



Priorities Beyond Doha: South Asia in the governance of the global trading regime

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Key Challenges in the Global economy

- Poverty
- Terrorism,
- Environmental change,
- Resource shortages including food
- Global recession and a change in the growth points in the global economy
- Protectionist responses in developed countries and greater pressure for openness in developing countries, especially Asia.



Trade response to these challenges

- Rapid and unfettered movement of
 - goods,
 - services,
 - capital,
 - technology,
 - ideas and
 - people across the world



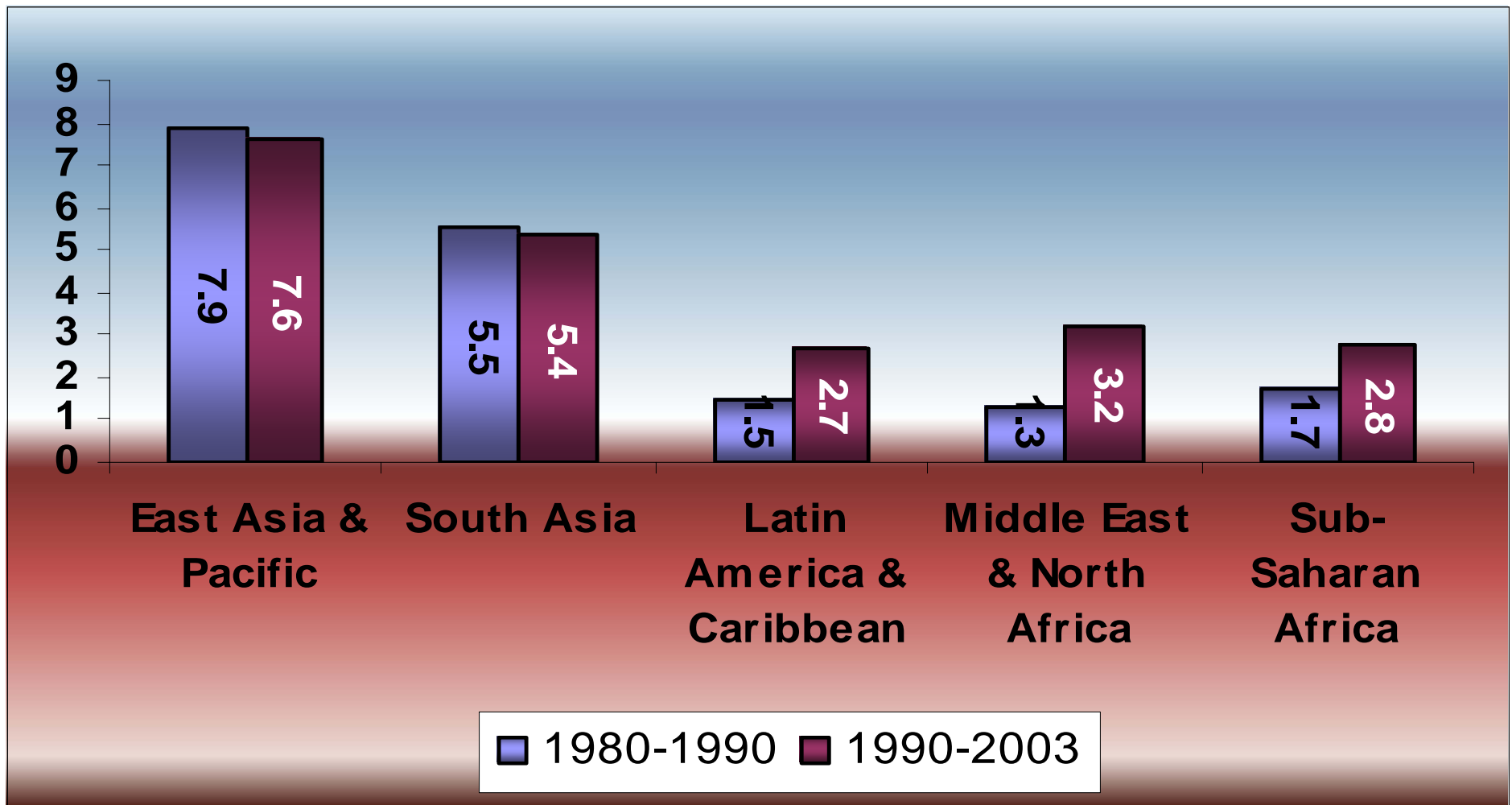
In the light of these the Priorities beyond Doha

- **A central focus on poverty reduction through trade**
- **Proliferation of global value chains consequently a focus on investment rules**
- **Changed dynamics of economic power relationships consequently changes in the dynamics of negotiations.**
- **Improved product and health standards.**
- **Stitching together regional agreements into an integrated world-wide framework.**
- **Addressing trade implications of climate change.**



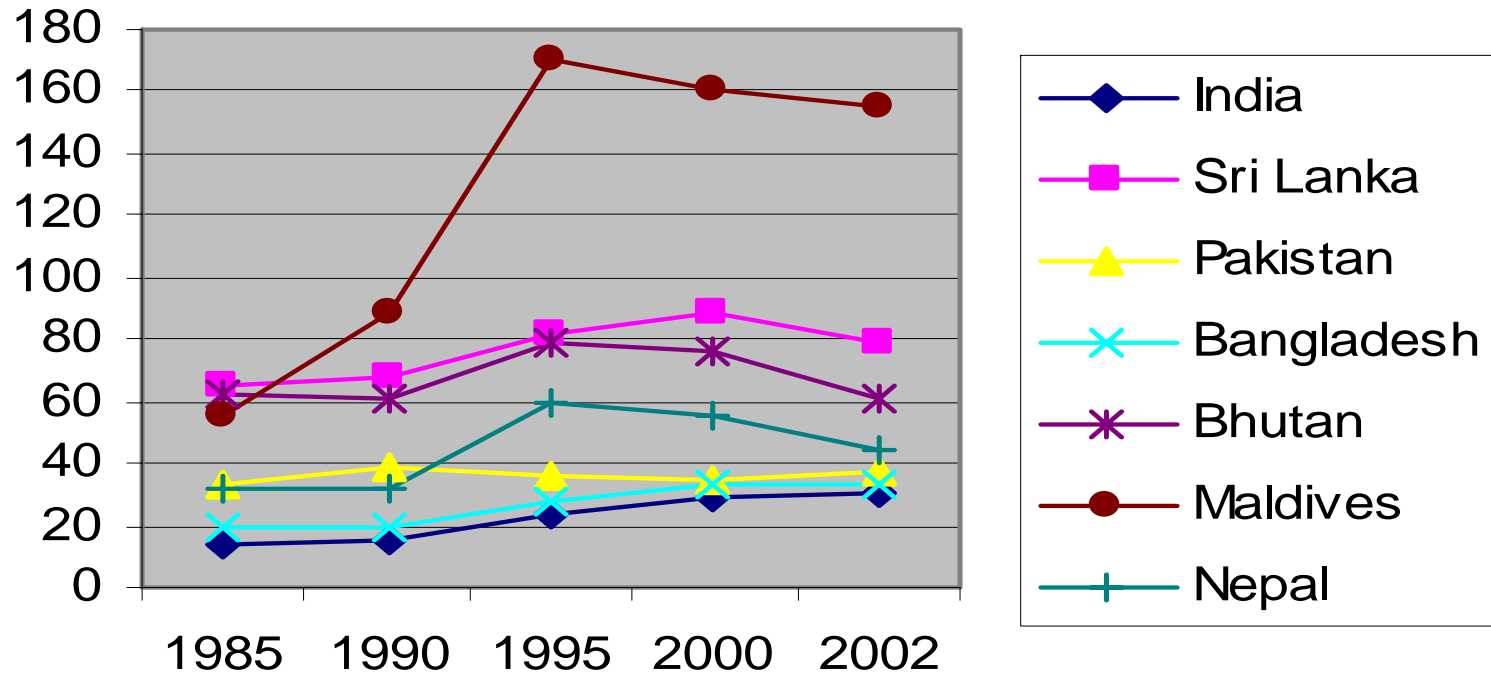
Items that remain from Doha Agenda

- Non tariff barriers, especially those which operate behind-the border on goods, and crucially, on services.
- Review of trade defence instruments.
- Further movement on all three pillars of trade in agriculture including some thinking on green box subsidies
- Further liberalization of services, particularly those services that underpin or enable goods trade (so-called business services including insurance, legal and accounting services), as well as transportation.



South Asia has been the second fastest growing region amongst all developing regions

Trade as a Percentage of GDP: South Asia



Within South Asia diverse trends exist with some countries having trade ratios as high as 150 per cent.



Structural Shifts in the South Asian Economies

Share of Agriculture has declined in South Asia like in other developing regions.

- However, while in East Asia, the decline in the share of agricultural sector has been picked by the industry, ***in South Asia the entire decline has been picked up by the services sector.***
- The share of services increased by one percentage point in East Asia and Pacific but the corresponding rise was of 8 per cent in South Asia.
- Services grew at the average annual rate of 7.0 per cent in the period 1990-2007, which was higher than that in the earlier decade (6.7 per cent) in South Asia. In contrast, the average annual growth of services slowed down from 9.3 per cent in 1980s to 6.8 per cent in East Asia and the Pacific

World Market Share of South Asia

World Merchandise Exports by Region

	South Asia	Of which: India
1970	1.1	0.6
1980	0.7	0.4
<i>1990</i>	<i>0.8</i>	<i>0.5</i>
2000	1	0.7
<i>2003</i>	<i>1.1</i>	<i>0.8</i>

World Merchandise Imports by Region

	South Asia	Of which: India
1970	1.3	0.6
1980	1.3	0.7
<i>1990</i>	<i>1.1</i>	<i>0.7</i>
2000	1.2	0.8
<i>2003</i>	<i>1.4</i>	<i>0.9</i>



CGE GTAP model simulations

- South Asian global exports are expected to ***rise by a significant 5%***, with LDCs demonstrating an increase in their global exports by about 8-10%.
- SAFTA can be a ***significant driver of employment*** in LDCs in sectors where they enjoy a comparative advantage.
- It is also likely to ***improve the global competitiveness*** of the region, by enabling the value added industries in member countries to access cheaper raw materials and intermediate goods



Effects Of India's growth on South Asia

- Large efficiency gains.
- While India may displace other countries in markets for high-tech products, it would create space for other countries to increase production of light manufactures, agriculture and a large number of services, which south Asia produces.
- Improvement in the range and quality of exports from India may create substantial opportunities and welfare benefits to South Asia
- Indian companies would invest in South Asia.



South Asia in the new trade Agenda

- South Asia should focus on **liberalization of investment** with some important caveats. Hence South Asia has a role to play in development friendly investment governance which integrates them better in global value chains.
- **Reduce Political Risk** in the region which will enhance trade and FDI flows both from outside and within. This will also give them better say in the negotiating table beyond Doha.



Global value chains which would benefit South Asia would be in :

- ***Resource Based Industries*** Eg. Iron and steel, power generation
- ***Capital Goods***. Eg. Electrical machinery, textile machinery manufacture
- ***Consumer goods and intermediary products*** Eg. Pharmaceuticals, garment manufacture, tea
- ***Consumer electronics*** Eg. Radios, televisions
- ***Services*** Eg. Tourism, banking



Way Forward : Focus on services

- **Promote Trade in services**, which accounts for nearly 50% of the GDP in most of these countries and figures prominently in informal trade.
- 'Tourism marketing' by creating a **Joint Tourism Marketing Fund**
- A **South Asia Aviation Policy**
- Cooperation can be explored in the case of **regional medical insurance** and **cross-border payments**



Way Forward : Focus on standards

- **Mutual recognition agreements** and **harmonization** on standards, qualifications, licensing and certification procedures is required.
- **GATS visa** arrangements
- The trend of **mutual investments** in tourism infrastructure among member countries should be promoted and expanded



Way Forward : Focus on Poverty Alleviation through trade

- South Asia has the maximum number of people living below poverty line at the global level, no matter what the definition.
- There is consensus that trade had removed some hundreds of thousand people from below poverty line.
- However, at the global level about a billion people still live below poverty, of which more than half are in South Asia.



Way Forward : Focus on Poverty Alleviation through trade

- Developed countries have formulated new policies and funds to deal with trade adjustment costs such as the Globalisation Adjustment Fund of EU.
- South Asia should argue for a dedicated global fund for dealing with trade adjustment costs.



Effects of growth on South Asia's future energy uses

- By 2020, final energy demand from industry and services is likely to grow from 33 percent to 48 percent if 5% growth rates are sustained.
- Energy demand for transportation rises from 10 percent to 16 percent.
- Final energy demand from the residential sector, however drops from 57 percent to 36 percent
- A 1.6-fold increase in primary energy.



Technological solutions to climate change

- All these scenarios have not introduced any assumptions on energy efficiency or decarbonisation.
- Decoupling energy growth from GDP growth through reduced energy intensity, either as a result of increased energy efficiency, a structural shift away from energy-intensive manufacturing in economic activity, or both.
- Decoupling emissions growth from energy growth through fuel switching from coal to gas (or clean coal), or from fossil fuels to nuclear energy or renewables (and associated simultaneous improvements in energy efficiency).
- This will reduce energy consumption growth by a third.
- South Asia should therefore put its weight behind a trade agenda that promotes dissemination of technological changes.



Conclusions

- To a certain extent South Asia's future would be tied with India's integration into the global economy. India is likely to contribute 12% to global GDP by 2020.
- To the extent that South Asia is able to develop common interests with India in trade negotiations, its role in global trade governance is likely to increase.
- According to a World Bank study, "Dancing with Giants", there is scope for India to expand its trade significantly without hurting development prospects of most other economies, including other South Asian ones.