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Prospects of economic cooperation in the Bangladesh, China, India and Myanmar region: A quantitative assessment

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Prospects of economic cooperation in the Bangladesh, China, India and Myanmar region: A quantitative assessment

By

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Executive Summary

This paper quantifies the economic impact of Bangladesh, China, India and Myanmar (BCIM) economic cooperation and compares it with the alternative option of expanding South Asian Free Trade Area (SAFTA) with China and Myanmar. The paper examines the macro-economic performance of the individual countries and the current level of trade among the BCIM member countries at the regional level. In addition, the paper attempts to explore the level underlying rationale, peripheral benefits and primacy of forming BCIM rather than expanding SAFTA. In a quantitative analysis, a SMART simulation shows that, the merchandise trade in the BCIM region would increase by US\$ 5.7 billion, US\$ 4.1 billion and US\$ 2.7 billion under full, moderate and partial tariff liberalization, respectively. On the other hand, trade would total US\$ 12 billion, US\$ 9 billion and US\$ 5 billion in case of adding China and Myanmar to SAFTA. The paper identifies most trade potential products for the BCIM region under full tariff liberalization. Finally, it explores the logic of forming BCIM even though the quantitative results support the expansion of SAFTA to include China and Myanmar. It explores the fact that the strength of the BCIM region lies in expanding cooperation along with north-east India, south-west China, Bangladesh and Myanmar in the case of forming a subregional development hub or quadrangle with expanded cooperation in the transport, energy and tourism sectors. This quadrangle may have large potential for enhancing economic growth by increasing intraregional trade among the member countries and will have a positive impact both on economic and on human development in the region.

Contents

1. Introduction	1
2. Importance of BCIM economic cooperation and rationale for the study	2
3. Literature review.....	4
4. Tariff profile of BCIM vis-à-vis SAFTA + China + Myanmar region	5
5. Data and methodology	7
6. Results and prospects.....	8
7. Conclusion	14
References	15
Annexes	16
Annex I. World integrated trade solution and SMART.....	16
Annex II. Scenario-wise trade impact of BCIM.....	18
Annex III. Potential products for the region under full liberalization	33

List of tables

Table 1: Macroeconomic overview of the SAFTA + Myanmar + China region in 2006 ..	2
Table 2: Pattern of intraregional trade in BCIM.....	3
Table 3: Pattern of intraregional trade in SAFTA + Myanmar + China.....	3
Table 4: Average tariff rate (unweighted in percentage) in the BCIM region in 2007	6
Table 5: Average tariff rate (unweighted in percentage) in the SAFTA + China + Myanmar region in 2007	6
Table 6: Scenario definition for simulation	8
Table 7: Effects of BCIM economic cooperation under three scenarios.....	9
Table 8: Effects of SAFTA + China + Myanmar economic cooperation under.....	10

List of figures

Figure 1: Effects of BCIM economic cooperation under three scenarios	10
Figure 2: Effects of SAFTA + China + Myanmar economic cooperation under three scenarios.....	11

1. Introduction

The BCIM forum is a Track-II initiative¹ that was floated in 1999 and comprises Bangladesh, China, India and Myanmar. It is an effort primarily by the non-government sector of the member countries to influence policymakers, business people and government representatives in boosting regional cooperation by transferring it into a growth quadrangle or Regional Economic Development Area (REDA).

The idea of Growth Zones in development economics and the success of existing growth zones – the Greater Mekong Subregion (GMS) and the southern China Growth Triangles, and the Growth Triangle comprising Johor State of Malaysia, Singapore and the Riau Islands of Indonesia – inspired the non-governmental sector of those countries to initiate a debate on forming a BCIM growth zone. It has been argued that formation of growth zones or REDA will initiate a faster economic growth process by increasing the possibility of efficient use of the region's unused resources (ESCAP, 2002).

Resource endowments in the BCIM region vary from country to country, which supports the precondition for the formation of this type of regional integration. China and India have comparatively better technology, a more efficient labour force, and improved physical and commercial infrastructure. On the other hand, Bangladesh and Myanmar have a large unskilled and semi-skilled labour force as well as basic and intermediate technology.

On the other hand, these countries are already involved in different trade agreements with each other on a bilateral or regional basis, e.g., SAFTA, the Asia-Pacific Trade Agreement (APTA) and the Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Hence, in the case of analysing the potentiality of this new regional initiative, it is necessary to compare BCIM with another possible alternative regional cooperation initiative, SAFTA + Myanmar + China..

This paper attempts to assess the potential economic gains of this regional cooperation initiative in real terms by quantifying the likely economic effects, such as “trade creation” and “trade diversion” together with “revenue and welfare effects”, with the help of a partial equilibrium analysis. In addition, using a gravity analysis, the direction and magnitude of trade flow of this region are assessed with regard to population, per capita income, border area and maritime distance. The paper also justifies this initiative by comparing it to the alternative option of incorporating China and Myanmar with SAFTA instead of forming another regional bloc. To assess this alternative, the benefits of SAFTA + Myanmar + China have been calculated in comparison with the proposed BCIM perspective.

The paper is divided into seven sections. Section 1 explores the importance of the proposed BCIM economic cooperation and rationale for the study, while sections 2 and 3 review the literature and the tariff profile of BCIM vis-à-vis SAFTA + China + Myanmar. Section 4 reviews the data and methodology used. In section 5, the findings of the gravity model and SMART simulation are given. This section also describes some important products that have high trade potential for this regional bloc. Section 6

¹ “Track-II” initiatives are initiatives taken by the non-governmental sector, whereas initiatives taken by the government sector are known as “Track-I” initiatives.

discusses the other rationale for forming BCIM as another regional cooperation initiative. Section 7 provides some policy recommendations for boosting this regional cooperation.

2. Importance of BCIM economic cooperation and rationale for the study

Both proposed regional cooperation initiatives, i.e., BCIM and SAFTA + Myanmar + China, comprise very large markets, with a total gross domestic product (GDP) of around US\$ 3 trillion (as of 2006). In terms per capita GDP, the countries heterogeneous in nature, both within the BCIM region and in the SAFTA + Myanmar + China region; however, every country except Myanmar and Nepal has achieved a moderate level of growth (table 1).

Table 1 shows that there are differences in the contribution by each sector to total GDP for most of the countries. The services sector contributes most to national income, except for China where industry is the major source and for Myanmar where agriculture accounts for the largest portion of the national income. Again, although the share of international trade in terms of each country's total GDP provides an important contribution, this varies among the countries, with lowest ratio for Pakistan and the highest shares for Bhutan and China in 2006.

Table 1: Macroeconomic overview of the SAFTA + Myanmar + China region in 2006

Indicator	Afghanistan	Bangladesh	Bhutan	China	India	Myanmar	Nepal	Pakistan	Sri Lanka
GDP (US\$ billions)	2.96	65.42	0.70	2 095.95	703.33	8.80	6.70	100.89	21.27
Per capita GDP	143.00	419.41	1 086.34	1 597.77	633.74	174.00	242.48	634.50	1 069.66
GDP growth	6.50	6.63	8.47	10.70	9.20	2.90	2.80	6.92	7.35
Share of GDP									
Agriculture	32.60	19.61	22.34	11.71	17.53	50.00	34.36	19.39	16.46
Industry	27.80	17.21	7.37	48.48	16.28	35.00	7.68	19.47	13.93
Services	39.60	52.48	39.77	39.91	54.58	15.00	49.31	53.41	56.47
International trade-GDP ratio		44.22	76.79	72.39	48.78		45.29	38.61	74.78

Source: World development Indicators, 2008, World Bank.

On the other hand, when conceptualized as a region, BCIM accounts for about 40 per cent of world's total population (2.62 billion persons in 2007) and about 7.5 per cent of total global GDP (about US\$ 3 trillion). The sectoral composition of GDP of these countries indicates that the presence of complementarities in economic activities can make cooperation beneficial. For example, in financial year 2007, the dominance of the industrial sector in China (49 per cent of total GDP), the agriculture sector in Myanmar (50 per cent of total GDP) and the services sector in India and Bangladesh (55 per cent and 49 per cent of total GDP, respectively).

Again, when looking at the trading pattern for these regions, some variation can be seen in their intraregional shares, although all shares of imports and exports at the regional level are increasing over time (tables 2 and 3). For the small economies, the regional countries are the most important sources of their imports and even their exports (e.g., Myanmar, Nepal and Bhutan). On the other hand, for the medium-sized economies (e.g., Pakistan and Bangladesh), regional countries are more important from the perspective of their imports compared with their exports to the same region, whereas for the two major economies, China and India, the regional countries are more important

from the export perspective compared to imports. However, again one distinguishing factor supports the formation of BCIM cooperation. Although SAFTA is already an established regional free trade agreement, whereas BCIM is only under consideration, the share of intraregional trade in terms of both exports and imports, the latter is gaining in importance compared to the previous one.

Table 2: Pattern of intraregional trade in BCIM

Country	Export to BCIM as % of world					Imports from BCIM as % of world				
	1990	1995	2000	2005	2007	1990	1995	2000	2005	2007
Bangladesh	2.80	1.79	1.08	1.96	2.39	8.06	24.62	18.16	27.82	29.49
China	0.96	1.35	1.19	1.61	2.39	0.40	0.45	0.66	1.53	1.58
India	1.78	4.14	3.91	8.36	10.41	0.57	3.05	3.39	7.74	10.98
Myanmar	19.10	23.88	14.97	19.64	22.15	20.98	30.11	19.73	32.27	37.21
BCIM as a whole	1.37	1.91	1.86	3.04	4.40	0.96	1.45	1.89	3.15	4.07

Source: Estimated from the International Monetary Fund Direction of Trade Statistics Database, 2008.

Note: Export data are taken as FOB and import data as CIF.

Table 3: Pattern of intraregional trade in SAFTA + Myanmar + China

Country	Exports to SAFTA + Myanmar + China (% of world)					Imports from SAFTA + Myanmar + China (% of world)				
	1990	1995	2000	2005	2007	1990	1995	2000	2005	2007
Afghanistan	14.57	22.30	45.86	43.24	46.48	19.91	19.20	30.83	46.20	45.65
Bangladesh	5.17	3.34	1.84	2.73	3.09	10.24	26.98	19.37	28.98	30.73
China	1.99	2.10	1.72	2.22	3.02	0.57	0.63	0.89	1.67	1.71
India	3.17	6.06	6.16	11.98	13.91	0.97	3.37	4.14	8.56	11.65
Maldives	13.99	22.63	18.14	17.42	9.74	14.07	13.62	23.30	19.51	12.44
Myanmar	23.59	26.32	15.95	20.71	23.41	21.14	30.24	19.88	32.42	37.29
Nepal	9.91	9.29	42.90	67.45	72.36	20.74	24.87	45.05	65.26	72.74
Pakistan	5.25	4.92	7.27	13.93	18.13	6.33	6.26	7.92	12.41	19.26
Sri Lanka	3.96	2.76	3.58	10.77	8.78	11.49	15.78	14.35	29.51	33.13
SAFTA	2.19	2.43	2.19	2.79	3.39	1.13	1.55	1.72	2.30	2.24
SAFTA + Myanmar + China	2.67	3.05	2.72	3.71	4.56	2.21	3.21	3.00	4.27	5.36

Source: Estimated from the International Monetary Fund Direction of Trade Statistics Database, 2008.

Note: Export data are taken as FOB and import data as CIF.

Together with the economic factors, the strong cultural affinity, the closer geographical proximity and presence of a huge informal border trade among the countries also provide strong optimism for forming a regional trading bloc comprising BCIM. Again, BCIM cooperation is expected to help to revive the centuries-old Silk Road² running from Chittagong to Yunnan through Myanmar, a fact that will help to facilitate transit and thus trade among these countries. The potential benefit of utilizing the two ports of Bangladesh, i.e., Chittagong and Mongla, is a vast increase in trade and investment in this region and will be particularly useful to India in communicating with its “Seven Sisters” provinces, i.e., Arunacha, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. .

² The Silk Road, or Silk Route, is an extensive interconnected network of trade routes across the Asian continent connecting East, South and West Asia with the Mediterranean world, including North Africa and Europe.

For the above reasons, this cooperation is expected to bring about a process that reveals growth potential for the region as a whole, and for north-east India, south-west China and the two least developed country members, Bangladesh and Myanmar, in particular. In this context, to foster BCIM cooperation and make the policy makers proactive it is felt that an in-depth analysis of the potential outcome of closer integration among the four countries should be carried out.

3. Literature review

In the theoretical and empirical literature, attempts to identify the likely impact of forming RTAs on the member countries are mixed. Viner (1950), Leamer (1983) and Bhagwati and Panagariya (2006) concluded that Preferential Trading Arrangement (PTAs) were a “two faced” system. Ghosh and Yamarik (2004) found no evidence of trade creation or diversion for any PTAs. However, in the trade literature, it is generally argued that with close geographical proximity of the trading partners, and different stages of economic growth and specialization of production, there exists a possibility of welfare gain through mutual cooperation among them (Sayan,1998). Magee (2008) also estimated that regional agreements had significant anticipatory effects on trade flows among the member countries.

Using the case of seven RTAs from different regions, Coulibaly (2004) found mixed evidence. His study concluded that RTAs could be conceptualized as intra-bloc trade creators, where some are net trade creating, and some are net trade diverting. Baltagi, Peter and Pfaffermayr (2007) found that trade policy as reflected in RTAs had an impact not only on trade but also on foreign direct investment. In a study of the Greater Mekong Subregion Economic Cooperation, Krongkaew (2004) found that the potential benefits from this cooperation were large, although he identified some problems related to its implementation. Lee and Shin (2005) concluded that if an RTA involved geographically proximate countries (measured either by distance or by border), trade was likely to increase significantly among them. They concluded that the East Asian RTAs were likely to create more trade among members without diverting trade from non-members.

A gravity analysis of the Andean Community (AC) and MERCUSOR region by Carrillo and Li (2002) concluded that the presence of common borders and availability of land transportation would create 5.7 times and 3.1 times more trade between the countries, respectively, compared with countries that did not have those features. Roberts (2004), in analysing the effects of trade liberalization on the United States-Australia FTA, highlighted the facts related to reaching different conclusions, even contradictory ones in evaluating the effects of bilateral or multilateral trading arrangements when using a gravity model-based approach. For this malfunctioning of the gravity modelling approach, he identified the incorrect specification of models and omitted variable biases, which are, in most cases, the result of data unavailability. Cernat (2001) found that the South-South RTAs, i.e., the RTAs among developing countries, did not divert trade so much. He concluded that the removal of different “invisible” trade barriers, e.g., different steps to facilitate trade, could substantially enhance trade among those countries.

In evaluating the potential impact of the ASEAN-China Free Trade Agreement (ACFTA), which will come into effect from 2010, using the computable general equilibrium analysis approach, Doughyun and others (2008) reached the conclusion that

there was some “guarded optimism” for its role in strengthening economic cooperation among the countries concerned. Zhao and others (2008) quantified the economic implications of the ACFTA on merchandise trade flows among member countries and other trading partners, which implies that tariff reductions alone among regional and bilateral trade arrangements have very little impact on trade flows. They concluded that only under a multilateral liberalization would all member countries of a regional trade arrangement and the rest of the world experience any benefit.

Since the BCIM initiative is still under process, to date there have been very few studies that have attempted to quantify the potential gain and loss that would be generated as a result of the implementation of this initiative, especially any ex ante analysis; rather, almost all the papers are based on theoretical grounds of the regional trading blocs. Even with some political mistrust among some countries, together with a huge market size presence of diverse natural resources, a rich biodiversity and potentiality of enormous energy generation can transform the region into a Growth Zone (Islam, 2008). The similarities in culture and closer proximity among the countries can increase the potentiality of economic integration among South Asian countries (De and Bhattacharyay, 2007).

Again, the increase over time of trade complementarity indices (TCI) in the South Asian Association for Regional Cooperation region (for the four major economies of India, Pakistan, Bangladesh and Sri Lanka), gives grounds for strong optimism that greater opportunity will arise for intraregional trade. Therefore, a case can be argued for supporting BCIM formation as an entity, especially for the big economies of this regional cooperation initiative, i.e., China and India (Asian Development Bank, 2008). A study on BCIM economic cooperation by Rahman and others (2007) concluded that depending on the market size and the different stages of economic development, together with their proximity in terms of geographical location, a huge potential existed for trade and investment complementarities among BCIM countries. Using different trade indices, such as RTOI, GI and TII, they illustrated the scope of regional integration among those countries.

Although extensive literature exists that attempts to estimate the possible effects of RTAs on the member countries vis-à-vis the impact on the non-member countries and on the world as a whole, relatively little attempt has been made to quantify the likely impact of economic cooperation within the BCIM region. This paper is aimed at reducing this shortage, despite its limited extent, by (a) quantifying the magnitude of potential trade and welfare effects of the region, both combined and individually, and (b) providing policy makers with some specific indications of the potential benefit of this regional initiative.

4. Tariff profile of BCIM vis-à-vis SAFTA + China + Myanmar region

Trade is now being distorted in the BCIM region, both by tariff and by non-tariff barriers. Even though Bangladesh and India are members of SAFTA, they do not have fully-fledged tariff liberalization in practice. Free trade among them is hindered by a large sensitive product list and a high prohibitive tariff structure. In 2007, India faced a 19.6 per cent preferential tariff in Bangladesh whereas the average most favoured nation (MFN) applied tariff rate was 13.7 per cent (table 4). On the contrary, Bangladesh faced a 16.5 per cent tariff in the Indian market. China, which has a relatively liberal market in this region, imposed 1.8 per

cent and 3.5 per cent tariffs on Bangladesh and Myanmar, in 2007, respectively. At that time, India faced a 9.5 per cent tariff in the Chinese market while the China faced a much higher tariff of 14 per cent in the Indian market. However, in 2007, Myanmar's market was the most liberalized, with Bangladesh and India facing 3.9 per cent and 3.4 per cent average MFN applied tariffs, respectively.

Table 4: Average tariff rate (unweighted in percentage) in the BCIM region in 2007

Country	Bangladesh	China	India	Myanmar
Bangladesh	-	14.9 (9.3)	13.7 (19.6)	13.8
China	11.7 (1.8)	-	9.5	9.2 (3.5)
India	16.5	14.0	-	14.9
Myanmar	3.9	4.5 (8.8)	3.4	-

Note: Based on a simple average of MFN applied tariffs. Figures in parenthesis indicate preferential tariffs. Italicized data are for 2004.

Table 5: Average tariff rate (unweighted in percentage) in the SAFTA + China + Myanmar region in 2007

Country	Afghanistan	Bangladesh	Bhutan	China	India	Maldives	Myanmar	Nepal	Pakistan	Sri Lanka
Afghanistan	-	4.0	na	5.8	6.1 (0.0)	na	na	na	5.9	7.2
Bangladesh	20.3	-		14.9 (9.3)	13.7 (19.6)		13.8	18.3 (22.7)	16.8 (22.7)	16.2 (19.3)
Bhutan	na	25.2	-	16.0	22.6	18.0		29.1 (37.2)	na	30.0
China	7.5 (2.5)	11.7 (1.8)	0.0	-	9.5	4.4 (0.8)	9.2 (3.5)	12.8 (1.7)	10.4 (4.3)	11.2
India	16.1	16.5	22.4	14.0	-	14.3	14.9	18.2	15.6	15.2
Maldives		33.3 (14.2)	25.0	22.1	20.6 (17.6)	-	13.3	22.14	19.1 (18.7)	21.2 (17.1)
Myanmar	na	3.9	na	4.5 (8.8)	3.4	na	-	na	6.9	10.0
Nepal	5.0	14.3 (10.6)	10.0 (13.5)	12.85	12.2 (11.2)	na	8.3	-	12.2 (8.3)	17.9 (12.6)
Pakistan	13.3	18.7 (16.8)	6.8 (10.3)	14.6 (7.9)	11.2 (13.1)	15.0 (12.0)	11.7	14.2 (11.0)	-	17.3 (4.9)
Sri Lanka	12.6	9.4 (6.1)	6.0 (5.4)	11.1 (14.0)	10.5 (2.5)	12.3 (7.5)	9.8	11.4 (7.3)	11.5 (6.2)	-

Note: Based on a simple average of MFN applied tariffs. Figures in parenthesis indicate preferential tariffs. Italicized data are for 2006 except Bhutan (2005) and Myanmar tariffs on Bangladesh (2004).

Horizontal lines indicate countries' own tariffs, whereas vertical lines indicate tariffs that the country has to face in different markets.

Similarly, the SAFTA + China + Myanmar region has high tariff (table 5) and non-tariff barriers for their neighbouring countries. In 2007, Afghanistan faced a relatively low tariff rate in China (2.5%) and Nepal (5.0 %) but high tariff barriers in Bangladesh (20.3%), India (16.1%), Pakistan (13.3%), and Sri Lanka (12.6%). Bangladesh faced a lower (1.8 per cent preferential rate) tariff in China but it was high in Pakistan (16.8%), Maldives (14.2%), Nepal (10.6%) and Sri Lanka (6.1%). Bhutan faced 22.4% and 25% MFN tariffs in India and Maldives, respectively. The biggest player, China, imposed a 9.5 per cent tariff on India while India imposed a 14 per cent tariff on China. China faced relatively high tariffs in Maldives (22.1%), Bhutan (16%) and Sri Lanka (14%), modest tariffs in Bangladesh (9.3%), Myanmar (8.8%), Pakistan (7.9%) and Afghanistan (5.8%). India faced a zero tariff in Afghanistan and 2.5% in Sri Lanka.

However, they faced high tariffs in Bhutan (22.6%), Bangladesh (19.6%) and Maldives (17.6%), and medium tariffs in Pakistan (13.1%) and Nepal (11.25%).

In the same year, Maldives faced tariffs ranging from 0.8 per cent in China to 18 per cent in Bhutan. During the same period, Myanmar, Nepal and Pakistan gained preferential market access in China, at 3.5 per cent, 1.7 per cent and 4.3 per cent, respectively. Myanmar faced tariffs in India, Bangladesh and Pakistan of 14.9 per cent, 13.1 per cent and 11.7 per cent, respectively. Nepal encountered the biggest obstacles in Bhutan (37.2%) followed by Bangladesh (22.7%), Maldives (22.1%) and India (18.2%) plus modest obstacles in the Sri Lankan (7.3%) and Pakistan (11%) markets. Pakistan faced high tariffs in Bangladesh (22.7%) and Maldives (18.7%) while those three countries faced relatively low tariffs of 5.9 per cent, 6.2 per cent and 8.3 per cent, respectively, in Afghanistan, Sri Lanka and Nepal.

From the above analysis, it can be deduced that although the overall tariff level is lower for the SAFTA region compared with that of the BCIM region, the level of intraregional trade of the latter is higher compared with that of the former. This also indicates that cooperation among the BCIM countries will further enhance trade.

5. Data and methodology

To quantify the economic impact of regional cooperation among the countries of BCIM, a simulation exercise was conducted. A partial equilibrium SMART model developed by UNCTAD/World Bank was used to carry out this ex ante analysis.

To estimate the impact of full, moderate and partial liberalization on total trade, welfare and trade revenue earnings of BCIM countries (table 6), the SMART simulation technique focused on one importing market and its exporting partners, and assessed the impact of tariff change scenarios by estimating new values for a set of variables. To model consumer behaviour, SMART relies on the Armington assumption, which implies goods that are imported from different countries, although similar, are imperfect substitutes. In particular, the adopted modelling approach was based on the assumption of imperfect substitution between different import sources (different varieties). The relationship between changes in the price index and the impact on total spending was determined by a given import demand elasticity, i.e., the extent of the between variety allocative response to change in the relative price was determined by the Armington substitution elasticity.

To measure the impact of different trade policy options, and to anticipate the likely economic effects of various policy alternatives, three scenarios were constructed. The first scenario estimated the trade, welfare and revenue effects under full liberalization by assuming that the respective country would eliminate all existing import tariffs and provide duty-free access for all merchandise products from BCIM countries. On the other hand, the second and third scenarios estimated the trade, welfare and revenue effects under moderate and partial liberalization by assuming that the respective country would eliminate 75 per cent and 50 per cent import tariffs, respectively, from existing levels for all products from BCIM countries.

The prospects were assessed of another possible regional bloc in this region, which might be defined as SAFTA + Myanmar + China economic cooperation.

In the case of SAFTA + China + Myanmar, three alternative scenarios were estimated similarly to that for BCIM, i.e., the considered countries would cut 100 per cent, 75 per cent and 50 per cent tariffs from their existing levels, respectively, for their partner countries under different scenarios (table 6). The possible “total trade effect”, together with the “trade creation and trade diversion effect” and “welfare and revenue effect” of these two blocs were measured under the three different scenarios of tariff cuts considered for BCIM cooperation.

Import demand elasticity and import substitution elasticity were taken by default, which was determined by SMART model, whereas export supply elasticity was taken as infinity.³

Together with measuring different impacts for each country, the simulation identified the top 15 trade-generating products where negotiation efforts would need more attention to maximize the benefits of economic cooperation within the proposed region.

Data were extracted from WITS (base year data for tariffs is 2007) and extracted at the HS 6-digit level. The bound tariff rate was avoided in all cases.

Some limitations are noteworthy such as the fact that both the gravity and SMART models captured only static gains from trade. The study also considered only the free movement of goods and withdrawal of tariff barriers; however, the movement of services, capital and labour, and the removal of non-tariff barriers were ignored. The impact of non-tariff barriers was not quantified for simplicity purposes.

Table 6: Scenario definition for simulation

Scenarios Region	Full liberalization	Moderate liberalization	Partial liberalization
BCIM	100% linear tariff cut from existing level	75% linear tariff cut from existing level	50% linear tariff cut from existing level
SAFTA+ China + Myanmar	100% linear tariff cut from existing level	75% linear tariff cut from existing level	50% linear tariff cut from existing level

6. Results and prospects

The estimated changes in total trade, which is the summation of trade creation and trade diversion, and the effects on welfare, which is the change in the dead weight loss and the effects on trade revenue earnings, due to full, moderate and partial trade liberalization, are detailed below.

(a) Trade effect

BCIM is expected to increase trade among member countries, but divert trade from non-member countries. Simulation results imply that the trade creation effect is almost double the trade diversion effect in all three scenarios. This means cooperation will generate more trade from more efficient partner countries rather than from the

³ SMART assumes infinite export supply elasticity, i.e., the export supply curves are flat and the world prices of each variety are exogenously given, which is often called the price taker assumption.

substitution of less efficient non-partners. The change in total trade under the full, moderate and partial scenarios is some US\$ 5.7 billion, US\$ 4.1 billion and US\$ 2.7 billion, respectively (table 7 and figure 1). US\$ 3.8 billion, US\$ 2.7 billion and US\$ 1.8 billion, respectively, is from trade creation generated by using more efficient partner sources. The remaining US\$ 1.8 billion, US\$ 1.3 billion and US\$ 900 million, respectively, is from trade diversion. This indicates that the formation of BCIM cooperation has the potential for robust trade generation. The simulation results reveal that maximum gain in terms of change in total trade will be achieved under full liberalization, or 27 per cent and 52 per cent higher than under the remaining two scenarios; this is consistent with conventional trade theories that the more tariffs are removed, the more trade will be generated among the participating countries.

In the case of country-specific gains from this cooperation, the magnitude varies among the participating countries, depending on the size of their economies, i.e., the largest economy will gain the most and the smallest economy will share the least of the total gain from this initiative. India will gain the maximum benefit under all three scenarios – US\$ 3.6 billion, US\$ 2.7 billion and US\$ 1.7 billion. China will be the second highest beneficiary in this region, with US\$ 1.2 billion, US\$ 900 million and US\$ 600 million in trade gains under the three scenarios. Bangladesh will gain US\$ 700 million, US\$ 500 million and US\$ 400 million while Myanmar will gain US\$ 100 million, US\$ 5 million and US\$ 3 million under the three scenarios. The trade gain of the latter two countries is lower in absolute terms compared with their major partners, i.e., China and India, mainly due to their smaller market size.

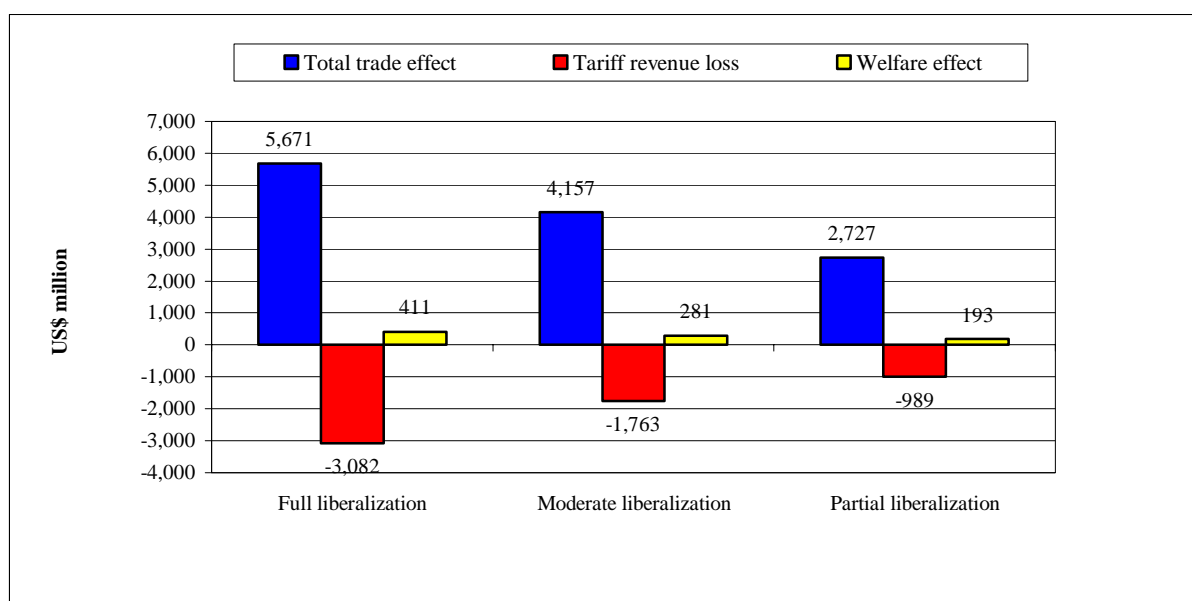
Table 7: Effects of BCIM economic cooperation under three scenarios

(US\$ million)

Scenario	Total trade effect	Trade diversion	Trade creation	Tariff revenue loss	Welfare effect
Full liberalization	5 671	1 859	3 812	-3 082	411
Moderate liberalization	4 157	1 384	2 773	-1 763	281
Partial liberalization	2 727	902	1 825	-989	193

Source: Simulation Results

Figure 1: Effects of BCIM economic cooperation under three scenarios



The trade creation effect is always higher than the trade diversion effect for all countries under all three scenarios, i.e., the formation of economic cooperation will divert less trade from rest of the world and create more trade among partner countries. The amount of trade diversion is almost 50 per cent lower than trade creation under the three alternative scenarios considered.

The SAFTA + China + Myanmar scenarios reveal expected results (table 8 and figure 2). Due to the involvement of more countries, this cooperation would generate more trade than BCIM. The simulation results reveal that the expansion of SAFTA with China and Myanmar would generate US\$ 12 billion, US\$ 8.9 billion and US\$ 5.9 billion in trade under the full, moderate and partial tariff liberalization scenarios.

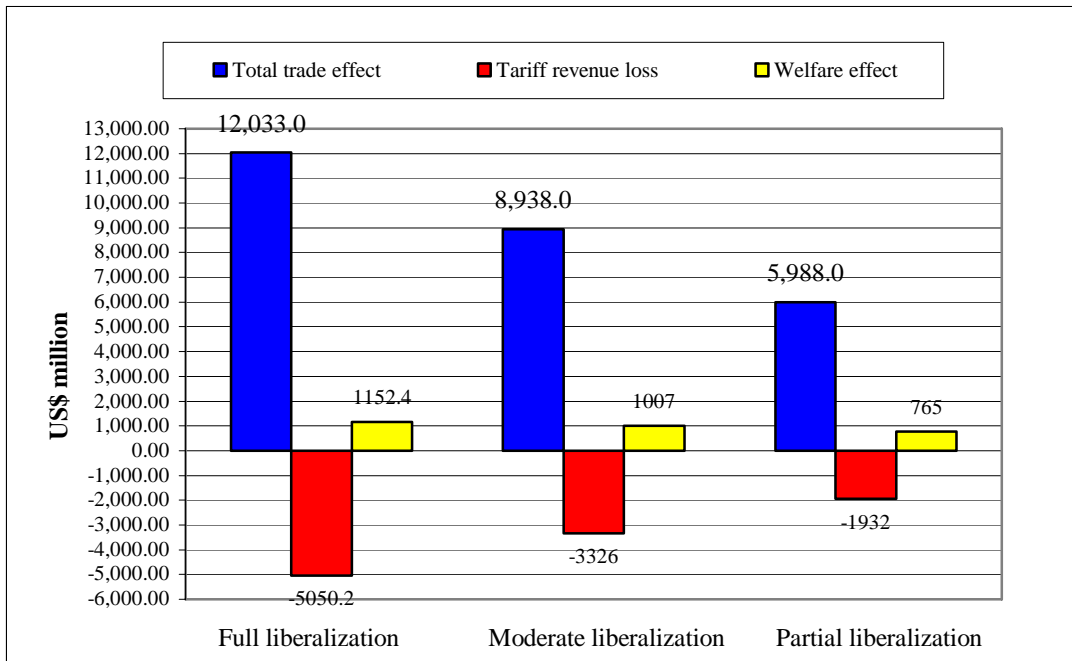
Table 8: Effects of SAFTA + China + Myanmar economic cooperation under

(US\$ million)

Scenario	Total trade effect	Trade diversion	Trade creation	Tariff revenue loss	Welfare effect
Full liberalization	12 033.0	2 546.0	9 486.0	-5 050.2	1 152.4
Moderate liberalization	8 938.0	1 906.0	7 032.0	-3 326.0	1 007.0
Partial liberalization	5 988.0	1 283.0	4 699.0	-1 932.0	765.0

Source: Simulation results

Figure 2: Effects of SAFTA + China + Myanmar economic cooperation under three scenarios



(b) *Welfare effect*

The welfare gain for BCIM region is US\$ 411 million, US\$ 281 million and US\$ 193 million under full, moderate and partial tariff liberalization scenarios. The gain under full liberalization is 32 per cent and 53 per cent higher than the moderate and partial liberalization scenarios, respectively. The highest welfare gain will be achieved by India (US\$ 268 million, US\$ 197 million and 139 million) and the lowest by Myanmar (US\$ 5 million, US\$ 2.3 million and US\$ 2 million) in all scenarios. Bangladesh is the second highest welfare gainer in this region (US\$ 70 million, US\$ 51 million and US\$ 37 million) while China is the third (US\$ 68 million, US\$ 31 million and US\$ 15 million). Welfare gains for SAFTA + China + Myanmar scenario are US\$ 1.1 billion, US\$ 1 billion and US\$ 700 million under the three respective scenarios.

(c) *Revenue effect*

Because of the tariff cuts, all countries will lose tariff revenue. The tariff revenue losses are 54 per cent, 42 per cent and 36 per cent of total trade gain under the three alternative scenarios. Among the countries, India would lose the highest revenue in all scenarios. However, the trade earnings for India are 47 per cent, 57 per cent and 62 per cent higher than the revenue loss in the full, moderate and partial liberalization scenarios. The weighted net margin between trade gain and revenue loss for Bangladesh, China, India and Myanmar is 57 per cent, 55 per cent, 56 per cent and 56 per cent, respectively. This indicates that the partner countries will gain more or less equitable trade earnings and that earnings will be high enough to overcome revenue losses.

In the SAFTA + China+ Myanmar scenarios, tariff revenue losses are 42 per cent, 37 per cent and 32 per cent of total trade gain. In this case, India is the highest tariff loser

followed by China, Pakistan, Bangladesh, Sri Lanka, Nepal, Afghanistan, Myanmar, Maldives and Bhutan.

(d) Potential products for the region

The study identified the top 15 potential products under full liberalization scenario at the HS 6-digit level (see annex III) that have greater export potentialities in this region. For Bangladesh, grain splits, leather, in the dry state crust, goats or kids, and manmade and synthetic fibre inhibit a higher trade potential in the Chinese market, whereas urea, anhydrous ammonia, lead acid, vegetable fats, jute and textile products have greater complementarities in the Indian market. China has greater export potential for accessories, plain weave, woven fabrics, transmission apparatus, with reciprocating internal combustion piston engine, super phosphates and denim in Bangladesh. In addition, coke and semi-coke of coal, other organic compounds and raw silk have greater potential for China in the Indian market while cigarettes, beer made from malt, plastic furniture, polyester staple fibres, colour and manmade fibres are potential products for Myanmar's market.

For India, buses or lorries, light oils and preparations, denim, wheat, colour, tractors, semi-milled or wholly-milled rice, and paper and paperboard have greater potential in Bangladesh. On the other hand, cotton, aluminium oxide, polyethylene, polypropylene, smoked sheets (rubber, balata, gotta-percha, guagule, chackle and similar gums), cathodes, parts and accessories of machines, ethylene, and grain splits have potential in the Chinese market while buses and lorries, shampoos, polypropylene, stainless steel and ballpoint pens have greater access in Myanmar. For Myanmar, fuelwood, other wood, husked (brown) rice, broken rice, semi-milled or wholly-milled rice, worn clothing and colour have greater potential in the Bangladesh market. Smoked sheets (rubber, balata, gotta-percha, guagule, chackle and similar gums), natural rubber and flour have potential in the Chinese market while smoked sheet (rubber, balata, gotta-percha, guagule, chackle and similar gums), chemicals, coniferous and non-coniferous plants, and bamboo will provide better access in the Indian market.

7. Additional rationale for forming BCIM as another regional cooperation initiative

(a) India-Pakistan conflict in SAFTA

Conflict between India and Pakistan over a number of issues is acting as a hurdle in achieving the full potential of SAFTA. Since India is the largest economy in the region and Pakistan the second largest economy, their proactive cooperation is needed to enable SAFTA to advance further. However, despite having been long established, SAFTA yet has to make any significant impact on accelerating intraregional trade. Given this situation, trade economists have concentrated on exploring other prospective regions; one strong candidate for such cooperation within this region could be BCIM.

(b) Prospects for a sub regional growth quadrangle in BCIM

Together with free trade, the proposed BCIM region has huge potential for cooperation in investment in the transport, energy and tourism sectors.

(i) *Transport*

The transport sector could be another potential area of cooperation, given the fact that the land-locked status of some of the BCIM members, i.e., north-east India and south-west China. Under the circumstances, Bangladesh could play a critical role by providing easy access to global markets for these areas. In this regard, all the countries concerned could gain tremendously if an integrated transportation network could be established within the region, as this would boost trade and investment through the reduction of transaction costs.

An added advantage of the region is that it lies at the crossroads between East Asia and South-East Asia on the one hand, and South Asia on the other. The region could use its strategic location within Asia to build links with other regions, and could gain immensely from such cooperation. Chittagong port could serve as the sea outlet for a huge hinterland that would cover southern China and north-east India States. Chittagong port could evolve from a national port to a regional entrepôt (Mustafiz and others, 2007), the importance of which would increase even further with the construction of the “deep sea port” by Bangladesh.

(ii) *Energy*

The BCIM region has huge natural and mineral resources. The south-western provinces of China (Sichuan, Guizhou and Yunnan), the north-eastern States of India (“Seven Sisters”) and Myanmar have huge reserves of natural gas. In addition, this subregion has rich reserves of coal, petroleum and manganese. Cooperation among the countries concerned may help to encourage joint initiatives in constructing industries and attracting intraregional investment. The region also has substantial water resources that could be employed in generating hydroelectricity to accelerate the industrial sector of this region. In this regard, the BCIM region has an opportunity to establish a regional forum to assess electricity generation capacity and mechanisms, and suggest the forms and norms of electricity cooperation for BCIM.

(iii) *Tourism*

Tourism is another area of great potential through which the member countries could reap benefits through subregional cooperation. A number of tourist destinations in this region, particularly in India, China and Bangladesh, have beautiful landscapes, rich biological resources, age-old history and a wide range of cultural diversity that could attract tourists both from the region and from around the world. By facilitating easy travel among the member countries, this subregional cooperation could also play a critical role in developing eco-tourism and religious tourism by fostering connectivity between the member countries. Through the expansion of tourism within the region, the member countries would be able to collect more revenue and investment may therefore be increased (Mustafiz and others, 2007).

7. Conclusion

Although the overall findings detailed in this paper provide strong grounds for motivating policymakers in the countries concerned to form another new regional economic bloc, the results need to be interpreted carefully. One major limitation is the downward bias of the overall findings, especially for ex-ante analysis, as the simulation considers only merchandise trade and does not take into account the presence of the huge informal trade among these countries.

However, to turn this initiative into an economically beneficial regional bloc for the populations of this region, together with tariff reductions for regional imports, the following areas are worth focusing on the immediate term:

- (a) As BCIM is a Track-II initiative primarily taken by academicians, businesspersons and civil society organizations – including researchers – more awareness-building activities are needed to build greater consensus among policy makers of these countries as well as the public, in order to create pressure on the decision makers in the government sector;
- (b) To reap the benefits of a reduction in transportation costs, the immediate realization of the “Trans Asian Railway” is necessary, together with progress of the “Asian Highway”, with the financing assistance from multinational donor agencies;
- (c) India should play a proactive role in terms of its political and economic commitments in effective operationalization of this regional initiative;
- (d) The possibility of gas and electricity trade within the region, especially between Bangladesh and Myanmar, should be taken into consideration within the framework of this regional cooperation.

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Annexes

Annex I. World integrated trade solution and SMART

World Integrated Trade Solution (WITS) is software developed by the World Bank, in close collaboration with the United Nations Conference on Trade and Development (UNCTAD). WITS is both a gateway to trade and protection of raw data, and an analytical tool able to produce aggregated statistics and simulate the impact of tariff changes on the various tariffs structures as well as on trade flows, tariff revenues and welfare. WITS includes several databases provided by the United Nations, UNCTAD, the World Trade Organization and other sources.

SMART, the market access simulation package included in WITS, is a single market partial equilibrium modelling tool that contains built-in analytical modules that support trade policy analyses of, for example, the effects of multilateral tariff cuts, preferential trade liberalization and ad hoc tariff changes. The underlying theory behind this analytical tool is the standard partial equilibrium framework that considers the dynamic effects constant. As with any partial equilibrium model, it focuses on one importing market and its exporting partners, and assesses the impact of a tariff change scenario by estimating new values for a set of variables. It operates under the assumptions detailed below.

(a) *Export supply side*

The setup of SMART is that, for a given good, different countries compete to supply (export to) a given home market. The focus of the simulation exercise is on the composition and volume of imports into that market. Export supply of a given good (say bananas) by a given country supplier (say Ecuador) is assumed to be related to the price that it fetches in the export market. The degree of responsiveness of the supply of export to changes in the export price is given by the export supply elasticity. SMART assumes infinite export supply elasticity – that is, the export supply curves are flat and the world prices of each variety (e.g., bananas from Ecuador) are exogenously given. This is often called the price-taker assumption. SMART can also operate with finite elasticity – upward sloping export supply functions – which entails a price effect in addition to the quantity effect.

(b) *Demand side: The Armington assumption*

SMART relies on the Armington assumption to model the behaviour of the consumer. In particular, the adopted modelling approach is based on the assumption of imperfect substitutions between different import sources (different varieties), i.e., goods (defined at the HS 6-digit level) imported from different countries, although similar, are imperfect substitutes. For example, bananas from Ecuador are an imperfect substitute for bananas from Saint Lucia. Thanks to the Armington assumption, a preferential trade agreement does not produce a “big bang” solution, where all import demand would shift to the beneficiary of the preferential tariff.

Within the Armington assumption, the representative agent maximizes its welfare through a two-stage optimization process. First, given a general price index, the level of

total spending/consumption on a “composite good” (e.g., the aggregate consumption of bananas) is chosen. The relationship between changes in the price index and the impact on total spending is determined by a given import demand elasticity.

Then, within this composite good, the chosen level of spending is allocated among the different “varieties” of the good, depending on the relative price of each variety (e.g., more bananas from Ecuador are chosen, and less from Saint Lucia). The extent of the between-variety allocative response to change in the relative price is determined by the Armington substitution elasticity.

(c) *Trade effects*

In the SMART modelling framework, a change in trade policy (e.g., preferential tariff liberalization) affects not only the price index/level of the composite good but also the relative prices of the different varieties. Through the export supply elasticity, the import demand elasticity and the substitution elasticity, it will lead to changes in the chosen aggregate level of spending on that good as well as changes in the composition of the sourcing of that good. Both channels affect bilateral trade flows.

SMART reports the results of any trade policy shock on a number of variables. In particular, it reports the effects on trade flows (i.e., imports from the different sources). It also decomposes those trade effects in trade creation and trade diversion. Trade creation is defined as the direct increase in imports following a reduction on the tariff imposed on good “g” from country C. If the tariff reduction on good “g” from country C is a preferential tariff reduction (i.e., it does not apply to other countries), then imports of good “g” from country C are going to increase due to the substitution away from imports of good “g” from other countries that becomes relatively more expensive. This is the definition of trade diversion in the SMART model.

(d) *Trade diversion effect*

Granting partner A a preferential tariff reduces its relative price compared with B. Consumption of the composite good is unchanged but the relative price line gets steeper. It leads to a new equilibrium where imports from A increase while imports from B symmetrically decrease. This is the trade diversion effect as calculated in SMART.

(e) *Trade creation effect*

Reducing the tariff on imports from partner A lowers the domestic price of the variety coming from A. It entails a revenue effect that allows a higher composite quantity curve to be reached. For the same expenditure level, consumers can now import more of the variety from A.

On the market side, trade diversion is neutral. It does not affect the overall imported quantity but reallocates market shares among exporting partners based on the new relative prices. The increase in imports from tariff reduction beneficiaries is balanced by a decrease in imports from all others. For the market, the trade effect is only trade creation.

For exporting countries, total trade effect is made up of trade diversion and trade creation. In SMART, beneficiaries of the tariff reduction enjoy both positive diversion effect and positive creation effect while all other partners will suffer from negative diversion effect and no trade creation effect.

For more information on WITS, see <http://wits.worldbank.org/witsweb/default.aspx>.

Annex II. Scenario-wise trade impact of BCIM

Table 1. Trade impact of full liberalization of merchandise trade on BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	749	184	565
China	1 173	577	596
India	3 630	1 076	2 554
Myanmar	117	21	96
Total effect	5 670	1 858	3 811

Table 2. Trade impact of moderate liberalization of merchandise trade on BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	527	126	401
China	887	452	435
India	2 688	795	1 893
Myanmar	55	11	44
Total effect	4 157	1 384	2 773

Table 3. Trade impact of partial liberalization of merchandise trade on BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	348	82	266
China	592	308	284
India	1 755	506	1 248
Myanmar	33	6	27
Total effect	2 728	903	1 825

Country-to-country trade impact of BCIM

Full liberalization scenario

Table 4. Trade impact of Bangladesh's full liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
China	470	118	352
India	275	64	210
Myanmar	4	1	3
Total effect	749	183	565

Table 5. Trade impact of China’s full liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	16	5	11
India	1 146	566	580
Myanmar	11	6	5
Total effect	1 173	577	596

Table 6. Trade impact of India’s full liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	59	23	36
China	3 474	1 024	2 449
Myanmar	97	29	68
Total effect	3 630	1 076	2 553

Table 7. Trade impact of Myanmar’s full liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	0	0	0
China	109	19	90
India	8	2	6
Total effect	117	21	96

Moderate liberalization scenario

Table 8. Trade impact of Bangladesh’s moderate liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
China	329	80	249
India	195	46	149
Myanmar	2.0	0.50	1.50
Total effect	526	126	400

Table 9. Trade impact of China’s moderate liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	12	3	9
India	867	443	424
Myanmar	9	6	3
Total effect	888	452	436

Table 10. Trade impact of India’s moderate liberalization of merchandise imports from BCIM
(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	36	14	22
China	2 590	762	1 828
Myanmar	62	19	43
Total effect	2 688	795	1 893

Table 11. Trade impact of Myanmar's moderate liberalization of merchandise imports from BCIM

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	-	-	-
China	49	9	40
India	5	1	4
Total effect	54	10	44

Partial liberalization scenario

Table 12. Trade impact of Bangladesh's partial liberalization of merchandise imports from BCIM

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
China	218	52	166
India	128	30	98
Myanmar	1	0	1
Total effect	347	82	265

Table 13. Trade impact of China's partial liberalization of merchandise imports from BCIM

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	8	2	6
India	578	302	276
Myanmar	5	3	2
Total effect	591	307	284

Table 14. Trade impact of India's partial liberalization of merchandise imports from BCIM

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	36	9	27
China	1 683	485	1 198
Myanmar	36	13	23
Total effect	1 755	507	1 248

Table 15. Trade impact of Myanmar's partial liberalization of merchandise imports from BCIM

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	-	-	-
China	30	6	24
India	3	1	2
Total effect	33	7	26

Scenario-wise trade impact of SAFTA + China + Myanmar

Table 16. Trade impact of full liberalization of merchandise trade on SAFTA + China + Myanmar

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	207	22	185
Bangladesh	797	189	608
Bhutan	12.00	0.10	11.99

China	2 151	647	1 503
India	7 060	1 221	5 839
Maldives	43	17	26
Myanmar	9.11	2.00	7.11
Nepal	150	26	124
Pakistan	1 410	349	1061
Sri Lanka	194	73	121
Total effect	12 033	2 546	9 486

Table 17. Trade impact of moderate liberalization of merchandise trade on SAFTA + China + Myanmar

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	128	47	81
Bangladesh	548	135	413
Bhutan	9.00	0.02	8.98
China	1 610	484	1 126
India	5 284	908	4 376
Maldives	32	12	20
Myanmar	7	1.12	6.88
Nepal	111	16	95
Pakistan	1 054	259	795
Sri Lanka	154	44	110
Total effect	8 938	1 906	7 032

Table 18. Trade impact of partial liberalization of merchandise trade on SAFTA + China + Myanmar

(US\$ million)

Effect on partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	102	34	68
Bangladesh	365	102	263
Bhutan	6	0	0
China	1 072	324	748
India	3 521	602	2 919
Maldives	21	7	14
Myanmar	4.5	0.5	4.0
Nepal	74	9	65
Pakistan	702	173	529
Sri Lanka	121	32	89
Total effect	5 988	1 283	4 699

Trade impact of SAFTA + China + Myanmar

1. Afghanistan

Table 19. Trade impact of Afghanistan's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	0	0	0
Bhutan	0	0	0
China	12	03	9
India	15	2	13
Maldives	0	0	0
Nepal	0	0	0

Pakistan	180	17	163
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	207	22	185

Table 20. Trade impact of Afghanistan's moderate liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	0	0	0
Bhutan	0	0	0
China	8	3	5
India	10	4	6
Maldives	0	0	0
Nepal	0	0	0
Pakistan	110	40	70
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	128	47	81

Table 21. Trade impact of Afghanistan's partial liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Bangladesh	0	0	0
Bhutan	0	0	0
China	5	2	3
India	7	2	5
Maldives	0	0	0
Nepal	0	0	0
Pakistan	90	30	60
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	102	34	68

2. Bangladesh

Table 22. Trade impact of Bangladesh's Full liberalization of merchandise imports from SAFTA+ Myanmar +China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	2.1	0.30	1.8
Bhutan	0	0	0
China	470	118	352
India	287	61	226
Maldives	0	0	0
Nepal	0.01	0.004	0.006
Pakistan	31	8	23
Sri Lanka	3.36	1.11	2.25
Myanmar	3.77	0.29	3.48
Total effect	797	189	608

Table 23. Trade impact of Bangladesh's moderate liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	1.62	0.29	1.33
Bhutan	0	0	0
China	304	83	221
India	215	46	169
Maldives	0	0	0
Nepal	0.008	.002	0.006
Pakistan	23	5	18
Sri Lanka	2.49	0.80	1.69
Myanmar	2.83	0.21	2.61
Total effect	548	135	413

Table 24. Trade impact of Bangladesh's partial liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	1.08	0.19	0.89
Bhutan	0	0	0
China	0202	65	137
India	143	33	110
Maldives	0	0	0
Nepal	0.005	0.002	0.003
Pakistan	15	3	12
Sri Lanka	1.65	0.65	1
Myanmar	1.89	0.15	1.74
Total effect	365	102	263

3. Bhutan

Table 25. Trade impact of Bangladesh's full liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bangladesh	0	0	0
China	12	0.10	11.99
India	0	0	0
Maldives	0	0	0
Nepal	0	0	0
Pakistan	0	0	0
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	12	0.10	11.99

Table 26. Trade impact of Bangladesh's moderate liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bangladesh	0	0	0
China	9	0.02	8.98
India	0	0	0
Maldives	0	0	0
Nepal	0	0	0
Pakistan	0	0	0
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	9	0.02	8.98

Table 27. Trade impact of Bangladesh's partial liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bangladesh	0	0	0
China	6	0	6
India	0	0	0
Maldives	0	0	0
Nepal	0	0	0
Pakistan	0	0	0
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	6	0	0

3. China

Table 28. Trade impact of China's full liberalization of merchandise imports from SAFTA + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0.32	0.10	0.22
Bhutan	0	0	0
Bangladesh	52	5	47
India	1 883	603	1 280
Maldives	0.001	0	0.001
Nepal	1.54	0.44	1.10
Pakistan	167	25	142
Sri Lanka	22	4	18
Myanmar	25	10	15
Total effect	2 151	647	1 503

Table 29. Trade impact of China's moderate liberalization of merchandise imports from SAFTA

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0.25	0.08	0.17
Bhutan	0	0	0
Bangladesh	39	4	35
India	1 410	450	960
Maldives	0	0	0
Nepal	1.16	0.35	0.81
Pakistan	125	20	105
Sri Lanka	17	3	14
Myanmar	18	7	11
Total effect	1 610	484	1 126

Table 30. Trade impact of China's Partial liberalization of merchandise imports from SAFTA

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0.16	0.06	0.10
Bhutan	0	0	0
Bangladesh	26	2	24
India	939	299	640
Maldives	0	0	0
Nepal	0.77	0.25	0.52
Pakistan	83	17	66
Sri Lanka	11	2	9
Myanmar	12	4	8
Total effect	1 072	324	748

5. India

Table 31. Trade impact of China's Full liberalization of merchandise imports from SAFTA + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	18	4	14
Bhutan	70	28	42
Bangladesh	115	27	88
China	5 226	1 032	4 194
Maldives	1.15	0.56	0.54
Nepal	890	27	863
Pakistan	122	23	99
Sri Lanka	452	50	402
Myanmar	166	30	136
Total effect	7 060	1 221	5 839

Table 32. Trade impact of India's moderate liberalization of merchandise imports from SAFTA + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	14	3	11
Bhutan	51	20	31
Bangladesh	81	15	66
China	3 919	774	3 145
Maldives	0.86	0.45	0.41
Nepal	667	20	647
Pakistan	91	17	74
Sri Lanka	336	35	301
Myanmar	124	24	100
Total effect	5 284	908	4 376

Table 33. Trade impact of India's partial liberalization of merchandise imports from SAFTA + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	9	2	7
Bhutan	34	13	21
Bangladesh	54	10	44
China	2 612	516	2 096
Maldives	0.57	0.30	0.27
Nepal	444	13	431
Pakistan	61	11	50
Sri Lanka	224	23	201
Myanmar	82	14	68
Total effect	3 521	602	2 919

6. Maldives

Table 34. Trade impact of Maldives's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0	0	0
India	21	8	13
China	0	0	0
Nepal	0	0	0
Pakistan	0.32	0.15	0.17
Sri Lanka	22	9	13
Myanmar	0	0	0
Total effect	43	17	26

Table 35. Trade impact of Maldives's moderate liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0	0	0
India	16	5	11
China	0	0	0
Nepal	0	0	0
Pakistan	00.23	0.11	0.12
Sri Lanka	16	7	9
Myanmar	0	0	0
Total effect	32	12	20

Table 36. Trade impact of Maldives's partial liberalization of merchandise imports from SAFTA + Myanmar + China

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0	0	0
India	10	3	7
China	0	0	0
Nepal	0	0	0
Pakistan	0.15	0.05	0.10
Sri Lanka	11	4	7
Myanmar	0	0	0
Total effect	21	7	14

7. Myanmar

Table 37. Trade impact of Myanmar's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bangladesh	0	0	0
Bhutan	0	0	0
India	9	2	7
China	0	0	0
Maldives	0	0	0
Nepal	0	0	0
Pakistan	0.11	0.02	0.09
Sri Lanka	0	0	0
Total effect	9.11	2	7.11

Table 38. Trade impact of Myanmar's moderate liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bangladesh	0	0	0
Bhutan	0	0	0
India	7	1	6
China	0	0	0
Maldives	0	0	0
Nepal	0	0	0
Pakistan	0.08	0.12	0.071
Sri Lanka	0	0	0
Total effect	7	1.12	6.88

Table 39. Trade impact of Myanmar's partial liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bangladesh	0	0	0
Bhutan	0	0	0
India	4.5	0.50	4
China	0	0	0
Maldives	0	0	0
Nepal	0	0	0
Pakistan	0.055	0.005	0.05
Sri Lanka	0	0	0
Total effect	4.5	0.50	4

8. Nepal

Table 40. Trade impact of Nepal's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0.50	0.06	0.50
Bangladesh	0.54	0.14	0.40
China	28	7	21
India	120	19	101
Maldives	0	0	0
Pakistan	0.51	0.10	0.41
Sri Lanka	0.60	0.12	0.48
Myanmar	0	0	0
Total effect	150	26	124

Table 41. Trade impact of Nepal's moderate liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0	0	0
China	21	4	17
India	90	12	78
Maldives	0	0	0
Pakistan	0	0	0
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	111	16	95

Table 42. Trade impact of Nepal's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0	0	0
China	14	2	12
India	60	7	53
Maldives	0	0	0
Pakistan	0	0	0
Sri Lanka	0	0	0
Myanmar	0	0	0
Total effect	74	9	65

9. Pakistan

Table 43. Trade impact of Pakistan's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	33	5	28
Bhutan	0	0	0
Bangladesh	7	2	5
China	1 135	291	844
India	223	48	175
Maldives	0	0	0
Myanmar	9	2	7
Nepal	0.21	0.09	0.12
Sri Lanka	3	1	2
Total effect	1 410	349	1 061

Table 44. Trade impact of Pakistan's moderate liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	24	4	20
Bhutan	0	0	0
Bangladesh	5	1	4
China	850	217	633
India	167	35	132
Maldives	0	0	0
Myanmar	6	1	5
Nepal	0	0	0
Sri Lanka	2.3	0.75	1.6
Total effect	1 054	259	795

Table 45. Trade impact of Pakistan's partial liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	16	3	13
Bhutan	0	0	0
Bangladesh	3.4	0.78	2.7
China	566	144	422
India	111	24	87
Maldives	0	0	0
Myanmar	4.2	0.88	3.4
Nepal	0	0	0
Sri Lanka	1.56	0.46	1.1
Total effect	702	173	529

10. Sri Lanka

Table 46. Trade impact of Sri Lanka's full liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0.60	0.17	0.43
China	83	36	47
India	101	33	68
Maldives	3.6	1.7	1.9
Myanmar	1.3	0.49	0.85
Nepal	0.028	0.010	0.018
Pakistan	4.21	1.30	2.91
Total effect	194	73	121

Table 47. Trade impact of Sri Lanka's moderate liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0.45	0.10	0.35
China	62	19	43
India	85	23	62
Maldives	2.7	1	1.7
Myanmar	0.80	0.20	0.50
Nepal	0	0	0
Pakistan	3	1	2
Total effect	154	44	110

Table 48. Trade impact of Sri Lanka's partial liberalization of merchandise imports from SAFTA + China + Myanmar

(US\$ million)

Partner country	Total trade effect	Trade diversion effect	Trade creation effect
Afghanistan	0	0	0
Bhutan	0	0	0
Bangladesh	0.31	0.05	0.26
China	48	13	35
India	69	18	51
Maldives	1.6	0.60	1
Myanmar	0.52	0.10	0.42
Nepal	0	0	0
Pakistan	2	0.50	1.5
Total effect	121	32	89

Welfare and revenue effect

Full liberalization

Table 49. Welfare gain and revenue loss for BCIM countries

(US\$ million)

Countries	Welfare	Tax revenue
Bangladesh	70	-386
China	68	-716
India	268	-1 927
Myanmar	5	-53
Total effect	411	-3 082

Moderate liberalization

Table 50. Welfare gain and revenue loss for BCIM countries

(US\$ million)

Countries	Welfare	Tax revenue
Bangladesh	51	-218
China	31	-375
India	197	-1 146
Myanmar	2	-25
Total effect	281	-1 763

Partial liberalization

Table 51. Welfare gain and revenue loss for BCIM countries

(US\$ million)

Countries	Welfare	Tax revenue
Bangladesh	37	-127
China	15	-187
India	139	-660
Myanmar	2	-14
Total effect	193	-989

Welfare and revenue effect: SAFTA + China + Myanmar

Full liberalization

Table 52. Welfare gain and revenue loss for SAFTA + China + Myanmar

(US\$ million)

Countries	Welfare	Tax revenue
Afghanistan	7	-67
Bangladesh	67	-434
Bhutan	1.2	-0.26
China	154	-872
India	776	-2675
Maldives	5.2	-35
Myanmar	12	-57
Nepal	13	-118
Pakistan	102	-651
Sri Lanka	15	-141
Total effect	1 152.4	-5 050.2

Moderate liberalization

Table 53. Welfare gain and revenue loss for SAFTA + China + Myanmar

(US\$ million)

Countries	Welfare	Tax revenue
Afghanistan	5.7	-48
Bangladesh	58	-298
Bhutan	1.1	0.25
China	125	-587

India	690	-1 702
Maldives	4.2	-24
Myanmar	11	-37
Nepal	12	-83
Pakistan	87	-447
Sri Lanka	13	-100
Total effect	1 007	-3 326

Partial liberalization

Table 54. Welfare gain and revenue loss for SAFTA + China + Myanmar

(US\$ million)

Countries	Welfare	Tax revenue
Afghanistan	4	-30
Bangladesh	44	-181
Bhutan	0.90	0.46
China	89	-347
India	531	-938
Maldives	3	-14
Myanmar	8.6	-21
Nepal	9.5	-51
Pakistan	65	-270
Sri Lanka	10	-80
Total effect	765	-1 932

Annex III. Potential products for the region under full liberalization

Table 1. Potential products for China in Bangladesh's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
621710	Accessories	22 606.44
520811	Plain weave, weighing not more than 100 g/m ²	14 882.40
520819	Woven fabrics of cotton, containing 85 per cent or more by weight of cotton, weighing not more than 200 g/m ² . - Unbleached: Other fabrics	13 510.39
852520	Transmission apparatus incorporating reception apparatus	11 379.56
871120	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc	10 394.12
310310	Super phosphates	9 278.39
551219	Woven fabrics of synthetic staple fibres, containing 85 per cent or more by weight of synthetic staple fibres. Containing 85 per cent or more by weight of polyester staple fibres: Other	8 090.09
600110	"Long pile" fabrics	8 020.44
520942	Denim	7 502.34
520931	Plain weave	6 871.77
852812	Colour	6 806.32
520821	Plain weave, weighing not more than 100 g/m ²	6 559.30
551329	Woven fabrics of synthetic staple fibres, containing less than 85 per cent by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m ² . Dyed: Other woven fabrics	6 243.08
401120	Of a kind used on buses or lorries	5 526.14
520831	Plain weave, weighing not more than 100 g/m ²	5 401.13

Table 2. Potential products for India in Bangladesh's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
401120	Of a kind used on buses or lorries	23 812.48
271011	Light oils and preparations	15 794.49
871120	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc	14 309.26
520942	Denim	13 181.21
520521	Measuring 714.29 decitex or more (not exceeding 14 metric number)	7 581.65
870422	g.v.w. exceeding 5 metric tons but not exceeding 20 metric tons	6 691.68
720839	Of a thickness of less than 3 mm	5 979.90
100190	Wheat	4 198.06
852812	Colour	4 028.55
520511	Cotton measuring 714.29 decitex or more (not exceeding 14 metric number)	3 767.84
870390	Motor cars and other motor vehicles principally designed for the transportation of persons (other than those under heading 87.02), including station wagons and racing cars. - Other	3 696.07
481092	Multiply	3 468.87
100630	Semi-milled or wholly-milled rice, whether or not polished or glazed	3 427.65
480257	Paper and paperboard	3 243.19
870210	Track-laying tractors with compression-ignition internal combustion piston engine (diesel or semi-diesel)	2 839.36

Table 3. Potential products for Myanmar in Bangladesh's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
440349	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. - Other, of tropical wood specified in Subheading Note 1 to this Chapter: Other	1 480.12
440399	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. - Other	1 221.44
100620	Husked (brown) rice	327.355
440729	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm. - of tropical wood specified in Subheading Note 1 to this Chapter: - Other	90.158
100640	Broken rice	61.683
100630	Semi-milled or wholly-milled rice, whether or not polished or glazed	23.87
440320	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. - Other, coniferous	19.202
630900	Worn clothing and other worn articles	7.609
340290	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 34.01. - Other	4.95
441820	Doors and their frames and thresholds	4.413
340391	Preparations for the treatment of textile materials, leather, furskins or other materials	3.581
852812	Colour	3.164
870324	Of a cylinder capacity exceeding 3,000 cc	2.165

380991	Of a kind used in the textile or similar/related industries	0.769
350790	Enzymes; prepared enzymes not elsewhere specified or included. - Other	0.422

Table 4. Potential products for Bangladesh in China's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
410792	Grain splits	1 963.67
411510	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls	1 706.10
620193	Of manmade fibres	1 388.83
410441	Full grains, unsplit; grain splits	1 112.55
410712	Grain splits	956.49
410622	In the dry state (crust)	900.81
410799	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. - Other, including sides: - Other	629.47
950639	Articles for funfair, table or parlour games, including pintables, billiards, special tables for casino games and automatic bowling alley equipment. - Video games of a kind used with a television receiver	578.37
411310	Of goats or kids	518.2
621133	Of manmade fibres	508.31
900190	Optical fibres and optical fibre bundles; optical fibre cables other than those of heading 85.44; sheets and plates of polarizing material; lenses (including contact lenses), prisms, mirrors and other optical elements, of any material, unmounted, other than such elements of glass not optically worked. - Other	485.35
620333	Of synthetic fibres	482.62
410419	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared. - In the wet state (including wet-blue): - Other	336.42
620463	Of synthetic fibres	255.58
411200	Leather further prepared after tanning or crusting, including parchment dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 41.14.	228.95

Table 5. Potential products for India in China's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
520100	Cotton, not carded or combed.	369 278.66
710239	Diamonds, whether or not worked, but not mounted or set. - Non-industrial: - Other	99 137.16
281820	Aluminium oxide, other than artificial corundum	64 978.23
390120	Polyethylene having a specific gravity of 0.94 or more	58 483.82
670300	Human hair, dressed, thinned, bleached or otherwise worked; wool or other animal hair or other textile materials, prepared for use in making wigs or similar items	54 791.63
390210	Polypropylene	34 083.25
411310	Of goats or kids	21 343.85
251611	Crude or roughly trimmed	16 596.61
400121	Smoked sheets	15 844.97
740311	Cathodes and sections of cathodes	14 985.37

290531	Ethylene glycol (ethanediol)	13 253.12
410792	Grain splits	11 950.21
847340	Parts and accessories of the machines of heading 84.72	11 901.82
840510	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers	11 576.83
721914	Of a thickness of less than 3 mm	10 193.81

Table 6. Potential products for Myanmar in China's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
400121	Smoked sheets	6 016.22
400122	Technically specified natural rubber (TSNR)	1 433.35
710399	Precious stones (other than diamonds) and semi-precious stones, whether or not worked or graded but not strung, mounted or set; ungraded precious stones (other than diamonds) and semi-precious stones, temporarily strung for convenience of transport. - Otherwise worked: - Other	763.21
852290	Parts and accessories suitable for use solely or principally with the apparatus of headings 85.19 to 85.21. - Other	705.16
330129	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils. - Essential oils other than those of citrus fruit: - Other	566.85
121299	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i>) of a kind used primarily for human consumption, not elsewhere specified or included. - Other: - Other	260.91
230120	Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates	175.91
253090	Mineral substances not elsewhere specified or included. - Other	160.74
382490	Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included. - Other	144.4
440839	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm. - Of tropical wood specified in Subheading Note 1 to this Chapter: - Other	130.4
710122	Worked	113.25
100590	Maize (corn): - Other	93.98
400129	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip. - Natural rubber in other forms: - Other	60.75
400110	Natural rubber latex, whether or not pre-vulcanized	55.75
400510	Compounded with carbon black or silica	53.11

Table 7. Potential products for Bangladesh in India's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
310210	Urea, whether or not in aqueous solution	10 082.06
281410	Anhydrous ammonia	5 837.72
850710	Lead acid, of a kind used for starting piston engines	3 315.13
630510	Of jute or of other textile bast fibres of heading 53.03	2 779.61
150790	Soya-bean oil and its fractions, whether or not refined, but not chemically modified. - Other	2 594.25
720421	Of stainless steel	1 669.11
151620	Vegetable fats and oils and their fractions	1 349.58
740811	Of which the maximum cross-sectional dimension exceeds 6 mm	1 297.13
151190	Palm oil and its fractions, whether or not refined, but not chemically modified. - Other	1 198.55
530310	Jute and other textile bast fibres, raw or retted	1 189.02
530710	Single	1 186.14
531010	Unbleached	1 139.18
410449	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared. - In the dry state (crust): - Other	1 061.01
740400	Copper waste and scrap	902.56
251710	Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated	778.51

Table 8. Potential products for China in India's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	190 606.46
730590	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel. - Other	152 444.57
270119	Other coal	85 267.98
852990	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28. - Other	82 047.39
294200	Other organic compounds.	65 971.80
720836	Of a thickness exceeding 10 mm	53 002.22
720890	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated. - Other	51 583.55
294110	Penicillins and their derivatives with a penicillanic acid structure; salts thereof	41 760.80
401120	Of a kind used on buses or lorries	41 183.99
500200	Raw silk (not thrown)	34 727.13
844790	Knitting machines, stitch-bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net, and machines for tufting. - Other	33 900.23
294190	Antibiotics - Other	30 463.46
720851	Of a thickness exceeding 10 mm	27 601.40
852290	Parts and accessories suitable for use solely or principally with the apparatus of headings 85.19 to 85.21. - Other	26 335.71
871499	Parts and accessories of vehicles under headings 87.11 to 87.13. - Other	25 673.27

Table 9. Potential products for Myanmar in India's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
440349	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. - Other, of tropical wood specified in Subheading Note 1 to this Chapter: - Other	20 266.04
440399	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. - Other	14 488.72
400121	Smoked sheets	868.70
440890	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm. - Other	560.45
440839	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm. - Of tropical wood specified in Subheading Note 1 to this Chapter: - Other	376.23
441299	Plywood, veneered panels and similar laminated wood. - Other	137.12
470692	Chemical	80.51
440320	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared. - Other, coniferous	65.85
710310	Unworked or simply sawn or roughly shaped	56.70
470329	Non-coniferous	52.97
410621	In the wet state (including wetblue)	48.33
121190	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered. - Other	47.64
440810	Coniferous	33.83
140110	Bamboos	32.57
440729	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm. - Of tropical wood specified in Subheading Note 1 to this Chapter: - Other	25.30

Table 10. Potential products for China in Myanmar's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
871120	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc, but not exceeding 250 cc	8 997.49
551219	Woven fabrics of synthetic staple fibres, containing 85 per cent or more by weight of synthetic staple fibres. - Containing 85 per cent or more by weight of polyester staple fibres: - Other	5 454.47
401120	Of a kind used on buses or lorries	5 398.14
210390	Sauces and preparations thereof; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard. - Other	4 200.09
240220	Cigarettes	2 943.59
220300	Beer made from malt.	2 927.32
940370	Plastic furniture	2 094.69
551321	Of polyester staple fibres, plain weave	1 651.45
852812	Colour	1 495.34
600192	Of manmade fibres	1 485.45

540761	Containing 85 per cent or more by weight of non-textured polyester filaments	1 467.08
551341	Of polyester staple fibres, plain weave	1 398.28
271019	Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70 per cent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than waste oils: -- Other	1 278.14
271220	Paraffin wax containing by weight less than 0.75 per cent of oil	1 148.21
551331	Of polyester staple fibres, plain weave	1 122.25

Table 11. Potential products for India in Myanmar's market under full liberalization

HS Tariff Line Code	Description	Increase in exports (US\$ '000)
401120	Of a kind used on buses or lorries	1 242.77
300490	'Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packaging for retail sale. - Other	729.84
721049	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated. - Otherwise plated or coated with zinc: - Other	652.8
711319	Of other precious metal, whether or not plated or clad with precious metal	407.28
330510	Shampoos	264.46
210111	Extracts, essences and concentrates	227.44
740811	Of which the maximum cross-sectional dimension exceeds 6 mm	222.32
410711	Full grains, unsplit	203.6
390210	Polypropylene	195.17
820310	Files, rasps and similar tools	170.18
401199	New pneumatic tyres, of rubber. - Other	145.63
721070	Painted, varnished or coated with plastics	135.37
732393	Of stainless steel	131.64
300420	Containing other antibiotics	124.88
960810	Ball point pens	120.89