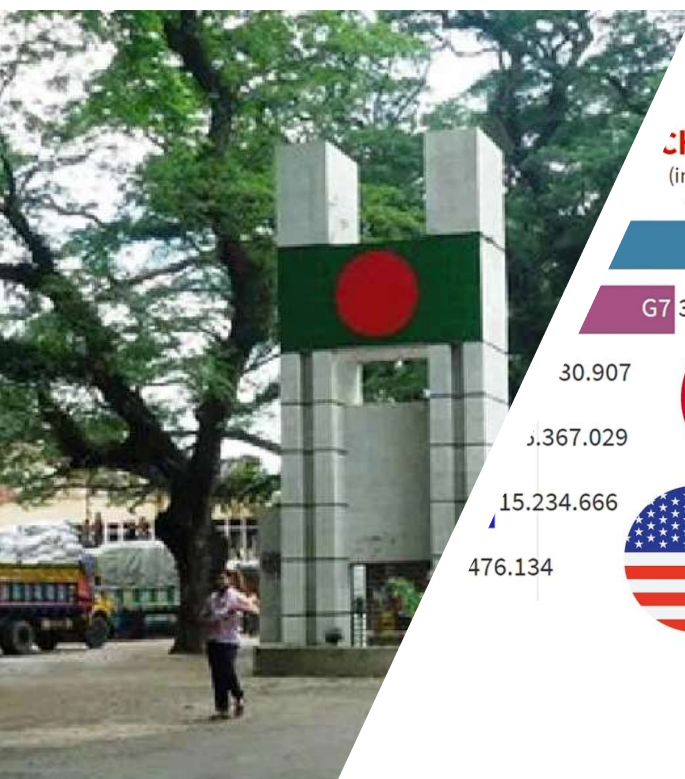


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China vs USA by GDP [Nominal]
(in US dollars)

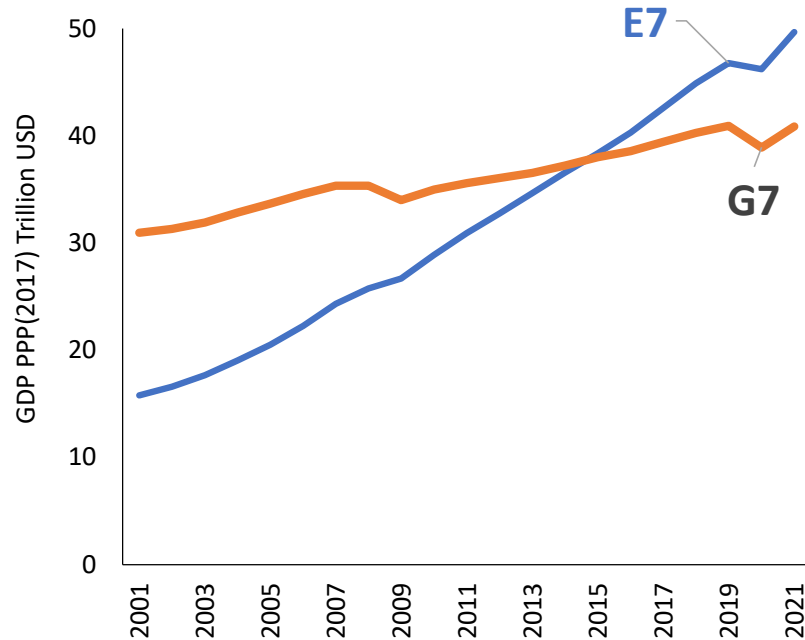


South-South Trade and Investment Flows: What Opportunities for Bangladesh?

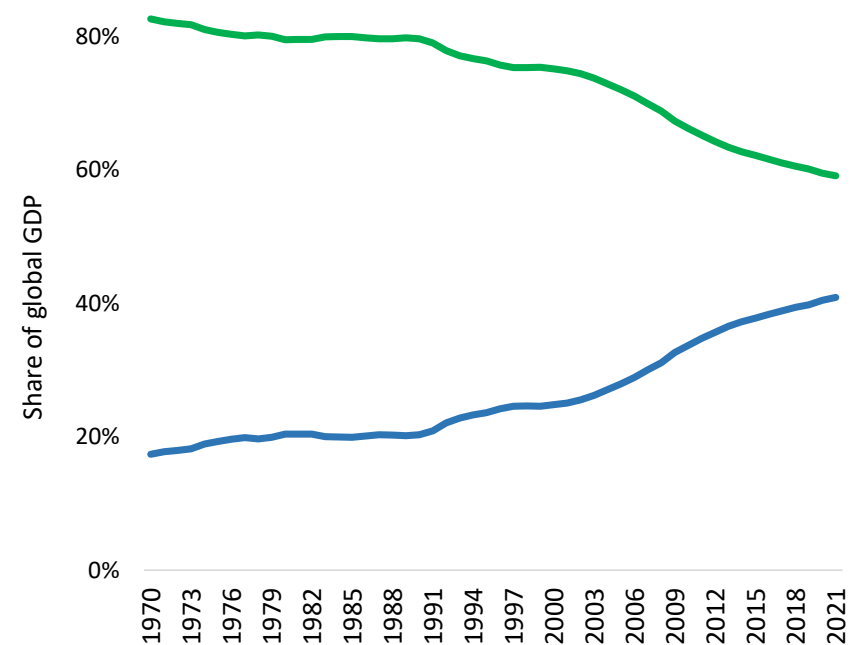
Mohammad Abdur Razzaque
15 December 2022

The rising significance of developing countries in the global economy has been a defining feature of globalization

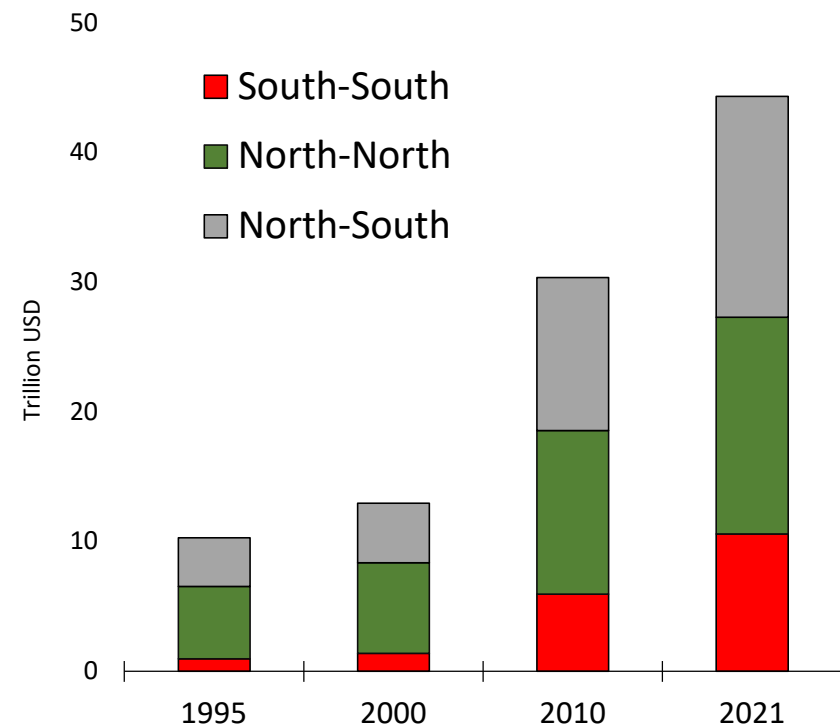
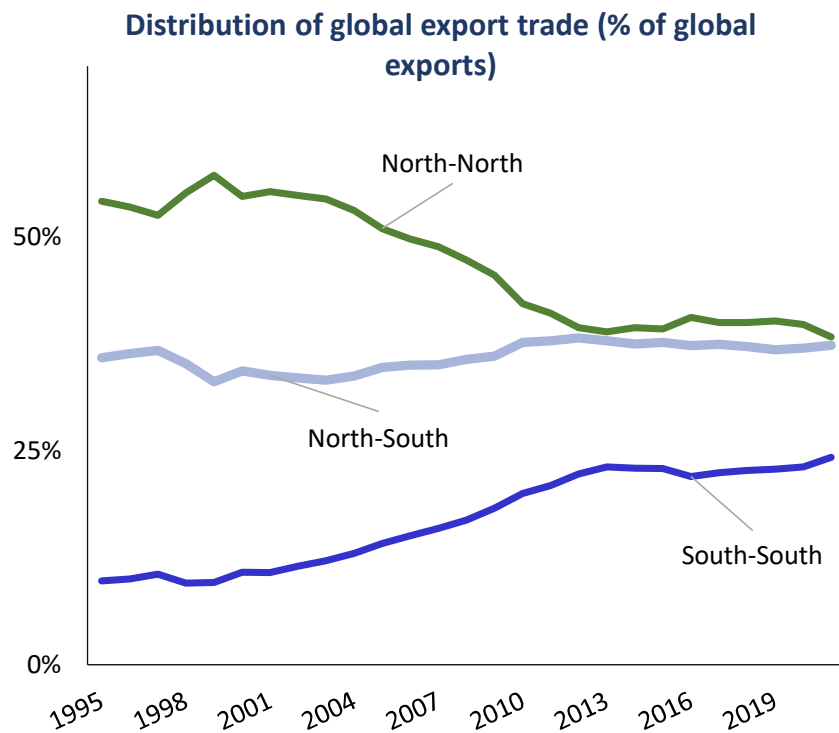
Since 2015, the combined size of E7 countries in GDP PPP terms has been higher than that of G7



Share of developed and developing countries in global GDP measures in US\$ (%)



The share of trade between developed countries fell from 57% to 38%, while the share of South-South trade rose from 10% to about 25%.



South-South trade dynamics

The rise of the South is driven by Asian economies

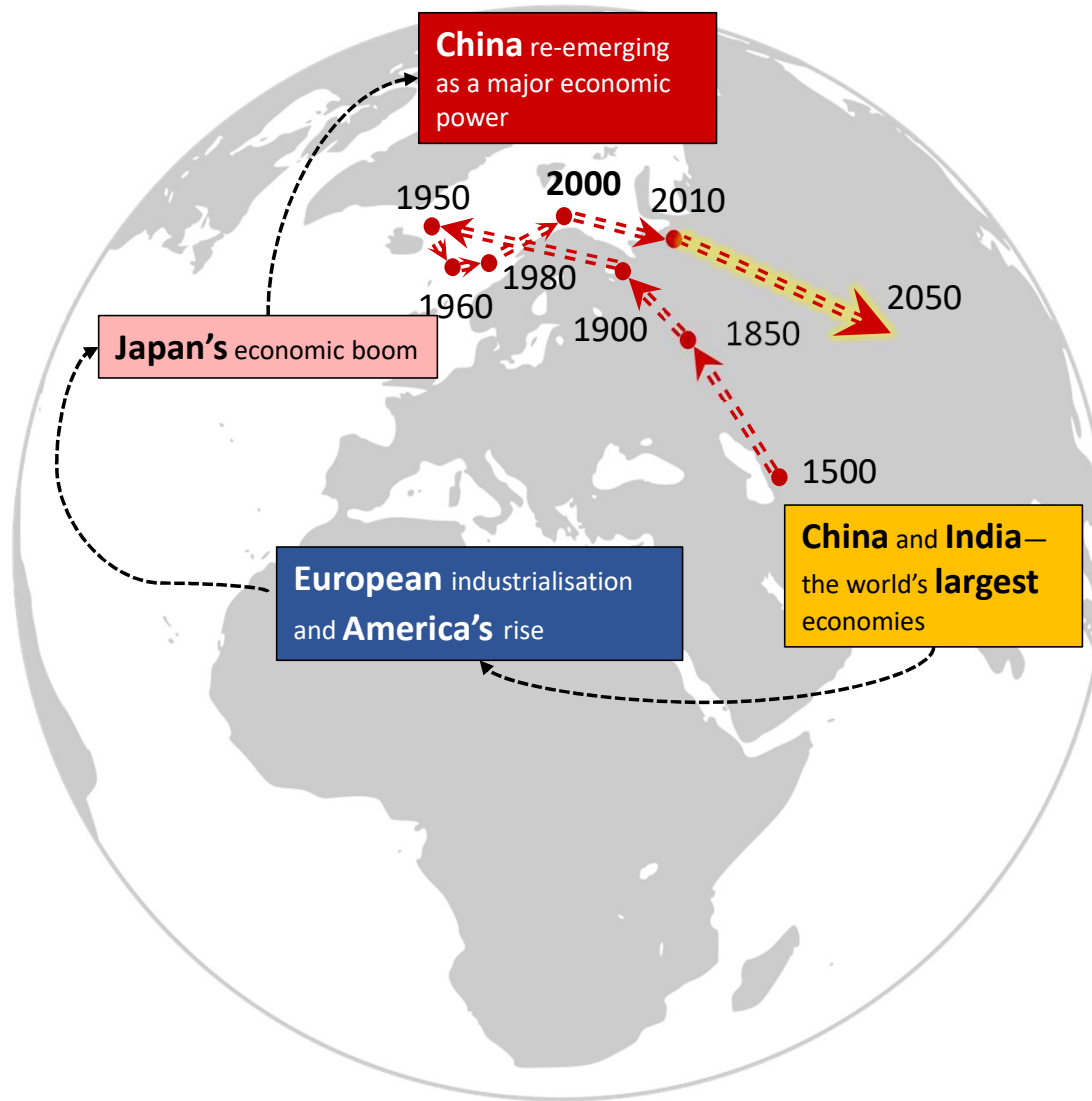
- More than E7 and BRICS
- Asia is the new centre of global economic gravity

Significance of the rise of South

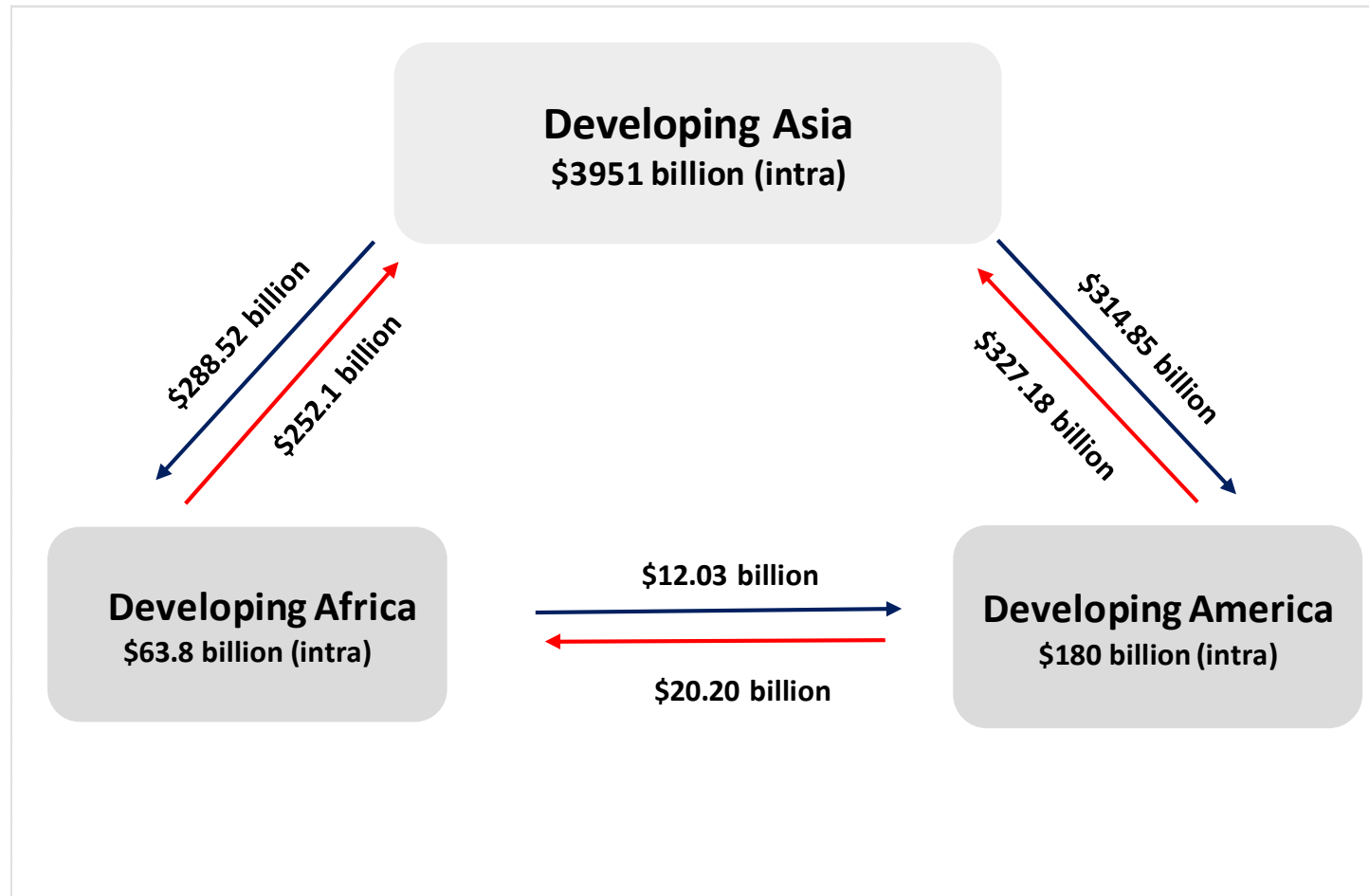
- New sources of growth, trade, investment, technology
- Good for tackling locational disadvantages



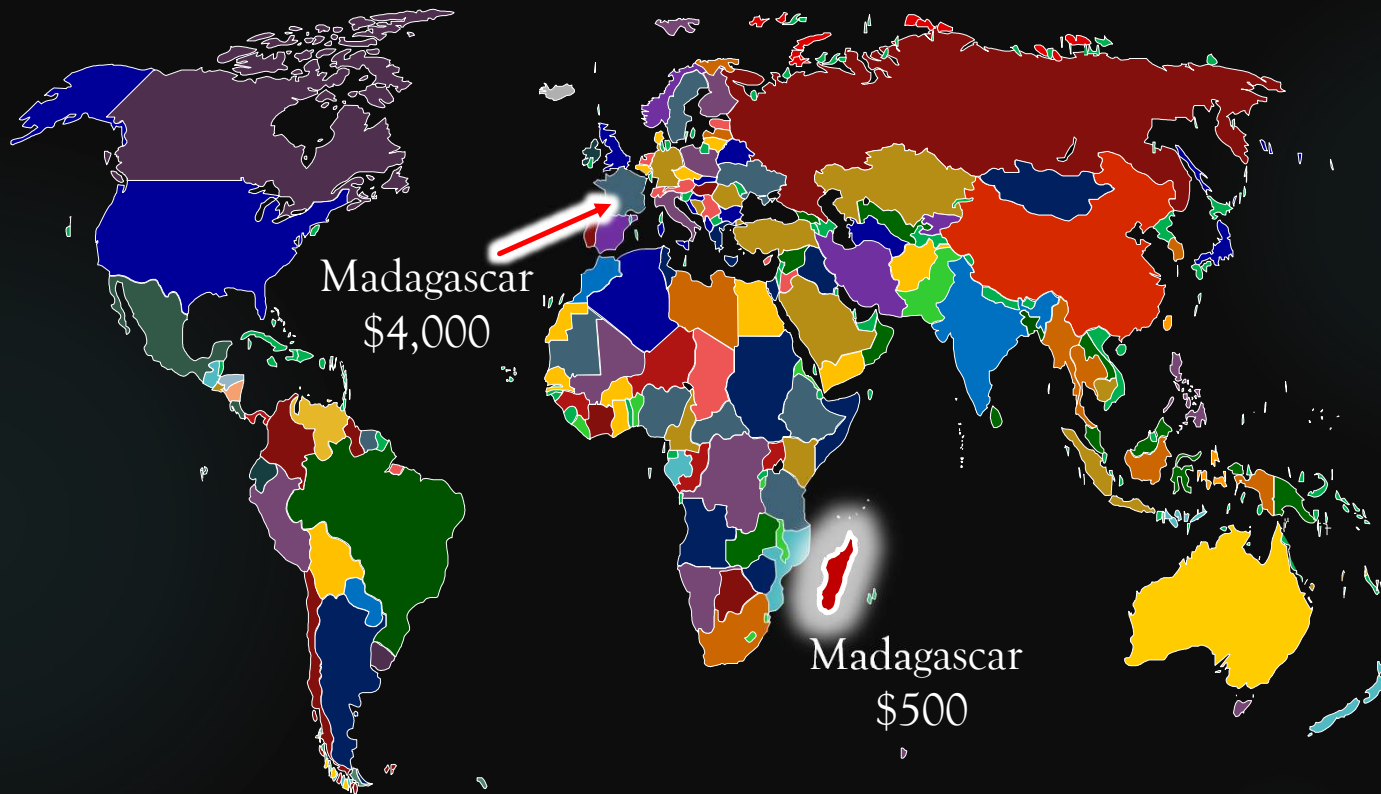
Rise of the South is driven by Asian economies



How Asia is driving South-South Trade (2021)



Rise of the South and geographical location for trade, economic growth and development



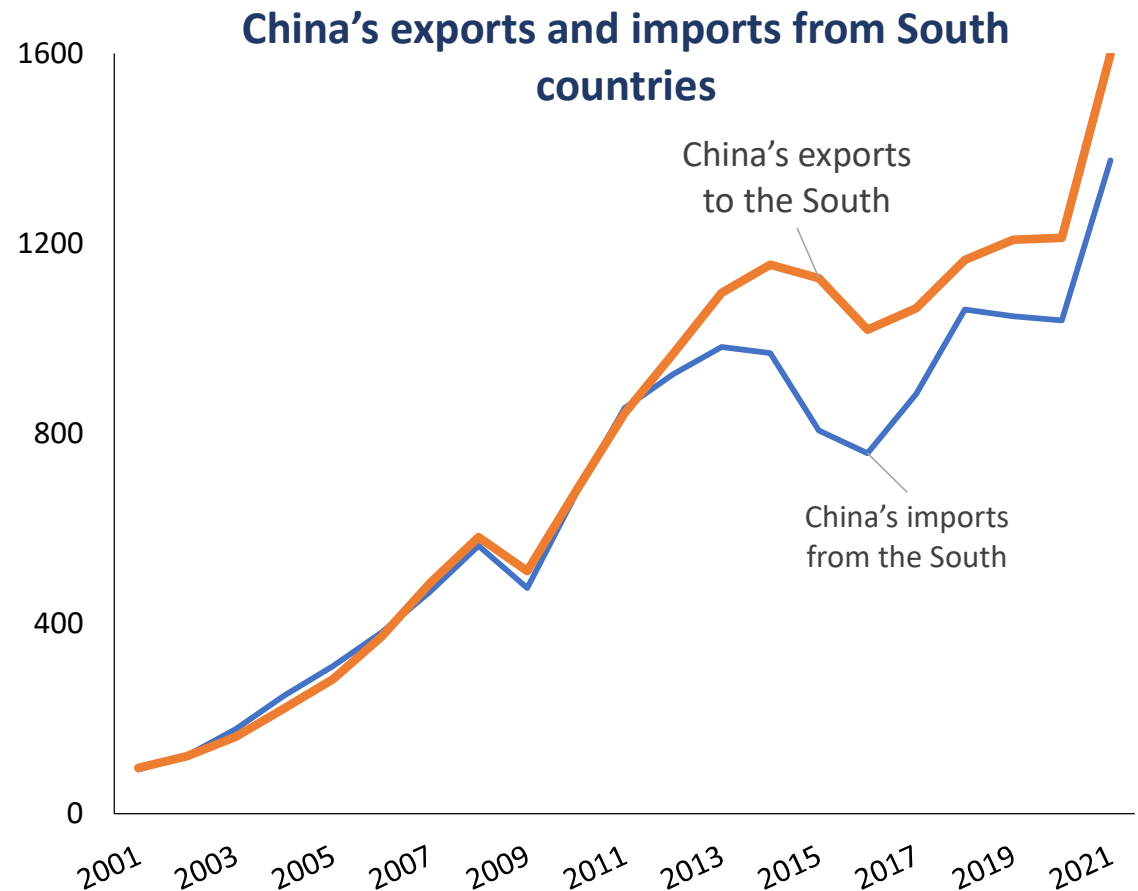
Participation in South-South trade and investment landscape

China alone accounts for

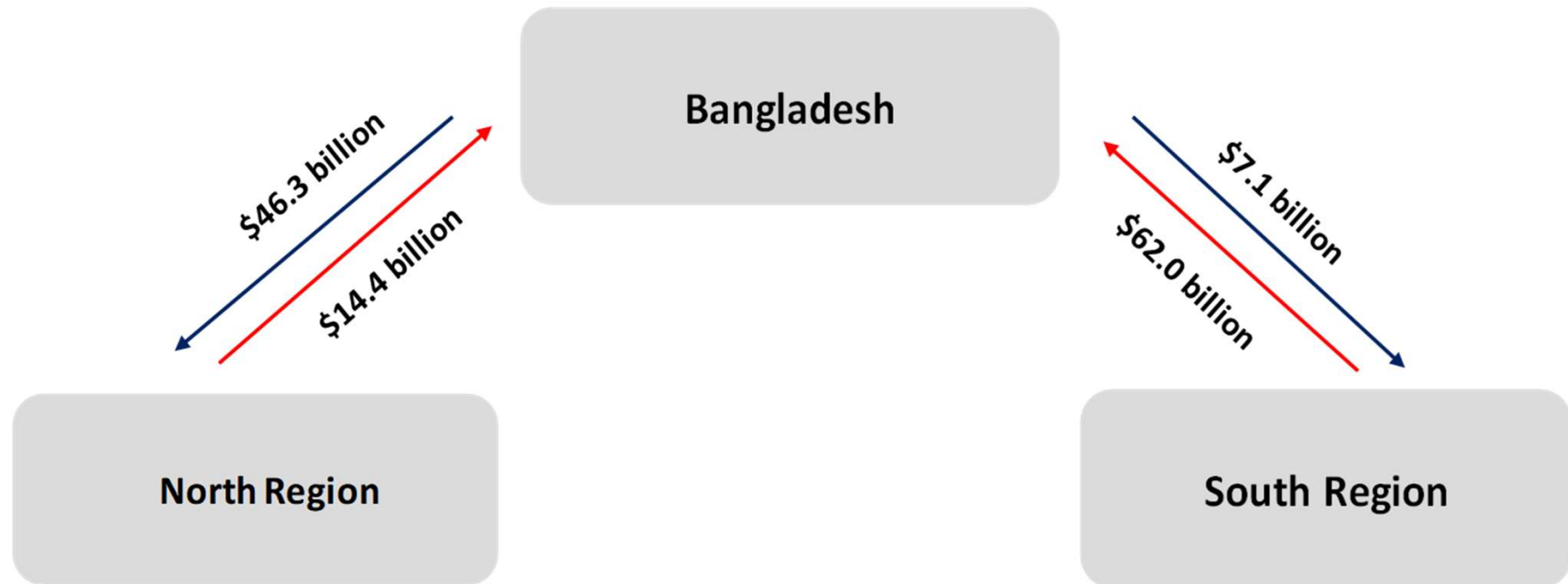
- 33% of all South-South export trade.
- 27% of all South-South import.

Bangladesh has a share of

- just 0.14% in South-South export trade
- 1% in South-South import trade.

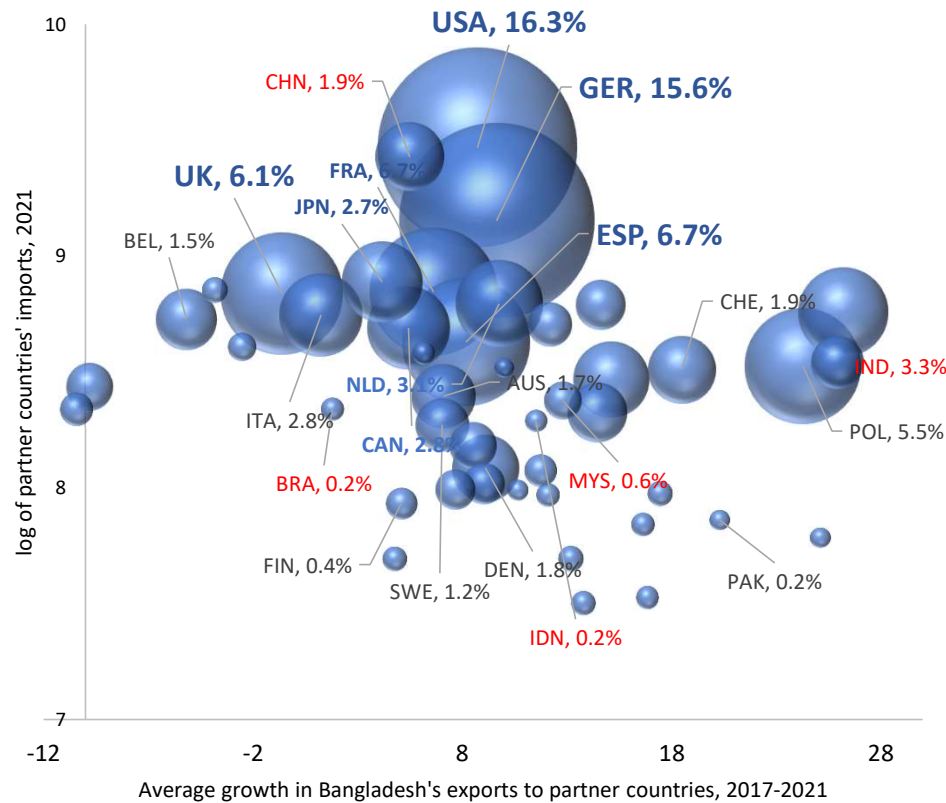


86% of Bangladesh's exports went to developed country markets (in 2021), while 80% of its imports came from the South.

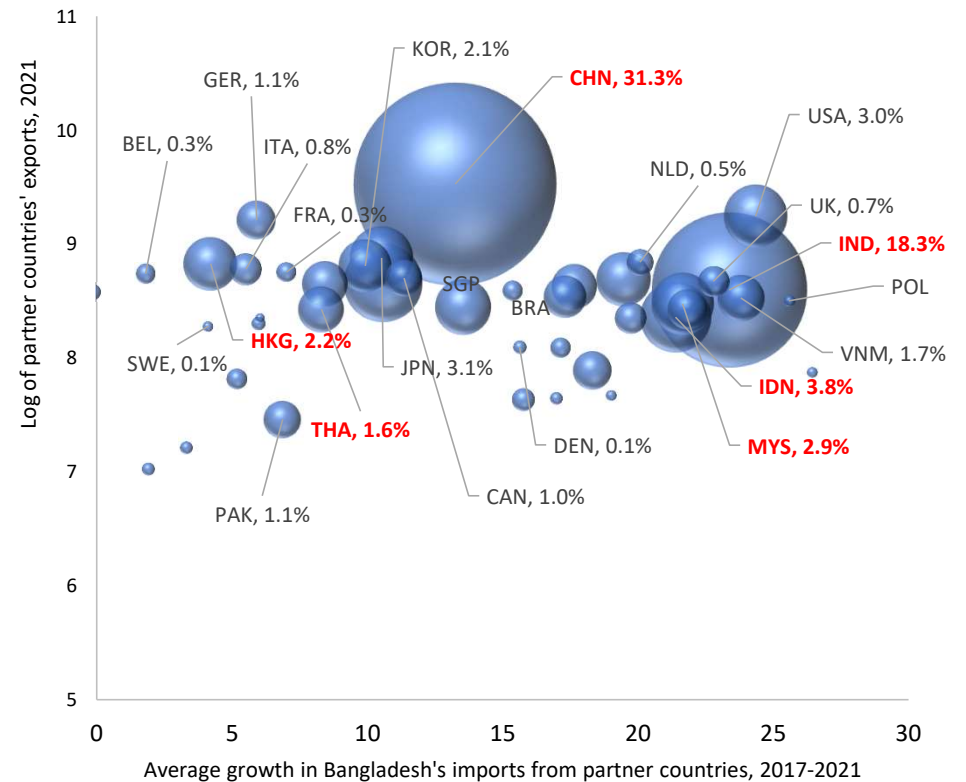


86% of BGD exports go to developed countries, while 80% of BGD imports are mainly from the South.

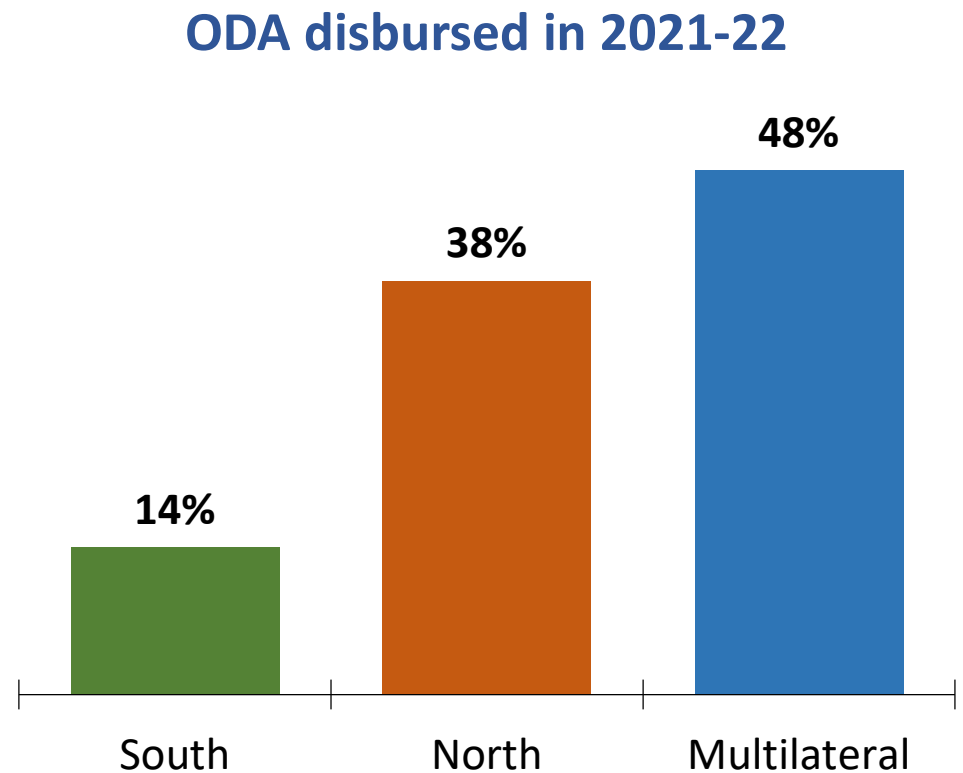
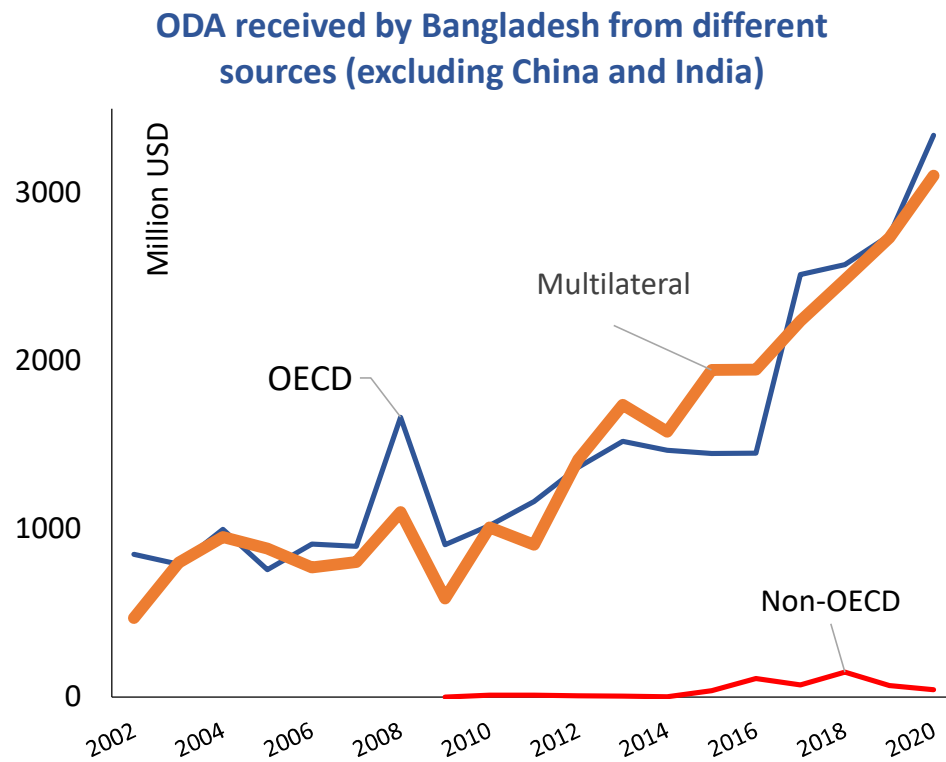
Bangladesh's exports to partner countries



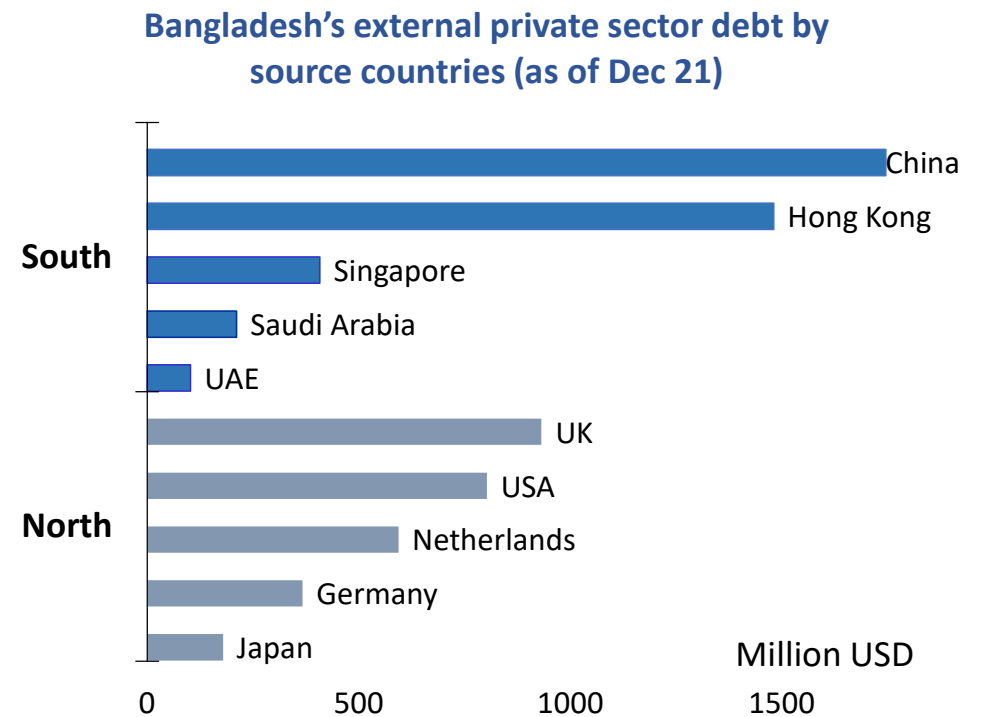
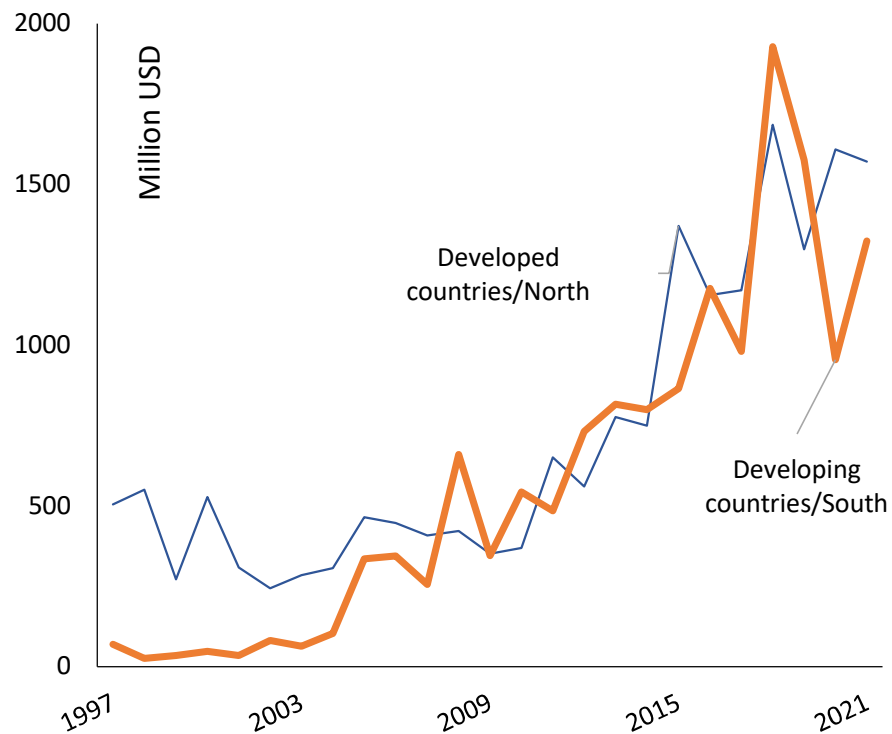
Bangladesh's imports from partner countries



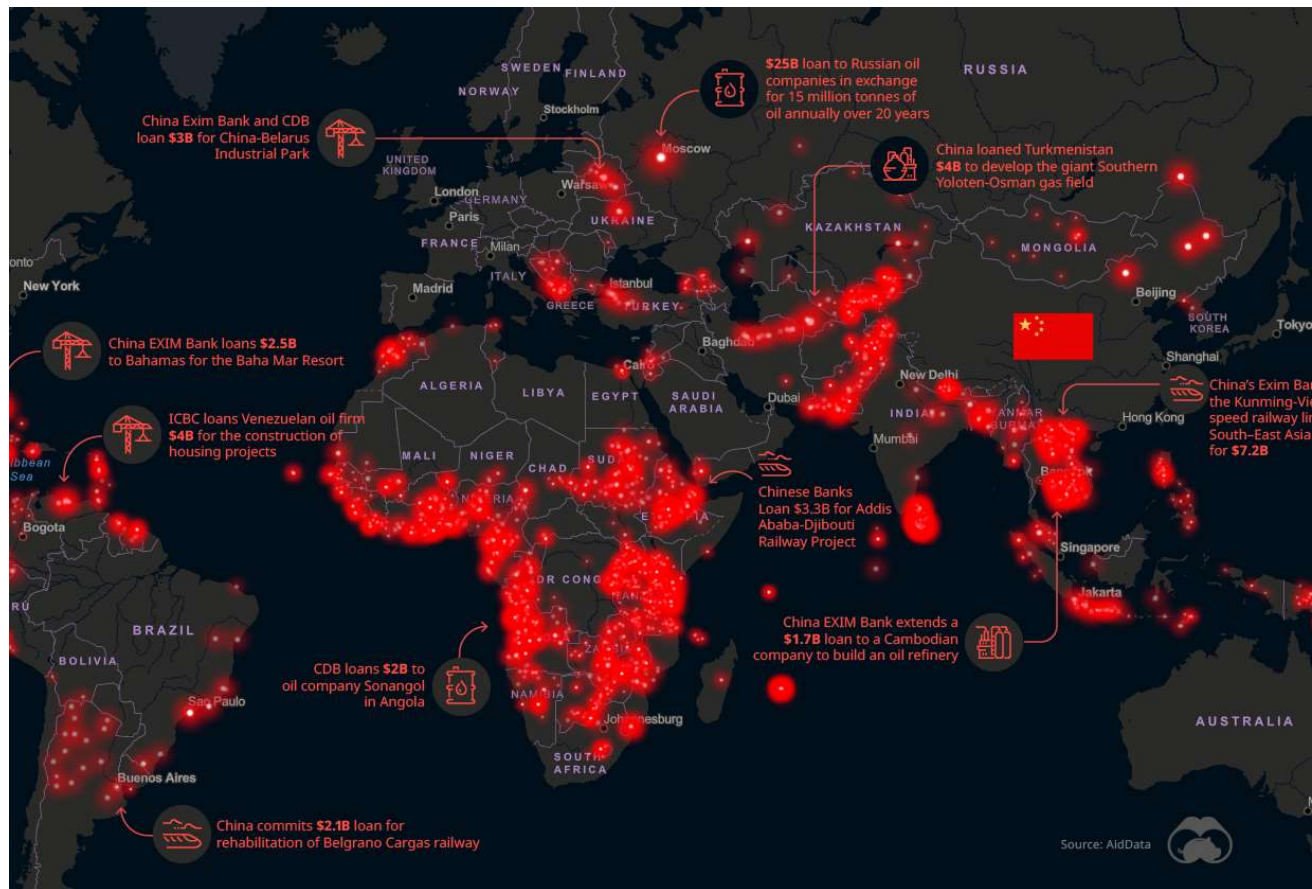
Despite the rise of the South, ODA contribution is dominated by OECD countries



FDI inflow into Bangladesh by region



China has become a major source of investment:
Chinese-backed projects since 2000



ISTANBUL DECLARATION
AND PROGRAMME
OF ACTION FOR
THE LEAST DEVELOPED
COUNTRIES
FOR THE DECADE
2011–2020



Partnership with the South and Triangular Cooperation

- IPOA 2011-2020, the developing countries were recognized as important development partners.
- India and China have granted extended and generous duty-free market access for LDCs.
- Bangladesh has been a major beneficiary of
 - LDC market access granted by India.
 - China has also provided duty-free market access in more than 98 per cent of its tariff lines, although the export response to it has remained subdued.

Partnership with the South and Triangular Cooperation

With the rise of the South

- Connectivity is now more important than ever.
- A significant part of South-South trade should ideally take place through land routes.

Investments in the related road, port and rail infrastructures should be profitable.

- ADB, World Bank, AIIB, UNESCAP, etc. are helping with various regional infrastructural development projects in promoting regional trade and connectivity.
- China's BRI investment projects

Connectivity initiatives between Bangladesh and India

- These include developing transit infrastructures, improvements of land ports, developing coastal, shipping and road links.



Challenges in the South-South trade and development landscape

Specializations based on comparative advantage

- Clear in North-South trade
- Trade is driven by primary commodities and limited supply chains

Trade negotiations with the South more difficult

- Because of similar production structure (weaker economies tend to lose)
- Intra-industry trade more common for high-end categories

LDC graduation

- Market access benefits in major Southern economies will be lost
- Trade deals with developing countries – ambiguous outcomes

South-South FTAs: Gains for weaker economies can be difficult

- Trade and welfare effects – ambiguous
- Distribution of gains between member – ambiguous
- North-South versus South-South FTAs
- Multilateral opening up: primary source of gains – reduce home tariffs
- But, for RTAs/FTAs: Mercantilists are correct



Chinese market for apparel is small; export success based on clothing alone is not viable

China's imported clothing: \$10 billion

- Vis-à-vis \$180 billion in the EU
- Almost \$90 billion in the USA

Apparel imports, 2021 (billion \$)		
Rank	Importers	Imports, 2021 (billion \$)
	World	436.7
1	United States	87.3
2	Germany	41.9
3	France	24.2
4	Japan	23.8
5	United Kingdom	20.8
6	Spain	18.5
7	Netherlands	16.4
8	Italy	16.2
9	Poland	12.5
10	Korea, Rep	10.5
11	China	9.7
12	Canada	9.7
13	Belgium	9.0
14	Switzerland	8.3
15	Hong Kong	8.0
16	Russia	8.0
17	Australia	7.4
18	Austria	6.9

Issues in South-South Cooperation

More restrictive trade policies – both tariff and non-tariff measures

- But that means trade and welfare gains can be higher
- Distribution of gains is a major problem

Underdeveloped supply chains

- Southern countries still lack diversified supply chain mechanisms with the participation of many other developing countries.

Higher cost of borrowing from the South

- Southern suppliers' credits have stricter conditionalities raising borrowing costs.

Geopolitical tensions

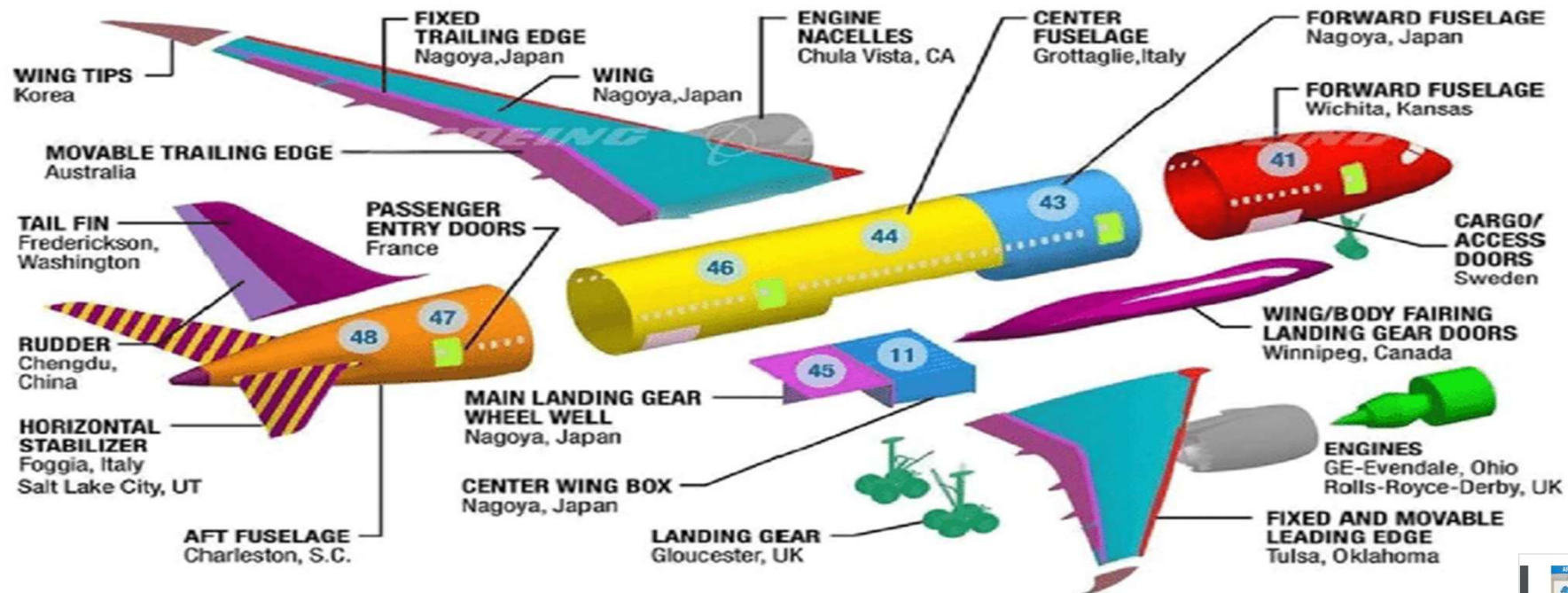
- Increasingly becoming more prominent, stifling regional cooperation opportunities.
- Such rivalry can also make managing bilateral relations even for pure trade and economic benefits.



Boeing 787 Dreamliner – supply chains (parts and components trade)

THE COMPANIES

U.S.	CANADA	AUSTRALIA	ASIA	EUROPE
Boeing	Boeing	Boeing	Kawasaki	Messier-Dowty
Spirit	Messier-Dowty		Mitsubishi	Rolls-Royce
Vought			Fuji	Latecoere
GE			KAL-ASD	Alenia
Goodrich			Chengdu Aircraft Industrial	Saab



<https://www.researchgate.net/publication/322270152> The Role of Internal and External Complexity in Global Factory Performance An NKC Application
Original source of information: The Boeing Company

APPLE AROUND THE WORLD

Location and number of Apple suppliers per country



Tapping into Southern Dynamism: Way Forward for Bangladesh

Huge export potential – especially in India and China

- current exports to India are \$4-\$6 billion lower than the potential, to China--\$2-\$4 billion

Export diversification is critically important

- to capture the growing market in the South

Holistically assess and develop appropriate trade negotiation strategies for large developing countries.

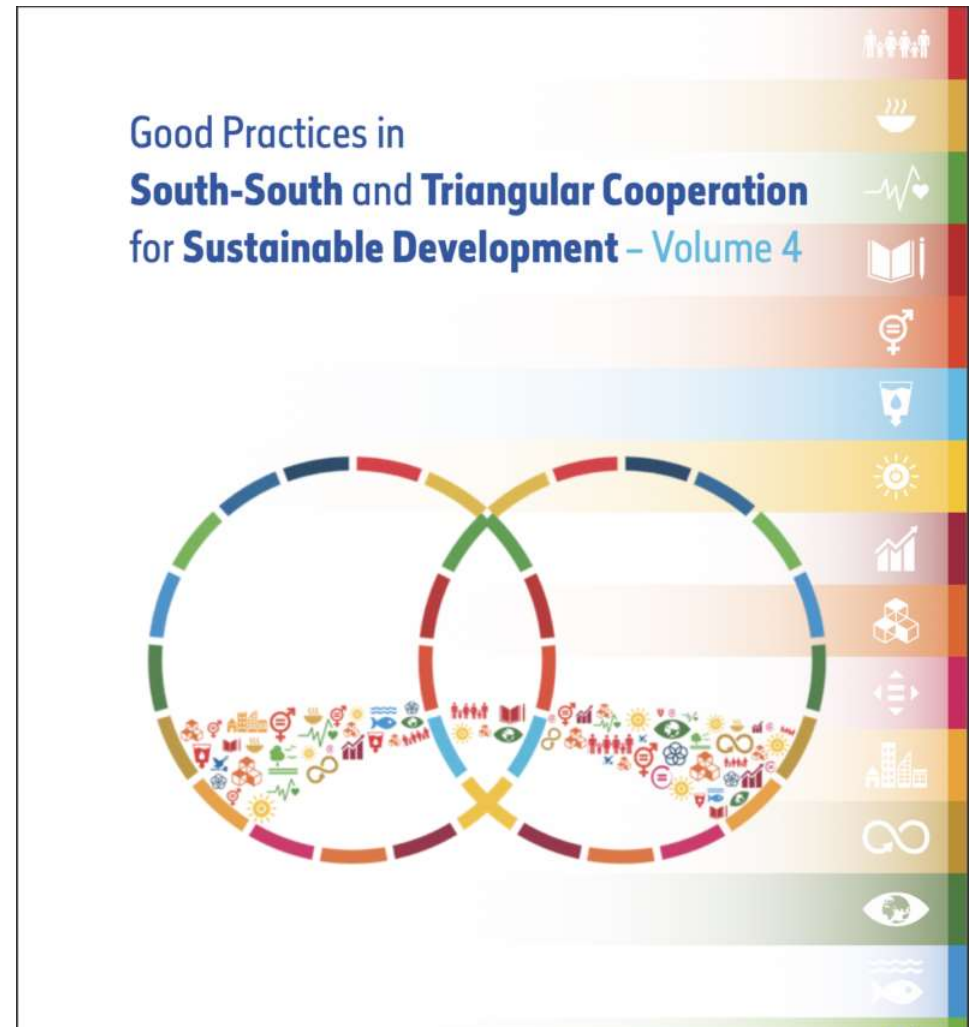
- Gains from FTA may not be straightforward
- Role of PTAs

Taking advantage of the diversification of global supply chains

- Triangular cooperation in getting into emerging supply chains
- FDI-led export-based industrialization

Tapping into Southern Dynamism: Way forward

- The global South offers **many good practices** in areas of trade and investment promotions.
- **Regional connectivity** should be a priority area of focus
- Proactively pursue South-South cooperation for
 - Strengthening trade multilateralism
 - Promoting global development (including resource mobilization for SDGs, and climate change actions)
- Improving **competitiveness** expand exports is equally important for Southern country markets.





Thank you.