



APTIAD - Occasional Note No.1/2007

## Asia-Pacific Trade Agreement: Exploring the potential for enhancing intraregional trade

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### Abstract

This note provides some basic information on the history of the Asia-Pacific Trade Agreement (previously the Bangkok Agreement) and its main characteristics. The trade environment of APTA members is described in terms of their dependence on trade by comparing their levels of exports and imports, rankings, dependence on trade taxes for revenue purposes and their openness. A number of APTIAD interactive trade indicators are used to analyse and track developments of intraregional trade of APTA and its members. It is apparent that the dependence of all individual members on trade in general is higher than is their dependence on trade with other members of APTA. It is also evident that APTA's orientation towards trade with the rest of the world has not been changed dramatically in the past decade. Notwithstanding that, APTA's intraregional trade is strengthening. The complementarity index shows that there is increasing fitness between APTA's export and import profiles, even though this is not shared by all individual members. Intra-industry trade remains at a moderate level, but it is important that new trade also reflects similar degree of intra-industry nature. The relatively limited expansion of intraregional trade could be associated with a partial scope of liberalization, despite its attempt to base liberalization on the set of simplified trade rules. Finally, there is asymmetry in terms of individual members' relations with APTA. While the APTA market seems to be most important for the Republic of Korea, as its current share of export dedicated to APTA is more than 23 per cent, it is a source of only 7.4 per cent of PTA imports. China's position is almost balanced with 6.2 per cent of its exports going to APTA while APTA is buying 5.2 per cent of its imports from China. On the other hand, while 1.7 per cent of exports from Bangladesh are destined for the APTA market, APTA buys only 0.01 per cent of its imports from Bangladesh. Yet, almost 30 per cent of Bangladesh's imports come from APTA.

*APTIAD is an open-access database on more than 140 regional trade agreements with at least one member from the Asia-Pacific region. It has been developed and managed by the Trade and Investment Division of ESCAP. APTIAD also includes an Interactive Trade Indicators platform as a tool for simple statistical diagnostics of trends in regionalism. At present, this platform allows calculation of 23 indicators for 21 economies and six trade agreements for which there are export data for 1996-2005, based on HS1996. APTIAD will expand by including additional individual countries from the region as and when their export data become available and by developing other indices to strengthen its analytical capacity.*

## *I. Background information<sup>1</sup>*

The Asia-Pacific Trade Agreement is the new name for the Bangkok Agreement that was formed in 1975 between Bangladesh, India, the Lao People's Democratic Republic, the Republic of Korea and Sri Lanka. The Agreement entered into force in 1976, and was notified to the General Agreement on Tariffs and Trade (GATT) in 1976.<sup>2</sup> China joined the original members with effect from 1 January 2002. China's accession to the Agreement was notified to the World Trade Organization (WTO) under the Enabling Clause in 2004.

The Agreement has remained a preferential trade agreement that, in WTO jargon, belongs to the "partial scope" agreements.<sup>3</sup> It covers trade in goods and is of indefinite duration. It is open for accession by any developing country member of ESCAP.

It is the oldest preferential trade agreement between developing countries in Asia. The amendment (signed on 2 November 2005 and in force since 1 September 2006) was driven by the need to revitalize the Agreement's objective of liberalizing trade among developing countries under new developments in the international trading system that have taken place since the Agreement was established. Thus, this Amendment includes the results of the Third Round of tariff concessions that cover 4,270 products plus 587 for least developed countries (LDCs), with an average margin of preference of 26.8 per cent (58.8 per cent for LDCs).

### **Box 1. Structure of the Agreement**

Preamble

Chapter 1: General Provisions

Chapter 2: Programme of Trade Liberalization

Chapter 3: Trade Expansion

Chapter 4: Safeguard Measures and Consultations

Chapter 5: The Standing Committee and the Administration of the Agreement

Chapter 6: Review and Modifications

Chapter 7: Accession and Withdrawal

Chapter 8: Miscellaneous and Final Provisions

Annex I: National List of Concessions

Annex II: Rules of Origin for the Asia-Pacific Trade Agreement

*Source:* APTA (at [http://www.unescap.org/tid/apta/ta\\_amend.pdf](http://www.unescap.org/tid/apta/ta_amend.pdf)).

<sup>1</sup> The source for all tables and figures, unless stated differently, is APTIAD ([www.unescap.org/tid/aptiad](http://www.unescap.org/tid/aptiad)).

<sup>2</sup> Documents L/4418 and L/4418/Corr1. Report adopted as 25S/109 on 14.03.1978.

<sup>3</sup> The WTO notification process recognizes free trade areas and customs unions as types of regional trade agreements that qualify under Article XXIV of GATT. All other agreements that do not qualify for notification under Article XXIV of GATT fall into "partial scope agreements" in the area of goods liberalization and can be notified only under legal cover of Enabling Clause paragraph 2(c). The fourth type, economic integration agreement, is reserved for the liberalization in services area, to be notified under Article V of General Agreement on Trade in Services (GATS).

## II. Trade environment

Current APTA members' rankings in world exports and imports as well as with respect to ease of doing business in 2006 are given in table 1. Also included in table 1 are the ratios of their national merchandise trade to GDP (also shown in figure 1), values of exports and imports, GNI per capita, dependence of their total revenue on taxes on international trade and total reserves in terms of months of imports, for those years indicated in the table.

**Table 1. APTA members in numbers (2006)**

	Export rank	Import rank	Ease of doing business rank (2007)	Trade/GDP (%)	GNI pc Atlas method in current USD	Taxes on int. trade/revenue (%) (2004)#	Exports to world (000\$)	Imports from world (000 \$)	Total reserves in months of imports (2005)
Bangladesh	74	68	88	45.43	480	32.56	12,050,000	16,100,000	2.2
China	3	3	93	65.99	2010	-11.95	969,073,000	791,614,000	13.5
India	28	16	134	32.51	820	13.76	120,168,120	174,376,000	12.2*
Korea, Rep.	11	13	23	71.51	17690	3.88	325,681,000	309,308,507	7.7
Lao PDR	137	145	159	60.82	500	..	980,000	1,090,000	3.0**
Sri Lanka	83	80	89	63.36	1300	15.2	6,860,000	10,226,000	3.2

# include import duties export duties profits of export or import monopolies exchange profits and exchange taxes  
\*2003 \*\*2001

Source: WDI Online (downloaded 18 Sep 2007); export and import rank from The World Factbook, 2007WTO and Ease of doing business rank from *Going Business 2007* (World Bank).

**Figure 1. APTA members' merchandise trade as a fraction of their GDP in 2006 (per cent)**

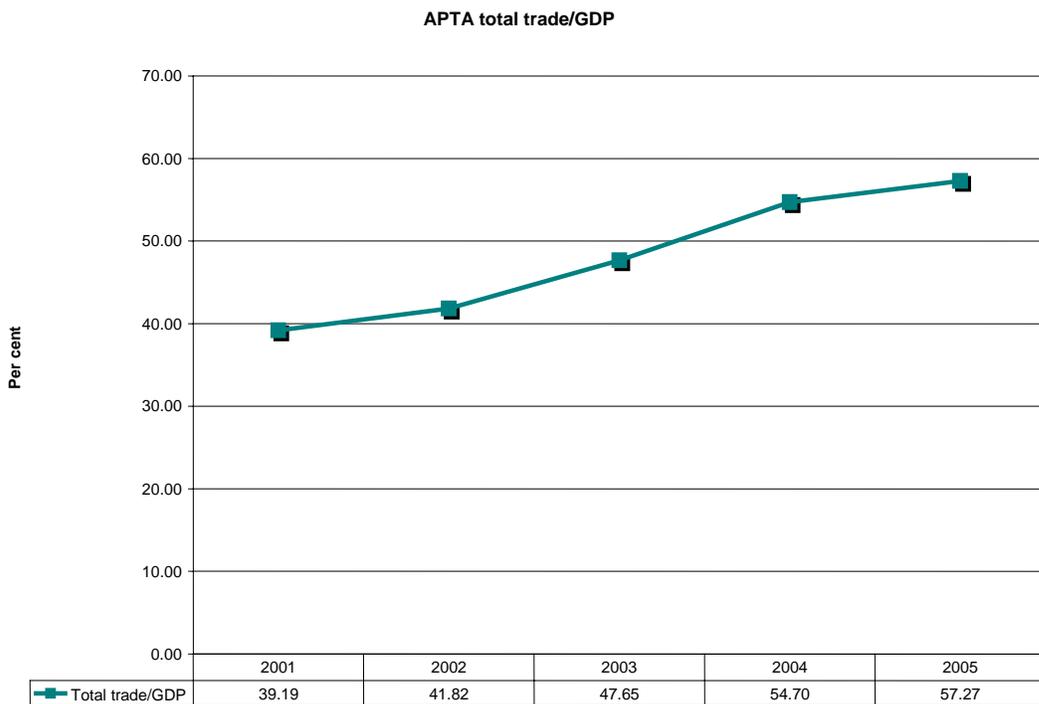
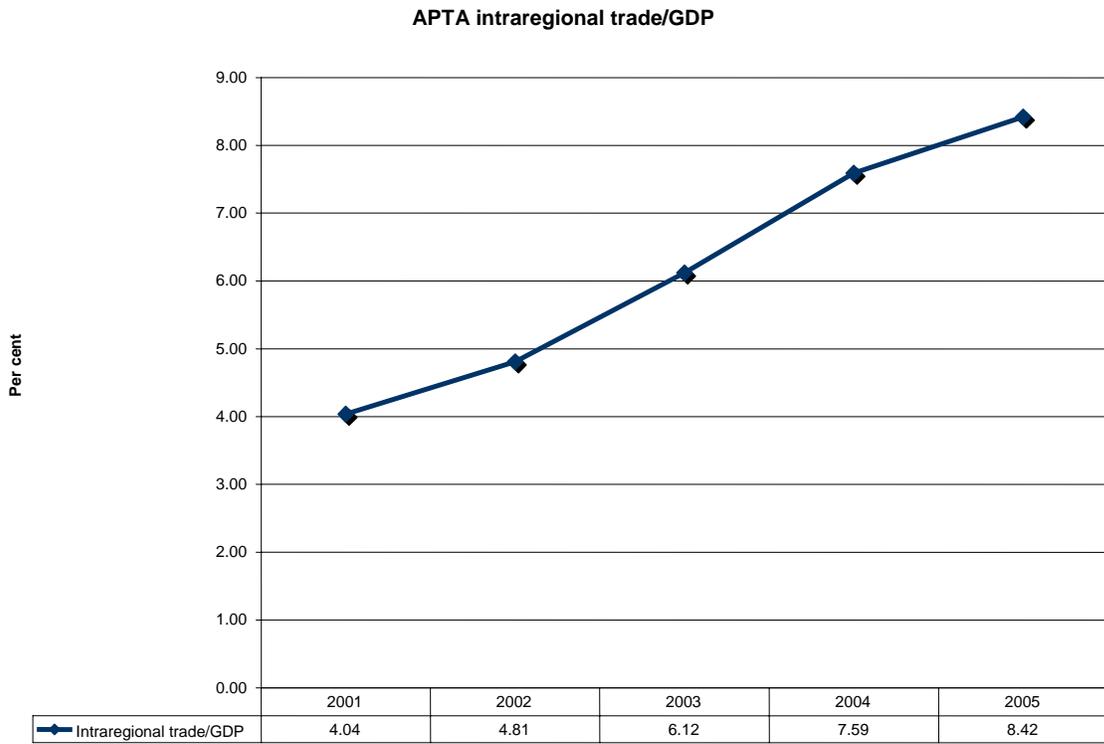


Source: WDI online (downloaded 18 September 2007)

In 2005, APTA accounted for more than 11 per cent of world trade. In terms of intraregional trade, APTA members jointly accounted for 11 per cent of their combined exports to the world and just over 18 per cent of their combined imports from the world in 2005, resulting in 14.7 per cent of intraregional trade in their total trade.<sup>4</sup> Developments in recent years in terms of trade dependence (intra- and extraregional trade in their total combined GDP) and trade shares (intraregional in total export, import and trade) are shown in figures 2 and 3, respectively.

<sup>4</sup> Counting only the products that attract tariff concessions of any of the APTA members, the share of intraregional imports of such products in total imports of those products from the world was 9.27 per cent, and the share of intraregional exports in total exports of those products was 8.19 per cent in 2003. (Based on Mukherji, 2006).

**Figure 2. APTA - Intraregional and total merchandise trade to combined GDP, 2001-2005 (in per cent)**



**Figure 3. Trade shares**

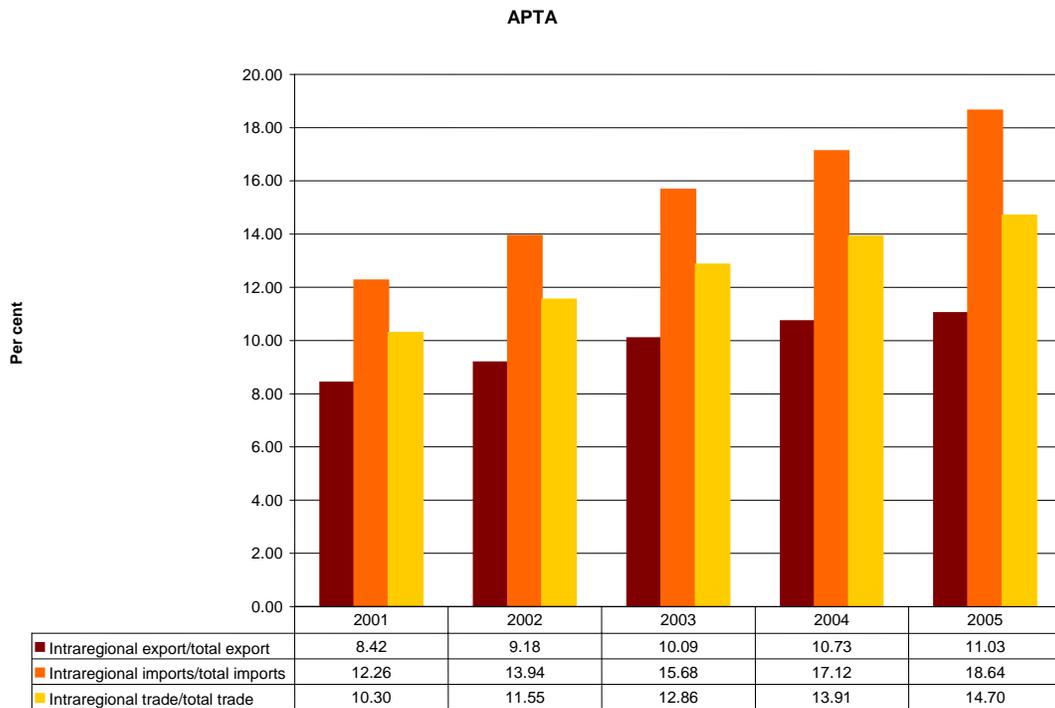
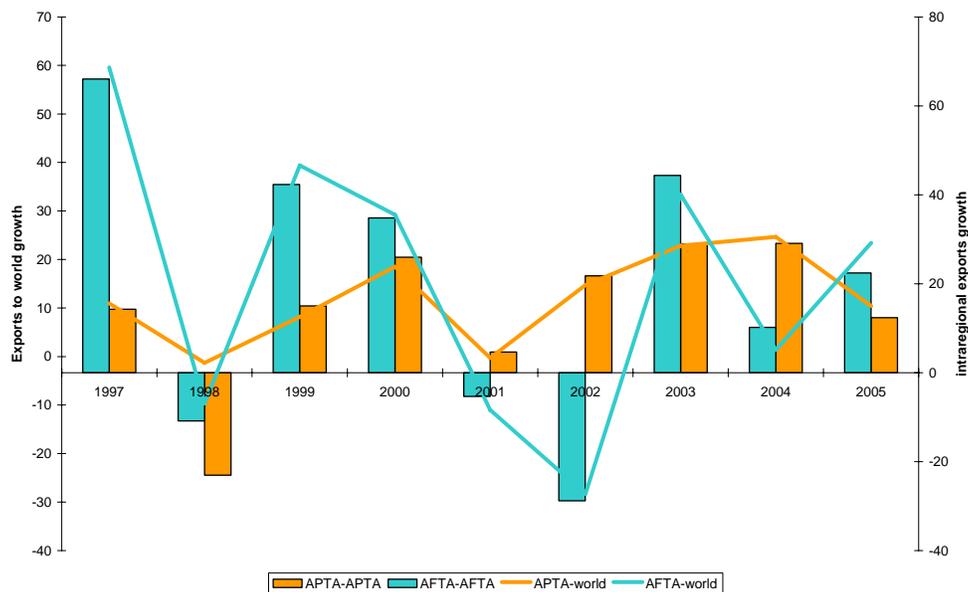


Figure 4 depicts intraregional export growth against total export growth (on a year-to-year basis) for two regional trade agreements. APTA intraregional exports were more affected by the Asian financial crisis in 1997 and 1998 than were ASEAN Free Trade Area (AFTA) intraregional exports, while AFTA was more adversely affected by the economic slowdown in 2001 and 2002.

**Figure 4. Comparison of export value changes for APTA and AFTA, 1996-2005**



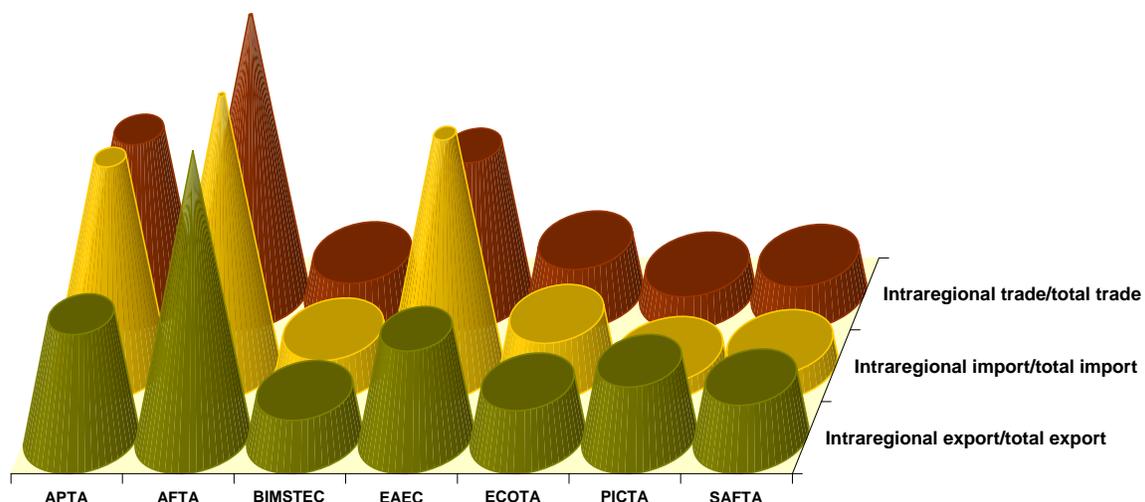
The share of APTA intraregional trade in total trade increased by almost 50 per cent over 2001-2005. Nevertheless, it is still relatively low compared to intraregional trade of the fully established deeper integrations such as the European Union (66 per cent) or even the North American Free Trade Agreement (NAFTA) (43 per cent). On the other hand, when compared with several other regional agreements in the region (figure 5), APTA's intraregional trade is above the average.

It also is true that a significant increase in the level of preferential coverage through the tariff concessions has only been effective since 1 September 2006. As trade is normally based on commercial contracts, there is a time lag between changes in tariffs and other trade conditions (unless they are embargos with immediate effect) and response by export and import flows. It can therefore be expected that APTA intraregional trade data for 2007 and onwards will start to reflect the impact of an enhanced preferential coverage in mutual trade.

Notwithstanding this fact, one needs to keep in mind that APTA, of all the observed regional trade agreements in Asia-Pacific, clearly has the largest share of world trade – almost double that of AFTA – signalling orientation towards world market. Furthermore, the APTIAD indicator of geographical concentration (regional Hirschmann statistics) shows that only Bangladesh and Sri Lanka rely on fewer markets (their export geographical concentration is between 0.28 and 0.4), while the other three members (observed in APTIAD) reflect a high geographical dispersion of their exports (with indicators in the range 0.1 and 0.14).

It is important to note that the trade intensity indicator does not reflect strengthening of intraregional exports, as throughout the whole period from 1996 to 2005 it remained below 1, meaning that the world remained more important, on average, as the destination for the APTA members, than their own trade area. Both of these indices indicate the preference of exporters to maintain a differentiated portfolio of destination markets (perhaps as insurance against changes in economic conditions in those markets). To change this trend, and assuming that no dramatic changes in demand from the rest of the world occur, a significant leap in terms of enhancing preferences within the APTA area will be necessary.

**Figure 5. Intraregional trade of Asia-Pacific regional trade agreements, 2005**



Intraregional exports, imports and trade in 2005 as fractions of totals and share of world trade:

	APTA	AFTA	BIMSTEC	EAEC	ECOTA	PICTA	SAFTA	CISFTA
Intraregional export/total export	11.03	25.66	4.23	9.73	4.99	6.87	5.41	10.66
Intraregional import/total import	18.64	24.26	3.26	20.8	4.64	1.37	2.06	21.64
<b>Intraregional trade/total trade</b>	<b>14.7</b>	<b>24.96</b>	<b>3.69</b>	<b>13.26</b>	<b>4.79</b>	<b>2.63</b>	<b>3.42</b>	<b>14.26</b>
<b>Share in world trade</b>	<b>11.12</b>	<b>5.84</b>	<b>2.52</b>	<b>2.14</b>	<b>1.97</b>	<b>..</b>	<b>1.58</b>	<b>2.21</b>

Source: data from UNCOMTRADE, 2007.

### III. Trade patterns and recent liberalization initiatives

As mentioned above, APTA members have been implementing the third round of tariff concessions since 1 September 2006. The HS sections that contain most of the additional tariff concessions (in terms of number of products, not depth of tariff cuts) are:<sup>5</sup>

- Section XVIII: optical, photographic, cinematographic, etc. instruments, parts and accessories thereof (24 fold increase in products covered);
- Section XVII: vehicles, aircraft, vessels and associated, transport equipment (7.8-fold increase in products covered);
- Section XX: Miscellaneous manufacturing articles (6.7-fold increase)
- Section V: mineral products (4.2-fold increase);
- Section XV: base metals and articles of base metal (3-fold increase);
- Section XIII: articles of stone, plaster, cement...ceramic products, glass and glassware (2.5-fold increase);
- Section XIV: natural or cultured pearls... (2.1-fold increase).

The simple average of annual export growth rates was calculated for 1996-2005 for intraregional exports at HS chapter level (two-digit). The chapters that recorded average growth above 10 per cent in that period are listed in table 2. Table 3, on the other hand, lists HS chapters that recorded, on average, a fall in intraregional exports in excess of 5 per cent.

Comparison with the results of the third round of tariff concession negotiations shows some interesting results. The third round of concessions overlaps reasonably with the developments in intraregional exports preceding it: most concessions were granted on products belonging to the chapters that recorded the highest, on average, intraregional export increase. To a lesser extent, this correspondence exists in the area of products that record intraregional product decline, i.e., lesser additional concessions are granted within such sections.<sup>6</sup>

This correspondence, however weak, indicates that trade negotiations are sensitive to market developments and that they often result in so-called market-driven economic integration. However, sometimes policy makers may afford to lead the market instead. In that case, they must do it in synch with their country's economic potentials and needs. This might translate into politically-driven economic integration, where changes in policies at the borders (tariffs and non-tariffs barriers) and in other policies are made in order to stimulate intraregional

<sup>5</sup> Since some of the members were, at the same time, changing their list from being based on the 6-digit to the 8- or 10-digit level, some of the extended coverage in terms of product numbers can be just a perception only.

<sup>6</sup> There are possible exceptions, such as for section II; however, to form a firm conclusion, one needs to compare the actual product (8- or 10-digit) lines.

trade and cooperation with the ultimate goal of improving efficiency and welfare of all involved and without hurting the welfare of third countries. Obviously, no pair or group of countries can achieve such trade integration and, in principle, complex studies are required to explore the potential.

**Table 2. HS chapters with simple average growth of above 10 per cent in intraregional exports, 1996-2005**

HS chapter	Increase	HS chapter	Increase
90. Optical, photo, cinematic, and parts	29.3	61. Knitted art of apparel and clothing accessories	15.3
37. Photographic or cinematographic goods	28.6	21. Miscellaneous edible preparations	14.6
85. Electrical machinery equipment, parts thereof	23.9	35. Albuminoidal substances, glues, enzymes	14.6
16. Prep of meat, fish or crustaceans	23.2	19. Preparations of cereal, flour, starch, milk	14.3
69. Ceramic product.	23.0	83. Miscellaneous articles of base metals	14.0
06. Live trees, other plants, bulbs, roots	20.0	66. Umbrellas, walking-sticks, seat-sticks	13.8
94. Furniture, bedding, mattresses	20.0	87. Vehicles other than rail- and tramway rolling stock	13.5
18. Cocoa and cocoa preparations	19.0	73. Articles of iron or steel	13.2
38. Miscellaneous chemical products	18.3	28. Inorganic chemicals, compounds of precious metals	12.9
76. Aluminium and articles thereof	18.2	68. Art of stone, plaster, cement	12.8
29. Organic chemicals	17.8	34. Soap, organic surface-active agents	12.5
70. Glass and glassware	17.7	72. Iron and steel	11.7
71. Natural/cultured pearls, precious stones	17.5	32. Tanning, dyeing extracts	11.5
75. Nickel and articles thereof	17.3	63. Other made up textile articles	11.2
82. Tools, implements, cutlery, spoon, forks	16.8	39. Plastics and articles thereof	11.1
84. Nuclear reactors, boilers, parts	16.5	62. Art of apparel and clothing accessories	10.4
40. Rubber and articles thereof	15.4	86. Railway, tramway locomotives and parts	10.2

**Table 3. HS chapters with the highest simple average decline in intraregional exports, 1996-2005**

HS chapters	Decline	HS chapters	Decline
30. Pharmaceutical products.	-5.1	45. Cork and articles of cork	-24.0
41. Raw hides and skins (other than fur)	-6.1	04. Dairy products, birds eggs, natural honey	-28.4
25. Salt, sulphur, earth, stone, plastering materials	-6.4	14. Vegetable plaiting materials	-34.2
22. Beverages, spirits and vinegar	-6.5	23. Residues, waste from the food industries	-44.5
10. Cereals	-9.3	24. Tobacco and manufactured tobacco substitutes	-45.5
97. Works of art, collector pieces	-11.2	26. Ores, slag and ash	-47.7
17. Sugars and sugar confectionery	-15.9	47. Wood pulp, other cellulose materials	-64.8
15. Animal fats, oils, their cleavage products	-16.0	89. Ships, boats and floating structures	-115.4
01. Live animals	-16.4	02. Meat and edible meat offal	-123.1
13. Lac, gums, resins and other vegetables	-17.3	88. Aircraft, spacecraft, and parts	-187.6
		93. Arms and ammunition, parts	-1022.5

The potential for trade between countries can be gauged by different methods, but one of the most common is a measure of trade complementarity (index).<sup>7</sup> This index is a measure of similarities between the export profile (supply) of one country and the import profile (demand) of another. The comparison can provide insights into the prospects of intraregional trade (and, by extension, external trade). The values of this index range between 0 and 100, with 0 indicating no overlap (and no basis for trade), and 100 indicating a perfect match between export supply and import demand. Table 4 presents indices for APTA as a group for 1996-2005, while table 5 contains bilateral complementarity indices for APTA members for which data are available.

Notwithstanding data limitations for Bangladesh and Sri Lanka, the APTA-wide complementarity index increases over time from 67 to 75, indicating stronger similarity between the export and import baskets of the group. Even when taking into account that the 2-digit classification level biases our results upwards, 75 shows strong complementarity on the APTA-APTA level. For China, India and the Republic of Korea, for which longer series of data are available, the overlap between the national exports profile and intraregional import demand is also increasing – somewhat less confidently for India but strongly for China and the Republic of Korea.

**Table 4. Complementarity index, 1996-2005**

	<b>APTA</b>	<b>Bangladesh</b>	<b>China</b>	<b>India</b>	<b>ROK</b>	<b>Sri Lanka</b>
1996	67.30		58.32	43.07	64.53	
1997	69.01		59.12	43.12	67.91	
1998	68.18		60.32	40.15	68.11	
1999	70.51		61.43	41.11	71.78	19.15
2000	72.58		63.63	46.01	75.17	
2001	72.19		65.95	48.37	74.17	20.83
2002	73.03		68.23	47.88	74.69	19.38
2003	74.66	8.42	69.05	49.57	74.84	18.88
2004	76.56	8.49	71.39	49.98	75.03	19.61
2005	75.51		72.56		74.78	

*Note:* Empty cells indicate no available data.

Table 5 details bilateral complementarities, taking countries in the far-left column as sources of exports. For example, the Bangladesh export supply matches only 8.1 per cent of Chinese import demand, while the Chinese export basket contains 53.9 per cent of items demanded for Bangladeshi imports. Obviously, when tariffs and other barriers are reduced/eliminated on these overlapping products, there is reason to believe that bilateral trade will expand. While expansion of trade is not in itself a goal of trade liberalization, it is an important means of achieving the real goal, that is, an increase in efficiency and welfare improvements.

<sup>7</sup> A more detailed explanation of indices as tools of analysis is available on the APTIAD website at [www.unescap.org/tid/aptiad](http://www.unescap.org/tid/aptiad).

**Table 5. Bilateral trade complementarity index for APTA members in 2005**

		Importer				
E x p o r t e r		Bangladesh	China	India	Korea, Rep.	Sri Lanka
	Bangladesh*	..	8.1	6.6	9.6	9.3
	China	53.9	..	56.7	68.8	50.8
	India*	44.6	44.7	..	52.7	54.2
	Korea, Rep.	53.3	76.1	58.4	..	52.0
	Sri Lanka*	16.1	16.5	19.4	21.5	..

\*2004

Product diversity is another dimension that allows gauging the potential for mutual trade as a more diverse export base might offer more trade opportunities with different partners. In the case of APTA members, the values of the sectoral Hirschmann indicator are shown in table 6. Unfortunately, again, there is no complete time series for Bangladesh and Sri Lanka; however, based on partial data, it appears that Bangladeshi exports to APTA are more concentrated than exports of other members. It is interesting that exports by the Republic of Korea become more concentrated over time.

**Table 6. Sectoral Hirschmann statistics**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996		0.17	0.26	0.22	
1997		0.17	0.22	0.22	
1998		0.17	0.24	0.24	
1999		0.17	0.22	0.26	0.26
2000		0.20	0.17	0.26	
2001		0.20	0.17	0.26	0.22
2002		0.20	0.20	0.35	0.28
2003	0.40	0.22	0.24	0.36	0.17
2004	0.44	0.26	0.33	0.35	0.20
2005		0.26		0.37	

International trade literature emphasizes the fact that gains from intra-industry trade (IIT) surpass gains based on inter-industry trade, and that intra-industry trade is instrumental in furthering industrialization. This claim is mostly drawn from the fact that IIT trade arises from production technology that is characterized by differentiated products and economies of scale, which implies in many cases a higher content of processing, services and higher value-added. Inter-industry trade, on the contrary, arises from standard comparative advantage, constant returns scale production of homogeneous products associated with less manufacturing and lesser value-added on average. Trade liberalization in countries with a relatively higher degree with intra-industry trade is also associated with lesser adjustments costs, which is extremely important for sustainability of trade liberalization.

APTAD allows for three different measures of intensity of intra-industry trade, from aggregate measure and its changes, to as detailed a level as allowed by disaggregation of

data. For the purposes of this briefing note, only aggregate and marginal IIT indices are calculated for APTA members vis-à-vis the APTA market as a whole as well as in their trade with AFTA.

Tables 7 and 8 present aggregate country IIT indicators and marginal aggregate IIT indicators, respectively, in the case of intraregional APTA trade and for trade with AFTA. The aggregate IIT index measures the degree of overlap among HS 2-digit chapters in a country's own trade pattern. In intraregional trade, these aggregate indices for China, the Republic of Korea and, to a lesser degree, India are relatively high.<sup>8</sup> Incomplete data, in the case of Bangladesh and Sri Lanka, do not allow strong conclusions to be made. In trade with AFTA, these same countries reflect, on average, a lower degree of IIT.

**Table 7. Aggregate intra-industry trade indices for APTA members in intraregional exports and exports to AFTA**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996		0.56	0.33	0.48	
1997		0.57	0.33	0.48	
1998		0.49	0.31	0.39	
1999		0.54	0.43	0.45	0.12
2000		0.55	0.44	0.46	
2001		0.59	0.41	0.49	0.13
2002		0.55	0.4	0.48	0.14
2003	0.03	0.53	0.38	0.45	0.13
2004	0.02	0.59	0.38	0.5	0.19
2005		0.62		0.51	

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996		0.2	0.14	0.12	
1997		0.25	0.21	0.17	
1998		0.3	0.16	0.14	
1999		0.44	0.21	0.29	0.24
2000		0.53	0.26	0.43	
2001		0.62	0.31	0.45	0.16
2002		0.52	0.31	0.4	0.12
2003	0.02	0.62	0.34	0.4	0.07
2004	0.02	0.54	0.38	0.37	0.06
2005		0.65		0.48	

The marginal IIT indices that show the proportion of new trade that is intra-industry in nature allow comparison of changes over time in the degree of IIT. The closer this index value is to 1, the more that IIT nature is detected in new trade over the period observed. For APTA members, this indicator remains at moderate levels and does not show a steady increase. This may indicate that the creation of new trade does not provide large opportunities for intra-industry exchange.

**Table 8. Marginal intra-industry trade indices for APTA members in intraregional exports and exports to AFTA**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1997		0.35	0.17	0.29	
1998		0.34	0.08	0.31	
1999		0.39	0.21	0.34	
2000		0.54	0.31	0.44	
2001		0.19	0.16	0.24	
2002		0.39	0.19	0.31	0.09
2003		0.42	0.31	0.37	0.1
2004	0.04	0.58	0.17	0.51	0.25
2005		0.38		0.37	

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1997		0.33	0.07	0.17	
1998		0.19	0.04	0.24	
1999		0.32	0.21	0.47	
2000		0.61	0.24	0.35	
2001		0.49	0.12	0.24	
2002		0.3	0.32	0.16	0.28
2003		0.49	0.28	0.37	0.05
2004	0.09	0.23	0.38	0.23	0.11
2005		0.54		0.42	

Returning to the issue of enhancing intraregional trade, understanding the importance of the APTA market to its individual members and their position in the APTA market is also crucial. While a detailed disaggregated analysis of relative competitiveness ought to be carried out by using the competitiveness index, some inferences can be drawn by looking at

<sup>8</sup> The more disaggregated the data, the more precise the measure of IIT. HS 2-digit level data overstate the degree of IIT.

export and import shares. Table 9 collects these shares from the perspective of individual members and APTA as a whole.

It appears that there is a certain degree of asymmetry in terms of relevance of individual members and the region for each other. For example, in 2005, the APTA market appears to have been very important for the Republic of Korea as its share of exports dedicated to APTA was over 23 per cent while almost 17 per cent of its imports were sourced from APTA. Likewise, for APTA as a whole, the Republic of Korea is a source of more than 7 per cent of imports, and it absorbs more than 3 per cent of APTA exports.

China's position is strong but more balanced. It is sending more than 6 per cent of its exports to APTA while buying almost 11 per cent of its imports from APTA. From an APTA perspective, China is important as a source of imports (more than 5 per cent), and as a destination for APTA exports (almost 6 per cent).

Much wider asymmetry exists in the case of Bangladesh with 1.7 per cent of that country's exports destined for the APTA market and almost 30 per cent of its imports coming from APTA. On the other hand, Bangladesh is insignificant both as a source for APTA imports and as a destination for APTA exports.

**Table 9. Asymmetrical dependencies**

**Individual members as a source of APTA's imports**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996		3.43	0.95	5.13	
1997		3.78	0.85	5.49	
1998		3.32	0.89	5.48	
1999		2.97	0.66	4.82	0.03
2000		3.28	0.68	4.90	
2001		3.76	0.73	4.95	0.03
2002		4.68	1.12	6.20	0.04
2003	0.01	4.54	1.19	6.95	0.03
2004	0.01	5.15	1.30	7.67	0.04
2005		5.22		7.42	

**Individual members as a destination for APTA's exports**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996	0.66	3.86	0.59	2.56	2.56
1997	0.59	4.09	0.58	2.71	2.71
1998	0.61	3.27	0.75	1.86	1.86
1999	0.49	3.75	0.67	2.16	2.16
2000	0.53	4.17	0.62	2.50	2.50
2001	0.57	4.15	0.73	2.81	2.81
2002	0.51	4.75	0.77	2.98	2.98
2003	0.51	5.41	0.91	2.97	2.97
2004	0.44	5.89	1.05	3.08	3.08
2005	0.29	5.92	1.30	3.35	3.35

**APTA as a source of members' imports**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996	48.75	9.10	7.79	8.13	29.64
1997	40.73	9.49	7.48	9.53	26.83
1998	38.73	7.96	9.23	10.13	25.89
1999	31.57	8.32	5.55	8.14	18.64
2000	32.71	8.77	5.56	8.40	19.01
2001	33.33	8.24	7.02	10.63	22.65
2002	41.37	10.43	10.28	13.54	32.60
2003	43.50	10.89	12.03	14.80	33.66
2004	42.24	12.25	14.58	16.72	32.74
2005	29.66	10.93	12.37	16.46	14.99

**APTA as a destination for member's exports**

	Bangladesh	China	India	Korea, Rep.	Sri Lanka
1996		5.97	7.49	10.43	
1997		5.98	7.14	11.66	
1998		4.43	6.62	10.20	
1999		5.02	5.97	11.07	2.08
2000		5.63	6.46	12.13	
2001		5.91	7.08	13.78	2.40
2002		6.03	9.17	16.10	3.34
2003	1.36	5.78	10.68	20.13	3.36
2004	1.76	6.14	11.69	21.46	5.70
2005		6.21		23.72	

#### IV. Conclusions

Further analysis of the potential for enhancing trade within APTA, and between APTA members and third parties, can be pursued by using, for example, sectoral IIT, revealed comparative advantage (RCA), competitiveness and other indices from APTIAD. Since the purpose of this briefing note is only to introduce directions of possible analytical work in exploring the intraregional trade potential of APTA, such a more detailed analysis is not carried out at this stage.

It is also important that the asymmetries in the size and level of development of the member countries indicate that it will be necessary to broaden the existing trade agreement with other areas of cooperation such as trade facilitation, liberalization of logistic and financial services, and mutual recognition of standards. This extension of the agreement would make it more attractive to those current members for whom sheer extension of trade does not exhaust interest from engaging in trade integration.

Notwithstanding this point, further tariff reductions and eliminations, and the removal of non-tariff barriers should complement this cooperation in other areas. Examples from other agreements show that it is necessary to achieve a critical mass of trade liberalization in order to boost trade among members. There is evidence that this stage has not yet been reached in APTA. If, however, continued political commitment is found to further trade liberalization, such liberalization should be integrated into wider national development strategies so that the risk for trade diversion is minimized, and the contribution to boosting economic efficiency and reducing poverty is maximized.

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