

Trade-led Growth in Times of Crisis
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**Trade Creation and Trade Diversion Effects of
Agricultural Trade**

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Presentation Outline

- Regional Trading Agreements (RTAs)
- Agricultural Trade Liberalization in South Asia
- Objectives of the Study
- Gravity model for the present study
- Data and data sources
- Results & Discussion
- Conclusions and Recommendations



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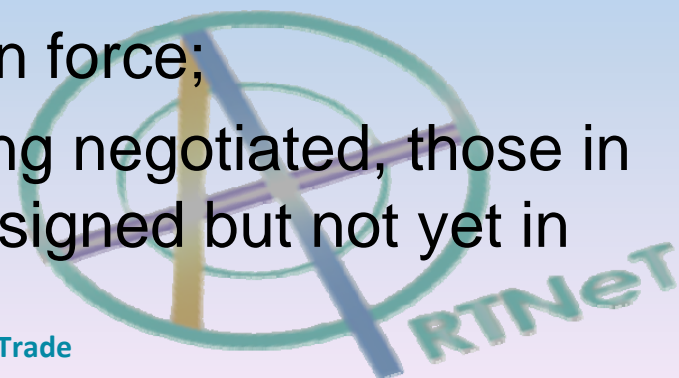




Regional Trading Agreements (RTAs)

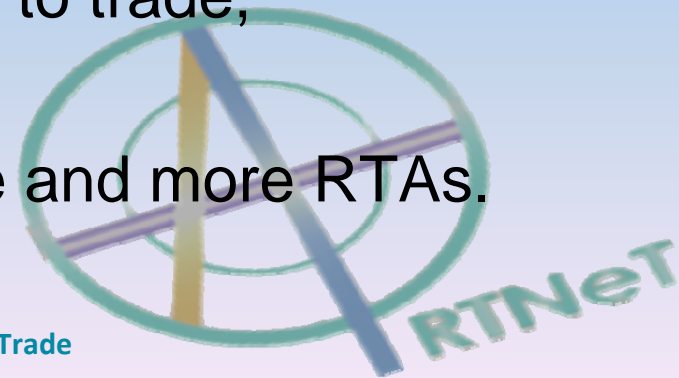
- Starting in the mid-1980s, RTAs began burgeoning along with multilateral trade liberalization.
- RTAs reshaped the world trading system which becoming the fixture of global trade arena today.
- At present,
 - 197 RTAs notified with the WTO are in force;
 - Number exceeds 300 if those are being negotiated, those in the proposal stage and ones that are signed but not yet in force are counted.

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Significance of RTAs

- **More than one-third of global trade** takes place between countries that have some form of reciprocal RTAs.
- The European Union and United States are playing a prominent role in this state (*Newfarmer, 2005*).
- RTAs ground to **create opportunities to expand trade** through joint action to overcome barriers to trade,
- Developing countries are engaging more and more RTAs.



Economic Desirability of RTAs

Vinerian (1950) distinction between trade diversion says

Lowering their tariffs due to liberalization will cause a shift from reliance on high-cost domestic industry to reliance on the lower-cost partner countries.

Trade diversion will cause to displace the low-cost production in the rest of the world by higher-cost production in the partner country.

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