Annual Growth Rate of Total Real GDP at Market Prices (%)

Country	Year			
	1991-1992	1995-1996	2000-2001	2002-2003
Bangladesh	5.0	4.6	5.3	5.5
Bhutan	3.8	5.5	7.0	6.5
Maldives	6.3	8.8	2.1	8.5
Nepal	4.1	5.3	4.8	2.3

Source: UNCTAD Handbook of Statistics, 2000, 2003 and 2004 issues.

Notes: Growth rates of real GDP for the years 1991-92, 1995-96 and 2000-01 are based on constant market prices at 1995 US$. However growth rates for the year 2002-03 are based on constant market prices at 1990 US$ and hence not directly comparable with the previous year data.

As evident from the table, Maldives had always fared well in terms of growth rate of real GDP compared to other LDCs except in the year 2000-2001, when the growth rate plunged back to 2.1%. The usual high growth rate of Maldives' GDP should be attributed to the growth of tourism industry. Tourism accounts for over 19% of the GDP, a fifth of total employment, approximately 30% of the tax revenues and 70% of the foreign exchange earnings.[35] The events of September 11 had adverse effects on tourism industry and thus were largely responsible for the GDP growth to fall back to around 2% in 2001. Since 1991, Bangladesh has been growing at an average annual rate of 5%. After recording growth rates below 3% in the late 1980s, the economy made a strong recovery in early 1990s due to a very encouraging growth in agricultural sector.[36] In Bhutan, an upturn in economic activity raised the real GDP growth rate to 5.5% in 1995-1996 and further to 7% in 2000-2001. The main driving force behind economic growth in 2001 was the construction of hydropower plants to serve the Indian market.[37] Nepal witnessed a relatively higher growth rate in 1995-1996, which could have been induced by a strong recovery in agriculture following a good monsoon and continued growth of export oriented manufacturing.[38] Throughout the country's development experience however the growth rate has remained abysmally low. Several factors including its landlocked geography, rugged terrain, deficiency of raw materials, skilled manpower and poor

[35] *Maldives 2003-06, Including the National Indicative Programming 2004-06,* European Commission, Country Strategy Paper, Oct 2003, p.11. Accessed from http://ec.europa.eu/comm/external_relations/maldives/csp/03_06.pdf

[36] Asian Development Bank, *Asian Development Outlook*, 1991, Oxford University Press, New York.

[37] Asian Development Bank, *Asian Development Outlook*, 2002, Oxford University Press, New York .

[38] Asian Development Bank, *Asian Development Outlook*, 1996, Oxford University Press, New York.

infrastructure have contributed towards the persistence of underdevelopment.[39] Thus excepting Maldives, the SAARC LDCs do not fare well in terms of their real GDP growth.

Sectoral Composition of GDP

The LDCs as noted in Part A, are generally characterized as agriculture dominated economies. Poor infrastructural base, absence of sufficient technology and skilled labour has hindered the development of any significant industrial activities. Here we make an analysis of this statement in the context of the four LDCs of SAARC. However due to non availability of data for Maldives, the comparative analysis is restricted to three countries only. The table 2.5 makes a comparative statement about the composition of GDP of the concerned countries.

Table: 2.5 Share of major Sectors in the GDP at Current Prices (%)

	Agriculture			Industry						Services		
				All			Manufacturing only					
Country	1990	2000	2005	1990	2000	2005	1990	2000	2005	1990	2000	2005
Bangladesh	29.4	24.6	19.2	20.9	24.4	26.3	12.7	14.7	16.0	49.7	51.0	54.5
Bhutan	43.2	28.4	24.7	25.3	35.2	37.2	8.2	8.5	7.3	32.7	37.2	39.2
Maldives	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nepal	50.6	39.6	38.2	15.9	21.5	21.0	6.0	9.2	7.7	33.5	38.9	40.8

Source: Key Indicators 2006, Asian Development Bank

Note: (1) Data for Bangladesh correspond to shares of sectors in GDP at current market prices. Data for Bhutan for the year 1990 are based on GDP at current factor cost while for the years 2000 & 2005 on GDP at current basic prices. Data for Nepal are based on GDP at factor cost. Hence it is not directly possible to compare the sectoral shares of one country with another.

(2) n.a. implies data not available.

In the early 1990s, the share of agriculture in GDP was higher than that of industry for all the countries on which data are available. Lesser share of industry in GDP is consistent with the fact that LDCs could not afford to foster substantial industrial activities. However, over the years a decline in the share of agriculture and corresponding rise in the share of industry are visible. This is an evidence of diversification of production structure as means of generating alternative sources of employment. In fact in the year 2005, industry rather than agriculture accounted for a higher share of GDP of both Bangladesh

[39] Subhobrota Ray, "India's Trade and Investment Linkages with Nepal" in Parthasarathi Shome edited, *India and Economic Cooperation in South Asia*, ICRIER, 2001, p. 53-54.

and Bhutan. A large section of the industrial activities of Bhutan were accounted by non-manufacturing, particularly generation of hydropower electricity, rather than manufacturing, as evident from the latter's low share in GDP. Apart from textiles and clothing industry which is the chief contributor to GDP among manufactured goods, Bangladesh's industrial activities are also centered around natural gas production which is used in the generation of power and manufacture of fertilizers.[40] Nepal's garment industry and carpet manufacturing industry constitute a major part of industry's share in GDP. However, the declining share of industries in GDP of Nepal in 2005 could be attributed to the political instability in the country along with the termination of quotas in January 2005, which had been responsible for a considerable reduction in the number of operational garments factories.[41] The other sector, services, had witnessed a growing share throughout the observation period for the three countries and in 2005, services accounted for the largest share of GDP for all of them. Thus, from the growing share of services and industry in GDP, one can infer that the SAARC LDCs are not solely dependent upon agricultural activities. However these industries produce chiefly low skilled manufactures.[42] Industries requiring higher skills and better technologies could not be developed due to infrastructural constraints and poor managerial capabilities.[43]

Share of Foreign Trade in Gross Domestic Products of LDCs of SAARC

Foreign trade plays an important role in the development of LDC economies. It is possible to assess the importance of foreign trade in the economies of SAARC LDCs by considering the share of exports and imports in the Gross Domestic Product (GDP) of the individual countries. Table 2.6 represents the share of exports and imports in GDP at current prices computed from the data provided by International Financial Statistics (IFS) online.

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[40] *Traders' Manual for Least Developed Countries: Bangladesh*, ESCAP, United Nations, New York and Geneva, 2004, p. 6 Accessed from http://www.unescap.org/tid/publication/t&ipub2331.pdf

[41] Asian Development Bank, *Asian Development Outlook,* 2006, Oxford University Press, New York.

[42] See *The Least Developed Countries Report, 2002: Escaping the Poverty Trap,* p. 155.

[43] Poor infrastructural capabilities of Bangladesh and Nepal would be evident from the fact that during the years 1997-2002, only 9.5% of the total roads were paved in Bangladesh while in Nepal it was 30.8%. Electric power consumptions per capita were only 100kwh and 64kwh in Bangladesh and Nepal respectively. See *World Development Indicators 2005,*The World Bank, for the data.

Table 2.6: Share of Exports and Imports in GDP at Current Prices (%)

Year	Bangladesh		Bhutan		Maldives		Nepal	
	Export/ GDP	Import/ GDP	Export/ GDP	Import/ GDP	Export/ GDP	Import/ GDP	Export/ GDP	Import/ GDP
1990	6.12	13.53	28.26	32.29	n.a.	n.a.	10.53	21.10
1991	6.66	12.23	33.24	41.46	n.a.	n.a.	11.82	23.08
1992	7.59	12.35	32.72	57.19	n.a.	n.a.	15.99	26.30
1993	9.02	14.10	31.48	43.97	n.a.	n.a.	18.06	27.67
1994	9.00	13.86	29.20	38.99	n.a.	n.a.	23.87	31.61
1995	10.86	17.28	36.88	41.63	92.70	77.20	24.22	34.61
1996	11.08	18.69	33.70	43.36	91.70	73.10	22.26	35.75
1997	11.99	18.02	33.33	42.82	91.20	78.50	26.33	37.71
1998	13.33	18.28	31.51	47.05	92.40	75.80	22.82	33.89
1999	13.19	18.66	29.88	47.92	90.50	79.90	22.85	29.72
2000	13.98	19.23	29.75	46.11	89.50	71.50	23.28	32.43
2001	15.38	21.50	n.a.	n.a.	86.80	71.60	22.35	31.43
2002	14.28	19.05	n.a.	n.a.	86.50	71.60	18.25	30.30
2003	14.21	20.04	n.a.	n.a.	87.70	65.70	16.65	30.89
2004	15.46	20.81	n.a.	n.a.	94.8	83.3	17.26	31.73

Source: Trade GDP ratios of Bangladesh, Bhutan and Nepal computed using IFS online data. Data for the Maldives are from Asian Development Bank – Key Indicators 2006 online.

Note: (1) n.a. implies data not available.

(2) To get a broad picture of the outward orientation of LDC economies this table considers exports and imports of both goods and services.

Evidently it is possible to infer from the computed data presented in table 2.6, the small economies of Maldives, Bhutan and Nepal demonstrate a higher share of trade in GDP compared to the large economy of Bangladesh. The small size of the domestic market induces the small island countries and the landlocked countries to look for alternative markets for their products, thus accounting for the higher share of exports in GDP.[44] Comparatively large share of imports in GDP is due to the absence of a well developed capital goods sector and infrastructural facilities in these small economies which make them dependent upon the import of capital goods such as machineries and equipments and other high skilled manufactured goods. In addition, rugged terrain of the landlocked countries and poor quality of soil of Maldives makes them reliant on food imports as well.[45] Further the participation of landlocked LDCs, Bhutan and Nepal, in international trade, is often dependent upon imported transport and insurance services which add up to

[44] V.R. Panchamukhi, Nagesh Kumar and others, *Economic Cooperation in the SAARC Region: Potentials, Constraints and Policies*, RIS, New Delhi, 1990, p. 21.

[45] European Commission, n. 35, p.11.

the share of imports in their GDP.[46] However the commendable performance of Maldives in terms of higher share exports in GDP could be attributed to its booming tourism industry. Thus from table 2.6 it is possible to deduce that the smaller LDCs of SAARC, because of their geographical position and problems associated with smallness, are more oriented towards the international economy than the large LDCs.

Commodity Composition of Trade

This section makes an attempt towards analyzing the commodity composition of trade of the four LDCs. Theory identifies LDCs to be primary commodity exporter and importer of manufactured goods. However, a detailed analysis of data might reveal a somewhat different though not entirely contradictory result. Share of exports and imports of goods as classified under the Standard International Trade Classification (SITC) system in the total exports and imports of the four countries are presented in succession.

Table 2.7: Share of Goods classified under SITC System in the Total Exports of Bangladesh (%)

	year		
SITC Section	1994	1998	2003
0 – Food and Live animals	13.6	7.1	7.4
1 - Beverages and tobacco	0.0	0.1	0.4
2 - Crude materials, inedible, except fuel	2.0	1.7	2.1
3 - Mineral fuels, lubricants and related materials	0.5	0.2	0.6
4 - Animal and vegetable oils, fats and waxes	n.a.	n.a.	0.0
5 - Chemicals and related products, n.e.s.	1.8	0.9	0.3
6 - Manufactured goods classified chiefly by material	20.7	11.4	12.0
7 - Machinery and transport equipment	0.8	1.1	0.4
8 - Miscellaneous manufactured articles	60.7	77.4	76.8
9 - Commodities and transactions not classified	0.0	0.2	0.0

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

Table 2.7 shows, manufactured goods make up a large share of total exports of Bangladesh, primarily because of dominance of readymade garments. Exports of textile fabrics garments have been facilitated by favourable trade regimes and preferential

[46] UNCTAD, n. 15, p. 111.

schemes that developed markets grant to imports from LDCs.[47] Leather products are also included in the list of manufactured goods export, though their share in the export basket is comparatively less than that of textiles and clothing. Bangladesh's leather industry has faired well due to the advantages of low labour costs and low set up costs.[48] Thus even though Bangladesh is a least developed country, its foreign exchange earnings depend significantly on manufactured goods rather than on primary products. However it is to be noted that while competing in the international market Bangladeshi garments loose out badly to countries such as India and Vietnam, in terms of time required to execute an order, which for local exporters is about one month more than for major competitors. The principal reasons are the limited availability of local fabrics and poor logistics infrastructure.[49]

Table 2.8: Share of Goods classified under SITC System in the Total Imports of Bangladesh (%)

	year		
SITC Section	1994	1998	2003
0 – Food and Live animals	n.a.	10.0	13.1
1 - Beverages and tobacco	n.a.	0.3	0.3
2 - Crude materials, inedible, except fuel	n.a.	7.5	9.1
3 - Mineral fuels, lubricants and related materials	n.a.	7.5	7.9
4 - Animal and vegetable oils, fats and waxes	n.a.	3.4	5.4
5 - Chemicals and related products, n.e.s.	n.a.	9.1	11.0
6 - Manufactured goods classified chiefly by material	n.a.	38.3	29.5
7 - Machinery and transport equipment	n.a.	19.6	19.6
8 - Miscellaneous manufactured articles	n.a.	4.2	3.9
9 - Commodities and transactions not classified	n.a.	0.0	0.0

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

Table 2.8 shows, manufactured goods such as textile yarns, fabrics and iron products, make up the largest share of Bangladesh's import basket. In addition to primary commodities like, food, fuel and lubricants, Bangladesh also imports high skilled

[47] http://www.unescap.org/tid/publication/t&ipub2331_part1.pdf
[48] Asif Ibrahim, *A High-Tech, Low Employment in the Manufacturing Sector – A Correct Conclusion?* , 2006. Accessed from http://www.intracen.org/execforum/ef2006/Global-Debate/Country-Team-Papers/Bangladesh_Paper.pdf
[49] Asian Development Bank, n. 41.

manufactured items like machinery and transport equipment, chemicals and related products.

Table 2.9: Share of Goods classified under SITC System in the Total Exports of Bhutan (%)

SITC Section	year		
	1994	1998	2003
0 – Food and Live animals	15.7	12.7	n.a.
1 - Beverages and tobacco	7.5	2.3	n.a.
2 - Crude materials, inedible, except fuel	11.1	6.3	n.a.
3 - Mineral fuels, lubricants and related materials	25.6	31.0	n.a.
4 - Animal and vegetable oils, fats and waxes	0.0	0.0	n.a.
5 - Chemicals and related products, n.e.s.	20.9	14.1	n.a.
6 - Manufactured goods classified chiefly by material	18.8	30.9	n.a.
7 - Machinery and transport equipment	0.0	0.5	n.a.
8 - Miscellaneous manufactured articles	0.4	2.1	n.a.
9 - Commodities and transactions not classified	0.0	0.0	n.a.

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

From table 2.9 one can infer mineral fuels and lubricants occupy a significant share of Bhutan's exports. In fact, it is the generation of hydropower which is the chief catalyst for the growth of Bhutanese economy and an important source of foreign exchange earnings. Manufactured goods like pig iron, lime, cement, construction materials and plywood are other major sources of foreign exchange. It also exports various inorganic chemicals and chemical compounds. Apart from these, fruits and vegetables constitute other major export items as evident from the shares of SITC code 0 in the total exports.

Table 2.10: Share of Goods classified under SITC System in the Total Imports of Bhutan (%)

SITC Section	year		
	1994	1998	2003
0 – Food and Live animals	16.3	13.5	n.a.
1 - Beverages and tobacco	1.7	2.1	n.a.
2 - Crude materials, inedible, except fuel	1.9	2.4	n.a.
3 - Mineral fuels, lubricants and related materials	11.4	11.3	n.a.
4 - Animal and vegetable oils, fats and waxes	3.4	3.1	n.a.
5 - Chemicals and related products, n.e.s.	9.3	9.4	n.a.
6 - Manufactured goods classified chiefly by material	17.9	17.1	n.a.
7 - Machinery and transport equipment	30.3	32.6	n.a.
8 - Miscellaneous manufactured articles	6.7	7.5	n.a.
9 - Commodities and transactions not classified	1.0	0.9	n.a.

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.

Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

Large shares of machineries and transport equipments in the total imports in table 2.10 show that due to a poorly developed capital goods industry, Bhutan has to depend on imported machinery and equipments. It also imports manufactured products like iron and steel bars, metallic structures. Bhutan's food security seems to depend largely on food imports as the country imports a significant amount of rice.

Table 2.11: Share of Goods classified under SITC System in the Total Exports of Maldives (%)

	year		
SITC Section	1994	1998	2003
0 – Food and Live animals	n.a.	76.0	67.6
1 - Beverages and tobacco	n.a.	n.a.	n.a.
2 - Crude materials, inedible, except fuel	n.a.	0.1	0.3
3 - Mineral fuels, lubricants and related materials	n.a.	n.a.	n.a.
4 - Animal and vegetable oils, fats and waxes	n.a.	n.a.	0.0
5 - Chemicals and related products, n.e.s.	n.a.	0.0	0.0
6 - Manufactured goods classified chiefly by material	n.a.	0.0	n.a.
7 - Machinery and transport equipment	n.a.	n.a.	0.0
8 - Miscellaneous manufactured articles	n.a.	23.9	32.0
9 - Commodities and transactions not classified	n.a.	0.0	0.0

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

Lack of economies of scale coupled with poor infrastructure has prevented the development of any significant heavy industrial activities in Maldives. The country has thus has resorted to primary commodity exports like most LDCs, as visible from the large share of food and live animals in its total exports in table 2.11. In fact, a look at Maldives commodity trade will show that it is the fisheries sector which had been primarily responsible for the country's foreign exchange earnings. The next important source of foreign exchange earnings are readymade garments figuring among manufactured goods.

Table 2.12: Share of Goods classified under SITC System in the Total Imports of Maldives (%)

SITC Section	year		
	1994	1998	2003
0 – Food and Live animals	n.a.	19.5	17.2
1 - Beverages and tobacco	n.a.	4.0	3.1
2 - Crude materials, inedible, except fuel	n.a.	5.2	4.0
3 - Mineral fuels, lubricants and related materials	n.a.	5.9	11.8
4 - Animal and vegetable oils, fats and waxes	n.a.	0.9	0.7
5 - Chemicals and related products, n.e.s.	n.a.	5.5	5.4
6 - Manufactured goods classified chiefly by material	n.a.	19.5	19.0
7 - Machinery and transport equipment	n.a.	27.6	27.2
8 - Miscellaneous manufactured articles	n.a.	12.0	11.6
9 - Commodities and transactions not classified	n.a.	0.0	0.0

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

Being a small island LDC, Maldives demonstrates the chief characteristics of least developed countries with a weakly developed capital goods sector. Hence its import basket is dominated by the imports of machinery and equipments as evident in table 2.12. The country lacks land based natural resources and mineral resources. Intensive agricultural production is almost impossible because of the peculiar nature of its soil.[50] Therefore all staple food stuffs, fuel, lubricants and other mineral resources have to be imported as apparent from their shares in total imports. Maldives also imports low skilled manufactured items like textile fabrics and yarns for its garments industry.

Table 2.13: Share of Goods classified under SITC System in the Total Exports of Nepal (%)

SITC Section	year		
	1994	1998	2003
0 – Food & Live animals	4.7	7.4	11.4
1 - Beverages and tobacco	0.1	0.0	0.3
2 - Crude materials, inedible, except fuel	3.3	1.2	2.5
3 - Mineral fuels, lubricants and related materials	0.0	n.a.	0.0
4 - Animal and vegetable oils, fats and waxes	0.7	0.4	8.8
5 - Chemicals and related products, n.e.s.	1.4	3.4	6.8
6 - Manufactured goods classified chiefly by material	63.8	39.8	30.0
7 - Machinery and transport equipment	3.7	0.2	0.4
8 - Miscellaneous manufactured articles	22.3	27.7	39.8
9 - Commodities and transactions not classified	n.a.	19.9	0.0

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: (1) n.e.s.: not elsewhere specified.
(2) n.a. implies data not available.

[50] European Commission, n. 35, p.11.

Following the market oriented reforms of the early 1990s, contribution of exports in gross domestic product of Nepal averaged around 20% during the years 1991 to 2001.[51] The export performance was primarily driven by the rapid growth in exports of the readymade garments and carpets. This is clearly evident from the share of manufactured goods in the total exports of Nepal in table 2.13. Agricultural products such as vegetables, butter etc. too constitute a significant portion of the country's export basket.

Table 2.14: Share of Goods classified under SITC System in the Total Imports of Nepal (%)

	year		
SITC Section	1994	1998	2003
0 – Food & Live animals	6.8	6.2	8.0
1 - Beverages and tobacco	0.5	0.1	0.7
2 - Crude materials, inedible, except fuel	6.7	6.0	7.4
3 - Mineral fuels, lubricants and related materials	11.5	12.5	15.6
4 - Animal and vegetable oils, fats and waxes	2.8	1.9	7.1
5 - Chemicals and related products, n.e.s.	10.1	7.9	10.2
6 - Manufactured goods classified chiefly by material	21.6	10.0	24.6
7 - Machinery and transport equipment	14.5	19.4	16.0
8 - Miscellaneous manufactured articles	12.9	4.3	10.3
9 - Commodities and transactions not classified	12.6	31.7	0.1

Source: Statistical Yearbook for Asia and the Pacific 2004, UN.
Note: n.e.s.: not elsewhere specified

Nepal being poor in fuel and mineral resource base has to depend upon the import of fuel and lubricants as apparent from table 2.14. The economy is also dependent upon the import of machinery and equipments, like telecommunication equipments, and other manufactured items like chemicals, limestone, cement, construction materials and iron products, as evident from higher shares of SITC codes 5 to 8.

Thus, the export baskets of the SAARC LDCs are made up of both primary and manufactured goods. The export baskets of Bangladesh and Nepal are largely dominated by manufactured items like garments, textile fabrics, leather products and carpets. Maldives on the other hand is chiefly a primary commodity exporter though it exports manufactured goods like readymade garments, to a lesser extent, as well. Bhutan has a

[51] Computed from the IFS online data.

diversified export structure, as it exports a wide range of items which includes both primary and manufactured commodities. The LDCs have a diversified import structure. They import both primary products and manufactures. Thus, it is possible to conclude that the SAARC LDCs are not predominantly primary commodity exporters and manufactured commodity importers. However, it is to be noted that though the SAARC LDCs export manufactured items, they remain limited to products employing simpler technology. All manufactured items, demanding higher skills and technology, such as plant and machinery, have to be imported from abroad.

Part C

Geographic concentration of trade

This section attempts to evaluate the geographic concentration of exports and imports of the four LDCs of SAARC. Tables 2.15, 2.16, 2.17 and 2.18 provide the shares of Bangladesh, Bhutan, Maldives and Nepal's trade with important regional groupings, computed from the data provided by Statistical Yearbook for Asia and the Pacific, 2004 edition. The following analysis in effect would help us to determine whether these four LDCs trade more with the SAARC countries or with countries outside SAARC. This chapter however does not provide detailed analysis of intra regional trade of SAARC, which would be dealt with in chapter 3.

Table 2.15: Regional Exports and Imports of Bangladesh as a Percentage of its Total Exports and Imports

Region	Imports (%)			Exports (%)		
	1994	1998	2003	1994	1998	2003
ASEAN	n.a.	14.52	21.19	3.68	2.02	1.56
SAARC	n.a.	16.27	20.30	1.68	0.89	1.84
Other Asia	n.a.	22.84	22.69	5.59	3.72	4.12
ESCAP Developed	n.a.	9.78	8.43	3.98	3.15	1.40
North and Central America	n.a.	6.72	3.69	36.96	42.63	34.27
European Union	n.a.	12.58	10.50	40.44	43.45	52.76

Source: Statistical Yearbook for Asia and the Pacific 2004.

Note: (1) Other Asia includes Afghanistan, China, DPR of Korea, Hong Kong-China, Iran, Republic of Korea, Turkey, Macao and Mongolia.

(2) ESCAP (Economic and Social Commission for Asia and Pacific) Developed includes Australia, Japan and New Zealand.

(3) Not all regional groupings presented in the table.

Based on the available data, table 2.15 shows, Bangladesh's imports are chiefly from Other Asia (particularly China and Hong Kong-China), followed by ASEAN (particularly the countries Singapore, Thailand, Malaysia), SAARC and European Union. Next important regions from where Bangladesh imports are the developed region of ESCAP (chiefly Japan and Australia) followed by North and Central America. The two major export markets for Bangladeshi products are European Union and North and Central America (chiefly United States). Other Asia, developed region of ESCAP, SAARC and ASEAN are not so significant export markets for Bangladesh. In effect Bangladesh exports more to regions other than SAARC.

Table 2.16: Regional Exports and Imports of Bhutan as a Percentage of its Total Exports and Imports

	Imports (%)			Exports (%)		
Region	1994	1998	2003	1994	1998	2003
ASEAN	1.64	11.83	n.a.	n.a.	0.28	n.a.
SAARC	71.82	67.14	n.a.	99.6	98.39	n.a.
Other Asia	0.57	1.94	n.a.	n.a.	0.0	n.a.
ESCAP Developed	13.98	8.10	n.a.	0.0	0.16	n.a.
North and Central America	1.41	1.57	n.a.	0.06	0.68	n.a.
European Union	9.44	7.09	n.a.	0.0	0.21	n.a.

Source: Statistical Yearbook for Asia and the Pacific 2004.

Note: (1) Other Asia includes here China, DPR of Korea, Hong Kong-China, Republic of Korea, Afghanistan.
(2) ESCAP Developed includes Australia, Japan and New Zealand.
(3) n.a. implies data not available.
(4) Not all regional groupings presented in the table.

Compared to Bangladesh, a sizeable share of Bhutan's imports, as evident from table 2.16, originate from SAARC, India being the chief country in the region from where Bhutan imports. In comparison, the shares of ESCAP Developed, European Union and ASEAN are quite insignificant. The sole significant export market for Bhutanese products is SAARC, particularly India. Bhutan does not seem to export significantly to any other region as evident from their negligible shares in the total exports of Bhutan.

Table 2.17: Regional Exports and Imports of Maldives as a Percentage of its Total Exports and Imports

Region	Imports (%)			Exports (%)		
	1994	1998	2003	1994	1998	2003
ASEAN	n.a.	39.66	40.32	n.a.	17.27	24.62
SAARC	n.a.	21.75	24.21	n.a.	17.35	13.89
Other Asia	n.a.	2.02	2.71	n.a.	2.91	1.85
ESCAP Developed	n.a.	6.14	6.08	n.a.	14.40	10.35
North and Central America	n.a.	1.36	2.70	n.a.	20.69	33.28
European Union	n.a.	14.93	11.22	n.a.	26.37	15.61

Source: Statistical Yearbook for Asia and the Pacific, 2004.

Note: (1) Other Asia includes China, Hong Kong-China, Republic of Korea, DPR of Korea, Iran, Turkey.

(2) ESCAP Developed includes Australia, Japan and New Zealand.

(3) Not all regional groupings presented in the table.

Table 2.17 indicates that a significant portion of Maldives' imports arise from ASEAN (particularly from Singapore). The other important regions from where Maldives imports are SAARC, followed by European Union and Developed ESCAP. A sizeable portion of Maldives' exports are directed towards North and Central America (particularly United States), European Union and ASEAN (particularly Thailand). Maldives' exports to SAARC are much less compared to its exports to these regions.

Table 2.18: Regional Exports and Imports of Nepal as a Percentage of its Total Exports and Imports

Region	Imports (%)			Exports (%)		
	1994	1998	2003	1994	1998	2003
ASEAN	9.80	20.15	15.92	1.45	0.13	0.45
SAARC	40.67	31.09	53.60	12.23	36.91	53.85
Other Asia	19.18	17.96	12.89	2.75	0.14	3.81
ESCAP Developed	8.80	5.37	3.63	1.03	1.01	1.08
North and Central America	7.00	1.87	2.18	10.11	26.72	29.98
European Union	7.48	7.76	6.33	68.75	33.85	9.56

Source: Statistical Yearbook for Asia and the Pacific, 2004.

Note: (1) Other Asia includes China, Hong Kong-China, Iran, Republic of Korea, Turkey, Mongolia.

(2) ESCAP Developed includes Australia, Japan and New Zealand.

(3) Not all regional groupings presented in the table.

Table 2.18 shows, share of SAARC in the total imports of Nepal are considerable. ASEAN (chiefly Singapore) and Other Asia (chiefly China) are the next two important regions from where Nepal imports. The other regions do not seem to export much to Nepal. A declining trend in Nepal's imports from ESCAP Developed and North and

Central America is visible. Though in the early 90s Nepal exported most of its goods to European Union, but over the years a declining trend in Nepal's exports to EU is visible. On the other hand there has been a steady rise in the share of SAARC in Nepal's total exports. Next to SAARC, North and Central America has eventually emerged as Nepal's important export market.

Thus to conclude, among the four SAARC LDCs, Bangladesh and Maldives trade more with the countries outside SAARC. Bhutan and Nepal however consider SAARC as an important region to trade with. This has particularly been so because of the bilateral trade arrangements of India with these two LDCs, which allow duty free movement of goods between the participants. Such arrangements permitted increased trade of Nepal and Bhutan with India which is clearly reflected in the higher shares of SAARC in the two LDCs' trade. In fact, these two LDCs because of their landlocked position are dependent upon India for the transit facilities being offered by it. However, imports from any country other than India would imply passage of goods through India, which would in effect raise the transport costs and hence, prices of imported products. By similar reasoning, exports to other countries through India would make the products internationally uncompetitive. Hence, India being the closest neighbour with a large resource base, these countries prefer to trade mostly with India.

Conclusion

The four countries of our analysis, Bangladesh, Bhutan, Maldives and Nepal, demonstrate most of the characteristics of least developed countries. High population growth rates, poor indicators of health, prevalence of mass poverty and low income remain the features of most of these countries. However, based on the available data it is possible to state that Maldives outperforms the other three countries in terms of high real GDP growth rate and good indicators of health and indeed justifies United Nations' decision to graduate the country from the list of LDCs. The LDCs export both primary and manufactured goods. However, the manufactures exported by them remain limited to low skilled and simpler technology products while most manufactures demanding higher skills and technology have to be imported from abroad. Trade integration of Maldives, Nepal and Bhutan are considerably high relative to Bangladesh. This is consistent with

the fact that small economies tend to rely more on international markets in order to overcome the problems created due to of the small size of domestic markets, narrow resource base and technological disabilities. Despite such high trade integration one can not ignore the fact that the share of these countries' trade in world trade is abysmally low. This is explained by their poor supply capacities in terms of weak infrastructure, dearth of skilled labour and good managerial capabilities. Excepting Bhutan and Nepal, the SAARC LDCs depend more on regions outside SAARC for their exports and imports. Bhutan and Nepal however trade mostly with India within SAARC, on account of their landlocked position and the bilateral trade arrangement with India.

Chapter 3

An Assessment of the Impact of SAPTA upon LDCs of SAARC

Introduction

The SAARC Preferential Trading Arrangement (SAPTA) was the first approach towards economic cooperation among the SAARC countries. However, various studies have indicated that the SAPTA have not been very effective in increasing the intra-regional trade of SAARC countries as compared to other RTAs like ASEAN, MERCOSUR, ANDEAN, CARICOM [Mohanty(2003), Gupta(2002)]. Intra SAARC trade still continues to be around 4% of the total trade of the member countries [Pitigala(2005)]. On the other hand, extra-regional trade of SAARC countries constitutes an overwhelming share of total trade of the region than intra-regional trade.[1] Most studies which have attempted to evaluate the role of SAPTA in increasing the intra-regional trade, have stressed that though there had been some progress since the first round of negotiations under SAPTA, nevertheless the impact of SAPTA on intra-regional trade expansion continues to be limited. Some of them even claim that the growth of a positive trade balance under the framework of SAPTA was skewed in favour of India. For instance, Mohanty(2003) points out that India was the only country in the region which enjoyed positive trade balance with the other member countries. A similar view had been forwarded by Wadhwa(1999)[2], who claims that India, because of its strong industrial base and superior products could export more to the other SAARC members. Other SAARC countries were not equipped enough to cater to the Indian market. As a result, their exports to India were rather meager. This enabled India to enjoy a positive trade balance with the other SAARC members, while the latter recorded trade deficits with India.

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[1] Charan D. Wadhva, "Assessing the SAARC Preferential Trading Arrangement: An Indian Perspective", in Eric Gonsalves and Nancy Jetly edited, The *Dynamics of South Asia: Regional Cooperation and SAARC*, Sage Publications, 1999, p. 196-197.

[2] Ibid.,p.197.

This chapter attempts to evaluate the performance of SAPTA with reference to the Least Developed Countries (LDCs) of the region. The discussions in this chapter would focus on the trade of LDCs with India. However, it needs to be remembered that Nepal and Bhutan enjoy duty free access for their products in the Indian market and no concessions were exchanged between them and India within the framework of SAPTA. In effect, therefore, attempts to evaluate the process of SAPTA in facilitating increased exports of LDCs to India, remain largely limited to the two LDCs, Bangladesh and Maldives, with whom India has not yet entered into bilateral free trade agreements. However, I do not completely exclude Nepal and Bhutan from the discussions in this chapter. This chapter is divided into three parts, Part A, Part B and Part C. Part A looks at the intra-regional trade of SAARC countries. Part B briefly enumerates the reasons recognized for the failure of SAPTA by various literatures. It then attempts to analyse whether these factors are responsible for the greater participation of the two LDCs, Bangladesh and Maldives, in extra-regional trade than in intra-regional trade. Part C, using statistical tools, tries to analyze whether the factors claimed to be responsible for the failure of SAPTA, prevented the LDCs from expanding their exports to India.

Part A

Intra-Regional Trade of SAARC Nations

The impact of SAPTA on boosting intra-regional trade among SAARC countries had been minimal as compared to other regional trade arrangements. Table 3.1 makes an attempt to compare the intra-regional trade of SAARC with other important regional trade arrangements of the world, by using the intra-regional exports of each bloc as a percentage of their total exports to the world.

Table 3.1: Merchandise Exports within Bloc as a Percentage of Total Bloc Exports

Regional Groupings	Years			
	1990	1998	2000	2003
NAFTA	41.4	51.7	55.7	56.1
EU	65.9	56.8	61.6	61.1
MERCOSUR	8.9	25.0	20.0	11.9
ASEAN	19.8	21.9	23.9	23.0
SAARC	3.2	4.8	4.1	5.6

Source: World Development Indicators 2005, The World Bank.

Table 3.1 shows, though the trade among SAARC countries has gone up after the formation of SAPTA in 1995, as visible from the higher shares of intra-regional exports in total bloc exports from 1998 onwards, yet the figures remained insignificant as compared to that of other trade blocs. EU and NAFTA performed best among all the regional groupings considered. SAARC had been the worst performer among the five regional grouings. Its intra-regional exports remained in the range of 4% to 5% of the bloc's total exports to the world. Thus, from table 3.1 it is possible to conclude that though SAPTA did play a role towards increasing the intra-regional trade of SAARC yet its impact was indeed meager as compared to the intra-regional trade of other regional groupings of the world.

Shares of SAARC Countries in Total Intra-Regional Trade

In order to assess the role of SAPTA towards increasing the intra-regional trade, certain adjustments have to be made to the trade figures, as the trade between India and the LDCs, Bhutan and Nepal, do not fall within the purview of SAPTA. Let us first have a look at the shares of each SAARC country in the total intra-regional trade in table 3.2, without making any adjustments for the presence of bilateral trade arrangements between India and the two countries – Nepal and Bhutan. Later on in table 3.3, we incorporate the required adjustments to precisely assess the impact of the preferential arrangement upon intra-regional trade of the LDCs of the region.

Table 3.2 compares the shares of Bangladesh, Bhutan, Maldives and Nepal in the total intra-regional trade with the other non-LDC members of SAARC, India, Pakistan and Sri

Lanka. The data relate to commodity trade at 3 Digit SITC Rev. 2, obtained from the United Nations COMTRADE database. However, the figures cannot reflect accurate picture of the intra-regional trade due to the non availability of consistent data. Most of the countries of the region are small and do not maintain detailed records of their trade [Krueger et al (2004)].

Table 3.2: Share of SAARC Members in the Total Intra-Regional Trade (%) [Including Bilateral Trade Arrangements]

Country	Years								
	1994	1996	1998	1999	2000	2001	2002	2003	2004
Bangladesh	1.55	29.64	26.51	n.a.	15.58	20.02	22.22	16.25	15.88
Bhutan	4.99	n.a.	4.40	5.97	n.a.	n.a.	n.a.	n.a.	n.a.
Maldives	n.a.	1.63	2.01	2.29	1.98	2.08	1.82	1.27	1.54
Nepal	18.93	12.81	12.49	20.11	17.33	n.a.	n.a.	12.89	n.a.
India	52.69	44.29	40.21	41.78	46.75	50.54	50.25	46.16	52.20
Pakistan	n.a.	11.64	14.38	12.05	18.36	10.59	7.12	8.55	10.48
Sri Lanka	21.85	n.a.	n.a.	17.81	n.a.	16.77	18.58	14.87	19.90

Source: UN COMTRADE Database.
Note: (1) n.a. implies data not available.
(2) For the bilateral trade data refer to the tables 1 to 7 of the Annexure.

As evident from the table above, India accounted for the largest share in total intra-regional trade through out the observation period. In fact the country maintained favourable trade balance with most countries of the region for the time period under consideration. Among the LDCs, Bangladesh and Nepal accounted for a considerable share of the intra-regional trade. In fact, Bangladesh's share was higher than the shares of both Pakistan and Sri Lanka in the years 2001, 2002 and 2003. Nepal's share was higher than the shares of both Pakistan and Sri Lanka in the year 1999. The shares of the other two LDCs, Bhutan and Maldives in total intra-regional trade, remained insignificant.

Table 3.3: Share of SAARC Members in the Total Intra-Regional Trade (%) [Excluding Bilateral Trade Arrangements]

Country	Years								
	1994	1996	1998	1999	2000	2001	2002	2003	2004
Bangladesh	2.20	36.50	34.17	n.a.	20.87	22.68	24.95	21.19	18.11
Bhutan	0.22	n.a.	0.20	0.24	n.a.	n.a.	n.a.	n.a.	n.a.
Maldives	n.a.	2.00	2.59	3.44	2.66	2.36	2.05	1.65	1.75
Nepal	1.35	0.64	0.81	1.55	0.20	n.a.	n.a.	0.26	n.a.
India	65.07	46.52	43.69	49.85	51.68	43.98	44.15	46.35	45.49
Pakistan	n.a.	14.33	18.54	18.13	24.59	11.99	8.00	11.15	11.95
Sri Lanka	31.15	n.a.	n.a.	26.79	n.a.	18.99	20.86	19.39	22.70

Source: UN COMTRADE Database.
Note: (1) n.a. implies data not available.
(2) For the bilateral trade data refer to the tables 1 to 7 of the Annexure.

In table 3.3, we make the following adjustments. Due to the presence of the bilateral trade arrangements of India with Nepal and Bhutan, which do not fall within the purview of SAPTA, India's trade with these two countries is excluded from its total trade with the region. Similarly Nepal's trade with India is excluded from the total trade of Nepal with the SAARC region and Bhutan's trade with India is excluded from the total trade of Bhutan with the region.[3] Here also India recorded the largest share of the total intra-regional trade. Among the LDCs, Bangladesh witnessed impressive performance after the formation of SAPTA that is, from 1996 onwards, and its share remained higher than Pakistan and Sri Lanka in the years 2001, 2002 and 2003. It seems SAPTA had been effective in boosting the participation of Bangladesh in total intra-regional trade. However, much of this trade is accounted by Bangladesh's trade with India with whom it maintained a persistent trade deficit. The share of Maldives in total intra-regional trade had remained insignificant throughout the observation period. It appears, SAPTA could not help Maldives much in increasing its share in total intra-regional trade. It is to be noted, the largest trade partner of Maldives in the region was Sri Lanka, followed by India. Maldives too had a trade deficit with India throughout the observation period. As Bhutan and Nepal trade mostly with India under the framework of bilateral trade

[3] Though India signed free trade agreement with Sri Lanka in 1998, which came into force from 1st March 2000, I do not deduct India's trade with Sri Lanka from the India's total trade as the agreement is not very extensive as it does not provide for elimination of non tariff barriers along with duty free access of one country's exports into the market of the other country. For more details on the free trade agreement, visit the site http://www.doc.gov.lk/regionaltrade.php?mode=inop&link=isfta.

arrangements, their shares in total intra-regional trade within the purview of SAPTA remained insignificant. Evidently, comparing table 3.3 with table 3.2, one can infer that though Nepal's share in total intra-regional trade of SAARC is considerable, most of it is accounted by its bilateral trade arrangement with India.

However, these figures on intra-regional trade do not reflect the true trade potential of the region due to the presence of a large and vibrant informal or illegal trade market [Kelegama (1999)[4]]. Pohit and Taneja (2000) assert that informal trade of India with the neighbouring countries of Nepal and Bangladesh is estimated to be at least as large as formal trade. In fact, India, given its geographical size and location, trades illegally to a considerable extent, with all other countries of SAARC [Taneja(1999)]. Such illegal trade takes place in order to avoid not only tariffs but also port charges, warehouse charges, insurance etc.[5] In addition, weak infrastructure in the forms of poor warehousing facilities, raises the cost of higher volumes of trade through formal channels and this induces informal trading.[6] Pohit and Taneja (2000) state that, this is one major reason for the presence of informal trade among South Asian countries. The volume of total intra-regional trade would significantly increase if such informal trade is brought within the purview of formal trade.

Part B

Reasons for the Failure of SAPTA

Though SAPTA was formulated with the aim of promoting increased intra-regional trade, several studies have pointed out that SAPTA had been largely unsuccessful in its attempt. Most of the countries traded more with the countries outside SAARC. It has also been established in the previous chapter that the LDCs, Bangladesh and Maldives had been trading more with the countries outside SAARC. Their trade with the most developed regional partner India, had been far behind their trade with China, Hong Kong, Singapore, United States and EU. There is a huge body of literature, which has identified

[4] Saman Kelegama, "SAPTA and its Future" in Eric Gonsalves and Nancy Jetly edited, *The Dynamics of South Asia: Regional Cooperation and SAARC*, Sage Publications, 1999, p. 179-180.
[5] Kelegama, n. 4.
[6] Sanjib Pohit and Nisha Taneja, *India's Informal Trade with Bangladesh and Nepal: A Qualitative Assessment*, ICRIER, New Delhi, Working Paper No. 58, 2000, p. 6-7.

a number of factors that could have prevented intra-regional trade to increase within the purview of SAPTA. The following discussion tries to look into these factors and attempts to explain in terms of these factors why the regional LDCs particularly Bangladesh and Maldives, participated more in extra-regional trade than in intra-regional trade.

Several studies claim that the strained political relation between the countries was one major factor for the failure of SAPTA. The region has a long history of conflict of interest and disharmony among the member countries. All member countries are skeptical about mutual expansion of trade due to the possible domination of the region by India. They are of the view that all possible gains from the formation of regional economic cooperation would mostly accrue to the largest and most powerful country of the region, India [Das(1998), Murthy(2000)]. Thus, though the Agreement on SAPTA made provisions to enable all countries to benefit equitably from mutual trade expansion, by ensuring special arrangements for the LDCs, the latter were still skeptical about their gains from the Agreement. The fear of domination by India could have influenced the SAARC LDCs' to look for alternative markets for their products.

Due to strained political relations among SAARC countries, there was a lack of willingness among the countries to make SAPTA a success. Such unwillingness on the part of countries could be held responsible for the faulty implementation of the Agreement. Several evidences would clarify this argument. Firstly, it had been argued that the schedule of tariff concessions did not consider a single approach for product aggregation for providing tariff concessions. For instance, concessions have been granted to commodities defined at the level of chapter, heading, sub-heading and national lines. In the third round of SAPTA, Maldives offered concession at 8 digit level, Nepal at 6 and 8 digit level, Bangladesh at 6, 4 and 8 digit level and India at 6 digit level of Harmonised System (HS) classification. Such discrepancies among the member countries regarding the schedule of tariff concessions makes it difficult for the countries to trade meaningfully amongst themselves.

Secondly, there were significant problems associated with the method of tariff negotiations as well. The first two rounds of tariff negotiations under SAPTA were based on a product-by-product approach, which offered concessions on a list of products arrived at through bilateral negotiations between the countries and later multilateralised, until and unless the concessions were meant for LDCs of the region only. This approach resulted in a long list of products being offered concessions without significant trade coverage [Mukherji (2004)]. Tariff concessions on the basis of sectoral approach which facilitates wider trade coverage was implemented only from third round onwards. However, the concessions offered were not very significant for making a major impact on trade expansion. Though India offered concessions as high as 50% and even 100% in some cases, most of the concessions made available by other member countries were in the range of 10% to 20%, with 10% being largely prevalent. Tariff concessions cannot however solely lead to intra-regional trade expansion. Non tariff barriers (NTB) had to be countered as well. There were instances where intra-regional trade in certain products could not be expanded because of the presence of non tariff barriers, even though the concession offering country was providing huge duty cuts on those products. The presence of NTBs on such products would be evident from the fact that their imports by the other SAARC countries were entirely prohibited by the concession offering country. India for instance offered 50% tariff concession on imports of certain products from the LDCs, yet their entry into the country was entirely prohibited.[7] In such situations, mere use of tariff cutting approach could not ensure increased exports by the LDCs to India within the SAPTA framework and in effect, this could be one major reason for low intra-regional trade. Krueger et al (2004) in this context points out that many products on which concessions had been offered, were not traded among the countries at all, making the realization of the objective of SAPTA difficult.[8] These facts reveal that the countries were not very eager to make SAPTA work properly.

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[7] Items such as, residues resulting from treatment of fatty substances or animals or vegetable waxes (HS code 15220009), lard; other than pig fat and poultry fat rendered (HS code 15010000), mutton fallow (HS code 15020001) and a few others were prohibited by India. Compiled from India's Consolidated National Concessions schedule of first three rounds of SAPTA, available at www.saarc-sec.org.

[8] Elizabeth Krueger, Rossana Cecilia Bastos Pinto and others, *Impacts of South Asia Free Trade Agreement, La Follete School of Public Affairs*, University of Wisconsin – Madison, 2004, p. 7

Though lack of trust and political disharmony among the SAARC countries were definitely important factors behind proper implementation of SAPTA, it is unjustifiable to base the failure of SAPTA entirely on them. Certain other factors were equally responsible for the meager expansion of intra-regional trade. Some of these factors, recognized in various literatures, are enumerated below.

Firstly, it has been claimed that the SAARC region lacks trade complementarities and this factor is considered to be largely responsible for the lackluster performance of SAPTA in promoting intra-regional trade. Complementarities in this context would arise if the products of one country could be used as inputs in the manufacture of commodities of another country. This is effect implies that the commodity groups produced by the members of a regional trade arrangement should be overlapping or so to say interdependent. Theorists recognize the fact that, if the class of commodities produced in a regional grouping overlap to a large extent, there will be allocation of resources in the most efficient direction, opening up possibilities of greater intra-regional trade.[9] Consider for example two closely related commodity groups, iron ore and steel. Iron ore is used as an input in the manufacture of steel. There are two countries, A and B. Suppose now, compared to country B, country A is more efficient in the production of iron ore, while country B is more efficient in the manufacture of steel. That is to say, country A can produce iron ore at a lower cost while country B owns the technology to manufacture steel at a lower cost. If these two countries now form a trade arrangement, then country A could specialize in the production of iron ore and country B in production of steel. This would result in efficient allocation of resources. In the process, country B would be able to manufacture steel efficiently by securing iron ore from country A at a cost lower than that incurred, had B produced iron ore itself. Production of such overlapping or interdependent commodity groups by the members of a regional trade arrangement thus opens up the scope for gainful trade within the arrangement. If on the other hand, the two countries produce absolutely unrelated commodities, then the formation of a regional trade arrangement would result in inefficiency with little scope for gainful trade amongst

[9] See R.G. Lipsey, *The Theory of Customs Unions: A General Survey*, The Economic Journal, Vol.70, No. 279, 1960, p.498-499.

the members. Say for instance, if country A in the previous example produces clothing instead of iron ore, while country B produces steel, then there are no possibilities of B acquiring inputs cheaply from its partner A. B will have to produce what it can produce by itself at a higher cost. The price of steel will be higher compared to the previous situation and this no doubt results from inefficient allocation of resources. Thus to sum up, there would be possibilities of greater gainful trade amongst the members of a RTA if they produce overlapping or interdependent or so to say, complementary products.

Unfortunately such trade complementarities are claimed to be absent in the SAARC region. Pitigala (2005) using the trade data for India, Pakistan, Sri Lanka, Nepal and Bangladesh demonstrated the presence of low trade complementarities and high degree of competition in their export structure. Several authors have put forward various reasons for the presence of such poor trade complementarities. Kelegama(1999) asserts that most of the SAARC members are "agricultural economies with a small industrial sector manufacturing a narrow range of products."[10] Such limited range of manufactured products is not conducive to the growth of trade complementarities. Hariharan(1998) further takes notice of the fact that due to the prevalence of British colonial rule over most South Asian economies, the latter specialized in the production and trade of those commodities which were demanded by the economies of the rulers.[11] These included industrial raw materials and agricultural products. The South Asian economies in turn imported most machineries and other manufactured industrial products from the developed countries. This trend continued even after independence and as a result there exists very little possibilities of building up gainful trade on the basis of product complementarities among South Asian nations. Thus, it is possible to argue that though political factors were indeed accountable for the failure of SAPTA, absence of certain economic factors such as lack of trade complementarities also played their part. In effect therefore, such poor trade complementarities in the SAARC region could have influenced the LDCs to look for markets outside the region.

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[10] Kelegama, n. 4, p. 175.

[11] S.V. Hariharan, "Problems of Trade Cooperation among SAARC Countries" in Debendra Kumar Das edited, *SAARC: Regional Cooperation and Development, Perspectives, Problems , Policies*, Deep and Deep Publications, 1998.

Secondly, most studies claim that the SAARC countries trade more with the countries outside the region than amongst themselves. This could be due to the fact that most SAARC economies are dependent upon foreign credit packages which might also require the recipients to trade more with the credit providing nation [Rao & Kumar(1998)].[12] Hence the tenadency of Bangladesh and Maldives to trade more with the countries outside SAARC could be justified on this ground.

Thus, the literature on SAPTA recognizes various factors for the failure of the trade agreement. Interplay of all these factors induced the SAARC LDCs, Maldives and Bangladesh, to participate more in extra-regional trade than in intra-regional trade.

Part C

Extent of Trade Promotion under SAPTA

The preceding discussions have revealed that the SAPTA Agreement had failed to boost the intra-regional trade. As per the Agreement, the countries provided tariff concessions on tradable products, but such an arrangement unfortunately failed to increase the trade among SAARC countries. It had been claimed that most such products included in the tariff concession schedules of the SAARC countries were not traded at all among the member nations. In this context I try to verify this argument by determining whether the products on which India offered tariff concessions to the LDCs under SAPTA Agreement, were exported at all by the SAARC LDCs to India.

For this purpose I make use of the Commodity Intensity of Bilateral Trade Index developed by Reza (1987).[13] It is calculated by dividing the share of a given commodity

[12] M. Sundara Rao & Sanjeev Kumar, "Identification of Potential Areas of Intra-Regional Trade in the SAARC region" in Debendra Kumar Das edited, *SAARC: Regional Cooperation and Development, Perspectives, Problems , Policies*, Deep and Deep Publications, 1998.

[13] Sadrel Reza, "Bangladesh", country paper in Charan D. Wadhwa and others, *Regional Economic Cooperation in Asia: Bangladesh, India, Pakistan and Sri Lanka*, Ahmedabad Allied Publishers, 1987, p. 61-70.

in a country's exports to another country, by the share the same commodity has, in the importing country's total imports.
In symbol the index is stated as

$$(X_{ij}^{h} / X_{ij}) / (M_j^{h} / M_j)$$

X_{ij}^{h} and X_{ij} are the exports of commodity h by country i to country j and the total exports of country i to country j respectively. M_j^{h} and M_j are the import of commodity h by country j from the world and its total imports from the world respectively.

According to Reza (1987) this bilateral trade index reveals the extent to which a country's exports to another country meet the latter's import demand. According to him, if the index takes a value of 120, then it implies that a country's exports of a given commodity has 20% larger share, than the average, in the imports of this commodity by a particular country. This implies greater market penetration by the exporting country in the importing country. On the other hand, if the index takes a value of 80, then it implies that a country's exports of a given commodity has 20% lesser share than the average, in the imports of this commodity by a particular country. Though the trade between India and the LDCs, Nepal and Bhutan, are excluded from the SAPTA Agreement, yet I compute the bilateral trade index between them in order to get a picture of bilateral trade between them as well. This would in effect enable us to compare the extent of bilateral trade of India with different SAARC LDCs. Thus I intend to compute four trade indices; (1) between India and Bangladesh; (2) between India and Bhutan; (3) between India and Maldives and (4) between India and Nepal. The indices correspond to 1994, the year prior to the formation of SAPTA and 2003, the year after the formation of SAPTA. Indices for these two years will help us to evaluate how the formation of SAPTA had changed the bilateral trade of India with the LDCs.

For the identification of products with respect to which the indices are to be computed, I refer to the Consolidated National Schedule of Concessions of India and determine the products on which India offered 50% or more concessions and were meant exclusively for the LDCs of SAARC. However, India offered concessions based on six digit HS

commodity classification and it becomes cumbersome to compute the indices for such a long list of products. Hence I follow a sampling technique. I aggregate the products into four digit HS classification and consider only those products groups which receive more than 10 product concessions. The indices are however computed by making use of the 3 Digit SITC (Rev. 2) equivalent of the corresponding HS commodity classification.[14] Data for bilateral trade are obtained from the United Nations COMTRADE database. However non availability of data remains a serious problem. Data for commodity trade are not available for Maldives in the year 1994 and for Bhutan in the year 2003. Table 3.4 and 3.5 provide the indices for the years 1994 and 2003 respectively.

Table 3.4: Commodity Intensity of Bilateral Trade Index between India and the LDCs for the Year 1994

SITC code	Product Description	Country		
		Bangladesh	Bhutan	Nepal
034	Fish, fresh(live or dead), chilled or frozen	3.873	n.a.	44.164
036	Crustaceans and molluscs, fresh, chilled,frozen,salted, in brine or dried	....	n.a.	n.a.
057	Fruit and nuts, fresh or dried	n.a.	0.559	0.214
058	Fruit, preserved, and fruit preparations	n.a.	....	104.297
551	Essential oils, perfumes and flavour materials	n.a.	n.a.	0.066
583	Polymerization and copolymerization products	n.a.	0.357	0.006
584	Regenerated Cellulose; cellulose nitrate and other cellulose esters	n.a.	n.a.	n.a.
585	Other artificial resins and plastic materials	22.597	n.a.	n.a.
651	Textile yarn	n.a.	n.a.	26.617
652	Cotton fabrics, woven	1.247	n.a.	0.941
653	Fabrics, woven, of man made fibres	n.a.	n.a.	2.116
658	Made-up articles wholly or chiefly of textile materials	12.95	n.a.	....
678	Tubes, pipes and fittings, of iron or steel	n.a.	n.a.	0.074
716	Rotating electric electric plant and parts	0.012	n.a.	0.197
763	Gramophones, dictating and sound recorders	n.a.	n.a.	n.a.
775	Household type, electrical and non electrical equipment	n.a.	n.a.	n.a.
842	Outergarments, men's, of textile fabrics	n.a.	n.a.	158.9
843	Outergarments, women's, of textile fabrics	....	n.a.	....
845	Outergarments and other articles, knitted	n.a.	n.a.	....
846	Undergarments, knitted or crocheted	n.a.	n.a.	....
871	Optical instruments and apparatus	n.a.	n.a.	n.a.
872	Medical instruments and appliances	n.a.	n.a.	n.a.
881	Photographic apparatus and equipment, n.e.s.	n.a.	n.a.	n.a.
898	Musical instruments, parts and accessories	n.a.	n.a.	0.007

[14] For further clarifications refer to the tables 8 and 9 of the Annexure.

Source: UN COMTRADE database

Note: (1) n.a. implies data not available.

(2) Here India is the importer and Bangladesh, Bhutan and Nepal are the exporters to India.

(3) Indices for the product categories 036 and 843 in case of Bangladesh, 058 in case of Bhutan, 658, 843, 845 and 846 in case of Nepal assume absurd values and are not considered for analysis. Such absurd values could be due to reporting errors by the countries concerned.

(4) Indices calculated by the method as explained in the text.

In the year 1994, low values of bilateral trade index (less than 100) between India and Bangladesh indicate that Bangladesh did not export considerably to India. Similar low values are visible for trade between India and Bhutan. Nepal however provides a better picture. An index value of 104.297 for the product with SITC code 058 (fruit preparations) indicates that the export of this product by Nepal had 4.297% larger share than the average, in the imports of this commodity by India. Similarly export of the product with SITC code 842 (men's outer-garments) by Nepal had 58.9% larger share than the average in the imports of this commodity by India. Most other products exported by Nepal, record lesser share in the imports of India. Thus, to summarize, even before the formation of SAPTA, exports by the LDCs of SAARC to India were meager.

Table 3.5: Commodity Intensity of Bilateral Trade Index between India and the LDCs for the Year 2003

SITC code	Product Description	Country		
		Bangladesh	Maldives	Nepal
034	Fish, fresh(live or dead), chilled or frozen	7.983	44.451	n.a.
036	Crustaceans and molluscs, fresh, chilled,frozen,salted, in brine or dried	66.705	n.a.	n.a.
057	Fruit and nuts, fresh or dried	0.153	n.a.	n.a.
058	Fruit, preserved, and fruit preparations	n.a.	n.a.	n.a.
551	Essential oils, perfumes and flavour materials	n.a.	n.a.	0.142
583	Polymerization and copolymerization products	0.001	n.a.	42.274
584	Regenerated Cellulose; cellulose nitrate and other cellulose esters	n.a.	n.a.	0.551
585	Other artificial resins and plastic materials	n.a.	n.a.	0.139
651	Textile yarn	0.109	n.a.	n.a.
652	Cotton fabrics, woven	0.496	n.a.	n.a.
653	Fabrics, woven, of man made fibres	0.135	n.a.	22.364
658	Made-up articles wholly or chiefly of textile materials	0.819	n.a.	0.559
678	Tubes, pipes and fittings, of iron or steel	0.009	n.a.	7.086
716	Rotating electric electric plant and parts	0.226	n.a.	15.489
763	Gramophones, dictating and sound recorders	n.a.	n.a.	4.125

775	Household type, electrical and non electrical equipment	n.a.	n.a.	0.001
842	Outergarments, men's, of textile fabrics	102.037	n.a.	n.a.
843	Outergarments, women's, of textile fabrics	43.237	n.a.	n.a.
845	Outergarments and other articles, knitted	3.575	n.a.	109.183
846	Undergarments, knitted or crocheted	n.a.	n.a.	....
871	Optical instruments and apparatus	n.a.	n.a.	82.671
872	Medical instruments and appliances	n.a.	n.a.	18.238
881	Photographic apparatus and equipment, n.e.s.	n.a.	n.a.	n.a.
898	Musical instruments, parts and accessories	n.a.	n.a.	n.a.

Source: UN COMTRADE database

Note: (1) n.a. implies data not available.

(2) Here India is the importer and Bangladesh, Bhutan and Nepal are the exporters to India.

(3) Index for the product category 846 in case of Nepal assumes absurd value and not considered for analysis. Such absurd value could be due to reporting errors by the countries concerned.

(4) Indices calculated by method as explained in the text.

Since the indices in table 3.5 are for the year 2003, they represent the extent of bilateral trade between India and the LDCs after SAPTA had been made fully operational. As evident from table 3.5, in the year 2003 as well, India had low import intensities with the SAARC LDCs, Bangladesh, Maldives and Nepal. However the export of only one product category, with SITC code 842 (men's outer-garments) by Bangladesh had 2.037% larger share than the average, in the imports of this commodity by India. The other LDC, Nepal recorded 9.183% larger share than the average, in the imports of the product with SITC code 845 (knitted outer-garments) by India. On an average, low values of the indices between India and Bangladesh and between India and Maldives for the year 2003 confirm the fact that exports of Bangladesh and Maldives have not been able to secure a large market in India, despite more than 50% concessions being offered on them by India under the SAPTA regime.

Comparing table 3.5 with table 3.4, one can see that the values of the bilateral trade indices between India and Bangladesh did not increase over the period under consideration. Thus it is possible to infer that there had been no improvement in Bangladesh's export intensities with India. One can then conclude, SAPTA could not help much in boosting the exports by Bangladesh to India and thereby increasing Bangladesh's participation in intra-regional trade. Surprisingly however there had been some improvement in the value of the indices between India and Nepal over the years,

though such improvement could not be attributed to the working of SAPTA. Increases in the values of bilateral trade indices between India and Nepal are visible for the products with SITC codes, 551 (essential oils and perfumes), 583 (polymerization and copolymerization products), 653(woven fabrics), 678 (tubes and pipes of iron and steel) and 716 (rotating electric parts and plants). It is to be noted further, compared to Bangladesh, Nepal has relatively higher values of the indices for the product categories considered in both the years. This suggests India imported relatively more from Nepal under the bilateral trade arrangement, than from Bangladesh under the framework of SAPTA.

Thus, to conclude, under the SAPTA framework, India had been offering huge tariff cuts on certain product categories importable from the SAARC LDCs. But most of these product groups, though exported by the LDCs to India, constituted an insignificant share of India's imports from the LDCs, whether prior to the formation of SAPTA or after the formation of SAPTA. The process of SAPTA was thus unsuccessful in increasing the export of those product categories by the LDCs to India. In effect, such huge tariff cuts by India were largely meaningless and without any substantive purpose of increasing the trade participation of LDCs within SAARC.

Trade Complementarities

From the discussions in Part B, it is evident that one major reason for poor intra-regional trade among the SAARC nations has been the absence of product complementarities in the region. Here I try to analyse this claim and determine the extent of trade complementarities between India and the four LDCs of SAARC. If poor trade complemetarities exists between India and the LDCs then, mere tariff cutting approach under SAPTA would not be able to ensure sufficient benefits for the LDCs in terms of their increased access to the Indian market. For this purpose I compute the Index of Trade Complementarities. The index seeks to determine how well the exports of a country are matched with the imports of the partner country. The proponents of the index Michaely (1994) and Yeats (1998) argue that higher the value of the index, the more likely a proposed regional trade agreement will succeed and that an increasing tendency of the

index between two members can be an indication of the likelihood of their further integration.[15] In this analysis, I take help of the Complementarity Index as modified by Pitigala(2005).

The Index of Trade Complementarity between the countries i and j (ITC_{ij}) is stated as,

$$ITC_{ij} = \sum_{k} (X_{iw}^{k} / X_{iw}) * (M_{jw}^{k} / M_{jw}) * [(M_{w}^{k} - M_{iw}^{k}) / (M_{w} - M_{iw})]$$

X_{iw}^{k} is the exports of commodity k by country i to the world, X_{iw} is the total exports of country i to the world. Thus X_{iw}^{k} / X_{iw} is the share of commodity k in the total exports of country i. M_{jw}^{k} and M_{jw} are the imports of commodity k by country j from the world and total imports of country j from the world respectively. M_{jw}^{k} / M_{jw} constitutes the share of commodity k in the total imports of country j. M_{iw}^{k} and M_{iw} are the imports of commodity k by country i from the world and total imports of country i from the world respectively. M_{w}^{k} and M_{w} are the world imports of commodity k and total world imports respectively. The index is thus the weighted sum of the products of each commodity's share in country i's exports and country j's imports, with the weights being the share of commodity k in the total imports of the world other than country i. If countries other than country i are not producing more of commodity k, then they must be importing more in which case the share of commodity k in the total world imports will be high thus implying a higher value of the index. If countries other than i are simply not exporting product k then country j will have no other option but to import commodity k more from country i, implying greater trade complementarity between country i and country j. The value of the index ranges between zero and unity. A value of zero indicates absence of trade complementarities between the countries concerned; the imports of one country in no

[15] Yeats (1998) had pointed out that the index suffers from certain limitations. In his words, "....*takes the existing structure (share) of exports as a given and attempts to determine how well it matches a potential partner's imports. This assumes that either existing exports will be diverted to the regional partner, or the country can expand these exports at constant costs. Also, the approach assumes there is something optimal about the existing structure of trade. This need not be the case. Third, the complementarity index treats all exports as equals, yet some may have very different associated national policy objectives. Fourth, the influence of distance and transport costs are neglected in the complementarity index*". These limitations have to be kept in mind while interpreting the value of the indices and hence the index values cannot be expected to provide the accurate picture of the situation. See Alexander J. Yeats, *What can be Expected from African Regional Trade Agreements? Some Empirical Evidence*, The World Bank, Policy Research Working Paper 2004, 1998, p. 79.

way match the exports of other country. Higher values closer to unity indicate greater complementarity and thus greater prospects for gainful trade between the countries.

Table 3.6 provides the values of trade complemetarity indices between India and the LDCs of SAARC, for three years, which relate to the period after the formation of SAPTA. For computing the indices I make use of the complete list of products at 3 Digit SITC Rev. 2, traded by the countries, obtainable from the United Nations COMTRADE database.

Table 3.6: Index of Trade Complementarity between India and the LDC of SAARC

Country	Years		
	1996	1998	2003
Bangladesh	0.000014	0.0000071	0.0000059
Bhutan	n.a.	0.0000061	n.a.
Maldives	0.00000031	0.00000067	0.00000035
Nepal	0.00013	0.00034	0.000013

Source: (1) UN COMTRADE database.
(2) International Trade Statistics Yearbook 2000 and 2003.
Note: (1) n.a. implies data not available.
(2) Indices calculated by method as explained in the text.

The figures in table 3.6 confirm the fact that there are indeed very poor trade complementarities between India and the LDCs of the region. Moreover the indices do not show an increasing trend to suggest possibilities for further trade integration. However India and Nepal seems to exhibit comparatively better trade complementarities for the years 1996 and 1998. Worst trade complementarities are noticeable between India and Maldives. Such low trade complementarities of LDCs of SAARC with the most developed member of the region, India, certainly raises doubts about potential benefits of SAPTA being conferred to the former, specially the countries of Bangladesh and Maldives.[16] Thus very low values of the indices confirm the fact that the products imported by India and exported by the LDCs are rarely interdependent. As discussed in part B, interdependent or overlapping commodity groups produced by the countries

[16] Though the trade of India with the two LDCs Nepal and Bhutan, do not fall within the purview of SAPTA, I compute the trade complementarity indices between India and these two LDCs in order to compare their situation with the other two LDCs, Bangladesh and Maldives.

would help in increasing intra-regional trade. Since in SAARC region, such interdependencies are not present to a large extent, there are little possibilities of increasing the trade participation of LDCs under the framework of SAPTA, even if India offers huge tariff cuts on its imports from the LDCs.

Conclusion

The LDCs of the region particularly Bangladesh and Maldives, do not seem to have gained substantially from the formation of SAPTA in terms of their increased exports to India. One major reason for this is poor trade complementarities between India and the LDCs. In spite of the fact that India, had been offering huge concessions on products importable from the LDCs, the latter's penetration into the Indian market on the basis of such products remained insignificant. This could be due to application of non tariff barriers by India on imports from the LDCs. It might also be due to the fact that India had been consciously granting tariff concessions on products which the LDCs can not supply efficiently. Such actions on the part of India reflect its unwillingness to open up its economy to the regional partners. The underlying cause of this is the lack of trust and conflict of interest among the countries concerned.

Chapter 4

Inception of SAFTA & Expectations from it

Introduction

With the aim of forging further economic integration within the SAARC region, the policy makers looked forward to transforming the region's preferential trading arrangement into a free trade agreement. In the year 1999, a report submitted by the Group of Eminent Persons (GEP) charted out a roadmap for converting SAARC Preferential Trading Arrangement (SAPTA) into South Asian Free Trade Area (SAFTA). Their ultimate objective is to pave the way for a South Asian Customs Union (SACU) and eventually a South Asian Economic Union (SAEU) by the year 2020, through the process of gradual trade liberalization [Gupta (2002)]. The Agreement on SAFTA was signed on 6th January, 2004 during the 12th SAARC Summit held at Islamabad. It has been made operational from 1st January, 2006.

This chapter tries to identify whether SAFTA would indeed be an improvement over SAPTA and whether it would be able to guarantee greater gains for the Least Developed Countries (LDCs) of the region, in terms of their increased access to the Indian market. In the process, the following discussions would focus on means through which increased trade participation of the LDCs could be ensured within the framework of SAFTA. The analysis is divided into four parts. Part A examines the intricacies of the Agreement, in the context of the LDCs of the region. Part B enumerates the various views put forward by various studies about the possible impact of a free trade area in South Asia. Part C using the concept of revealed comparative advantage, attempts to analyze the possibilities for enhancing the trade participation of LDCs. Part D identifies the products which have a strong potential for enhancing the trade between India and the SAARC LDCs under SAFTA regime and provides the possible means through which the SAARC LDCs can augment their exports to India. As in the previous chapter, the analysis in this chapter too

focuses on the ability of SAFTA to increase exports of SAARC LDCs to the largest and comparatively developed market of the region, India.

Part A

The SAFTA Agreement: Its Specifications for the LDCs of SAARC

In accordance with the recommendations of GEP in 1999, for introduction of free trade area, all forms of non tariff barriers and other discriminatory practices such as para-tariff barriers would be identified during the first year of the implementation period. These should be phased out over the next 9 years by the LDCs and over 7 years by the non LDCs [Gupta (2002)]. In addition, due recognition has to be given to the removal of structural impediments, harmonization of customs procedures and documentation, banking facilitation, improvement in port and transport facilities and facilitation of other trade related services.[1] Accordingly, SAFTA was introduced on 1st January 2006.

The Agreement on SAFTA, just like SAPTA, gave due recognition to the fact that the LDCs of the region required special attention. Hence it reserved certain differential treatments for the four LDCs in order to ensure that the move towards free trade does not harm them.[2] Adopting such an approach over the long run would make certain that the benefit from free trade gets equitably distributed among the members of SAARC.

To begin with, the Agreement on SAFTA allowed a longer time frame for tariff reduction for the LDCs compared to the non LDCs. It adopted a gradual two phase procedure for tariff elimination. In the first phase, which is to be completed by 2008, the terms of SAFTA would require the non LDCs, India, Pakistan and Sri Lanka to reduce tariff rates to 20% and the LDCs, Bangladesh, Bhutan, Maldives and Nepal to 30%. In the second phase, tariffs would be further reduced to 0-5% by January 2013 for the relatively larger non LDCs like India and Pakistan, by January 2014 for the smaller non LDC, Sri Lanka,

[1] See, Saman Udagedera "SAPTA Negotiations: Constraints and Challenges", in Saman Kelegama edited, Impediments *to Regional Economic Cooperation in South Asia*, FES, 2001, p. 25.

[2] United Nations announced that it would graduate Maldives from the list of LDCs to become a developing nation on account of its significant growth. Nevertheless the Agreement on SAFTA reserved facilities for Maldives which are no less than those reserved for the other three LDCs.

and by January 2015 for the LDCs of the region [Krueger et al (2004)]. In addition, the Agreement makes provision for a list of sensitive items that are to be maintained by each country and on which tariff would not be eliminated. Maintenance of such a list of sensitive items by each country would enable them to protect the interests of the domestic stakeholders. The sensitive lists would be reviewed after every 4 years or earlier with a view to reducing the number of items on the list in succession.

Article 11 of the Agreement mentioned certain other special and differential treatment for the LDCs.[3] These include,

(1) Greater flexibility in continuation of quantitative and other restrictive practices by the LDCs, on imports from non LDC SAARC nations;

(2) Special regard to the situation of least developed countries when considering the application of anti-dumping and/or countervailing measures by the non LDCs;

(3) Provision of technical assistance and cooperation arrangement by non least developed SAARC nations to the least developed SAARC nations, in order to expand the latter's trade participation;

(4) Consideration of direct trade measures by non least developed countries in order to enhance exports from the least developed SAARC nations through "long and medium term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement."

(5) The Agreement also recognized the fact that the least developed nations of the region may face loss of customs revenue due to reductions in tariff rates. Thus it requires other member countries to compensate the least developed member countries for their loss of customs revenue until the latter are able to devise appropriate mechanism to counter this loss.

Hence, in principle, the Agreement on SAFTA recognizes the fact that the least developed countries of the region require special attention and support. However, certain flaws in the provisions of Article 11 have been realized. For instance, the Agreement

[3] See Article 11 of Agreement on South Asian Free Trade Area.

does not ensure that the non LDCs of the region should refrain from the application of antidumping and countervailing measures against the imports from the LDCs. Instead it vaguely states that special regard should be given to the situation of LDCs if ever the need for applying such duties by the non LDCs on the imports from LDCs arises. This in effect implies that the non LDCs could still impose such duties if desired.[4] As far as the question of strengthening the export bases of LDCs through technical and other assistances are concerned, it is yet to be seen how far such arrangements would be put into practice in order to make the SAARC LDCs beneficiaries of the Agreement.

Part B

Review of Studies on the Impact of a Free Trade Area in South Asia

SAFTA has been launched with the ambition of liberalizing trade among the SAARC countries by progressing beyond a preferential trading arrangement. However, several economists had different opinions about the formulation of a free trade agreement in the SAARC region. A brief review of such studies would be of worth in this chapter. Srinivasan (1994)[5] asserts that the total trade would increase by 3% of GDP for India, by 59% of GDP for Nepal and in between for other countries, if all tariffs on intra-South Asian trade are removed.[6] Pigato et al (1997)[7] using Global Trade Analysis Project (GTAP) model showed, creation of a free trade area in South Asia would be highly desirable and economic gains would be particularly significant for the smaller countries.[8] On the other hand, Bandara and Yu (2001) using the same GTAP model found that tariff elimination in SAARC region, India would be the only country to realize significant welfare gains. The smaller countries would see only marginal welfare gains and

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[4] Muchkund Dubey, *SAFTA: A Perspective*, The Hindu, 2004, January 10.

[5] T.N. Srinivasan, *Regional Trade Arrangements and Beyond, Exploring Some Options for South Asia: Theory, Empirics and Policy*, Washington D.C., The World Bank, Report No. IDP 142.

[6] Quoted from, Charan D. Wadhva "*Assessing the SAARC Preferential Trading Arrangement: An Indian Perspective*" in Eric Gonsalves and Nancy Jetly edited, The *Dynamics of South Asia: Regional Cooperation and SAARC,* Sage Publications, New delhi, 1999, p.202.

[7] M. Pigato, C. Farah, K. Itakura and Others, *South Asian Integration into the World Economy*, Washington D.C., The World Bank.

[8] Quoted from, Jayatilleke S. Bandara and Wusheng Yu, *How Desirable is South Asian Free Trade Area? A Quantitative Economic Assessment,* SJFI, 2001. Working Paper No. 16, p 14.

Bangladesh would lose.[9] Panagariya (2003) rejects the idea that forming SAFTA is beneficial for the region insisting on the fact that it will be trade diverting. In his view, the scope for trade diversion and loses accompanying it are likely to be much greater for a high tariff country such as India when it forms a free trade area with a low tariff country such as Sri Lanka.

Some theorists are of the view that South Asia hardly satisfies the pre-conditions which are necessary for a free trade area (FTA) to become fully operational. In this context it is worth mentioning that the economic theory recognizes a number of criteria for the likely success of a FTA.[10] These include,

(1) *Geographic Proximity*: FTAs among closely situated countries have a high probability of success due to reduced transportation and communication costs.

(2) *High Pre-FTA Tariffs:* If the initial tariff rates are high then a similar percentage reduction in rates would ensure greater gains.

(3) *High Intra-Regional Trade:* The members of a FTA should be important trading partners before entering the arrangement.

(4) *Presence of Trade Complementarities:* There would better trade prospects for intra-regional trade if the commodity groups produced in the region overlap or are interdependent.

(5) *Low political Tensions among the Member Countries.*

(6) Low Non Tariff Barriers.

South Asia satisfies only the first two conditions for the formation of a possible FTA while the other conditions go largely unrecognized.[11] Discussions in the previous chapter have shown that the intra-regional trade of SAARC is very low. Moreover the region is characterized by poor trade complementarities. Further, political tension and mistrust is

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[9] Welfare gains are measured by a combination of allocation efficiency gains and terms of trade effects. Allocation efficiency results from increased access to cheaper imported goods and increase in gains from consumption resulting from the removal of all tariffs. The study reveals that the smaller countries such as Bangladesh and Sri Lanka would loose from inefficient resource allocation under the framework of SAFTA. Ibid., p. 20-22.

[10] Complied from the article by Elizabeth Krueger, Rossana Cecilia Bastos Pinto and others, *Impacts of South Asia Free Trade Agreement,* La Follete School of Public Affairs, University of Wisconsin-Madison, 2004, p.4.

[11] Ibid., p. 6.

inherent among the SAARC members, particularly between India and Pakistan and this could substantially hamper speedy implementation of SAFTA. Till date Pakistan has refused to agree on a free trade with India and insists on trading with India on the basis of only a positive list which includes over 1000 items.[12] Non tariff barriers still exist in various forms and account largely for low intra-regional trade.[13]

Krueger et al(2004) emphasize on the fact that even the two criteria which are met for the successful implementation of a FTA, might not increase SAFTA's likelihood of success. They forward two reasons for this. Firstly, while geographic proximity could definitely account for the probable success of a FTA, it might also lead to political tensions and disagreement among the countries. In fact this is what has happened in the South Asian region and could in effect hamper the realization of the arrangement [Bandara & Yu(2001)]. Further, geographic proximity does not always ensure increased intra-regional trade. For instance, Nepal and Bhutan are situated very close to each other but they hardly trade amongst themselves. Poor logistics and infrastructural facilities could be one of the reasons for it. Secondly, they note that, though high pre-FTA tariffs exist in the SAARC region, the goods that are meant for complete tariff liberalization under SAFTA are not highly traded within the region.[14] In fact my findings in the previous chapter confirm the fact that though India offered huge tariff concessions on certain importable products from the LDCs, they constituted a very insignificant share of India's imports from the LDCs. If such practices continue under SAFTA, then the objective of liberalizing trade among SAARC countries through tariff elimination would fail invariably. Kemal et al(2000), discern that the reluctance to grant tariff concessions on highly traded products by SAARC countries could be due to their lack of trust on each other and hence, unwillingness on their part to raise interdependencies by engaging in increased trade amongst themselves.

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[12] See "*Pakistan's Stand Hampering SAFTA*" in The Hindu dated 25th January, 2007.

[13] India imposes non tariff barriers on imports from other SAARC nations in the form of laboratory tests, chemical tests, packaging and certification.

[14] Krueger, Pinto and others, n. 10, p. 6.

Thus, the studies attempting to analyse the impact of a free trade arrangement in South Asia, do not converge on a single conclusion. Some claim that it could be a success while others are skeptical about it. However, the subsequent discussions attempt to identify whether, the skepticism about the benefits to be realized from the process of tariff elimination within SAARC is indeed justified and if so, whether some measures could be devised to make SAFTA more meaningful for the LDCs.

Part C

Comparative Advantage and the SAARC LDCs

The classical theory of comparative advantage predicts that countries would stand to gain from trade if they specialize along the lines of comparative advantage. Thus, free trade would enable the countries to maximize their welfare and also increase the world output, if each country would specialize and be net exporters of goods in which they possess comparative advantage. In the context of this chapter, it becomes necessary to look at the concept of comparative advantage because the basic principle of international trade is that, when the process of opening up starts through step by step dismantling of tariff and non tariff barriers, each country would start switching over to patterns of production in which it has maximum comparative advantage [Gupta (2002)]. This is quite obvious as with the opening up of the economy, certain products which have been protected so long by tariffs and non tariff measures, would not be able to face competition from outside. Hence, instead of trying to sustain its interest in the production of such commodities, it would be beneficial for a country to concentrate in the production of those commodities in which it possesses substantial comparative advantage.[15] Thus, part C, tries to examine whether the products in which the LDCs of the region possess comparative advantages, have the potential for improving their exports to India within the SAFTA framework.

The Concept of Revealed Comparative Advantage and its Role in Evaluating SAFTA

For defining comparative advantage of a country, trade theory takes into account the relative autarkic prices. If the relative autarkic price is less than the world relative price of

[15] Anshuman Gupta, *SAARC, SAPTA to SAFTA*, Shipra Publications, Delhi, 2002, p. 103.

a commodity then the country would have comparative advantage in it and hence would be a net exporter of that commodity. If the sign is reversed then the country would be a net importer of that commodity, as it has comparative disadvantage in its production. However the measurement of comparative advantage using autarkic price relationships is problematic as trade statistics pertain only to the post trade situations.[16] As a result relative autarkic prices are unobservable. Thus, identification of comparative advantage based on autarkic relative prices is not feasible.[17]

To overcome this problem, most studies seeking to analyse the specialization pattern of countries, employ Revealed Comparative Advantage (RCA) Indices developed by Balassa (1965).

The RCA of country i for product j is measured by j's share in country i's exports relative to its share in world trade. In symbols,

$RCA_{ij} = (X_{ij} / X_i) / (X_{wj} / X_w)$

X_{ij} and X_{wj} are the country i's exports and world exports of commodity j respectively. X_i and X_w are the total exports of country i and the world respectively. If the index has a value less than unity, it implies that the country has revealed comparative disadvantage in the concerned product while a value greater than unity suggests revealed comparative advantage in the product. Yeats(1998) suggests that countries with different RCA index profiles should have more mutually beneficial trade opportunities than those where a high degree of similarity exists. He further asserts that if the number of sectors in which the country has comparative advantage is low and aggregate trade in those sectors is insignificant as well, there would be very little prospect for a regional trade agreement to succeed.

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[16] See, Seigfried Bender and Kui Wai Li, *The Changing Trade and Revealed Comparative Advantages of Asian and Latin American Manufacture Exports*, Economic Growth Centre, Yale University, Discussion Paper no. 843, 2002, p 2. Available at http://www.econ.yale.edu/growth_pdf/cdp843.pdf

[17] See, Luca De Benedictis and Massimo Tamberi, *A Note on the Balassa Index of Revealed Comparative Advantage*, 2001, p. 3. Accessed from http://dea.univpm.it/quaderni/pdf/158.pdf

Some studies have attempted to consider the potential of regional trade agreements in South Asian region using RCA indices. For instance, Kemal et al(2000) note, excepting India, all other South Asian countries enjoy comparative advantage in a relatively narrow range of similar products. In addition, they lack comparative advantage in capital intensive and high value added products. Pitigala (2005) rules out any significant gain from the formation of FTA in South Asia by noting that there is very little intra-regional trade in products in which the South Asian countries have comparative advantages.

Likewise, an attempt is made over here to verify whether SAFTA would be able to ensure better trade opportunities for the SAARC LDCs with India, using the concept of RCA. For this, it is preferable to look first at the products in which the SAARC LDCs reveal comparative advantages and the shares of such products in the total imports of India from the world. Larger share of such products in total imports of India would be able to guarantee better prospects for future trade between the LDCs and India within the purview of SAFTA. Due to presence of bilateral trade arrangement between India and the LDCs, Bhutan and Nepal, which were formulated prior to the formation of SAFTA and hence do not fall within the purview of SAFTA, the following analysis should not be considering these two LDCs. Nevertheless, it is worthwhile to determine the products in which all the LDCs of SAARC have comparative advantage in order to examine the potentials of such products for enhancing the LDCs' trade with India.

Before I proceed further, it is worth noting that the computed RCAs would be an ideal representation of the actual comparative advantages of a country, if the indices could be measured in an environment where there are neither tariffs nor non tariff barriers. Distortions in the form of tariffs and non tariff barriers do not reveal a country's true export potentials [Yeats (1998)]. The RCA indices presented in the following discussions are computed using the data for 1998 and 2003 when a considerable portion of exports and imports were subjected to such distortions. As a result the computed RCAs might be somewhat different from the actual RCAs. This is one limitation of my study. When SAFTA becomes fully operational, with the removal of tariffs and non tariff barriers, we

might expect the computed RCAs to more closely reflect the true RCAs of the SAARC countries.

RCA Profiles of LDCs of SAARC

Tables 21 to 27 of the Annexure provide the RCA profiles of Bangladesh, Bhutan, Maldives and Nepal for the years 1998 and 2003 and the corresponding values of products imported by India from world. The indices are computed using commodity trade figures at 3 Digit SITC Rev. 2 obtainable from the UN COMTRADE database and the International Trade Statistics Yearbook. Table 4.1 summarizes the information available from the tables in the Annexure.

Table 4.1: Summary of RCA Profiles of LDCs of SAARC and the Shares of considered Product Categories in the Total Imports of India

	1998				2003			
Country	No. of product categories in which the country has RCA>1	Share of such product categories in India's total imports from world (%)	No. of product categories in which the country has RCA<1	Share of such product categories in India's total imports from world (%)	No. of product categories in which the country has RCA>1	Share of such product categories in India's total imports from world (%)	No. of categories groups in which the country has RCA<1	Share of such product categories in India's total imports from world (%)
Bangladesh	24	3.89	110	44.74	21	3.51	157	75.05
Bhutan	20	5.77	69	31.14	n.a.	n.a.	n.a.	n.a.
Maldives	9	0.12	8	1.83	9	0.48	9	3.0
Nepal	29	8.93	36	7.18	54	8.02	99	37.57

Compiled from tables 21 to 27 of the Annexure.

Note: n.a. implies data not available.

Table 4.1 shows, during the period under review the number of product categories in which Bangladesh has revealed comparative advantage, has decreased. The number of product categories in which the country has a revealed comparative disadvantage has increased simultaneously. The share of product categories in which Bangladesh has revealed comparative advantage, has declined marginally in the total imports of India from world. On the other hand, the share of products in which Bangladesh has revealed

comparative disadvantage has increased significantly. This suggests, India over the years has increased its imports of those commodities which Bangladesh could not supply efficiently (RCA<1).

In case of Bhutan as well, India's total imports consist chiefly of those product categories in which the former reveals comparative disadvantage.

The number of product categories in which Maldives has revealed comparative advantage has remained same for the periods under consideration. Share of those products in the total imports of India has improved only marginally implying no significant achievement by Maldives in gaining access to the Indian market. An improvement in the share of products in which Maldives has revealed comparative disadvantage is also visible. However from the available data it is possible to infer, Maldives would not be able to gain significantly through commodity trade with India as, the products of its export interest constitute a very small segment of the total imports of India from the world.

During the period under consideration, Nepal has expanded its export base considerably. The total number of product categories exported by Nepal has increased from 65 in 1998 to 153 in 2003. Along with this, the product categories which the country can supply efficiently (RCA>1) has also increased. Although a marginal decline in the share of such products in the total imports of India would be visible. It is to be noted that a large portion of the increase in the export base of Nepal is attributable to those products in which the country does not have a revealed comparative advantage. Even the share of those items in the total imports of India has gone up noticeably (from 7.18% to 37.5%). This suggests that though Nepal has made efforts to diversify its export basket considerably and that these products account for a large share of India's import basket, the prospects for sustainable exports of such products to India by Nepal are hardly visible as the latter is not an efficient supplier of those products.

It might be of significance here to determine the types of commodities in which the SAARC LDCs have a revealed comparative advantage. Table 4.2 classifies the number of

products categories in which the countries have RCA>1, into primary commodities and manufactures.

Table 4.2: Number of Primary and Manufactured Product Categories in which the SAARC LDCs have RCA>1

Country	1998		2003	
	No. of primary product categories in which the country has RCA>1	No. of manufactured product categories in which the country has RCA>1	No. of primary product categories in which the country has RCA>1	No. of manufactured product categories in which the country has RCA>1
Bangladesh	5	19	4	17
Bhutan	14	6	n.a.	n.a.
Maldives	5	4	6	3
Nepal	12	17	26	28

Compiled from tables 21 to 27 of the Annexure.

Note: n.a. implies data not available.

It would be evident from table 4.2, manufactures figure prominently in the list of product categories in which both Bangladesh and Nepal have RCA>1. In case of Bangladesh, some of these products are leather, textile yarns and fabrics, readymade garments and footwear. Nepal on the other hand has RCA>1 in dyeing and tanning extracts, textiles fabrics and yarns, floor coverage, readymade garments. These are all low skilled manufactures. Maldives and Bhutan on the other hand, reveal comparative advantages chiefly in primary commodities. For Maldives, it is none other than marine products. Bhutan reveals comparative advantages in a variety of food items such as vegetables, fruits and nuts. Beverages, raw hides and skins, coal, waste and scrap of iron and steel, fuel wood and wood used for other purposes, are the other primary products in which Bhutan reveals comparative advantage. It might be of importance here to mention some of the manufactures in which Maldives and Bhutan have RCA>1. In case of Bhutan, the products are inorganic chemicals, plywood, lime, cement, iron and steel; in case of Maldives, it is chiefly readymade garments in which the country reveals some comparative advantage.

The above analysis reveals that the SAARC LDCs exhibit comparative advantage on more or less similar product categories. For instance, Bangladesh, Maldives and Nepal reveal comparative advantages in garments and textile articles; Bangladesh and Maldives in marine products. Bhutan however has RCA>1 for a number of products which are different from other countries.

To summarize, the SAARC LDCs reveal comparative advantages in a narrow range of similar products. Further, the products fall either in the category of primary commodities or low-skill-labour-intensive manufactures. In such cases low shares of those products in the total imports of India are quite justified. India imports more of those commodities which are at a comparative disadvantage with the SAARC LDCs. Hence following Yeats (1998) it is possible to deduce that the prospects for significant intra-regional trade expansion, in terms of boosting the exports of products from LDCs to India, seem to be meager.

Hindrances to Free Trade due to the List of Sensitive Items

Developing free trade between India and the LDCs of SAARC on the basis of products which could be supplied by the latter efficiently is questionable, as some of these items are included in the list of sensitive products prepared by India under the SAFTA Agreement for the LDCs of the region. As such, India would not be allowing duty free import of these products from the LDCs, in order to protect the domestic stakeholders. For instance, India rules out tariff elimination on a number of marine products even though Maldives reveals significant comparative advantage in these products. Similar argument can be put forward for Bangladesh which also reveals some comparative advantage in the production and export of marine products. Again, both Bangladesh and Maldives (Bangladesh to a large extent) have revealed comparative advantages in garments and textile fabrics, yet tariff elimination on these products have been ruled out by India. The table 4.3 provides a summary of the list of commodities which have been excluded from complete tariff removal by India and the respective names of SAARC LDCs who can supply these commodities efficiently (RCA>1). The products in which the LDCs reveal comparative advantage relate to the year 2003, verifiable from the tables 25

to 27 of the Annexure. The subsequent study does not consider Nepal and Bhutan as trade between India and these two LDCs are not covered by the SAFTA Agreement.

Table 4.3: Products in the Sensitive List of India meant for the SAARC LDCs and the LDCs with RCA>1 on those Products.

Products in the sensitive list of India	Countries with RCA>1
Marine Products	Maldives and Bangladesh
Tea and mate	Bangladesh
Garments and textiles fabric materials	Bangladesh & Maldives
Footwear	Bangladesh
Zinc oxides	Bangladesh
Lead waste and scrap	Maldives

Source: India's Revised Sensitive List under SAFTA for Least Developed Contracting States as on 1st June 2006

The above table shows, India has refused to eliminate tariffs on a number of commodities in which Bangladesh and Maldives reveal comparative advantages (RCA>1). Hence the LDCs would not be able to increase their exports of such products to India within the purview of SAFTA Agreement. Thus, to sum up, not only the products in which the SAARC LDCs reveal comparative advantage constitute a very insignificant share of the total imports of India, the SAFTA Agreement through the list of sensitive items further ensures that there will be rather small opportunities to long term gainful trade between the SAARC LDCs and India.

Part D

Possibilities for Expanding the Exports of LDCs to India

It has been substantiated in the previous discussions that there are considerable similarities in the export structure of the LDCs of SAARC. This exists in addition to their meager opportunities to trade with the most developed country of the region, India, within the purview of SAFTA. Nevertheless, it is of significance here to determine how and on the basis of what products the LDCs can look forward to gaining access to the

Indian market.[18] Once such products have been identified, the Agreement on SAFTA can modify its modalities to enhance the LDCs' exports to India.

Identifying Products for Trade Enhancement with India

Tables 4.4 and 4.5 list the commodities in which the SAARC LDCs reveal comparative advantages and simultaneously provide information on whether India reveals comparative advantage on those products. The products in which the SAARC LDCs reveal comparative advantages (RCA>1) but not India, do have the potential for increasing the exports of the former to India. The study relates to the last year of analysis 2003, however due to the non availability of data for Bhutan, identification of potential products which can be exported by Bhutan to India is based on the year 1998, as shown in table 4.5. Hence possibility of future trade based on the data of 1998 can not be relied upon absolutely.

Table 4.4: Product Categories in which the SAARC LDCs Reveal Comparative Advantages & the corresponding RCA Indices of India for the Year 2003

SITC Codes	Product Description	LDCs with RCA>1	RCA Indices of India
001	Live animals chiefly for food	Nepal	0.051
023	Butter	Nepal	0.186
034	Fish, fresh (live or dead), chilled or frozen	Maldives	0.696
035	Fish, dried, salted or in brine; smoked fish	Bangladesh & Maldives	0.485
036	Crustaceans and molluscs, fresh, chilled, frozen, salted, in brine or dried	Bangladesh & Maldives	6.429
037	Fish, crustaceans and molluscs, prepared or preserved, n.e.s.	Maldives	0.846
042	Rice	Nepal	13.861
046	Meal & flour of wheat & flour of meslin	Nepal	4.622
047	Other cereal meals & flours	Nepal	1.180
048	Cereal preparations & preparations of flour or starchof friuts or Vegetables	Nepal	0.279
054	Vegetables, fresh, chilled, frozen or simply	Nepal	1.073

[18] As mentioned before, the trade of India with Nepal and Bhutan do not come under the SAFTA regime, yet it is interesting here to determine the products groups on the basis of which these two countries can trade with India. Moreover it permits a comparative study of India's potential imports from the different LDCs of the region.

	preserved; roots, tubers		
058	Fruit, preserved, & fruit preparations	Nepal	0.241
061	Sugar & honey	Nepal	2.461
062	Sugar confectionery & other sugar preparations	Nepal	0.256
074	Tea & mate	Bangladesh & Nepal	12.077
075	Spices	Nepal	8.539
081	Feed stuff for animals(not including unmilled cereals)	Maldives & Nepal	3.143
091	Margarine & shortening	Nepal	0.206
098	Edible products & preparations, n.e.s.	Nepal	0.339
211	Hides & skins(except fur skins), raw	Nepal	0.064
223	Oil seeds & oleaginous fruit, whole or broken	Nepal	2.610
245	Fuel wood (excluding wood waste) & wood charcoal	Nepal	0.573
265	Vegetable textile fibres & waste of such fibres	Nepal	1.111
273	Stone, sand & gravel	Nepal	8.067
288	Non-ferrous base metal waste & scrap, n.e.s.	Maldives	0.626
292	Crude vegetable material, n.e.s.	Nepal	2.243
424	Other fixed vegetable oils, fluid or solid, crude, refined or purified	Nepal	1.252
431	Animal & vegetable oils & fats, processed & waxes	Nepal	1.771
522	Inorganic chemical elements, oxides & halogen salts	Bangladesh	0.706
532	Dyeing & tanning extracts, sunthetic tanning material	Nepal	2.313
553	Perfumery, cosmetics & toilet preparations	Nepal	0.626
554	Soap, cleansing & polishing preparations	Nepal	0.322
562	Fertilisers, manufactured	Bangladesh	0.049
611	Leather	Bangladesh & Nepal	3.301
634	Veneers, plywood, improved or reconstituted wood	Nepal	0.165
642	Paper & paperboard, cut to size or shape	Nepal	0.368
651	Textile yarn	Nepal	5.730
652	Cotton fabrics, woven	Bangladesh	3.974
653	Fabrics, woven, of man made fibres	Nepal	3.675
654	Textile fabrics	Bangladesh & Nepal	4.828
655	Knitted or crocheted fabrics	Nepal	0.322
657	Special textile fabrics & related products	Bangladesh & Nepal	0.464
658	Made up articles wholly or chiefly of textile materials	Bangladesh & Nepal	7.575
659	Floor coverings	Nepal	8.128
666	Pottery	Bangladesh	0.333

674	Universals, plates & sheets, of iron or steel	Nepal	1.945
677	Iron or steel wire, whether or not coated	Nepal	2.434
678	Tubes, pipes & fittings, of iron or steel	Nepal	1.082
682	Copper	Nepal	1.479
686	Zinc	Nepal	0.529
687	Tin	Nepal	0.702
693	Wire products & fencing grills	Nepal	1.231
697	Household equipment of base metal, n.e.s.	Nepal	7.362
842	Outergarments, men's, of textile fabrics	Bangladesh, Maldives & Nepal	1.337
843	Outergarments, women's, of textile fabrics	Bangladesh, Maldives & Nepal	3.711
844	Undergarments of textile fabrics	Bangladesh & Nepal	6.386
845	Outergarments & other articles, knitted	Bangladesh & Nepal	1.771
846	Undergarments, knitted or crocheted	Bangladesh, Maldives & Nepal	4.857
847	Clothing accessories of textile fabrics	Bangladesh & Nepal	3.096
848	Articles of apparel & clothing accessories, non textiles	Bangladesh & Nepal	3.057
851	Footwear	Bangladesh	1.305
884	Optical goods, n.e.s.	Bangladesh	0.362
893	Articles of materials described in division 58	Nepal	0.396
896	Works of art, collectors' pieces & antiques	Nepal	0.334
897	Jewellery, goldsmith wares & other articles of precious materials	Nepal	8.301

Note: (1) RCA indices of India computed as per the method described in the text using 3 digit SITC Rev. 2 data available from UN COMTRADE Database & International Trade Statistics Yearbook 2003.
(2) The product categories in which the LDCs reveal comparative advantage compiled from the tables 25 to 27 of the Annexure.

Table 4.5: Product Categories in which Bhutan Reveals Comparative Advantage & the corresponding RCA Indices of India for the Year 1998

SITC Codes	Product Description	RCA Indices of India
046	Meal & flour of wheat & flour of meslin	0.099
054	Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers	0.983
057	Fruit and nuts(not including oil nuts), fresh or dried	2.605
058	Fruit, preserved, & fruit preparations	0.669
075	Spices	18.154
111	Non alcoholic beverages, n.e.s.	0.011
112	Alcoholic beverages	0.070
245	Fuel wood (excluding wood waste) & wood charcoal	0.147
247	Other wood in the rough or roughly squared	0.014
248	Wood, simply worked, & railway sleepers of wood	0.003
273	Stone, sand & gravel	6.074
278	Other crude minerals	0.987
282	Waste & scrap metal of iron or steel	0.027

322	Coal, lignite & peat	0.461
523	Other inorganic chemicals	0.823
551	Essential oils, perfume & Flavour materials	1.375
634	Veneers, plywood, improved or reconstituted wood	0.148
661	Lime, cement, & fabricated construction materials	3.430
671	Pig iron, spiegeleisen, sponge iron, iron or steel	2.488
821	Furniture & parts thereof	0.058

Note: (1) RCA indices of India calculated by the method as described in the text using 3 digit SITC Rev.2 data available from UN COMTRADE Database & International Trade Statistics Yearbook 2000.
(2) The product categories in which Bhutan reveals comparative advantage compiled from table 22 of the Annexure.

A study of table 4.4 suggests, there are certain product categories namely, fish (035), inorganic chemical elements, oxides and halogen salts (522), fertilizers (562), special textile fabrics and related products (657) and potteries (666), which can be imported by India from Bangladesh. India can import fish and wastes and scrap of non ferrous base metals such as copper, nickel, alumunium, lead etc (288) from Maldives.[19] Nepal has the potential to export a wide variety of food items to India. Raw hides and skins (211), fuel wood and wood charcoal (245), plywood (634) paper and paper board (642), perfumery, cosmetics and toilet preparations (553), soap, cleansing and polishing preparations (554), knitted or chrocheted fabrics (655), base metals such as zinc (686) and tin (687), articles made of plastics (893) and works of art and antiques (896) are other possible exports by Nepal to India. India can import wheat and meslin flour (046), vegetables(054), fruits (058), alcoholic (112) and non alcoholic (111) beverages, crude minerals such as marble, dolomite, graphite etc (278), waste and scrap metal of iron and steel(282), coal-lignite-peat (322), inorganic chemicals (523), wood materials whether in crude form (245, 247,248) or manufactured such as veneers, plywood, reconstituted wood (634) and furniture(821) from Bhutan, as evident from table 4.5. One can however immediately infer from the number of product categories, based on the idea of revealed comparative advantage Nepal and Bhutan have greater potential to export their products to India than the other two LDCs.

In effect, the LDCs of the region have some prospect for increasing their exports to India on the basis of the above mentioned product categories, whether within the purview of

[19] Among waste & scrap of non ferrous base metals, waste and scrap of lead is included in the list of sensitive items yet India lacks the comparative advantage to produce it.

SAFTA (in case of Bangladesh and Maldives), or under bilateral trade arrangements which permit duty free movement of goods (in case of Bhutan and Maldives).

Means to Increase the Market Access for the SAARC LDCs in India within the Purview of SAFTA

It is now the primary concern of the SAARC Secretariat to explore ways to increase the trade of regional LDCs with India on the basis of the product categories mentioned in the previous section. Considering the fact that bilateral trade arrangements between India and the two LDCs, Bhutan and Nepal, do not fall within the SAFTA regime, the SAARC Secretariat should look forward to ways for increasing the exports of the LDCs Bangladesh and Maldives to India.

a. Revamping the List of Sensitive Items

First and foremost India must revamp its list of sensitive items applying to imports from LDCs. Discussions above show that there are possibilities for importing marine products, chemical oxides and textile fabrics by India from Bangladesh. But these items are included in the list of sensitive products. Similarly, the potential exports of Maldives such as marine products and waste and scrap of non ferrous base metals, are included in India's list of sensitive items. Hence, eliminating these items from the list and permitting duty free entry of these products could perhaps enable these countries to have more access to the Indian market.[20]

b. Intra-Industry Trade

Simple duty elimination would not be able to guarantee increased trade between the LDCs and India as most of the product categories in which Bangladesh and Maldives reveal comparative advantages can be supplied efficiently (RCA>1) by India.[21] This in effect implies that the export structure of India and the two LDCs are more or less

[20] From the bilateral trade indices computed in the previous chapter it became evident that most of these products have lesser share than the average in their total imports by India from the world. Hence by removing these items from the list of sensitive products one could expect trade flows to increase.

[21] From table 4.4 it would become evident, out of 21 product categories in which Bangladesh has RCA>1, 14 can be supplied efficiently by India and out of 9 product categories in which Maldives has RCA>1, 5 can be efficiently supplied by India.

similar. Hence it becomes necessary to determine ways in which it is possible to increase the exports of LDCs to India through these similar products categories. One possible means is through intra-industry trade. Accordingly, the countries specializing in similar products could still trade amongst themselves through the exchange of differentiated products of the same product group. This enables the countries to reap the benefits of economies of scale in production. Each country could specialize in the production of one or a few varieties or styles of the same product instead of different varieties and styles. This would keep the unit cost low for a country since, for a few products more specialized and faster machines could be developed. The country could then import other varieties and styles from other countries.[22] To determine the product categories which could be potential candidates for intra-industry trade between India and Bangladesh, we consider only those commodity categories in which both India and Bangladesh reveal comparative advantages (RCA>1). Similarly for determination of intra-industry trade between Maldives and India, we consider only those product groups in which both of them reveal comparative advantages. Intra-industry trade in such commodities would be able to bring forth larger gains for both the participants. To identify the products on the basis of which India and the LDCs could involve in intra-industry trade amongst themselves, the following analysis makes use of the Grubel Lloyd Index developed by H.G. Grubel and P.J. Lloyd. The Grubel Lloyd Index for intra-industry trade in product h between the countries i and j is stated as

$$B_{ij}^{h} = [\{(X_{ij}^{h} + M_{ij}^{h}) - | X_{ij}^{h} - M_{ij}^{h} | \} / (X_{ij}^{h} + M_{ij}^{h})] * 100$$

X_{ij}^{h} is the exports of product h by country i to country j and M_{ij}^{h} is the imports of product h by country i from country j. The index ranges between zero and 100. It takes the value zero when there are exports but no imports or vice versa implying complete specialization in trade by one of the countries and hence rules out the possibility of intra-industry trade. Higher the value of the index, greater the possibility of intra-industry trade between the concerned countries. The index takes the value 100 when the exports are

[22] For detailed discussion on the topic, refer to the book by Dominick Salvatore, *International Economics*, John Wiley and Sons, 2001, p. 177-185.

exactly equal to the imports of an industry.[23] The table 4.6 tries to identify the possibilities for intra-industry trade between India and Bangladesh based on the data at 3 Digit SITC Code Rev.2 for the year 2003 available from the UN COMTRADE database.

Table 4.6: Index of Intra-Industry Trade between Bangladesh and India for the Year 2003

SITC Code	Product Description	Index
036	Crustaceans & mollusks, fresh, chilled, frozen,salted,in brine or dried	0.042
074	Tea & mate	66.591
611	Leather	10.514
652	Cotton fabrics, woven	n.a.
654	Textile fabrics, woven, other cotton man-made fibres	34.466
658	Made-up articles wholly or chiefly of textile materials	4.784
842	Outergarments, men's, of textile fabrics	94.882
843	Outergarments, women's, of textile fabrics	3.786
844	Undergarments of textile fabrics	48.209
845	Outergarments & other articles, knitted	6.974
846	Undergarments, knitted or crocheted	n.a.
847	Clothing accessories of textile fabrics	0.786
848	Articles of apparel & clothing accessories, non textile	0.000
851	Footwear	0.473

Source: UN COMTRADE Database

Note: (1) n.a. implies data not available.
(2) Indices calculated by the method described in the text.

Thus, there are possibilities for developing significant intra-industry trade between India and Bangladesh on the basis of tea (074), textile fabrics (654), and readymade garments (842 and 844). Due to the non availability of data on exports of concerned products from Maldives to India, the indices for intra-industry trade between Maldives and India could not be computed. However, given the fact that both India and Maldives reveal

[23] Wadhwa in the book "*Regional Economic cooperation in Asia : Bangladesh, India, Pakistan and Sri Lanka*", 1987, identifies several problems in the measurement of Grubel Llyod Indices. Firstly, the index is sensitive to the definition of industry adopted. In general, the more aggregative the product grouping, the greater the extent of overestimation of intra-industry trade. To avoid such problems the present chapter makes use of the Grubel Llyod Indices at three digit SITC level of product grouping instead of one digit. Secondly, certain measurement problems arise when trade imbalances are very large at the level of industry being considered. This is ignored in the present analysis. See p. 46.

comparative advantage in readymade garments, one could expect some intra-industry trade to develop between the countries on the basis of garment manufactures.

c. Joint Ventures

Joint ventures with buy-back arrangements could be viewed as another instrument for enhancing intra-regional trade in cases where trade complementarities are low and countries possess comparative advantage in more or less similar products. In fact joint ventures are believed to promote south-south cooperation as they enable mobilization of much needed capital, technology, entrepreneurship and organizational resources of the relatively more industrialized developing countries, for the lesser developed ones.[24] Such a measure would facilitate optimum mobilization of capabilities and resources of developing countries and promote mutually beneficial trade among them. Further, joint ventures between countries could create trade complementarities.[25] Creation of such complementarities has the potential to boost trade between the countries concerned. Thus, based on the above arguments, promoting joint ventures within SAARC region has been viewed as one of the means for enhancing intra-regional trade. It is believed, only India in the SAARC region has the necessary experience, expertise, technology and capital to invest and set up joint ventures with other SAARC members.[26] Hence India could set up joint ventures with the LDCs Bangladesh and Maldives, with a view to create trade complementarities. That is to say, these collaborative measures must create products which could be exported back to India by the LDCs. However, the LDCs must possess some locational advantages for producing those products, which India itself does not possess. This would reduce the cost of manufacturing the product, making it worthwhile for India to enter into such a collaborative venture with the LDCs. For instance, India is energy deficient while Bangladesh has huge reserves of natural gas. India could thus seek to enter into a collaborative arrangement with a Bangladeshi firm in order to produce a product which uses natural gas as its energy base. Sponge iron is one such product. Sponge iron produced in Bangladesh, could be exported back to India. It could then be

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[24] V.R Panchamukhi, Nagesh Kumar and others, *Economic Cooperation in the SAARC region: Potential, Constraints and Policies*, RIS, New Delhi, 1990, p.127.

[25] See "*SAFTA: A Milestone for SAARC*", 2006. Accessed from http:// www. Indlawnews.com

[26] Kishore C. Dash, *The Political Economy of Regional Cooperation in South Asia*, Pacific Affairs, Vol. 69, no. 2, 1996. Accessed from http://www.mtholyoke.edu/acad/intrel/dash.htm

used in the manufacture of steel by the Indian companies within India. Fertilizer is another such product which India could look forward to for manufacturing in Bangladesh.[27] Given the fact that Bangladesh reveals comparative advantages in textile yarns, fabrics and leather, India could enter into joint ventures with Bangladesh in manufacture of these products in Bangladesh. Joint ventures between Bangladeshi textile yarns and fabric exporters and Indian textile machinery exporters, between Bangladeshi leather exporters and Indian leather-processing-machinery exporters, can be viewed as some of the possibilities.[28] These textile fabrics and leather could then be exported to India for production of higher value added manufactures. Complementarities in trade could be created in this manner.

Maldives on the other hand reveal significant comparative advantage in marine products. Hence joint ventures between Maldives' fisheries industry and India's fish processing firms, open up prospects for exports of higher value added products from Maldives to India.

Conclusion

The Agreement on SAFTA which superseded the SAPTA, has been launched with the ambition of forging further economic cooperation in the region. However, under the present circumstances, there are very little opportunities for securing added gains for the LDCs in terms of their improved access to the Indian market. The products in which the LDCs reveal a comparative advantage constitute a very small fraction of the total imports of India from the world. India imports more of those products in which the LDCs do not reveal comparative advantages. This implies, the programme of tariff elimination by India under the framework of SAFTA, would not contribute much towards increasing its imports of products from the LDCs, which the latter can supply efficiently. Further, India's list of sensitive items limits any possibilities for enhancing the exports of those products either from Bangladesh or from Maldives to India. However, in such a scenario, subsequent discussions in this chapter tries to determine means for making SAFTA more

[27] I.N. Mukherjee, "India's Trade and Investment Linkages with Bangladesh", in Parthasarathi Shome edited *India and Economic Cooperation in South Asia*, ICRIER, New Delhi, 2001, p. 40.
[28] Ibid.

meaningful for the LDCs. First of all it identifies the products, of which India is not an efficient supplier but Maldives and Bangladesh are. It becomes necessary to eliminate these products from India's list of sensitive items, so as to increase the LDCs' exports to India on the basis of such products. However, since the countries reveal comparative advantages in more or less similar products, mere tariff duty elimination would not be able to ensure much increase in the LDCs' exports to India. In such circumstances, promoting intra-industry trade between India and the LDCs, Bangladesh and Maldives, is one way out. Further, in the presence of low trade complementarities between India and the LDCs, encouraging joint ventures with a view to create trade complementarities between them, would be much useful. Such measures would perhaps help in increasing the shares of LDCs' exports to India and enable the former to reap the benefits of the free trade agreement.

Conclusion

The objective of this dissertation was to examine the potential of regional trade arrangements for increasing the exports of the Least Developed Countries (LDCs) of South Asian Association for Regional Cooperation (SAARC) to India. Preferential trade liberalization within SAARC started with the launch of SAARC Preferential Trading Arrangement (SAPTA). In the presence of bilateral trade arrangements between India and the two LDCs, Bhutan and Nepal, the role of SAPTA would have been to increase the exports of other two LDCs, Bangladesh and Maldives to India.

However, the exports of these two LDCs did not witness significant growth within the purview of SAPTA. India offered huge duty cuts on imports of certain products from the LDCs, yet the fact remains, the exports of those products by the LDCs accounted for a lower share than the average, in the imports of the products by India from the world. This could be due to the fact that India consciously granted most of the concessions on those products which the LDCs cannot supply efficiently. At the same time, one can not deny the fact that India maintained non tariff barriers in various forms which made it difficult for the LDCs to expand their exports to India. On the whole, such actions reveal unwillingness on the part of India to open up its market to the LDCs in a real sense. One might consider this unwillingness as nothing but a signal of the lack of trust and political disharmony which has been a dominant feature of the region ever since SAARC has been conceptualized. However, it would be unjustifiable to base the arguments for poor performance by the LDCs to increase their exports to India solely on political factors. In fact, there are indeed very low trade complementarities between India and these two LDCs. Such poor trade complementarities were also to a large extent responsible for the lacklusture export performance by the LDCs within the purview of SAPTA.

Considering the reasons for which SAPTA failed, one can certainly raise doubts about the potential of South Asian Free Trade Area (SAFTA) for enhancing the exports of LDCs to India. In addition to low trade complementarities, the countries reveal comparative advantages in more or less similar products. Moreover, the primary commodities and

low-skill-labour-intensive manufactures that constitute the export structure of the LDCs, have very low shares in the total imports of India from the world. Under such circumstances, tariff elimination, if at all, could be of very little help to substantially increase the exports of LDCs to India. Further, there are very low possibilities to increase the exports of LDCs to India on the basis of products in which the former reveal comparative advantage, as most of these products have been incorporated in India's list of sensitive items. Accordingly, India has refused to eliminate tariffs on those products while importing from the LDCs. If all these factors are taken into account, one can argue, SAFTA would not be an improvement over SAPTA in terms of increasing the exports of the two LDCs to India.

Despite the above mentioned facts, there are possibilities for making SAFTA more effective. In cases where export structures are similar, intra-industry trade between India and the LDCs could promise substantial gains to the LDCs. Further, joint ventures with buy-back arrangements could build up trade complementarities between India and the LDCs and in effect could increase the exports of the latter to India. In effect, it might be of relevance here to mention that foreign direct investments by the Indian firms in the LDCs can increase the exports of the latter to India. SAFTA perhaps has a better potential to bring forth increased gains for the LDCs if trade in commodities and investments are viewed as complements and both are allowed to foster side by side.

At the Fourteenth SAARC Summit held at New Delhi on 3rd and 4th of April 2007, which also saw the inclusion of Afghanistan as another member of SAARC, India promised tariff elimination on products importable from the SAARC LDCs by the end of the year 2007. It has also committed to reduce the list of sensitive items considerably in respect of the LDCs. Though a good gesture on part of India, it is yet to be seen how far the reduced list of sensitive items would comply with the requirements of the LDCs. It is important in this context that India should eliminate those items from the sensitive list in which the LDCs reveal comparative advantage. India must also look into the issue of non tariff barriers and ensure that such barriers in any form must no longer hamper the free flow of goods from the LDCs to India. However, it is also important on the part of LDCs to

upgrade their infrastructure and encourage the development of appropriate managerial capabilities and higher skills among workers, so that they can readily meet the import demands of India.

If implemented in proper form, SAFTA has the potential to ensure substantial gains for the LDCs of the region. However, the motivation to make SAFTA work properly would not come until and unless the regional partners try to sort out the political differences amongst themselves and establish an environment of peace and mutual trust.

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- UNCTAD – http://www.unctad.org

Annexure

Note 1: Manufactures include all items in categories 5 to 9 of the Standard International Trade Classification (SITC) except phosphorous pentoxide and phosphoric acids (SITC code 522.24), aluminium hydroxide (SITC code 522.56), radioactive and associated material (SITC code 524), pearl, precious and semi-precious stones, other than diamonds (SITC code 667 other than 667.29), non-ferrous metals (SITC code 68), live animals not elsewhere specified (SITC code 941) and non-monetary gold (SITC code 971). Classification of manufactures into high skilled manufactures and low skilled manufactures is as per the following rule, provided by *The Least Developed Countries Report 2002: Escaping the Poverty Trap*, p.131.

Low-skill manufactures include, leather and leather manufactures (SITC code 61); rubber articles (SITC code 62); cork and wood manufactures, paper and paperboard (SITC codes 63–64); textiles, clothing, travel goods and footwear (SITC codes 65, 83, 84, 85); non-metallic mineral products, excluding precious stones (SITC codes 66 less 667); iron and steel (SITC code 67); fabricated metal products (SITC code 69); sanitary and plumbing equipment (SITC code 81); transport equipment other than road motor vehicles and aircraft (SITC code 78 less 781–784 + 79 less 792); furniture and parts thereof (SITC code 82); miscellaneous manufactured articles (SITC code 89); commodities and manufactures not classified elsewhere other than live animals and non-monetary gold (SITC code 9 less 941, 971).

High-skill manufactures include, chemicals and pharmaceutical products (SITC code 5 less 522.24, 522.56, 524); diamonds, cut or otherwise worked but not mounted or set (SITC code 667.29); non-electrical machinery (SITC codes 71–74); computers and office equipment (SITC code 75); communication equipment and semiconductors (SITC codes 76, 776); electrical machinery (SITC codes 77 less 776); road motor vehicles (SITC codes 781–784); aircraft and associated equipment (SITC code 792); scientific instruments, watches and photographic equipment (SITC codes 87, 88).

Table 1: Intra-Regional Trade of Bangladesh

Year	Bhutan		Maldives		Nepal		India		Pakistan		Sri Lanka	
	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)
1994	2249	n.a.	184951	n.a.	2147673	n.a.	12255665	n.a.	20655946	n.a.	5503610	n.a.
1996	131680	4168300	69580	18504	8706876	6901379	32123020	1082615461	37247221	113462320	3883469	9382665
1998	6156	2805219	n.a.	272399	40353	10928741	10371714	1040686677	33333179	78927775	1279422	8234410
1999	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2000	984713	505346	n.a.	421	149798	428207	24877900	614541137	50939355	107416468	2616595	8049281
2001	396802	737367	5219	97472	1271412	99294	16507527	889591353	22427377	94380302	2541985	12001805
2002	49845	1980792	1727	402801	307534	2310717	25422678	1235927486	31201211	114362565	2121230	10288185
2003	2293945	1437845	n.a.	n.a.	362105	1743335	40805529	1437877959	36030364	124406319	5771333	9540443
2004	3928494	n.a.	n.a.	n.a.	661596	129411	105206068	1278712080	44663081	142378969	10212712	9567147

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 2: Intra-Regional Trade of Bhutan

Year	Bangladesh		Maldives		Nepal		India		Pakistan		Sri Lanka	
	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)
1994	4068135	60741	n.a.	n.a.	28331	n.a.	62015068	65347828	n.a.	n.a.	n.a.	n.a.
1996	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1998	4738993	968109	n.a.	n.a.	315617	1042877	101637696	88296368	n.a.	n.a.	20364	n.a.
1999	4868708	692744	n.a.	n.a.	596070	557922	109509078	135943023	n.a.	n.a.	2941	2364
2000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2001	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2003	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2004	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 3: Intra-Regional Trade of Maldives

Year	Bangladesh		Bhutan		Nepal		India		Pakistan		Sri Lanka	
	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)	Export (US$)	Import (US$)
1994	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1996	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	145134	36082840	n.a.	1358273	10841906	22853776
1998	n.a.	7496	n.a.	n.a.	n.a.	1868	99071	38882740	n.a.	2258008	12846952	35822952
1999	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	186756	39620336	4853	1755130	12321374	42823788
2000	n.a.	n.a.	n.a.	n.a.	n.a.	8676	237942	35557328	n.a.	1289837	13575136	52542736
2001	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	284437	41006388	n.a.	1477637	14802685	50599768
2002	n.a.	5261	n.a.	n.a.	n.a.	16026	118368	41821140	n.a.	1507071	13941187	59422076
2003	n.a.	634	n.a.	n.a.	n.a.	2333	348109	47649256	n.a.	1725933	15343579	64590104
2004	n.a.	4998	n.a.	n.a.	n.a.	4483	475475	65746609	3202	2190568	17259112	68376393

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 4: Intra-Regional Trade of Nepal

Year	Bangladesh		Bhutan		Maldives		India		Pakistan		Sri Lanka	
	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)
1994	436476	14667295	n.a.	2297242	n.a.	n.a.	44174864	429842208	9460	4488436	2435525	553302
1996	6691879	12379634	850	545305	n.a.	n.a.	72155872	466112800	54415	2459624	309897	490632
1998	9077042	5560950	96197	332470	n.a.	n.a.	136438704	394529216	778947	5805339	4550856	2094281
1999	18194492	8967873	358951	791597	n.a.	n.a.	186599584	619858880	423909	13205949	35336	1421825
2000	1790806	789470	586187	562475	3154	n.a.	317792704	575653696	81904	3385238	4096	733391
2001	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2003	6106596	4854636	1366282	568456	n.a.	n.a.	341798923	954908121	994245	3301730	1189394	1990622
2004	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 5: Intra-Regional Trade of India

Year	Bangladesh		Bhutan		Maldives		Nepal		Pakistan		Sri Lanka	
	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)
1994	644626176	38159672	11092204	18281724	15367309	231704	120049744	36589264	57230540	52745100	366577024	28058216
1996	868916294	62194943	21979933	33766846	10357530	170709	165687740	64035528	157205710	36137085	477369472	42812840
1998	995286336	62456296	9556503	6132816	8356321	51474	122318272	144980128	106058480	214640288	436957184	37696264
1999	635698976	78110536	7567450	18004137	7275687	400304	151075868	188523855	92877320	68179542	498809516	44201953
2000	949486633	81860841	1093096	21446066	24956273	191918	142964644	259379569	189714971	65102839	650014433	45750555
2001	1013129382	59737420	7680311	24174017	27136442	399572	216754552	359696545	145576872	65435849	637761730	68073647
2002	1170454528	61758956	38860584	32005764	31387284	327631	348620704	280457216	205187616	44636976	916609024	90386000
2003	1719351821	76689178	88389561	51742942	41763519	369317	661056226	2825957000	283409865	56951714	1302972474	192370158
2004	1593313764	58754536	83880161	70402860	42177575	573767	736906220	342882634	505070219	91952757	1344050070	361306620

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 6: Intra-Regional Trade of Pakistan

Year	Bangladesh		Bhutan		Maldives		Nepal		India		Sri Lanka	
	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)
1994	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1996	107010596	36269614	595369	271966	2787753	209732	5619400	219336	42205535	187794530	82636980	44418546
1998	108615744	36432760	112096	239807	1822724	118537	7689568	1286024	204278288	153590640	95314712	34458736
1999	124885944	27722858	351615	379499	1267741	177203	1817689	932803	81544064	130655024	103221168	36180516
2000	141643776	37213368	310564	434834	1419034	128345	2795637	2630142	64994600	183176624	82028392	35540004
2001	118680911	25363651	231033	223047	1773705	271551	2290057	744898	54518862	240753654	74623132	30470178
2002	103860856	31170672	236432	930860	2529622	29147	2245350	1014068	48747840	162477664	71346808	31909286
2003	194414640	45791592	375915	159524	1906632	181612	4602920	3417061	95863800	381074208	97618056	48252696
2004	197656496	45077822	172674	82599	1948016	61079	3036545	3710456	158497931	454408247	134715445	45657907

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 7: Intra-Regional Trade of Sri Lanka

Year	Bangladesh		Bhutan		Maldives		Nepal		India		Pakistan	
	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)	Exports (US$)	Imports (US$)
1994	9483073	8332774	n.a.	n.a.	10066303	14906839	209120	919678	23654028	404304640	43366224	60669428
1996	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1998	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1999	10775192	4518928	n.a.	5565	36279728	17755476	1659855	90862	46987424	509440704	30509688	94297264
2000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2001	10060514	2048917	n.a.	n.a.	50314935	35139758	331951	9167	71951986	602335565	24861227	73897330
2002	10158686	3896314	n.a.	n.a.	45751444	31159604	881556	187697	170291152	833911040	28793580	65803020
2003	10395775	5625784	n.a.	n.a.	54259728	22636960	1658607	8268	241135289	1076442174	36130919	70968701
2004	13378370	7704451	n.a.	n.a.	60084021	19838733	275269	78113	385800500	1360084493	39250282	108059314

Source: UN COMTRADE Database.
Note: n.a. implies data not available.

Table 8: 4 Digit Harmonised System Commodity Classification and the Equivalent 3 Digit Standard International Trade Classification (Rev. 2)

HS Code	Equivalent SITC Code
0302, 0303	034
0307	036
2008	057
2008	058
3301	551
3920	583
3920	584
3920	585
5205, 5206	651
5208, 5209, 5210, 5211	652
5407	653
6306	658
7304	678
8501	716
8524	763
8516	775
6203	842
6204	843
6103, 6104	845
6108	846
9018	871
9018	872
9006	881
8524	898

Table 9: HS codes, Number of Concessions offered under Each Heading and the corresponding Tariff Concessions offered by India under SAPTA

HS Code	No. of Concessions offered under the corresponding heading	Tariff Concessions offered for LDCs under SAPTA
302	22	50%, 75%
303	24	50%
307	12	50%
2008	12	50%, 60%, 75%
3301	14	50%
3920	20	50%
5205	24	50%
5206	20	50%
5208	21	50%
5209	17	50%

5210	15	50%
5211	16	50%
5407	25	50%
6103	15	50%, 60%
6104	25	50%, 60%
6108	11	50%, 60%
6203	15	50%, 60%
6204	25	50%, 60%
6306	12	50%
7304	12	50%
7314	11	50%
8501	14	50%
8516	14	50%
8524	11	50%
9006	13	50%
9018	13	50%

Source: Consolidated National Schedule of Concessions of India under SAPTA rounds I, II, III and IV.

Table 10: Data for Bilateral Trade between India and the LDCs for the Year 1994

SITC code	Exports by Bangladesh to India (US$)	Exports by Bhutan to India (US$)	Exports by Nepal to India (US$)
034	999	n.a.	37966
036	174285	n.a.	n.a.
057	n.a.	386915	105656
058	n.a.	2599578	48788
551	n.a.	n.a.	1786
583	n.a.	345376	3857
584	n.a.	n.a.	n.a.
585	14526	n.a.	n.a.
651	n.a.	n.a.	6530873
652	10490	n.a.	26369
653	n.a.	n.a.	242894
658	7762	n.a.	514280
678	n.a.	n.a.	17299
716	1239	n.a.	67064
763	n.a.	n.a.	n.a.
775	n.a.	n.a.	n.a.
842	n.a.	n.a.	25195
843	22009	n.a.	85802
845	n.a.	n.a.	376538
846	n.a.	n.a.	4893
871	n.a.	n.a.	n.a.
872	n.a.	n.a.	n.a.
881	n.a.	n.a.	n.a.
898	n.a.	n.a.	690

Source: UN COMTRADE Database

Note: n.a. implies data not available.

Table 11: Data for Bilateral Trade between India and the LDCs for the Year 2003

SITC code	Exports by Bangladesh to India (US$)	Exports by Maldives to India (US$)	Exports by Nepal to India (US$)
34	24210	1150	n.a.
36	182211	n.a.	n.a.
57	37800	n.a.	294038
58	n.a.	n.a.	1936860
74	40315	n.a.	4236749
551	n.a.	n.a.	131776
583	413	n.a.	383150
584	n.a.	n.a.	n.a.
585	n.a.	n.a.	n.a.
611	1875512	n.a.	3067446
651	18767	n.a.	32110304
652	35976	n.a.	339083
653	17009	n.a.	7456917
654	84238	n.a.	4675598
658	9084	n.a.	1438514
678	931	n.a.	3650876
716	35435	n.a.	1903
763	n.a.	n.a.	n.a.
775	n.a.	n.a.	n.a.
842	399920	n.a.	3584466
843	61275	n.a.	7788212
844	32467	n.a.	4106385
845	10464	n.a.	2026797
846	n.a.	n.a.	532270
847	6042	n.a.	5562851
848	n.a.	n.a.	901875
851	817	n.a.	2019700
871	n.a.	n.a.	n.a.
872	n.a.	n.a.	n.a.
881	n.a.	n.a.	n.a.
898	n.a.	n.a.	n.a.

Source: UN COMTRADE Database
Note: n.a. implies data not available.

Table 12: Exports by Bangladesh to the World for the Years 1996, 1998 & 2003 (US$)

SITC code	1996	1998	2003	SITC code	1996	1998	2003
011	n.a.	22336	61720	282	n.a.	88656	4669468
022	n.a.	n.a.	213711	288	n.a.	n.a.	3624
023	n.a.	n.a.	284	291	535034	2449306	568452
034	23661688	16603796	n.a.	292	456202	508753	2665750
035	8655943	7767901	3340951	333	n.a.	n.a.	5235
036	291316845	260719288	303608050	334	9480499	11238780	20698692
041	n.a.	n.a.	40	335	1163	n.a.	n.a.
042	n.a.	72330	673394	341	n.a.	n.a.	875
045	n.a.	n.a.	6991	423	n.a.	n.a.	1123796
047	10227	n.a.	5257	424	n.a.	n.a.	483
048	90041	191355	1251135	431	n.a.	n.a.	49636
054	5523	24748199	20137547	512	336296	17252	71637
056	n.a.	625430	97341	513	n.a.	n.a.	78067
057	23175	25150	496910	514	19352	n.a.	26898
058	4802	46352	303765	515	120099	18095	51482
061	n.a.	10232	3956	522	3940	4569650	18024013
062	n.a.	n.a.	151	523	4337	111857	12387
074	30706770	47398053	11099125	531	13701	n.a.	4027
075	37558	24428	196275	533	43882	28122	76204
081	n.a.	n.a.	68257	541	182829	388383	6423924
098	66986	n.a.	431932	551	6254	19119	101
111	n.a.	n.a.	4221	553	518404	213967	253342
112	250736	1145177	247560	554	8867	77449	166057
121	1206175	4577742	3557711	562	101444641	36885558	60156718
122	836782	1376473	5052057	582	n.a.	24109	565111
211	36849	17201	765275	583	29325	61944	813373
222	n.a.	n.a.	114140	584	n.a.	n.a.	5725
223	n.a.	n.a.	3604	585	430287	1065117	144618
232	n.a.	n.a.	145832	591	1229354	35210	n.a.
233	n.a.	n.a.	151	592	149553694	n.a.	429680
246	n.a.	n.a.	8364	598	n.a.	n.a.	155660
247	25337	n.a.	47834	611	n.a.	106013109	167847928
251	n.a.	n.a.	4155771	612	870679	616441	3096458
261	n.a.	n.a.	42093	621	n.a.	3567	108335
263	580937	113794	824559	625	n.a.	n.a.	23556
264	72664385	83023107	n.a.	628	98	16660	128427
265	n.a.	113794	180338	634	19822927	13877000	1077573
266	12042	n.a.	6483	635	22337	20654	9377
267	287819	16351	28344	641	n.a.	60874	405212
268	n.a.	n.a.	24835	642	710380	930209	1051432
269	n.a.	50800	469829	651	59058279	59344454	83826046
273	30228	n.a.	38793	652	47005751	60801049	41764860

653	26888602	33258954	4940527	749	270644	12964	917418
654	87979903	72324646	47717172	751	108756	14936	7603
655	3300369	5149574	1917754	752	30150	13710	35406
656	88860	29082	435277	759	n.a.	28731	427361
657	54524040	50116535	23510885	761	n.a.	n.a.	2124188
658	160489167	149657135	208133407	763	14959	n.a.	24992
659	5505570	2556840	1059142	764	13141	660	1380506
661	n.a.	n.a.	91192	771	40364	413289	5416
662	22028	42939	85826	772	141774	160829	6614809
663	44318	n.a.	103806	773	n.a.	n.a.	72874
664	n.a.	9610	70	774	n.a.	n.a.	78191
665	490	141481	158448	775	3180	11171	159477
666	10773782	9697164	10755566	776	n.a.	n.a.	500307
672	n.a.	n.a.	405407	778	4116959	3434977	9964876
673	n.a.	115882	297892	781	151623	387505	116801
674	n.a.	284880	13452736	784	3768078	181615	308065
677	n.a.	39206	5830	785	5366064	2159473	10844029
678	22381	13858	359608	786	n.a.	1503004	32697
682	n.a.	n.a.	93210	791	n.a.	n.a.	5274
683	n.a.	n.a.	2880	792	n.a.	123749	14573836
684	n.a.	7264	5718	793	209847	5450167	2222632
685	n.a.	n.a.	56755	812	10529510	10887349	7196983
691	392917	165812	39187	821	6274	8357	769710
692	886625	499237	1084136	831	667782	841788	1986710
694	n.a.	n.a.	20582	842	605173075	1.208E+09	1211949936
695	101787	99984	253664	843	324588946	659553512	858004676
696	262752	587980	333427	844	724353726	943993313	819736821
697	62788	177308	268173	845	231436381	512950745	1020967963
699	7404224	10130621	717363	846	328352068	452868207	1103414048
711	n.a.	n.a.	4027	847	4277777	6506901	26718550
712	n.a.	n.a.	418283	848	314096	1943766	26048245
713	646664	1669645	797139	851	28151483	38389965	50804864
714	39907	3106665	510871	872	2383	34029	84550
716	201934	260239	1616084	873	n.a.	102	71486
718	n.a.	5506	2013	874	762	169671	632185
721	n.a.	24097	9276	881	36135	71941	1899664
722	491662	n.a.	n.a.	882	n.a.	324300	304660
723	651187	10929049	1233050	884	5236394	9807616	11605432
724	94657	73726	964619	885	3327	n.a.	54340
725	n.a.	1692	103333	892	73785	64114	12464782
726	662	3068	18240	893	9580515	18482918	8148497
727	n.a.	119974	201	894	51077812	44422510	10750915
728	2960921	20066706	1985410	895	n.a.	100987	94697
736	127894	203191	4231620	896	n.a.	n.a.	58614
737	4972	28743	357420	897	n.a.	n.a.	4846
741	11686	76515	65583	898	175335	91094	42029
742	132376	178166	338081	899	2191448	2606181	8328445
743	441389	181329	549315	931	10701925	8122734	1007482

744	n.a.	1035366	207401	941	231049	n.a.	n.a.
745	25724	118116	344229	951	n.a.	n.a.	389077

Source: UN COMTRADE Database

Note: Total exports in the years 1996, 1998 & 2003 being US$ 3,538,509,801, US$ 5,056,914,536 & US$ 6,403,425,621 respectively.

Table 13: Exports by Bhutan to the World (US$) for the year 1998 (US$)

SITC code	Bhutan's export	SITC code	Bhutan's export	SITC code	Bhutan's export
014	51	411	438	695	4759
024	827	423	2541	697	14026
025	206	424	1730	723	3448
041	3652	511	374	724	14729
042	51307	512	62025	728	30672
044	15478	522	238926	742	292
046	425257	523	14215216	751	158
048	15684	533	12337	771	608
054	3912031	541	11469	772	212788
056	57944	551	242469	773	10169
057	4577656	553	203	775	5647
058	2615792	554	61982	778	312
075	2044415	572	7594	782	3772
081	77356	582	5366	784	1859
111	244695	583	74142	785	208
112	2300640	598	193491	792	233388
211	49681	625	363	821	2005934
222	19110	634	7625133	845	1662
223	2474	635	105490	851	321
233	440	641	69475	874	1022
245	42156	642	1330	885	2547
246	3606	658	33740	892	189690
247	397075	659	12788	893	153640
248	2646337	661	13550742	894	33023
273	1957342	662	236	899	93162
278	1402707	664	530		
282	255468	665	158465		
291	1343	671	11908144		
292	86300	678	51		
322	1025617	682	1706		
334	7023	691	16384		
335	446	692	1261		

Source: UN COMTRADE Database

Note: Total exports being US$ 108,462,968.

Table 14: Maldives' Exports to the World for the years 1996, 1998 & 2003 (US$)

SITC code	1996	1998	2003	SITC code	1996	1998	2003
014	n.a.	25	275	551	5277	7953	8047
034	20961984	26082588	45977676	583	n.a.	n.a.	7659
035	9295506	12220844	13209770	642	n.a.	241	n.a.
036	645751	345592	3370840	743	n.a.	n.a.	23140
037	16616177	16721122	12835808	842	1713591	3506880	4359374
081	1299747	1325907	1014278	843	2439445	8206488	3980096
098	n.a.	n.a.	333	844	38786	n.a.	n.a.
282	115267	71583	124869	845	559639	190518	110636
288	n.a.	180	203901	846	5609550	144634	27677720
291	85877	10290	38898	892	n.a.	643	n.a.
411	17755	n.a.	18559				

Source: UN COMTRADE Database

Note: Total exports in the years 1996, 1998 & 2003 being US$ 59,404,352, US$ 74,625,744 & US$ 112, 961,848 respectively.

Table 15: Nepal's Exports to the World for the Years 1996, 1998 & 2003 (US$)

SITC code	1996	1998	2003	SITC code	1996	1998	2003
001	1144381	n.a.	1265082	075	5647552	5749970	10812142
011	n.a.	n.a.	58874	081	2771179	3559177	11397176
014	n.a.	n.a.	708	091	n.a.	n.a.	3011989
022	n.a.	n.a.	66932	098	n.a.	n.a.	6115736
023	228513	333058	583151	111	n.a.	n.a.	287885
024	n.a.	n.a.	55250	112	15378	43431	1435903
025	n.a.	n.a.	40259	121	n.a.	n.a.	9805
034	n.a.	n.a.	13704	122	n.a.	n.a.	3778
035	n.a.	n.a.	1168	211	n.a.	n.a.	1372917
041	245960	133577	37700	222	215818	78722	23667
042	n.a.	1603146	677509	223	8321739	2125199	750324
043	n.a.	n.a.	78	245	n.a.	n.a.	82043
044	33615	n.a.	459	246	190786	n.a.	n.a.
045	n.a.	898	92030	251	n.a.	329281	957192
046	n.a.	n.a.	879167	263	n.a.	n.a.	104123
047	n.a.	n.a.	86769	264	573097	72667	n.a.
048	1722919	1984901	7199028	265	n.a.	n.a.	262254
054	12524244	16087422	15162293	268	n.a.	n.a.	62193
056	n.a.	2946	181961	269	n.a.	n.a.	149528
057	n.a.	n.a.	632091	271	n.a.	n.a.	183
058	n.a.	n.a.	2465060	273	319193	536003	7140426
061	5928	69834	6986692	274	n.a.	n.a.	5499
062	n.a.	n.a.	661953	278	n.a.	1771	104771
071	11562	4814	290337	282	n.a.	n.a.	148202
072	n.a.	n.a.	28669	287	n.a.	n.a.	720435
074	281394	177804	5439899	288	n.a.	n.a.	259179

291	636	n.a.	151811	672	n.a.	n.a.	13979
292	2997111	1630950	3870644	673	n.a.	n.a.	264416
323	n.a.	n.a.	21790	674	n.a.	n.a.	28022423
335	n.a.	n.a.	1549	677	n.a.	n.a.	668557
423	n.a.	n.a.	207011	678	n.a.	n.a.	3650876
424	2344984	n.a.	6466106	681	n.a.	n.a.	65
431	n.a.	1435177	50988378	682	n.a.	36297	14786926
522	n.a.	n.a.	1071240	684	n.a.	n.a.	626103
523	n.a.	n.a.	24914	685	n.a.	n.a.	14255
531	n.a.	n.a.	10265	686	n.a.	n.a.	2797573
532	475163	1049132	2201935	687	n.a.	n.a.	1425119
533	n.a.	n.a.	164925	691	n.a.	n.a.	39183
541	4813	28575	2136911	692	n.a.	n.a.	840
551	94620	12567374	208350	693	n.a.	n.a.	4585690
553	5639587	12487117	29886333	694	n.a.	n.a.	152521
554	n.a.	n.a.	4957845	695	n.a.	n.a.	23877
582	n.a.	n.a.	131122	696	34433	n.a.	519382
583	n.a.	n.a.	433071	697	2956230	3215099	6667532
591	n.a.	n.a.	104634	699	n.a.	20853	2548407
592	n.a.	n.a.	223129	716	466580	n.a.	1903
598	373601	313377	1834140	718	349	n.a.	51337
611	10235608	8203881	6396539	723	n.a.	n.a.	382309
612	1304219	75897	25753	724	n.a.	n.a.	60961
621	n.a.	n.a.	668096	728	n.a.	n.a.	25741
625	97857	n.a.	315	741	n.a.	n.a.	21344
628	n.a.	n.a.	15093	742	n.a.	n.a.	26
633	n.a.	n.a.	761	743	n.a.	n.a.	144
634	1047	n.a.	3626516	744	n.a.	n.a.	78826
635	234942	221236	666691	749	n.a.	n.a.	6301
641	950035	n.a.	6690096	761	290	n.a.	n.a.
642	n.a.	1158139	4318427	763	738	1718	n.a.
651	4325708	8318880	34912611	764	34587	n.a.	n.a.
652	n.a.	23205	645016	771	n.a.	750116	723727
653	87895	n.a.	8338023	773	n.a.	n.a.	454678
654	1380149	2401806	4792187	775	n.a.	n.a.	81176
655	n.a.	n.a.	3498719	778	n.a.	n.a.	950196
656	n.a.	n.a.	504127	785	3627	n.a.	n.a.
657	6324023	4500824	2860316	792	24483	23881	n.a.
658	523187	8137613	10653427	812	n.a.	n.a.	25098
659	145672544	128928920	41155098	821	n.a.	n.a.	2172563
661	758084	770575	468604	831	34484	674401	1384103
662	290	4350	32213	842	98201800	15418219	39217892
663	n.a.	n.a.	37617	843	27203	31170412	76144163
664	n.a.	n.a.	15502	844	n.a.	42436628	43936442
665	n.a.	n.a.	14499	845	2648110	3773230	19236332
666	4735	n.a.	79104	846	3969567	3337286	24069954
667	n.a.	n.a.	10777	847	n.a.	133351	19559493
671	n.a.	n.a.	21305	848	n.a.	338556	3595795

851	3214	3405	2328820	895	166308	n.a.	261197
871	n.a.	5687	n.a.	896	n.a.	554653	3797394
881	2083	n.a.	n.a.	897	2001593	2409973	4132611
882	n.a.	n.a.	3438	898	7052	2793	87958
883	n.a.	n.a.	275	899	489918	697840	2584859
892	n.a.	1997	152289	931	34549328	n.a.	n.a.
893	n.a.	285	16672840	951	n.a.	18937	15262
894	n.a.	76	22009				

Source: UN COMTRADE Database

Note: Total exports in the years 1996, 1998 & 2003 being US$ 363,706,080, US$ 408,728,512 & US$ 652,694, 661 respectively.

Table 16: India's Exports to the World for the Years 1998 & 2003 (US$)

SITC Codes	1998	2003	SITC Codes	1998	2003
001	1117653	4387803	322	53552294	62797747
023	2501744	5631008	424	145538176	127056963
034	158287360	162418036	431	25732786	80961866
035	5049187	13143819	522	63956552	118432828
036	865465408	1045558418	523	54723000	127919914
037	1348750	85586362	532	9848351	23641553
042	1492398336	895907819	551	62272052	122489272
046	1293416	85856149	553	96063968	191184985
047	1411606	5425188	554	22173810	52956062
048	25632762	64363293	562	6736789	6675083
054	144739952	309472418	611	268310096	548811444
057	455268672	537074357	634	12202477	24192371
058	51280728	34463845	642	28551562	105677420
061	11381130	288622876	651	1448814848	1951414453
062	2136565	12020183	652	946852992	951414453
074	513106368	333644798	653	381188992	979469660
075	278978592	213450190	654	232640032	412144420
081	477947648	731013640	655	36620312	51073296
091	3566389	4159086	657	66147280	103664124
098	48260024	65264414	658	778117248	1590035092
111	294027	2399430	659	616657536	729169579
112	12422417	21408423	661	218904720	560294803
211	104088	3250643	666	3863121	16818326
223	19520376	23814061	671	117755936	191713242
245	275688	2674243	674	300767072	1162026723
247	596669	2690833	677	37811656	98513437
248	489615	4023291	678	129961736	281775937
265	1838375	7232306	682	20950952	435088897
273	131705968	334839007	686	5321391	23051272
278	42432472	93896373	687	3997811	8549659
282	1049545	3591397	693	53218520	62807991
288	2241832	53639038	697	152349600	977643494
292	408455040	385562722	821	18961648	135940574

842	273377440	447346486	848	432983712	475330210
843	1886568704	1937585131	851	336525376	560440027
844	807910144	846524135	884	16532383	41136087
845	423068640	918086218	893	134154296	292143449
846	822626240	1722054257	896	1836291	28931562
847	151043264	294874731	897	953438208	2173718376

Source: UN COMTRADE Database

Table 17: Bangladesh's Imports from the World for the Years 1996, 1998 & 2003 (US$)

SITC code	1996	1998	2003	SITC code	1996	1998	2003
011	2342081	5733231	7396469	263	154,696,428	237405238	563574675
022	52411272	57327408	62889167	264	34,323	n.a.	91351
023	1107094	2417337	2611202	265	3229	12112	115908
034	2,739,640	3758867	3441492	266	28,949,766	22957820	31516700
035	17,761	112789	1837701	267	4,080,321	7944615	17676860
036	286,649	694418	148544	268	49760	61972	413926
041	171448064	150272526	259767519	269	2607628	5446702	5759375
042	258550058	246153211	180941538	273	27,938,542	9690681	16421186
045	6992139	20981	555	278	24467035	17952272	26982943
047	1,314,913	123336	144070	282	79114	95869	3930632
048	8,100,742	14213691	16806604	288	227044	963947	1341344
054	23,375,371	71844293	171260149	291	709,277	759095	6085591
056	1659065	2531131	2556544	292	2,950,326	4666770	6761181
057	21,812,082	34906031	36199769	333	158852430	177016541	328585325
058	1,129,950	2318206	3118191	334	263,007,628	333520004	747106307
061	13171506	48197790	101045127	341	40179	73265	7251981
062	659431	1369401	2956235	423	264047737	125749851	353347150
074	11,573	15141	164780	424	64513857	96788218	402169259
075	22,220,391	10939626	34737392	431	4396876	10169349	8975828
081	6697865	29041270	68887670	512	4,255,485	8615937	11352347
098	5,525,484	9910744	16002570	513	13199385	17483640	27598047
111	415529	434252	843186	514	8,724,867	10320541	20932698
112	2,881,930	641991	6214759	515	31,648,943	42047133	37526883
121	13,179,079	20620286	23593967	522	19,115,544	25362078	37723412
122	824,891	1313783	17211859	523	25,239,932	37144033	50121443
211	339,461	555784	946671	531	29,370,665	34260777	64709252
222	37358737	57548597	52970294	533	10,969,507	12403369	28116470
223	36875513	48475375	33144844	541	62,212,027	84325294	145064519
232	2,253,481	2286310	4188270	551	3,678,018	6732405	20953302
233	1955462	2393123	4298446	553	2,490,304	2929391	6872754
246	1258223	135	n.a.	554	8,161,856	5870302	9233249
247	30,390,200	10732498	51343781	562	60,933,740	108953070	123108787
251	4239206	14897769	43209911	582	30839320	42051675	60859989
261	32591528	65104372	5304908	583	101,360,132	110340576	195631560

584	2305044	2615039	4457464	712	19366049	1298371	6424304
585	172,060	379738	378512	713	52,955,878	11374002	30338762
591	14,199,718	14658359	26997316	714	3,667,087	3894111	16982723
592	5,191,017	4438041	14243213	716	28,913,530	45584685	68598764
598	21343840	33456186	49922520	718	9286107	413978	8996654
611	2139912	181406	6566023	721	26663977	26652338	46801595
612	9,653,079	5285585	14649686	722	2,246,709	3116040	4959557
621	5401712	4728105	6377327	723	15,704,109	19969716	15915348
625	32402263	35619959	40472972	724	174,151,740	152914169	308530080
628	5,836,262	7722810	17950397	725	20673840	11446589	10923190
634	1,429,578	5119899	3399649	726	11,075,941	13488188	16463681
635	756,754	1756161	10978265	727	3988091	5046804	19535882
641	88394571	108109291	182086933	728	40,007,014	71704094	117847940
642	6,902,155	19502542	8626395	736	21,225,396	161800677	27273674
651	397,771,205	411220372	376186453	737	3,889,527	7930855	44920273
652	456,978,251	488952691	520666060	741	67,041,051	29628599	60712819
653	321,977,423	450642769	491692376	742	31,719,776	9395566	18964066
654	8,153,239	3445299	5842653	743	15,463,284	19655957	30796143
655	118,894,083	94234640	49179695	744	19335453	15688870	49191868
656	36695484	29473754	16494598	745	9,650,362	18480191	25366199
657	31,441,562	30108976	42767927	749	23,192,079	33176860	33515777
658	3,878,355	10321528	43050802	751	4,103,277	7337116	5266521
659	385,471	987982	1659286	752	12,302,846	13950619	51228674
661	192995340	242126030	149180106	759	8623851	15393444	33253438
662	5,122,372	6751992	7776114	761	3431254	7911221	37530205
663	3,225,589	10145233	11449106	763	1,473,949	1565570	3368618
664	11320666	13247932	15410345	764	28,841,254	85432933	109851048
665	8,377,624	11544837	12986880	771	29,761,894	23396483	38349032
666	146,422	606606	15480162	772	24,874,970	17635796	50091320
672	13285036	18542598	220390240	773	20435330	11876142	42564673
673	53643861	19969767	10215061	774	8373634	8386622	18667738
674	216586553	333287471	75555225	775	18,359,581	23568095	38676082
677	3038924	2786035	7354093	776	10084884	19248128	6711157
678	43,959,113	60233690	12184777	778	16,464,636	20058218	26771568
679	107557	2805242	444731	781	61,907,578	64096219	145603122
682	15195605	12886619	14775759	782	59005795	26808063	61001450
683	488896	432469	709418	784	11,354,883	22001301	10644833
684	38825457	56817373	56153635	785	43,129,933	33906019	85716380
685	766448	3001236	3807148	786	2583681	449468	2273029
691	47,366,422	34593875	24189948	791	3463172	19248128	3389521
692	3,580,459	10330568	7691155	792	45901837	13101514	29192994
693	19864764	11624145	7139910	793	147,409,284	225362671	135084774
694	18820975	7623128	3134097	812	2,769,463	5068463	11322222
695	4,539,452	15757318	6394180	821	1,553,574	3205913	10684650
696	1,160,402	1392237	3067975	831	182,593	772060	4422777
697	3,587,896	2726391	5472926	842	646,391	1508247	52203383
699	30,897,785	41966087	25025007	843	249,082	282419	49348998
711	8076909	11374002	12453177	844	236,377	556682	35264105

845	94,977,905	1699180	56574069	885	20,290,202	2530774	2820284
846	738,985	776582	59731727	892	32,097,445	34548226	33227308
847	55,539,368	55544681	159084020	893	33,635,828	39675511	36593086
848	3,168,451	4051553	23773947	894	42,976,433	9356911	15047306
851	1,302,030	724212	6436993	895	3098006	4471007	7409584
871	1,030,563	569139	537386	896	25732	10099	198914
872	7,630,427	13280965	13456750	897	501052	672441	1176753
873	7765269	7677647	10330637	898	3,164,399	7808936	21944656
874	18,112,269	20249810	33840054	899	49,655,787	51718936	68866218
881	1,539,350	2955787	3401680	931	1,966,513	68928	335118
882	12132198	15548070	21817686	941	25,614	16189	37561
884	1,606,904	2063556	3769848	951	10486931	11087887	44902186

Source: UN COMTRADE Database

Table 18: Bhutan's Imports from the World for the Year 1998 (US$)

SITC code	Bhutan's import	SITC code	Bhutan's import	SITC code	Bhutan's import
014	18633	334	10036409	678	616703
024	92327	335	387701	682	161667
025	600350	411	2465	691	1277279
041	776290	423	2409823	692	401191
042	7024056	424	1775204	695	712914
044	208778	511	230494	697	1115291
046	648566	512	1708760	723	4794313
048	1257020	522	114406	724	159045
054	1386041	523	857512	728	2412452
056	84605	533	478496	742	69415
057	471604	541	2173969	751	353521
058	164451	551	33502	771	495083
075	121985	553	411859	772	568725
081	284200	554	1022647	773	3080388
111	209495	572	447152	775	951992
112	2525260	582	41328	778	1766968
211	143	583	1695154	782	3568034
222	17091	598	53697	784	3073441
223	10176	625	2028387	785	374953
233	83940	634	580717	792	727704
245	2127007	635	209067	821	794628
246	n.a.	641	2937453	845	142587
247	2978	642	887780	851	1057594
248	17064	658	865241	874	1895566
273	179334	659	214500	885	91357
278	508002	661	291621	892	964502
282	n.a.	662	322071	893	1529583
291	1	664	268503	894	484790
292	125182	665	1786468	899	157249
322	1270583	671	28090		

Source: UN COMTRADE Database

Table 19: Maldives' Imports from the World for the Years 1996, 1998 & 2003 (US$)

SITC code	1996	1998	2003	SITC code	1996	1998	2003
014	342276	630707	1045472	551	59450	97477	854655
034	114,640	117479	277204	583	1593193	1937534	2364235
035	63913	144420	264607	642	2662786	3168673	5078556
036	974404	1314054	2514427	743	5232670	4917586	4731772
037	126013	59866	212250	842	681507	584540	672409
081	6248	19952	50556	843	286244	258837	3096907
098	3098188	2345252	3761727	844	120679	159968	71827
282	11743	353	2712	845	1640531	1940874	2159468
288	14521	8431	38662	846	1706655	2969000	1771546
291	2332	902	1621	892	1809630	2391034	4972339
411	4444	3902	1551				

Source: UN COMTRADE Database

Table 20: Nepal's Imports from the World for the Years 1996, 1998 & 2003 (US$)

SITC code	1996	1998	2003	SITC code	1996	1998	2003
001	762222	86917	5677941	072	n.a.	n.a.	124943
011	n.a.	n.a.	327187	074	950342	914455	783680
014	n.a.	7461649	90307	075	14249334	16090075	22758187
022	8075851	7459042	6416021	081	n.a.	n.a.	15881780
023	39383	n.a.	390224	091	1671196	n.a.	448565
024	n.a.	36436	213735	098	n.a.	n.a.	10469888
025	n.a.	n.a.	212756	111	521981	n.a.	123297
034	n.a.	n.a.	673897	112	704046	722559	3571066
035	n.a.	n.a.	43085	121	6169759	n.a.	8197558
041	n.a.	705109	2498550	122	1063659	1105422	1069995
042	14681299	2426148	10864751	211	n.a.	n.a.	25155
043	n.a.	n.a.	1786	222	200812	117102	23331317
044	n.a.	44418	2686622	223	66596	2477472	1664922
045	155656	113	817879	245	n.a.	n.a.	31226
046	604300	2939505	435362	251	n.a.	n.a.	320069
047	n.a.	n.a.	20397	263	739569	435034	1292343
048	6022336	856459	8321630	265	n.a.	n.a.	181666
054	7051752	6809375	23915306	268	42508344	22601282	19433533
056	11347	n.a.	536210	269	n.a.	n.a.	240878
057	6466048	28263684	15438695	271	n.a.	n.a.	34984
058	725170	n.a.	3040954	273	n.a.	n.a.	3291366
061	38450045	4086341	6638277	274	n.a.	n.a.	11770
062	380270	502995	1995526	278	1553824	3928463	6671254
071	434118	247385	649783	282	930735	2998530	66103

287	n.a.	n.a.	81548	666	40619	n.a.	738195
288	4197601	6831191	15028738	667	n.a.	n.a.	407
291	n.a.	19603	304696	671	n.a.	634084	473483
292	10191662	7710319	2115021	672	1542853	n.a.	45035835
323	545305	4049168	9893835	673	313794	n.a.	14191024
335	2781463	2507065	1826676	674	5978481	2626339	47963695
423	36382032	14861515	23583923	677	n.a.	1468479	467024
424	22515636	8607028	90694286	678	326554	2457730	2154941
431	n.a.	26375	9452741	681	13645541	n.a.	4693065
522	n.a.	n.a.	6403824	682	6169076	3058131	10945251
523	n.a.	n.a.	4246303	684	1450886	876902	10612326
531	n.a.	n.a.	1256517	685	129194	n.a.	999719
532	11365	n.a.	155905	686	3435002	4055314	14466876
533	2876856	746860	6429207	687	1386932	159071	3789090
541	48889120	40077644	44847099	691	n.a.	25303	11375383
551	n.a.	73210	2621077	692	n.a.	n.a.	1496067
553	3557878	3085729	10596969	693	3435752	n.a.	3390867
554	963972	1443362	4496981	694	n.a.	n.a.	2457864
582	n.a.	n.a.	6996435	695	2861917	1136664	5429622
583	25986966	19527204	52155555	696	1049557	81108	1407183
591	1351029	2148620	3292877	697	2239536	3098687	4317051
592	n.a.	n.a.	2656522	699	1045974	2415788	7027540
598	n.a.	n.a.	6611435	716	9838461	11498953	3510204
611	158992	168959	297470	718	58307	n.a.	792463
612	n.a.	26183	1664788	723	3085457	n.a.	2315351
621	1010182	n.a.	1675585	724	n.a.	93568	8570234
625	2612171	3276074	6791503	728	69099280	27457376	7602100
628	2651832	1901720	2199466	741	n.a.	n.a.	5132645
633	177060	430810	4279	742	750823	155222	3490344
634	6396	149891	1366884	743	600419	1021012	3294932
635	n.a.	202176	356249	744	n.a.	6917372	1762267
641	9042197	9573276	17248632	749	n.a.	8084569	4930384
642	99742	145638	5659688	763	761837	294612	3279847
651	40485448	21961608	26725684	771	7188136	1313454	3293195
652	48026308	29605208	43081812	773	768049	1692084	5618950
653	1772758	9081711	17691554	775	5024475	3499157	8532283
654	n.a.	2662494	3161233	778	19751682	11175090	10686516
655	n.a.	n.a.	33145274	785	2807629	1838690	23239824
656	996262	n.a.	4164106	792	11831712	20,344,760	22140979
657	n.a.	52264	7132012	812	1829129	2653212	7631642
658	5752287	1935329	4957199	821	n.a.	n.a.	4393149
659	1484519	1615298	2415992	831	197343	n.a.	6074074
661	16506985	14548487	55927848	842	7097256	2112807	11703048
662	7624094	8849572	3692803	843	2787048	n.a.	19509675
663	227392	n.a.	878381	844	n.a.	n.a.	6888647
664	n.a.	2491561	3517944	845	n.a.	n.a.	743689
665	2946068	812282	8829819	846	97645	n.a.	1223508

847	8268	n.a.	1508766	895	5720991	1557908	2694356
848	n.a.	46200	5875265	896	984475	n.a.	29263
851	3859686	3289359	9755431	897	55528	166116	476373
871	n.a.	30830	381486	898	220359	793373	7876454
882	n.a.	949439	11685402	899	2375957	2108358	7787858
883	n.a.	n.a.	2745	931	212685808	165628720	n.a.
892	4612298	10729607	17992712	941	n.a.	1928456	1221
893	1970437	4015310	15549969	951	688318	3999908	711467
894	2776197	1605260	22957608				

Source: UN COMTRADE Database

Table 21: RCA Indices of Bangladesh and the corresponding Import Values of India for the year 1998

SITC code	Product Description	Index	India's imports from the world (US$)
011	Meat and edible meat offals, fresh, chilled or frozen	0.00	9654
034	Fish, fresh (live or dead), chilled or frozen	0.96	14551935
035	Fish, dried, salted or in brine; smoked fish	3.02	[redacted]
036	Crustaceans and molluscs, fresh, chilled, frozen, salted, in brine or dried	18.64	[redacted]
042	Rice	0.01	1286275
048	Cereal preparations and preparations of flour or starch of fruits or vegetables	0.01	8770689
054	Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers	1.10	[redacted]
056	Vegetables, roots and tubers, prepared or preserved, n.e.s.	0.11	2754420
057	Fruit and nuts (not including oil nuts), fresh or dried	0.00	390041312
058	Fruit, preserved, fruit preparations	0.00	2632845
061	Sugar & honey	0.00	271685568
074	Tea & mate	15.85	[redacted]
075	Spices	0.01	58004512
098	Edible products & preparations n.e.s.	0.02	54186848
112	Alcoholic beverages	0.04	8939647
121	Tobacco, unmanufactured; tobacco refuse	0.77	4988351
122	Tobacco manufactured	0.08	2332688
211	Hides & skins (except fur skins), raw	0.00	54434032
263	Cotton	0.01	91201856
264	Jute & other textile bast fibres, n.e.s., raw or processed	913.25	[redacted]
265	Vegetable textile fibres & waste of such fibres	0.02	3782500
267	Other man-made fibres suitable for spinning & waste	0.01	15144180
269	Old clothing & other old textile articles; rags	0.03	28711368
278	Other crude minerals	0.00	96132760
282	Waste & scrap metal of iron & steel	0.01	263271488
291	Crude animal materials, n.e.s.	0.77	9921843
292	Crude vegetable materials, n.e.s.	0.04	44126544
334	Petroleum products, refined	0.15	2735645952

512	Alcohol, phenols, & their derivatives	0.00	158568240
515	Organo-inorganic & heterocyclic compounds	0.00	132599872
522	Inorganic chemical elements, oxides & halogen salts	0.31	1186656768
523	Other inorganic chemicals	0.01	92942328
533	Pigments, paints, varnishes & related materials	0.00	94233992
541	Medicinal & pharmaceutical products	0.00	384276800
551	Essential oils, perfumes & flavour materials	0.00	27447476
553	Perfumery, cosmetics & toilet preparations	0.01	18563714
554	Soap, cleansing & polishing preparations	0.01	48640328
562	Fertilizers, manufactured	2.58	[redacted]
582	Condensation, polycondensation & polyaddition products	0.00	156627744
583	Polymerisation & copolymerization products	0.00	473852608
585	Other artificial resins & plastic materials	2.07	[redacted]
591	Disinfectants, insecticides, fungicides, weedkillers	0.00	39511284
611	Leather	8.22	[redacted]
612	Manufactures of leather or composition leather, n.e.s.	0.11	22268636
621	Materials of rubber (pastes, plates, sheets)	0.00	22683252
628	Articles of rubber, n.e.s.	0.00	88409328
634	Veneers, plywood, improved or reconstituted wood	1.10	[redacted]
635	Wood manufactures	0.00	5179623
641	Paper & paperboard	0.00	422787328
642	Paper & paperboard, cut to size or shape	0.04	34022676
651	Textile yarn	1.91	[redacted]
652	Cotton fabrics woven	3.02	[redacted]
653	Fabrics, woven, of man-made fibres	1.23	[redacted]
654	Textile fabrics, woven, other than cotton man-made fibres	8.14	[redacted]
655	Knitted or chrocheted fabrics	0.48	15979788
656	Tulle, lace, embroidery, & small wares	0.01	12342548
657	Special textile fabrics & related products	2.98	[redacted]
658	Made-up articles wholly or chiefly of textile materials	10.78	[redacted]
659	Floor coverings	0.29	5885098
662	Clay construction materials & refractory construction	0.00	34915692
664	Glass	0.00	66828352
665	Glassware	0.02	12401590
666	Pottery	1.90	[redacted]
673	Iron & steel bars, rods, angles, shapes & sections	0.01	77638768
674	Universals, plates & sheets, of iron or steel	0.01	447647840
677	Iron or steel wire, whether or not coated	0.01	20709680
678	Tubes, pipes & fittings, of iron or steel	0.00	221596784
679	Iron & steel castings, forgings & stampings; rough	0.00	5616967
684	Aluminium	0.00	156047712
691	Structures & parts of structures; iron, steel & aluminium	0.01	15064342
692	Metal containers for storage & transport	0.07	26676184
693	Wire products & fencing grills	0.00	10143472
695	Tools for use in hand or in machines	0.01	121810480
696	Cutlery	0.15	3325338
697	Household equipment of base metal, n.e.s.	0.02	3893104
699	Manufactures of base metal, n.e.s.	0.25	150151344

713	Internal combustion piston engines, & parts	0.03	150268800
714	Engines & motors, non-electric	0.08	56322848
716	Rotating electric plant & parts	0.01	146588512
718	Other power generating machinery & parts	0.00	27774450
721	Agricultural machinery & parts	0.00	16085692
723	Civil engineering & contractors parts & parts	0.42	146048512
724	Textile & leather machinery & parts	0.00	430947968
725	Paper & pulp mill machinery for manufacture of paper	0.00	25733922
726	Printing & book binding machinery	0.00	71444776
727	Food processing machines & parts	0.02	18582584
728	Machinery & equipment specialized for particular industries	0.37	388212736
736	Machine tools for working metals or metal carbides, & parts	0.01	325673696
737	Metal working machinery, & parts	0.00	154604144
741	Heating & cooling equipment & parts	0.00	226369216
742	Pumps for liquids, liquid elevators, & parts	0.01	135684192
743	Pumps, compressors, fans & blowers	0.01	192932128
744	Mechanical handling equipments, & parts	0.03	110053496
745	Other non-electrical machinery, tools, apparatus, & parts	0.01	88396664
749	Non-electrical accessories of machinery	0.00	618246848
751	Office machines	0.00	33928204
752	Automatic data processing machines & units thereofs	0.00	454213440
759	Parts & accessories suitable for 751, 752.	0.00	299579136
764	Telecommunications equipments, & parts	0.00	448756896
771	Electric power machinery	0.02	76786440
772	Electrical apparatus such as switches, relays, fuses and plugs	0.00	246284720
775	Household type, electrical & non-electrical equipments	0.00	37073768
778	Electrical machinery & apparatus, n.e.s.	0.05	288903136
781	Passenger motor cars for transport of passengers & goods	0.00	25160420
782	Motor vehicles for transport of goods materials	0.02	6218439
784	Parts & accessories of 722, 781, 782, 783.	0.00	242252928
785	Motorcycles, motor scooters & invalid carriages	0.15	18201246
786	Trailers & other vehicles, not motorized	0.15	2741553
792	Aircraft associated equipment & parts	0.00	188563024
793	Ships, boats & floating structures	0.14	219279776
812	Sanitary, plumbing, heating & lighting fixtures	0.87	7858970
821	Furniture & parts thereof	0.00	12952616
831	Travel goods, handbags, briefcases, purses & sheaths	0.06	431065
842	Outergarments, men's of textile fabrics	38.90	[redacted]
843	Outergarments, women's of textile fabrics	15.78	[redacted]
844	Undergarments of textile fabrics	71.23	[redacted]
845	Outergarments & other articles, knitted	13.13	[redacted]
846	Undergarments, knitted or crocheted	15.71	[redacted]
847	Clothing accessories of textiles fabrics	0.87	1968834
848	Articles of apparel & clothing accessories, non-textile	0.17	4440116
851	Footwear	1.02	[redacted]
872	Medical instruments & appliances	0.00	19740744
873	Meters & counters, n.e.s.	0.00	8063866
874	Measuring, checking, analyzing instruments	0.00	500933408

881	Photographic apparatus & equipment, n.e.s.	0.01	29192048
882	Photographic & cinematographic supplies	0.02	167062016
884	Optical goods	1.24	[redacted]
892	Printed matter	0.00	186231792
893	Articles of materials described in division 58	0.35	70697808
894	Baby carriages & toys	1.10	[redacted]
895	Office & stationery supplies, n.e.s.	0.02	34174352
898	Musical instruments, parts & accessories	0.00	231389120
899	Other miscellaneous manufactured materials	0.14	50208800
931	Special transactions & commodities, not classified according to kind	0.05	2757518848

Source: (1)UN COMTRADE database
(2) International Trade Statistics Yearbook 2000.
Note: (1)Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.
(2) India's total Imports from the world US$ 42,424,950,784.
(3) Indices computed as per the method explained in chapter 4.

Table 22: RCA Indices of Bhutan and the corresponding Import Values of India for the year 1998

SITC code	Product Description	Index	India's Imports from world (US$)
014	Meat and edible meat offals, prepaed or preserved, n.e.s.; fish extracts	0.0	3810
024	Cheese and curd	0.0	340118
025	Eggs and yolks, fresh, dried or otherwise preserved, sweetened or not	0.01	12851
041	Wheat (including spelt) and meslin, unmilled	0.01	277163456
042	Rice	0.27	1286274
044	Maize(corn), unmilled	0.09	200764
046	Meal and flour of wheat and flour of meslin	9.92	[redacted]
048	Cereal preparations and preparations of flour or starch of fruits or vegetables	0.04	8770689
054	Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers	8.14	[redacted]
056	Vegetables, roots & tubers, prepared or preserved, n.e.s.	0.49	2754420
057	Fruit & nuts (not including oil nuts), fresh or dried	8.02	[redacted]
058	Fruit, preserved, fruit preparations	10.45	[redacted]
075	Spices	40.73	[redacted]
081	Feed stuff for animals (not including unmilled cereals)	0.19	30409922
111	Non alcoholic beverages, n.e.s.	2.8	[redacted]
112	Alcoholic beverages	3.97	[redacted]
211	Hides & skins (except fur skins), raw	0.55	54434032
222	Oil seeds & oleaginous fruit, whole or broken (excluding flours & meals)	0.07	659916
223	Oil seeds & oleaginous fruit, whole or broken (defatted flours & meals)	0.14	4714330
233	Synthetic rubber latex; synthetic rubber & similar natural gums	0.0	123702984
245	Fuelwood (excluding wood waste) & wood charcoal	6.86	[redacted]

246	Pulpwood (including chips & wood waste)	0.1	55759
247	Other wood in the rough or roughly squared	2.91	[illegible]
248	Wood, simply worked or railway sleepers of wood	5.48	[illegible]
273	Stone, sand & gravel	27.64	[illegible]
278	Other crude minerals	9.99	[illegible]
282	Waste & scrap of iron & steel	2.0	[illegible]
291	Crude animal materials, n.e.s.	0.02	9921843
292	Crude vegetable materials, n.e.s.	0.3	44126544
322	Coal, lignite & peat	2.7	[illegible]
334	Petroleum products, refined	0.0	2.736E+09
335	Residual petroleum products n.e.s & related materials	0.0	360375744
411	Animal oils & fats	0.01	1638340
423	Fixed vegetable oils & fats	0.0	727324608
424	Other fixed vegetable oils, fluid or solid, crude, refined or purified	0.01	1.117E+09
511	Hydrocarbons, n.e.s. & their halogenated, suphonated, nitrated derivatives	0.0	440847136
512	Alcohol, phenols, & their derivatives	0.26	158568240
522	Inorganic chemical elements, oxides & halogen salts	0.75	1.187E+09
523	Other inorganic chemicals	65.47	[illegible]
533	Pigments, paints, varnishes & related materials	0.03	94233992
541	Medicinal & pharmaceutical products	0.01	384276800
551	Essential oils, perfume & flavor materials	1.64	[illegible]
553	Perfumery, cosmetics & toilet preparations	0.0	18563714
554	Soap, cleansing & polishing preparations	0.25	48640628
572	Explosives & pyrotechnic products	0.32	704138
582	Condensation, polycondensation & polyaddition products	0.01	156627744
583	Polymerisation & copolymerization products	0.05	473852608
598	Miscellaneous chemical products	0.25	338320000
625	Paper & pulp mill machinery for manufacture of paper	0.0	22074468
634	Veneers, plywood, improved or reconstituted wood	28.3	[illegible]
635	Wood manufactures	0.35	5179623
641	Paper & paperboard	0.05	422787328
642	Paper & paperboard, cut to size or shape	0.0	34022676
658	Made-up articles wholly or chiefly of textile materials	0.11	4124500
659	Floor coverings	0.07	5885098
661	Lime, cement & fabricated construction materials	65.01	[illegible]
662	Clay construction materials & refractory construction	0.0	34915692
664	Glass	0.0	66828352
665	Glassware	0.82	12401590
671	Pig iron, spiegeleisen, sponge iron, iron or steel	77.05	[illegible]
678	Tubes, pipes & fittings, of iron or steel	0.0	221596784
682	Copper	0.0	213725613
691	Structures & parts of structures; iron, steel & aluminium	0.06	15064342
692	Metal containers for storage & transport	0.01	26676184
695	Tools for use in hand or in machines	0.01	121810480

697	Household equipment of base metal, n.e.s.	0.07	3893104
723	Civil engineering & contractors parts & parts	0.01	146048512
724	Textile & leather machinery & parts	0.04	430947968
728	Machinery & equipment specialized for particular industries	0.03	388212736
742	Pumps for liquids, liquid elevators, & parts	0.0	135684192
751	Office machines	0.0	33928204
771	Electric power machinery	0.0	76786440
772	Electrical apparatus such as switches, relays, fuses and plugs	0.14	246284720
773	Equipment for distributing electricity	0.02	95096312
775	Household type, electrical & non-electrical equipments	0.01	37073768
778	Electrical machinery & apparatus, n.e.s.	0.0	288903136
782	Motor vehicles for transport of goods materials	0.0	6218439
784	Parts & accessories of 722, 781, 782, 783	0.0	242252928
785	Motorcycles, motor scooters & invalid carriages	0.0	18201246
792	Aircraft associated equipment & parts	0.1	188563024
821	Furniture & parts thereof	1.87	[illegible]
845	Outergarments & other articles, knitted	0.0	1525764
851	Footwear	0.0	4668037
874	Measuring, checking, analyzing instruments	0.0	500933408
885	Watches & clocks	0.01	26810728
892	Printed matter	0.36	186231792
893	Articles of materials described in division 58	0.14	70697808
894	Baby carriages & toys	0.04	23256820
899	Other miscellaneous manufactured materials	0.23	50208800

Source: (1)UN COMTRADE database
(2) International Trade Statistics Yearbook 2000.

Note: (1)Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.
(2) India's total Imports from the world US$ 42,424,950,784.
(3) Indices computed as per the method explained in chapter 4.

Table 23: RCA Indices of Maldives and the corresponding Import Values of India for the year 1998

SITC code	Product Description	Index	India's imports from the world (US$)
014	Meat and edible meat offals, prepaed or preserved, n.e.s.; fish extracts	0.000293	3810
034	Fish, fresh (live or dead), chilled or frozen	102.0461	[illegible]
035	Fish, dried, salted or in brine; smoked fish	321.8026	[illegible]
036	Crustaceans and molluscs, fresh, chilled, frozen, salted, in brine or dried	1.673969	[illegible]
037	Fish, crustaceans and molluscs, prepared or preserved, n.e.s.	135.9971	[illegible]
081	Feed stuff for animals (not including unmilled cereals)	4.699488	[illegible]

282	Waste and scrap metal of iron or steel	0.814915	263271488
288	Non-ferrous base metal waste & scrap, n.e.s.	0.001713	252241200
291	Crude animal materials, n.e.s.	0.220313	9921843
551	Essential oils, perfume & flavor materials	0.078117	27447476
642	Paper & paperboard, cut to size or shape	0.000761	34022676
842	Outergarments, men's of textile fabrics	7.653184	
843	Outergarments, women's of textile fabrics	13.30768	
844	Undergarments of textile fabrics	0.974247	1598919
845	Outergarments & other articles, knitted	2.543782	
846	Undergarments, knitted or crocheted	10.50366	
892	Printed matter	0.00176	186231792

Source: (1)UN COMTRADE database
(2) International Trade Statistics Yearbook 2000.

Note: (1)Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.
(2) India's total Imports from the world US$ 42,424,950,784.
(3) Indices computed as per the method described in chapter 4.

Table 24: RCA Indices of Nepal and the corresponding Import Values of India for the year 1998

SITC code	Product Description	Index	India's imports from the world (US$)
023	Butter	1.28	
041	wheat (including spelt) and meslin, unmilled	0.12	277163456
042	Rice	2.25	
045	Cereals, unmilled(other than wheat, rice, barley and maize)	0.01	52821
048	Cereal preparations and preparations of flour or starch of fruits or vegetables	1.48	
054	Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers	8.88	
056	Vegetable, roots and tubers, prepared or preserved, n.e.s.	0.01	2754420
061	Sugar & honey	0.07	271685568
071	Coffee & coffee substitutes	0.00	3593404
074	Tea & mate	0.74	15423309
075	Spices	30.40	
081	Feed stuff for animals (not including unmilled cereals)	2.30	
112	Alcoholic beverages	0.02	8939647
222	Oil seeds & oleaginous fruit, whole or broken (excluding flours & meals)	0.07	659916
223	Oil seeds & oleaginous fruit, whole or broken (defatted flours & meals)	30.82	
251	Pulp & waste paper	0.26	235960272
264	Jute & other textile bast fibres, n.e.s., raw or processed	9.89	
273	Stone, sand & gravel	2.01	
278	Other crude minerals	0.00	96132760
292	Crude vegetable materials, n.e.s.	1.49	
431	Animal vegetable oils & fats, processed & waxes	5.03	
532	Dyeing & tanning extracts	15.19	

541	Medicinal & pharmaceutical products	0.00	384276800
551	Essential oils, perfume & flavor materials	22.54	[illegible]
553	Perfumery, cosmetics & toilet preparations	7.66	[illegible]
598	Miscellaneous chemical products	0.11	338320000
611	Leather	7.87	[illegible]
612	Manufactures of leather or composition leather, n.e.s.	0.17	22268636
635	Wood manufactures	0.20	5179623
642	Paper & paperboard, cut to size or shape	0.67	34022676
651	Textile yarns	3.32	[illegible]
652	Cotton fabric woven	0.01	54693272
654	Textile fabrics, woven, other than cotton man-made fibres	3.35	[illegible]
657	Special textile fabrics & related products	3.31	[illegible]
658	Made-up articles wholly or chiefly of textile materials	7.25	[illegible]
659	Floor coverage	183.65	[illegible]
661	Lime, cement & fabricated construction materials	0.98	3534445
662	Clay construction materials & refractory construction	0.01	34915692
682	Copper	0.02	213725312
697	Household equipment of base metals, n.e.s.	4.32	[illegible]
699	Manufactures of base metal, n.e.s.	0.01	150151344
711	Steam & other vapour generating boilers & parts	0.09	21196228
763	Gramophones, dictating & sound recorders	0.00	12966090
771	Electric power machinery	0.36	76786440
792	Aircraft associated equipment & parts	0.00	188563024
831	Travel goods, handbags, briefcases, purses & sheaths	0.62	431065
842	Outergarments, men's of textile fabrics	6.14	[illegible]
843	Outergarments, women's of textile fabrics	9.23	[illegible]
844	Undergarments of textile fabrics	39.62	[illegible]
845	Outergarments & other articles, knitted	1.19	[illegible]
846	Undergarments, knitted or crocheted	1.43	[illegible]
847	Clothing accessories of textiles fabrics	0.22	1968834
848	Articles of apparel & clothing accessories, non-textile	0.37	4440116
851	Footwear	0.00	4668037
871	Optical instruments & apparatus	0.01	19740744
892	Printed matter	0.00	186231792
893	Articles of materials described in division 58	0.00	70697808
894	Baby carriages & toys	0.00	23256820
896	Works of art, collectors' pieces & antiques	0.99	105941
897	Jewelry, goldsmith wares & other artcles of precious metals	1.41	[illegible]
898	Musical instruments, parts & accessories	0.00	231389120
899	Other miscellaneous manufactured materials	0.47	50208800
931	Special transactions & commodities, not classified according to kind	6.49	[illegible]
941	Animal, live, n.e.s., including zoo animals	25.73	[illegible]
951	Armoured fighting vehicles, arms of war & ammunition	0.04	437051

Source: (1)UN COMTRADE database
(2) International Trade Statistics Yearbook 2000.

Note: (1) Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.
(2) India's total Imports from the world US$ 42,424,950,784.
(3) Indices computed as per the method described in chapter 4.

Table 25: RCA Indices of Bangladesh and the corresponding Import Values of India for the year 2003

SITC code	Product Description	Index	India's Imports from world (US$)
011	Meat and edible meat offals, fresh, chilled or frozen	0.0	21405
022	Milk and cream	0.02	19256600
023	Butter	0.0	6655589
035	Fish, dried, salted or in brine; smoked fish	1.21	[redacted]
036	Crustaceans and molluscs, fresh, chilled, frozen, salted, in brine or dried	18.38	[redacted]
041	Wheat (including spelt) and meslin, unmilled	0.0	53456
042	Rice	0.1	58284
045	Cereals, unmilled(other than wheat, rice, barley and maize)	0.0	105274
047	Other cereal meals and flours	0.01	148914
048	Cereal preparations and preparations of flour or starch of fruits or vegetables	0.05	17585112
054	Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers	0.69	566485297
056	Vegetable, roots and tubers, prepared or preserved, n.e.s.	0.01	5929383
057	Fruit & nuts (not including oil nuts), fresh or dried	0.02	467463343
058	Fruit, preserved, fruit preparations	0.02	10348741
061	Sugar & honey	0.0	28031172
062	Sugar confectionery & other preparations	0.0	3639016
074	Tea & mate	3.95	[redacted]
075	Spices	0.08	93452931
081	Feed stuff for animals (not including unmilled cereals)	0.0	75774195
098	Edible products & preparations	0.02	17631148
111	Non alcoholic beverages, n.e.s.	0.0	10189060
112	Alcoholic beverages	0.01	14523483
121	Tobacco, unmanufactured; tobacco refuse	0.7	3916468
122	Tobacco manufactured	0.34	8325456
211	Hides & skins (except fur skins), raw	0.15	51017466
222	Oil seeds & oleaginous fruit, whole or broken (excluding flours & meals)	0.01	894854
223	Oil seeds & oleaginous fruit, whole or broken (defatted flours & meals)	0.0	13403925
232	Natural rubber latex; natural rubber & similar natural gums	0.03	48111924
233	Synthetic rubber latex; synthetic rubber & reclaimed rubber; waste & scrap	0.0	229592863
246	Pulpwood (including chips & wood waste)	0.0	357367
247	Other wood in the rough or roughly squared	0.01	659682481
251	Pulp & waste paper	0.21	404227870
261	Silk	0.15	138353382
263	Cotton	0.1	337550956

265	Vegetable textile fibres & waste of such fibres	0.27	7042866
266	Synthetic fibres suitable for spinning	0.0	41135855
267	Other man-made fibres suitable for spinning & waste	0.01	25214088
268	Wool & other animal hair (excluding wool tops)	0.01	193645721
269	Old clothing & other old textile articles; rags	0.29	88847081
273	Stone, sand & gravel	0.01	52412214
282	Waste & scrap metal of iron or steel	0.4	529560760
288	Non-ferrous base metal waste & scrap, n.e.s.	0.0	269172997
291	Crude animal materials, n.e.s.	0.16	10750692
292	Crude vegetable materials, n.e.s.	0.15	66917773
333	Petroleum oils, crude, & crude oils obtained from bituminous minerals	0.0	18600945120
334	Petroleum products	0.12	2735645952
341	Gas, natural & manufactured	0.0	532057153
423	Fixed vegetable oils, soft, crude, refined or purified	0.1	635021927
424	Other fixed vegetable oils, fluid or solid, crude refined or purified	0.0	1881433237
431	Animal & vegetable oils & fats, processed & waxes	0.01	147089156
512	Hydrocarbon, n.e.s. & other halogenated, sulphonated derivatives	0.0	410727909
513	Carboxylic acids & their anhydrides, halides & derivatives	0.0	327054409
514	Nitrogen fuction compounds	0.0	432466308
515	Organo-inorganic & heterocyclic compounds	0.0	213343317
522	Inorganic chemical elements, oxides & halogen salts	1.06	[redacted]
523	Other inorganic chemicals	0.0	156877778
531	Synthetic organic dyestuffs, natural indigo, colour lakes	0.0	77894177
533	Pigments, paints, varnishes & related materials	0.0	202776929
541	Medicinal & pharmaceutical products	0.04	635396238
551	Essential oils, perfumes & flavour materials	0.0	54003917
553	Perfumery, cosmetics & toilet preparations	0.01	43965015
554	Soap, cleansing & polishing preparations	0.01	69211967
562	Fertilizers, manufactured	4.32	[redacted]
582	Condensation, polycondensation & polyaddition products	0.02	352843568
583	Polymerisation & copolymerization products	0.01	623872463
584	Regenerated cellulose; cellulose nitrate & other cellulose esters	0.0	33948813
585	Other artificial resins & plastic materials	0.16	6302850
592	Starches, insulin & wheat gluten, albuminoidal substances	0.04	43634746
598	Miscellaneous chemical products	0.0	488986706
611	Leather	9.94	[redacted]
612	Manufactures of leather or composition leather, n.e.s.	0.44	24754157
621	Materials of rubber	0.01	39984346
625	Rubber tyres, tyre cases, for wheels of all kinds	0	31306680
628	Articles of rubber, n.e.s	0.01	135099598
634	Veneers, plywood, improved or reconstituted wood	0.07	22582888

635	Wood manufactures	0.0	8054673
641	Paper & paperboard	0.01	584296380
642	Paper & paperboard, cut to size or shape	0.04	44554839
651	Textile yarn	2.42	[redacted]
652	Cotton fabrics woven	1.72	[redacted]
653	Fabrics, woven, of man-made fibres	0.18	237688463
654	Textile fabrics, woven, other than cotton man-made fibres	5.5	[redacted]
655	Knitted or chrocheted fabrics	0.12	45386878
656	Tulle, lace, embroidery, & small wares	0.07	44280426
657	Special textile fabrics & related products	1.04	[redacted]
658	Made up articles wholly or chiefly of textile materials	9.76	[redacted]
659	Floor coverings	0.12	18773381
661	Lime, cement & fabricated construction materials	0.01	29602203
662	Clay construction materials & refractory construction	0.01	794711399
663	Mineral manufactures, n.e.s.	0.01	84958722
664	Glass	0.0	101565531
665	Glassware	0.01	41044774
666	Pottery	2.1	[redacted]
672	Ingots & other primary forms of iron & steel	0.01	145521064
673	Iron & steel bars, rods, angles, shapes & sections	0.01	113356531
674	Universals, plates & sheets, of iron or steel	0.22	843052327
677	Iron or steel wire, whether or not coated	0.0	30449495
678	Tubes, pipes & fittings, of iron or steel	0.01	199920377
682	Copper	0.0	231660808
683	Nickel	0.0	220833879
684	Aluminium	0.0	229666508
685	Lead	0.04	80865008
691	Structures & parts of structures; iron, steel & aluminium	0	35299131
692	Metal containers for storage & transport	0.14	35303577
694	Nails, screws, nuts & bolts of iron, steel or copper	0.0	99173741
695	Tools for use in hand or in machines	0.01	136334790
696	Cutlery	0.06	9671457
697	Household equipment of base metal, n.e.s.	0.02	15860650
699	Manufactures of base metal, n.e.s.	0.01	326994258
711	Steam & other vapour generating boilers, & parts	0.0	4217549
712	Steam & other vapour power units units, steam engines	0.17	60845446
713	Internal combustion piston engines, & parts	0.01	283782992
714	Engines & motors, non-electric	0.01	169958320
716	Rotating electric plant & parts	0.05	297272665
718	Other power generating machinery & parts	0.0	41746178
721	Agricultural machinery & parts	0.0	21694355
723	Civil engineering & contractors parts & parts	0.04	392071267
724	Textile & leather machinery & parts	0.05	638300798
725	Paper & pulp mill machinery for manufacture of paper	0.01	48343110
726	Printing & book binding machinery	0.0	102014164
727	Food processing machines & parts	0.0	30022806

728	Machinery & equipment specialized for particular industries	0.03	656246378
736	Machine tools for working metals or metal carbides, & parts	0.15	387033241
737	Metal working machinery, & parts	0.04	140160650
741	Heating & cooling equipment & parts	0.0	321554706
742	Pumps for liquids, liquid elevators, & parts	0.01	171521388
743	Pumps, compressors, fans & blowers	0.01	336694560
744	Mechanical handling equipments, & parts	0.01	168329495
745	Other non-electrical machinery, tools, apparatus, & parts	0.01	125390137
749	Non-electrical accessories of machinery	0.01	810284877
751	Office machines	0.0	58554120
752	Automatic data processing machines & units thereofs	0.0	1091994328
759	Parts & accessories suitable for 751, 752.	0.0	853139185
761	Television reeivers	0.06	68224054
763	Gramophones, dictating & sound recorders	0.0	67599169
764	Telecommunications equipments, & parts	0.01	3012750042
771	Electric power machinery	0.0	198416384
772	Electrical apparatus such as switches, relays, fuses and plugs	0.07	482949047
773	Equipment for distributing electricity	0.0	180598992
774	Electric & radiological apparatus, for medical purposes	0.0	237892918
775	Household type, electrical & non-electrical equipments	0.0	82022431
776	Thermionic, cold & photo cathode valves, tubes & parts	0.0	831976656
778	Electrical machinery & apparatus, n.e.s.	0.1	535064459
781	Passenger motor cars for transport of passengers & goods	0.0	69106256
784	Parts & accessories of 722, 781, 782, 783.	0.0	431820855
785	Motorcycles, motor scooters & invalid carriages	0.48	15022039
786	Trailers & other vehicles, not motorized	0.0	15157677
791	Railway vehicles & associated equipments	0.0	104124519
792	Aircraft associated equipment & parts	0.14	1154706382
793	Ships, boats & floating structures	0.05	1368171205
812	Sanitary, plumbing, heating & lighting fixtures	0.34	48898881
821	Furniture & parts thereof	0.01	76734919
831	Travel goods, handbags, briefcases, purses & sheaths	0.12	9897621
842	Outergarments, men's of textile fabrics	35.66	[illegible]
843	Outergarments, men's of textile fabrics	16.18	[illegible]
844	Undergarments of textile fabrics	60.88	[illegible]
845	Outergarments & other articles, knitted	19.39	[illegible]
846	Undergarments, knitted or crocheted	30.64	[illegible]
847	Clothing accessories of textile fabrics	2.76	[illegible]
848	Articles of apparel & clothing accessories	1.65	[illegible]
851	Footwear	1.16	[illegible]
872	Medical instruments & appliances	0.0	261357853
873	Meters & counters, n.e.s.	0.02	11045417
874	Measuring, checking, analyzing instruments	0.01	792635330
881	Photographic apparatus & equipment, n.e.s.	0.13	61540980

882	Photographic & cinematographic supplies	0.02	236651507
884	Optical goods, n.e.s.	1.01	[illegible]
885	Watches & clocks	0.0	39744854
892	Printed matter	0.43	334259421
893	Articles of materials described in division 58	0.11	181910343
894	Baby carriages & toys	0.22	56253535
895	Office & stationery supplies, n.e.s.	0.01	51097996
896	Works of art, collectors pieces & antiques	0.01	588582
897	Jewellery, goldsmith wares & other articles of precious materials	0.0	102464735
898	Musical instruments, parts & accessories	0.0	672712797
899	Other miscellaneous manufactured materials	0.27	112887406
931	Special transactions & commodities, not classified according to kind	0.0	557179980
951	Armoured fighting vehicles, arms of war & ammunition	0.09	1417369

Source: (1) UN COMTRADE database
(2) International Trade Statistics Yearbook 2003.

Note: (1) Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.
(2) India's total Imports from the world US$ 77,202,405,606.
(3) Indices computed as per the method described in chapter 4.

Table 26: RCA Indices of Maldives and the corresponding Import Values of India for the year 2003

SITC code	Product Description	Index	India's imports from the world (US$)
014	Meat and edible meat offals, prepaed or preserved, n.e.s.; fish extracts	0.0	372510
034	Fish, fresh (live or dead), chilled or frozen	109.99	[illegible]
035	Fish, dried, salted or in brine; smoked fish	272.07	[illegible]
036	Crustaceans and molluscs, fresh, chilled, frozen, salted, in brine or dried	11.57	[illegible]
037	Crustaceans and molluscs, fresh, chilled, frozen, salted, in brine or dried	70.82	[illegible]
081	Feed stuff for animals (not including unmilled cereals)	2.43	[illegible]
098	Edible products and preparations, n.e.s.	0.0	17631148
282	Waste and scrap metal of iron or steel	0.6	529560760
288	Non-ferrous base metal wastes & scrap, n.e.s.	1.33	[illegible]
291	Crude animal materials, n.e.s.	0.61	10750692
411	Animal oils & fats	0.66	2721088
551	Essential oils, perfumes & flavour materials	0.04	788939992
583	Polymerisation & copolymerization products	0.0	623872463
743	Pumps, compressors, fans & blowers	0.03	336694560
842	Outergarments, men's of textile fabrics	7.27	[illegible]
843	Outergarments, women's of textile fabrics	4.25	[illegible]

845	Outergarments & other articles, knitted	0.12	5537548
846	Undergarments, knitted or chrocheted	43.56	6592007

Source: (1) UN COMTRADE database

(2) International Trade Statistics Yearbook 2003.

Note: (1) Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.

(2) India's total Imports from the world US$77,202,405,606.

(3) Indices computed as per the method described in the text.

Table 27: RCA Indices of Nepal and the corresponding Import Values of India for the year 2003

SITC code	Product Description	Index	India's imports from the world (US$)
001	Live animals chiefly for food	1.43	[illegible]
011	meat and edible meat offals, fresh, chilled or frozen	0.01	21405
014	Meat and edible meat offals, prepaed or preserved, n.e.s.; fish extracts	0.0	372510
022	milk and cream	0.05	19256600
023	Butter	1.86	[illegible]
024	cheese and curd	0.04	1868143
025	eggs and yolks, fresh, dried or otherwise preserved, sweetened or not	0.24	337124
034	fish, fresh (live or dead), chilled or frozen	0.01	5737604
035	fish, dried, salted or in brine; smoked fish	0.0	214476
041	wheat (including spelt) and meslin, unmilled	0.02	53456
042	Rice	1.01	[illegible]
043	Barley, unmilled	0.0	5872
044	Cereals, unmilled (other than wheat, rice, barley & maize)	0.0	290825
045	Cereals, unmilled (other than wheat, rice, barley and Maize)	0.63	105274
046	Meal & flour of wheat & flour of meslin	4.57	[illegible]
047	Other cereal meals & flour	1.82	[illegible]
048	Cereal preparations & preparations of flour or starch of fruits or vegetables	3.02	[illegible]
054	Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers	5.08	[illegible]
056	Vegetables, roots & tubers, prepared or preserved, n.e.s.	0.26	5929383
057	Fruit & nuts (not including oil nuts), fresh or dried	0.19	467463343
058	Fruit, preserved, & fruit preparations	1.67	10348741
061	Sugar & honey	5.75	28031172
062	Sugar confectionery & other preparations	1.36	3639016
071	Coffee & coffee substitutes	0.32	5419782
072	Cocoa	0.04	6974666
074	Tea & mate	19.02	13936552
075	Spices	41.77	93452931

081	Feed stuff for animals (not including unmilled cereals)	4.73	75774195
091	Margarine & shortening	14.4	[illegible]
098	Edible products & preparations	3.06	[illegible]
111	Non alcoholic beverages, n.e.s.	0.37	10189060
112	Alcoholic beverages	0.4	14523483
121	Tobacco, unmanufactured; tobacco refuse	0.02	3916468
122	Tobacco manufactured	0.0	8325456
211	Hides & skins (except fur skins), raw	2.63	51017466
222	Oil seeds & oleaginous fruit, whole or broken (excluding flours & meals)	0.01	894854
223	Oil seeds & oleaginous fruit, whole or broken (defatted flours & meals)	7.94	[illegible]
245	Fuel wood (excluding wood waste) & wood charcoal	1.7	[illegible]
251	Pulp & waste paper	0.47	404227870
263	Cotton	0.12	337550956
265	Vegetable textile fibres & waste of such fibres	3.89	57042866
268	Wool & other animal hair (excluding wool tops)	0.2	193645721
269	Old clothing & other old textile articles; rags	0.92	88847081
271	Ferilisers crude	0.0	132222743
273	Stone, sand & gravel	16.61	[illegible]
274	Sulphur & unroasted iron pyrites	0.09	85090608
278	Other crude minerals	0.14	126979759
282	waste and scrap metal of iron or steel	0.12	529560760
287	Ores & concentrates of base metals, n.e.s.	0.34	399223875
288	Non-ferrous base metal wastes & scrap, n.e.s.	0.29	269172997
291	Crude animal materials, n.e.s.	0.41	10750692
292	Crude vegetable materials, n.e.s.	2.17	[illegible]
323	Briquettes; coke & semi-coke of coal, lignite or peat	0.06	317075079
335	Residual petroleum products	0.0	175584395
423	Fixed vegetable oils, soft, crude, refined or purified	0.18	635021927
424	Other fixed vegetable oils, fluid or solid, crude, refined or purified	6.15	[illegible]
431	Animal & vegetable oils & fats, processed & waxes	107.72	[illegible]
522	Inorganic chemical elements, oxides & halogen salts	0.62	1098327448
523	Other inorganic chemicals	0.02	156877778
531	Synthetic organic dyestuffs, natural indigo, colour lakes	0.01	77894177
532	Dyeing & tanning extracts, synthetic tanning materials	20.81	[illegible]
533	Pigments, paints, varnishes & related materials	0.06	202776929
541	Medicinal & pharmaceutical products	0.11	635396238
551	Essential oils, perfumes & flavour materials	0.17	54003917
553	Fabrics, woven, of man-made fibres	9.44	[illegible]
554	Soap, cleansing & polishing preparations	2.91	[illegible]
582	Condensation, polycondensation & polyaddition products	0.04	352843568
583	Polymerisation & copolymerization products	0.04	623872463
591	Disinfectants, insecticides, fungicides, weedkillers	0.09	107734530
592	Starches, insulin & wheat gluten, albuminoidal substances	0.22	43634746
598	Miscellaneous chemical products	0.36	488986870

			6
611	Leather	3.7	[illegible]
612	Manufactures of leather or composition leather, n.e.s.	0.04	24754157
621	Materials of rubber	0.75	39984346
625	Rubber tyres, tyre cases, for wheels of all kinds	0.0	31306680
628	Articles of rubber, n.e.s	0.01	135099598
633	Cork manufactures	0.01	692215
634	Veneers, plywood, improved or reconstituted wood	2.39	[illegible]
635	Wood manufactures	0.35	8054673
641	Paper & paperboard	0.83	584296380
642	Paper & paperboard, cut to size or shape	1.45	[illegible]
651	Textile yarn	9.9	[illegible]
652	Cotton fabrics woven	0.26	137112921
653	Fabrics, woven, of man-made fibres	3.02	[illegible]
654	Textile fabrics, woven, other than cotton man-made fibres	5.42	[illegible]
655	Knitted or chrocheted fabrics	2.13	[illegible]
656	Tulle, lace, embroidery, & small wares	0.83	44280426
657	Special textile fabrics & related products	1.24	[illegible]
658	Made-up articles wholly or chiefly of textile materials	4.9	[illegible]
659	Floor coverings	44.3	[illegible]
661	Lime, cement & fabricated construction materials	0.38	29602203
662	Clay construction materials & refractory construction	0.03	79471399
663	Mineral manufactures, n.e.s.	0.03	84958722
664	Glass	0.01	101565531
665	Glassware	0.01	41044774
666	Pottery	0.15	4265992
667	Pearls, precious & semi precious stones, unworked or worked	0.0	7038136429
671	Pig iron, spiegeleisen, spnge iron, iron or steel	0.0	92133425
672	Ingots & other primary forms of iron & steel	0.0	145521064
673	Iron & steel bars, rods, angles, shapes & sections	0.1	113356531
674	Universal, plates & sheets of iron & steel	4.53	[illegible]
677	Iron or steel wire, whether or not coated	1.6	[illegible]
678	Tubes, pipes & fittings, of iron & steel	1.35	[illegible]
681	Silver, platinum & other metals of platinum group	0.0	370309061
682	Copper	4.85	[illegible]
684	Aluminium	0.12	229666508
685	Lead	0.1	80865008
686	Zinc	6.2	[illegible]
687	Tin	11.3	[illegible]
691	Structures & parts of structures; iron, steel & aluminium	0.02	35299131
692	Metal containers for storage & transport	0.0	35303577
693	Wire products & frncing grills	8.68	[illegible]
694	Nails, screws, nuts & bolts of iron, steel or copper	0.11	99173741
695	Tools for use in hand or in machines	0.01	136334790
696	Cutlery	0.92	9671457
697	Household equipment of base metals, n.e.s.	4.85	[illegible]

699	Manufactures of base metal, n.e.s.	0.46	326994258
716	Rotating electric plant & parts	0.0	297272665
718	Other power generating machinery & parts	0.08	41746178
723	Civil engineering & contractors parts & parts	0.12	392071267
724	Textile & leather machinery & parts	0.03	638300798
728	Machinery & equipment specialized for particular industries	0.0	656246378
741	Heating & cooling equipment & parts	0.0	321554706
742	Pumps for liquids, liquid elevators, & parts	0.0	171521388
743	Pumps, compressors, fans & blowers	0.0	336694560
744	Mechanical handling equipments, & parts	0.02	168329495
749	Non-electrical accessories of machinery	0.0	810284877
771	Electric power machinery	0.22	198416384
773	Equipment for distributing electricity	0.11	180598992
775	Household type, electrical & non-electrical equipments	0.02	82022431
778	Electrical machinery & apparatus, n.e.s.	0.09	535064459
812	Sanitary, plumbing, heating & lighting fixtures	0.01	48898881
821	Furniture & parts thereof	0.3	76734919
831	Travel goods, handbags, briefcases, purses & sheaths	0.84	9897621
842	Outergarments, men's of textile fabrics	11.32	[illegible]
843	Outergarments, women's of textile fabrics	14.08	[illegible]
844	Undergarments of textile fabrics	32.01	[illegible]
845	Outergarments & other articles, knitted	3.58	[illegible]
846	Undergarments, knitted or crocheted	6.56	[illegible]
847	Clothing accessories of textile fabrics	19.84	[illegible]
848	Articles of apparel & clothing accessories	2.23	[illegible]
851	Footwear	0.52	14052619
882	Photographic & cinematographic supplies	0.0	236651507
883	Cinematography film, exposed & developed, negative or positive	0.01	2426634
892	Printed matter	0.05	334259421
893	Articles of materials described in division 58	2.18	[illegible]
894	Baby carriages & toys	0.0	56253535
895	Office & stationery supplies, n.e.s.	0.32	51097996
896	Works of art, collectors' pieces & antiques	4.24	[illegible]
897	Jewelry, goldsmith wares & other articles of precious materials	1.52	[illegible]
898	Musical instruments, parts & accessories	0.02	672712797
899	Other miscellaneous manufactured materials	0.83	112887406
951	Armoured fighting vehicles, arms of war & ammunition	0.03	1417369

Source: (1)UN COMTRADE database.
(2) International Trade Statistics Yearbook 2003.

Note: (1) Shaded cells denote India's import of products in which the LDCs have revealed comparative advantage.
(2) India's total Imports from the world US$ 77,202,405,606.
(3) Indices computed as per the method explained in chapter 4.