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### South-South Trade: An Asian Perspective

*Prema-chandra Athukorala*

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Arndt-Corden Department of Economics  
Crawford School of Economics and Government  
ANU College of Asia and the Pacific



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Prema-chandra Athukorala  
The Arndt-Corden Department of Economics  
Crawford School of Economics and Government  
ANU College of Asia and the Pacific  
The Australian National University

## **Corresponding Address :**

*Prema-chandra Athukorala*  
The Arndt-Corden Department of Economics  
Crawford School of Economics and Government  
ANU College of Asia and the Pacific  
Coombs Building 9  
The Australian National University  
Canberra ACT 0200

Email: [Prema-chandra.Athukorala@anu.edu.au](mailto:Prema-chandra.Athukorala@anu.edu.au)

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*Prema-chandra Athukorala*

Arndt-Corden Department of Economics  
College of Asia and The Pacific  
Australian National University  
[Prema-chandra.athukorala@anu.edu.au](mailto:Prema-chandra.athukorala@anu.edu.au)

# South-South Trade: An Asian Perspective

## 1. Introduction

The purpose of this paper is to contribute to our understanding of the rationale behind the case for promoting trade among developing countries (South-South trade) by examining the emerging trends, patterns, and determinants of intra-developing country trade (South-South trade) in Asia within the wider global contest. The paper covers all developing member countries of the ADB (that is, countries in Northeast Asia (excluding Japan), East Asia, South Asia, and Central and West Asia, the Pacific), while paying attention to commonalities within sub-regions and differences among them. In analysing the Asian experience compared to developing countries in other regions, particular attention is placed on Asia's unique role within global production networks and growing importance of cross-border trade in parts and component among countries in the region.

There are two key issues central to the debate on whether specific policy interventions are needed for promoting South-South trade: Is South-South trade too little compared to what we would expect in terms of the standard determinants of trade flows? (Is there untapped potential in South-South exchange?) Does South-South trade have specific structural features that justify policy intervention to 'engineer' a shift in trade from the North to the South? The focus here is predominantly on the former question. Clear-headed thinking on this issue is needed to avert a messy two-tier or multi-tier international trading system emerging out of political motives and/or ideological predilections.

For the purpose of the analysis in this section, 'developing countries', or the South, is defined to encompass developing Asia (the member countries of the Asian Development Bank), Latin America, Africa and the Middle East. This is consistent with the country classification used in the official publications of the WTO (2003) and UNCTAD (2005). 'Developing countries' (or the South) are defined to encompass developing Asia (the member countries of the Asian Development Bank), Latin America, Africa and the Middle East. The prime focus is on developing Asian countries (DAC) (the member countries of ADB), The experiences of DACs are examined from a global perspective, paying particular attention to their trade links with countries in Africa and Latin America.

The data are compiled from the UN trade data system (Comtrade data base, SITC Rev 3)

Time coverage: 1990-2008.

The paper is organized as follows. Section 2 briefly surveys the policy debate on promoting South-South trade in order to set the stage for the ensuing analysis. Section 3 examines trends and patterns of South-South trade, encompassing trade flows over time in aggregate, by major partners, and by major commodity groups. This section also examines geographic patterns of trade, with emphasis on the implications of the growing importance of global production sharing. Section 4 undertakes an econometric analysis of the determinants of trade flows within the standard gravity modeling framework. The final section summarizes the main findings and draws out some general inferences.

## **South-South trade: State of the Debate**

The case for promoting South-South trade is not new. It has gone through five distinct cycles over the past half a century. The debate on South-South trade has gone through distinct and dramatic cycles during the post-war era. Delinking (decoupling) developing countries (the South) from mature industrial economies (North) was one of those popular slogans in the international development policy debate in the 1950s and 1960s<sup>1</sup>. Proponents of this view regarded promotion of commercial and financial links among developing countries, if necessary (or, some would say, preferably) at the expense of such links with the North as a necessary condition for balanced, equitable and self-reliant growth in developing countries.

In the negotiations held in Geneva (1947) and Havana (1948) for drafting the International Trade Organization Charter and to negotiate the General Agreement on Trade and Tariffs, developing countries led by Australia, India, Brazil and Chile sought special authorization of specific exceptions to commercial policy including regional trade preferences to safeguard their plans for economic development (Gardner 1980, p. 365-6). Ten years later, 'Economic integration among underdeveloped countries in order to expand their markets and established industrial production on a more rational basis'

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<sup>1</sup> For a comprehensive survey of the relevant literature see Diaz-Alegandro (1978)

was among the four major proposals<sup>2</sup> made by Raul Prebisch (the founding Secretary General of the United Nations Conference on Trade and Development (UNCTAD) and its leading ideologist) at the inaugural meetings of UNCTAD in 1963 (Prebisch 1964). Prebisch envisaged that '[T]he developing countries should also form their own groupings in order to plan and develop their industries in wider markets. In the course of time, the more advanced developing countries should be able to produce a market for exports of manufactures from the countries which are embarking on the first stages of industrialization by according them preferential treatments'.

In the 1950s and early 1960s, the UN regional economic commissions in Africa and Latin America made attempts to promote regional and sub-regional integration schemes (Greenaway and Milner 1989). Other than these attempts, most of which never went beyond the drawing board stage and others had a short active life, the decoupling ideology, however, remained dormant during the ensuing decade or so. This was because the Bretton Woods system provided a congenial setting for smooth economic relations among the developing countries and between them and the developed countries (Bhagwati 1996). Until the 1970s trade turned out to be much more buoyant than Prebisch and his followers had expected. The 1950s and 1960s witnessed unprecedented expansion in world trade and income and a benign attitude towards the international regime prevailed among the developing countries because they too generally prospered during these decades. The general belief was that interaction among all nations would be mutually beneficial.

- Attempt to put into the idea of delinking (under the new label of 'collective self reliance') as part of the United Nations' call for a **New International Economic Order** (NIEO) during the period from 1973 to late 1970s

(NIEO: agreed upon at Algiers summit of the Non-aligned Nations and formally ratified by the UN general assembly in 1973.

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<sup>2</sup> The other three proposals related to Duty free entry for manufactured products of the underdeveloped countries, Commodity agreements designed to raise and stabilize the prices of poor countries' food and raw material exports, and compensatory finance, which would provide international stability for countries whose export earnings lag behind the developmental needs



Motivated by the perception of ‘commodity power’ coming from the OPEC success in quadrupling oil price)

---In 1973 OPEC raised oil prices threefold. It saw the emergence of demand by the Third World for a new International economic order...

The case for promoting South-South economic relations became prominent in the 1970s as part of the United Nations’ call for a New International Economic Order during the 1970s. The rationale for NIEO (revolt against the international system) grew out of the strong perception of ‘commodity power’ based on the remarkable success of the OPEC in quadrupling oil prices in the early 1970s and emerging signs of economic slowdown in the North. The package of policies proposed under the label ‘collective self reliance’ included, given preferences to mutual trade, setting up producer cartels, and arrangements for sharing technology; trade should not be left to market forces but planned. Promoting South-South exchange though these measures was regarded as correcting past colonial and neocolonial distortions of trade patterns. Paul Streeten, a leading proponent of NIEO, summed up the the case for promoting South-South trade prevalent at the time as follows:

‘The existing strong North-South orientation is partly the colonial heritage and the legacy of the network of communication, credit, transports. This has been reinforced by aid-tying and the investment by multinational enterprises. ... Moreover, in view of the probably lower growth rates of the countries of the organization of Economic Cooperation and development (OECD) and the probability of the erection of trade barriers, the encouragement of intra-third world trade is a sensible way to ensure against future loses. Even if buying in the North may be cheaper, lack of foreign exchange make it impossible. A more poverty-oriented strategy of development will show that poor countries are more likely to produce for one another what they consume and consume what they themselves produce. The strong North-South orientation of the past is partly built on the consumption patterns of a small Southern elite and the dual development this has implied. Once the alternative infrastructure has been erected, incentives for greater South-South trade will emerge. Not only the oil exporters but also the growing newly industrializing countries presented expanding markets, but they were hardly captured by low-income countries in the region’ (Streeten (1982, 168).

Received added impetus from economic slowdown in the South than began in mid 1970s (following the oil shock) and precipitated by the Volker-Regan macroeconomic policies in the early 1980s. The case for promoting South-South trade gained added impetus from the Volker-Regan recession of the early 1980s. The recession reinforced the factors underlying the division in fragmenting the developing countries further and more emphatically into a state of diversity and conquest perplexity (Lewis 1980). The collapse of commodity prices devastated many developing countries. At the same time, the treat of protectionism became worrisome in the OECD countries, halting even reversing the liberalizing trends set in successive GATT winds of tariff reduction. Many developed countries started turning to administrative protection and voluntary export restraints. By this time the view that considered South-South trade as part of collective self-reliance' had gone out of fashion. The NIEO attempts replace the liberal trading order by one that was politically managed largely failed. Leis (1980) 'the prosperity of 1950s-73 was special and nonrepeatable' (p. 558). .. 'There is only one solution' expanding South-South Trade. ... 'Can this trade take up the slack left by MDCs and MDCs slow down' (P 560). 'The answer is in the affirmative'. .. 'Currently the LDCs depend on the MDCs for food, fertilizers, cement, steel, and machinery. Taken as a group, LDCs could quickly end their dependence for the first four, and gradually through off their dependence for machinery' (p. 560). 'In the situation where world trade decelerates, customs unions would be more highly praised and would be made more effective, especially in regard to large-scale industries with region-wide economies of scale.'. 'One way would be to follow the customs union route, with LDCs giving preferential treatment to imports from other LDCs'. ' proposed a 'new intra-LDC trading network based on preferential tariffs and currency arrangements (p. 564). For an insightful critique of Lewis's paper see Riedel 1984) ----In his 1979 Nobel lecture ..... is not repeatable ... and he argued that the only way to maintain growth dynamism lies in trade among developing countries, which he asserted can 'take up the slack left by MDCs as MDCs slow down' page 560)

Interest in looking for alternative markets in the South swiftly waned in the ensuing two decades decade. Turned out to be a 'non-issue' from then on in the context of rapid growth in the world economy and remarkable economic success of some countries achieved through rapid penetration into developed-country markets. Contrary to Lewis' pessimistic view that developing countries have limited room for export of manufactured goods to developed countries, in substitute for primary products, these countries achieved export success through rapid penetration into developed country markets.

---- far-reaching changes in the composition of LDCs exports which significantly weakened any mechanical link between export growth in LDCs and prosperity in the developed countries. The quantitative relationship the Lewis believed to have remained the same over a hundred years, and taken as the cornerstone of his thesis was shown to be largely a statistical artefact (Riedel 1984).

- Gained a new lease of life in recent years: coincided with launching of the Doha Development Agenda at the Fourth World Trade Organization Ministerial Meeting held in November 2003.
- In WTO trade negotiations, developed countries have begun to emphasise high tariff barriers in developing countries and the resultant untapped trade potential as a counter argument to developing countries' call for further tariff cuts in developed countries. - Bleak economic prospects in developed countries following the onset of the global financial crisis

and

continued robust growth in some developing countries (China, India and Brazil in particular) have strengthened the case for promoting South-South as a means of sustaining growth in developing countries. The key argument is that there is untapped potential because of the relatively high tariff in developing countries.

New phase: following the Doha round

- **Case put forward by developed countries in world trade negotiations as a counterpoint to developing countries call for market access; higher tariff and other trade barriers in developing countries has become a major constraint of reaping trade potential associated with economic expansion in developing countries.**
- **Economic slowdown in developed countries has given new life to the old case for looking for alternative source of fuel for the trade engine.**

## **Trends and Patterns of South-South Trade**

A large number of studies during the period following the NIEO, but the estimates are not comparable because of difference in country coverage and the specific time coverage. The available the most consistent series is reproduced in Table 1. By the mid-1950s, when the UN trade data reporting system had managed to achieve a reasonable country coverage, South-South

trade accounted for . During the 1970s it was one of the dynamic element in international trade. Growth slowed during the early 1980s. The share of South-South trade in world trade (measured on the export side) increased from about 8% in 1980s to 9.3% in 1982 and then declined. **Stood at .. in 1985.** According to GATT data: reached a historically low level of 5.1% in 1986, the lowest since 1973-74. (GATT data are not strictly comparable with UNCTAD data: compiled on the import side and include centrally planned economies).(GATT (1986 – 89, annual)

The ration varied in the range of ...

Data reported in Table 1. Data are reported for both total merchandise trade and merchandise trade net of fuel (henceforth ‘non-fuel trade’). Rapid growth in South-South trade over the past two decades, in particularly during the past ten years. The share of South-South trade in total merchandise trade increased from .. in to .. and then to in ... While world trade grew by ... South-South trade grew by ..... During the period 1990-2007 (2008 and 2009 are excluded from the estimate because of abnormality of trade performance following the onset of the global financial crisis) this period SS trade expanded twice as fast as world trade (10% versus 5%). The value of South -South trade rose from \$ billion in to billion in ... .

In 1990, the dollar value of SS exports was equivalent to 41% of South-South trade. (Table 1 and Figures 1 and 2).

Factors contributing to the dynamics of South-South trade.

Rapid economic growth. Trade liberalisation: China’s reduction of tariffs and non-tariff barriers since the mid-1980s. The Uruguay Round and the Information technology Agreement made significant contributions to further liberalisation of Asian trade in the 2<sup>nd</sup> half of the 1990s. tariffs on information technology products were fully eliminated through the WTO ITA. The open regime for IT products favoured the inflow of FDI and establishment of production networks in Asia (WTO 2003).

There is, however, a clear asymmetry in growth trends on import and export sides (Figures 1 and 2). From about the late 1990s the South-South share in total Southern exports has increased at a faster rate whereas South-South share in their total imports have increased throughout 1990-2008 (discuss). The asymmetry is more prominent for developing Asian countries compared to Latin America, Africa and the Middle East (and high-performing developing countries compared to others in the region). In 2006/7, interregional exports were \$ billion while intra imports were (lesser amount)... (Table 2).

(...The way intra-regional trade flows are reported may inflate regional totals. Eg. In ASEAN there is a large discrepancy between intra-regional exports and imports. The discrepancy in this case can be largely expanded by Singapore's exports being counted as intra-ASEAN exports despite the fact that some originate from non-AASEAN countries, WTO 2003)

----- Until about the mid 1990s, a steeper rise of the South-South share in exports than that of import share. Patterns changed since then. .... This has much to do with the relative strength of demand growth in developing countries (WTO 2003). But as we will see below mostly reflect complementarity between exports to the North and imports within regional production networks. Seems to reflect complementarity between rapid growth in export to Southern markets and intra-South import trade (discuss)

Asia accounts for the lion's share of South-South trade (over 80%); the rise of China has been a key factor in recent rapid growth (Figure 2, Table ). In particular rapid growth over the past decade coincided with rapid growth in China's trade following the WTO

entry in 2001. Discuss figures on the export and import side. On the import side Asia account for more than two thirds of South-South trade. (This primarily reflects the relatively large size of the markets in Asia). Asia South-South imports have grown at a much faster rate compared to South-South exports. This asymmetry is more prominent among China and other high-performing Asian economics; seems to reflect complementarity between South-South trade and South-North trade (Table 3).

**Direction of South-South Trade:** An interesting feature of South-South trade is the high degree of regional concentration of South-South trade. This is a common feature across all regions but is more prominent in Asia (Table 3 and 4).

**Direction of South-South trade:** The importance of Southern markets in total trade differ widely among the four Southern regions. ... In Asia it amounts for four-fifths of that regions South-South trade, the highest among the four regions (WC). For the entire LA region, the ratio is ... . These figures increases when Mexico is excluded. Africa has the lowest share.

**Commodity composition of South-South trade.** Manufacturing plays a leading role in South-South trade. Manufactured goods have been the most dynamic element of South-South trade Asian South-South trade dominated by manufacturing trades, particularly on the export side, but even on the import-side manufacturing share is much higher than South-South imports in other regions (Table 5) . Fuel continued to play a major role intra-developing country trade. In deed the share of fuel in intra-developing country trade was larger than its share in developing countries' trade with developed countries.

Asia's unique role in global production sharing and the related within global production network; rapid growth of cross-border trade in parts and components and the double counting of trade (Figure 5 and 6, Table 6).

Does this standard trade flow analysis give an exaggerated picture about Asia's dominance in South-South Trade?

Commodity composition of South-South trade (Table 5:

Asian South-South trade dominated by manufacturing trades, particularly on the export side, but even on the import-side manufacturing share is much higher compared to South-South imports in other regions.

- Asia's unique role in global production sharing and the related within global production network;  
rapid growth of cross-border trade in parts and components and the double counting of trade (Figure 5 and 6, Table 6).
- Does the heavy concentration of parts and component trade give an exaggerated picture about Asia's dominance in South-South Trade?

Compare Table 7 and 8 (estimated net of parts and components) with table 1 and 2 (estimates based on original (unadjusted) data.

Asia's share in South-South trade and the degree of regional concentration turns out to be lower when parts and components are netted out from trade data

but

overall trends/patterns remain unchanged

Discussion based on Table 7 and 8.

Global production sharing seems to infuse an upward bias bias the estimates of both share of SS trade in world trade, and in particular into Asia's share in total South-South trade. However, the general inference relating to growth of SS trade in world trade over the past decade or so and Asia's dominance in South-South trade still remain valid.

## Determinants of Trade Flows

This section reports the results of an econometric exercise undertaken to examine whether there is significant difference between South-South and North-North trade in terms of the key determinants affecting trade flows. In particular, we aim to shed light on the issue of whether South trade is 'too little' compared to what one would expect in terms of the standard determinants commonly believed to be important in determining trade flows.

The analytical tool used for this purpose is the gravity model, which has become the 'workhorse' for modeling bilateral trade flows. The standard gravity model postulates that trade between two countries, like the gravitational force between two masses, is a function of their economic size and the geographic distance between them.<sup>3</sup> We augment this basic model by adding a number of explanatory variables which have found in previous studies to improve the explanatory power of the estimated trade equations.

$$\begin{aligned} \ln TRD_{ij} = & \alpha + \beta_1 \ln GDP_i + \beta_2 \ln GDP_j + \beta_3 \ln PGDP_i + \beta_4 \ln PGDP_j \\ & + \beta_5 \ln DST_{ij} + \beta_6 ADJ_{ij} + \beta_7 CLN_{ij} + \beta_8 \ln TRF_{ij} + \beta_9 \ln RER_{ij} + \beta_{10} RTA_{ij} + \\ & + \beta_{11} DAFC + \beta_{12} DGFC + \gamma T + \varepsilon_{ij} \end{aligned}$$

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<sup>3</sup> For an introduction to the gravity model and recent methodological and theoretical advances in its applications to trade flow modeling see Bergeijk and Brakman (2010).



in which subscripts  $i$  and  $j$  refer to the reporting (the United State) and the partner country, and  $\ln$  denotes natural logarithms. The variables are listed and defined below, with the postulated sign of the regression coefficient in brackets.

$X$ or $M$	Bilateral trade (export or import) between $i$ and $j$
$GDP$	Real gross domestic product (GDP), a measure of the economic size (+)
$PGDP$	Real GDP per capita, a measure of the stage of development (+)
$DST$	The distance between the economic centres of $i$ and $j$ (-)
$ADJ$	A binary dummy variable assuming the value 1 if $i$ and $j$ share a common land border and 0 otherwise (+)
$CLN$	A dummy variable which is unity if $i$ and $j$ a common language (a measure of cultural affinity) (+)
$LPI$	An index of the quality of trade-related logistics ( $LPI$ )
$TRF$	Trade-weighted MFN tariff rate (-)
$RER$	Bilateral real exchange rate (export: +; imports : -)
$RTA$	A dummy which is unity if both $i$ and $j$ belong to the same Referential Trade Agreements ( $RTA$ ) (+)
$DAFC$	A binary dummy variable for the Asian financial crisis, 1997-98
$DGFC$	A binary dummy variable for the global financial crisis, 2008
$\alpha$	A constant term
$T$	A set of time dummy variables to capture year-specific ‘fixed’ effects
$\varepsilon$	An stochastic error term, representing the omitted other influences on bilateral trade

The above equation is the bench-mark model of our analysis; the estimated coefficients give the average relationship between each of the explanatory variables and the dependent variable. To test whether the relationship is statistically different between developed-country and developing-country trading partners, the model is re-estimated with intercept and slope dummy variables for the former.

The model is estimated using annual data over the period 1990-2008 on bilateral trade of the twelve major DEAs: Korea, China, Taiwan, China, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam,

India and Pakistan. The data set covers trade with all trading partner countries for which data are available for at least 5 consecutive years during the period under study.

Trade data are from the Comtrade database. Trade data are disaggregated into components and final products following the procedures detailed in Athukorala (2005). Data on GDP extracted from the World Bank world development indicator database. The nominal (US\$) trade data extracted from the Comtrade database are converted into real terms using US trade price indices extracted from the US Bureau of labour Statistics database. Data on *LPI* come from the newly-developed *Logistics Performance Index* database of the World Bank (Arvis et al., 2007), which provides the first in-depth, cross-country assessment of trade-related logistic provisions. It covers 150 economies, including 28 in developing Asia. It is based on a worldwide survey of global freight forwarders and express carriers, complemented by a number of qualitative and quantitative indicators of the domestic logistics environment, institutions, and performance of supply chains. The data on bilateral distance come from the trade patterns database of the French Institute for Research on the International Economy (CEPII). The CEPII distance measure is a composite measure of the bilateral great-circle distance between major cities of each economy compiled by taking into account the trading significance of each city in each economy. Export shares for 2000 are used in compiling the distance measure for each economy. For a complete listing of variables and data sources see Table 9.

Regression estimates for manufacturing exports and imports are reported in Table 10 (results for non-fuel trade and manufacturing excluding parts and components too have been estimated). In each case, the first equation is the benchmark model showing the average relationship for trade with all countries. The second is the ‘dummy variable’ regression estimated to test if the hypothesized relationships between the dependent variable and the set of explanatory variables varies between trade with developed (Northern) and developing (Southern) trading partners. (The variable *ST* takes value 1 for bilateral trade with Southern trading partners and 0 for trade with Northern trading partners.) Note that in each case the coefficient for ‘original’ variable is what we would have obtained by estimating the regression for the Northern trading partners alone, and the coefficient of the ‘dummy-interaction’ variable measures the difference in the slope estimate for trade with the Southern partners, relative to the Northern partners.

$PGDP_i$  and  $PGDP_j$  could not be retained in the final estimates because of their high correlation with the counterpart GDP variables. The coefficients of the two standard gravity variables (GDP in pairs, and the distance) are statistically significant with the hypotheses signs in all cases. The coefficient of the distance variable is well within the range of 0.7 to 1.20 commonly found in various gravity model applications. The coefficient of GDP in pairs is consistency closer to unity. The LPI performs remarkably well in explaining both imports and export, with statistically significant and positive coefficients in all cases. The other control variables are not uniformly significant across all countries, both on import and export sides. We have retained these variables in a given equation only if the coefficients carried the expected sign with a t-ratio of more than unity. In terms of the overall fit the export equations generally performs well (with  $R^2$ s of closer to 0.70).

#### Key findings:

- Asian countries' domestic economic activity (measured by GDP) has a much greater effect on intra-developing country (South-South) trade (both exports to and imports from other developing countries) than on their trade with the Northern trading partners. By contrast, a given change in GDP in developing-partner countries seems to have a lesser impact on trade with these countries compared to trade with developed countries. (discuss magnitudes).
- The magnitude of negative impact of distance-related trade cost seems significantly greater on South-South trade compared to South-North trade. (discuss magnitudes)
- Tariff has a significant negative effect on both imports and exports, and the magnitude of the impact is significantly higher on exports to developing country partners (one percentage point cut in tariff in developed countries is associated with 0.4 percentage point increase in exports to 0.67 percentage point increase in exports associated with a similar tariff reduction in developing countries).
- The estimated coefficient of the dummy intercept variable (ST) suggests that, after controlling for the other variables, the level of Asian export to the other developing countries is about 13% higher than the average level of trade with developed countries. On the import side the estimate is about 6%.

Results: Table 9 (for manufacturing trade only. Estimates for total non-fuel trade and ‘final trade’ (trade after netting out parts and components) are to be added.)

- Asian countries’ level of domestic economic activity (measured by GDP) has a much greater effect on South-South trade (both on export and import sides) than on their trade with the Northern trading partners.

By contrast, a given change in GDP in Asia’s developing-partner countries seems to have a lesser impact on Asia’s trade with these countries compared to trade with developed countries.

- The magnitude of the (negative) impact of distance-related trade cost seems significantly greater on South-South trade compared to South-North trade.
  - Possibly reflect the ‘small volume factor’
  - Also, an increasing share of trade with development countries now takes the form of Air cargo.

RTA dummy is positive and highly significant. Could well be dominated by trade links with ASEAN. Not consistent with the results from other studies (WTO 2003) (Greenaway and Milner 1989; WTO 2003). Despite their increasing popularity, regional and bilateral trading agreements have not contributed in a significant way to the rapid expansion of intra-developing country trade (WC). (Not all preference are used due to additional transaction costs such as increased documentation requirements linked to ROOs)

## Concluding Remarks

South-South trade has been a dynamic component of global trade expansion over the past two decades. A clear expansionary trend (WC) over the past decade, but it is rather narrowly based in regional terms (WC). Asia, in particular East Asia dominate the scene, but there is clear growth in Africa and Latin America as well. Recent expansion of South-South trade, but this has not resulted from concerted government policies applied at the sub-

regional levels, but from the combined action of market forces and government policies which are largely neutral between South-South and South-North trade. Trade among developing countries seems to be complementary rather than competitive with South-North trade. ... There is no evidence to make a case for isolating South-South trade from the trade matrix as an independent and alternative development strategy (change words)

- There seems to be a strong complementarity between South-South and South-North trade. The growth of South-South trade has occurred predominantly on the import side, and the degree of dependence of Southern countries on Northern markets has increased over time.
- Direct policy intervention to mould trade patterns is likely to hinder the on-going process mutually beneficial of global integration.
- As far as Developing Asian countries are concerned, there is no evidence to suggest that growth of South-South trade has lagged behind growing trading potential of these countries.
- Quality of trade related logistics appears to be a key determinant of trade.
- Further reduction in developing-country tariffs would increase South-South trade, but the magnitude of the increase would be rather modest (because tariffs have already come down to historically low levels, even though developing country tariff levels are still higher).



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Table 1: South-South trade in world trade, 1955-1985 (selected years)<sup>1</sup>

	\$ billion	Share in world trade	Share in developing country trade	Developing country share in world trade
1955	5.8	7.1	25.3	28.0
1960	6.1	5.7	23.6	24.0
1965	7.5	4.9	22.7	21.4
1970	10.9	4.1	21.5	19.1
1975	49.1	6.7	24.9	26.7
1979	101.1	7.2	25.6	28.0
1980	138.7	8.1	26.1	30.9
1981	149.0	8.9	28.8	30.7
1982	144.5	9.3	31.7	29.2
1983	132.9	8.8	31.7	27.8
1984	131.5	8.2	30.3	27.2
1985	126.1	7.8	30.2	25.8

(1) Based on exporter records. Only transactions between industrial and developing countries are included

(2) Source: Ventura-Dias (1989) (based on UNCTAD database)



Table 2: South-South Trade in World Trade, 1990-2009

## (a) Total merchandise trade

	Exports				Imports			
	\$ Billion	S-S share in total developing country exports	S-S trade in world trade (%)	Developing country share in World exports	\$ Billion	S-S share in total developing country exports	S-S trade in world trade (%)	Developing country share in World exports
1990	208.5	35.54	7.4	20.71	200.9	33.92	6.7	19.77
1991	237.6	35.38	8.1	22.77	25.5	33.00	7.3	22.14
1992	269.1	35.60	7.7	21.73	260.1	32.58	7.3	22.30
1993	296.6	35.80	8.6	23.89	286.1	31.93	8.2	25.64
1994	360.5	37.05	9.1	24.60	333.1	32.28	8.3	25.82
1995	450.6	37.96	9.5	25.08	417.0	32.70	8.7	26.57
1996	480.0	37.40	9.5	25.51	460.7	33.95	9.0	26.55
1997	526.7	39.00	10.1	25.90	504.9	35.20	9.5	26.99
1998	474.5	35.83	9.1	25.52	455.6	34.74	8.6	24.86
1999	492.7	33.73	9.1	27.11	501.7	36.06	9.1	25.15
2000	629.9	33.67	10.3	30.45	671.8	38.63	10.6	27.49
2001	623.7	35.10	10.5	29.91	666.3	39.23	10.8	27.64
2002	690.6	35.97	11.1	30.75	725.2	40.21	11.3	28.14
2003	903.0	39.39	12.4	31.44	896.1	42.28	12.0	28.36
2004	1,097.9	37.97	12.4	32.74	1,180.2	44.10	13.0	29.49
2005	1,429.8	41.31	14.3	34.72	1,456.8	46.46	14.2	30.50
2006	1,764.7	41.48	15.2	36.55	1,805.8	48.52	15.2	31.32
2007	2,027.2	42.58	15.3	35.96	2,166.7	49.70	15.9	32.07
2008	2,443.8	42.46	16.0	37.63	2,722.7	51.48	17.3	33.70
2009	2,020.9	45.94	17.3	37.76	2,084.2	50.72	17.7	34.83

## (b) Non-fuel trade

	Exports				Imports			
	\$ Billion	S-S share in total developing country exports	S-S trade in world trade (%)	Developing country share in World exports	\$ Billion	S-S share in total developing country exports	S-S trade in world trade (%)	Developing country share in World exports
1990	191.3	37.59	7.2	19.16	156.0	29.36	5.9	20.00
1991	217.5	39.20	8.0	20.32	178.8	28.78	6.5	22.48
1992	243.6	39.20	7.5	19.21	208.8	28.57	6.4	22.48
1993	269.4	38.55	8.3	21.62	232.6	28.20	7.3	25.92
1994	332.4	39.56	9.0	22.62	279.3	29.05	7.6	26.10
1995	419.0	40.24	9.4	23.32	348.7	29.42	7.8	26.66
1996	440.0	40.24	9.4	23.48	375.1	30.09	8.0	26.68
1997	476.9	40.06	9.8	24.44	410.5	31.27	8.4	27.01
1998	439.8	37.46	9.0	23.97	388.2	31.75	7.9	24.77
1999	444.8	35.84	8.9	24.77	411.2	32.14	8.0	24.93
2000	553.4	36.98	10.0	27.12	530.8	34.14	9.4	27.39
2001	556.7	38.42	10.4	26.97	539.8	35.34	9.8	27.59
2002	621.0	38.96	10.9	28.09	603.6	36.97	10.4	28.12
2003	780.2	41.07	11.8	28.81	743.3	39.06	11.1	28.36
2004	990.2	41.67	12.5	30.02	966.3	40.65	12.0	29.50
2005	1,206.0	43.42	13.8	31.82	1,163.6	42.77	13.1	30.66
2006	1,459.4	44.32	14.5	32.78	1,389.2	43.55	13.7	31.40
2007	1,781.7	46.40	15.4	33.19	1,680.3	44.91	14.4	32.00
2008	2,084.9	47.72	16.3	34.07	1,999.2	45.74	15.4	33.74
2009	1,805.7	49.69	17.7	35.62	1,624.4	46.21	16.1	34.79

Table 2: South-South Trade by Major Regions (Non-fuel trade),  
1990-01\*, 2000-01\*, 2006-07\*, 2008 and 2009

		(a) Exports				(b) Imports			
		\$billion	Share in exports (%)	Geographic composition (%)	Intra-Asian share (%)	\$billion	Share in imports (%)	Geographic composition (%)	Intra-regional share (%)
Developing	1990-91	180	42.0	88.0	84.7	145	33.7	86.8	89.8
Asia	2000-01	443	42.9	79.8	82.1	383	41.4	71.6	90.0
	2006-07	1,293	49.6	79.8	80.1	1,063	48.6	69.3	88.4
	2008	1,646	52.1	78.9	76.8	1,319	49.4	66.0	85.8
	2009	1,450	54.2	80.3	77.2	1,113	49.6	68.5	84.9
Middle East	1990-91	7	25.1	3.6	38.2	9	14.3	5.0	29.2
	2000-01	29	32.5	5.3	38.6	47	25.7	8.7	26.6
	2006-07	108	39.4	6.6	42.3	163	35.3	10.5	21.2
	2008	134	36.8	6.4	41.1	241	38.1	12.0	21.8
	2009	110	35.9	6.1	35.8	171	36.6	10.5	18.4
Africa	1990-91	2	19.8	0.8	62.4	2	13.3	1.1	26.5
	2000-01	18	28.5	3.2	54.8	28	28.6	5.3	35.5
	2006-07	46	34.0	2.8	56.3	92	38.7	6.0	24.9
	2008	70	39.6	3.4	51.2	137	41.6	6.9	21.8
	2009	48	40.9	2.6	48.4	100	43.8	6.2	21.4
Latin America	1990-91	16	23.2	7.6	61.7	12	16.0	7.1	77.9
	2000-01	65	22.6	11.7	71.7	77	23.1	14.4	61.8
	2006-07	174	31.1	10.7	58.9	217	37.0	14.1	49.3
	2008	235	35.3	11.3	58.7	302	40.9	15.1	47.2
	2009	199	37.0	11.0	51.2	240	41.6	14.8	45.1
Latin America excluding Mexico	1990-91	14	27.8	6.7	53.2	10	22.8	5.7	76.6
	2000-01	58	41.4	10.5	63.7	59	35.9	11.1	63.0
	2006-07	156	46.0	9.6	50.5	150	45.2	9.8	53.6
	2008	209	49.3	10.0	51.6	225	49.1	11.3	49.0
	2009	179	52.8	9.9	45.1	175	48.6	10.7	48.2

Total South	1990-91	204	38.4	100.0	100.0	167	29.1	100.0	100.0
	2000-01	555	37.7	100.0	100.0	535	34.7	100.0	100.0
	2006-07	1,621	45.4	100.0	100.0	1,535	44.2	100.0	100.0
	2008	2,085	47.7	100.0	100.0	1,999	45.7	100.0	100.0
	2009	1,806	49.7	100.0	100.0	1,624	46.2	100.0	100.0

\*Two-year average.

Table 3: South-South Trade in Asia

		Exports				Imports			
		\$billion	Share in exports (%)	Geographic composition (%)	Intra-Asian share (%)	\$billion	Share in imports (%)	Geographic composition (%)	Intra-Asian share (%)
Northeast Asia	1990-91	127.6	45.9	71.1	86.3	89.0	38.1	66.4	92.5
	2000-01	261.7	43.6	59.1	81.9	210.6	42.7	59.7	92.0
	2006-07	840.4	48.3	64.9	79.7	597.5	49.3	63.4	88.7
	2008	1,083.6	50.3	65.8	76.2	695.4	49.5	61.6	85.6
	2009	966.2	52.2	66.6	77.2	609.4	49.2	64.5	85.0
China, PR <sup>1</sup>	1990-91	107.9	51.3	60.2	90.1	82.0	45.8	59.6	95.0
	2000-01	194.9	43.5	44.0	85.4	184.3	47.0	51.6	93.2
	2006-07	662.6	46.8	51.2	81.1	518.6	51.6	54.6	89.4
	2008	859.2	48.5	52.2	77.5	590.7	51.1	52.2	85.8
	2009	751.0	49.7	51.8	78.0	529.7	50.8	56.0	85.1
Korea, RP	1990-91	19.7	29.1	10.9	65.7	8.7	17.1	7.3	75.3
	2000-01	66.9	43.9	15.1	71.6	26.3	27.2	8.1	84.4
	2006-07	177.8	54.5	13.8	74.4	78.9	38.7	8.8	84.1
	2008	224.4	58.5	13.6	71.4	104.7	42.2	9.4	84.8
	2009	215.2	63.3	14.8	74.3	79.7	40.9	8.5	84.3
Southeast Asia	1990-91	44.9	36.6	24.9	84.4	36.1	27.3	28.2	87.9
	2000-01	154.4	42.8	34.9	87.2	113.8	39.2	32.0	92.8
	2006-07	369.3	53.6	28.6	86.7	266.8	49.4	27.0	93.0
	2008	455.2	56.8	27.7	83.6	341.9	50.7	28.1	92.1
	2009	375.3	59.7	25.9	84.7	245.4	50.9	24.0	91.8
Indonesia	1990-91	5.9	36.1	3.3	80.8	3.8	22.2	3.3	79.0
	2000-01	19.0	43.0	4.3	79.0	8.6	37.7	2.6	86.2
	2006-07	40.1	50.6	3.1	81.2	20.8	49.6	2.2	88.7
	2008	53.2	54.7	3.2	80.0	47.6	53.9	4.0	89.7
	2009	46.4	55.6	3.2	82.0	39.7	56.6	4.0	90.2
Malaysia	1990-91	11.6	43.9	6.5	89.9	7.8	27.5	5.9	90.3
	2000-01	37.1	44.1	8.4	89.3	25.6	36.9	7.0	94.6

	2006-07	74.9	51.7	5.8	86.7	57.9	49.2	5.9	93.0
	2008	92.4	56.9	5.6	83.7	63.1	49.5	5.2	91.6
	2009	80.7	60.3	5.6	85.4	53.4	52.2	5.3	90.2
Philippines	1990-91	1.5	18.0	0.8	83.8	2.2	25.3	1.8	83.1
	2000-01	9.6	27.6	2.2	93.6	10.1	34.8	2.9	90.7
	2006-07	20.1	42.0	1.6	95.6	19.4	44.3	2.0	93.5
	2008	20.7	43.6	1.3	94.8	21.6	48.6	1.8	93.2
	2009	14.8	39.3	1.0	93.8	18.1	51.1	1.8	92.8
Singapore	1990-91	18.3	39.7	10.2	87.4	15.8	31.5	11.7	92.8
	2000-01	60.1	50.1	13.6	89.8	44.0	42.1	12.1	95.1
	2006-07	156.8	63.4	12.2	90.2	98.2	50.9	9.7	95.4
	2008	183.4	66.5	11.1	87.2	110.7	50.2	8.8	94.9
	2009	154.7	67.6	10.7	87.6	87.9	49.9	8.4	94.1
Thailand	1990-91	7.6	29.8	4.2	71.6	6.5	24.4	5.4	81.8
	2000-01	24.4	37.7	5.5	82.2	16.8	35.3	5.0	87.5
	2006-07	67.2	49.5	5.2	80.1	44.0	44.7	4.6	89.2
	2008	87.0	52.8	5.3	76.8	56.9	45.8	4.9	88.0
	2009	78.6	54.3	5.4	78.1	46.3	47.0	4.6	90.6
Viet Nam	2000-01	3.7	33.5	0.8	79.6	6.6	49.4	1.8	96.6
	2006-07	10.2	29.8	0.8	78.9	25.9	59.3	2.6	94.5
	2008	17.4	34.7	1.1	76.5	38.7	60.3	3.1	93.8
Other	2000-01	0.5	28.9	0.1	99.0	2.1	68.4	0.5	99.5
	2008	1.3	28.8	0.1	94.4	3.2	79.3	0.2	99.6
South Asia	1990-91	7.2	26.7	4.0	57.9	5.1	28.4	5.3	66.1
	2000-01	24.2	39.0	5.5	52.3	19.2	43.6	7.6	65.8
	2006-07	74.8	48.5	5.8	52.1	67.5	46.1	8.6	74.1
	2008	95.5	53.9	5.8	51.4	83.6	49.3	9.1	69.7
	2009	100.9	56.6	7.0	48.7	81.7	53.3	10.5	69.7
India	1990-91	4.4	25.2	2.4	57.8	1.5	20.8	2.6	49.2
	2000-01	17.5	42.2	3.9	51.8	8.1	21.8	2.3	45.6
	2006-07	60.0	53.1	4.6	52.4	42.5	38.3	3.4	61.6



	2008	83.0	55.7	5.0	51.6	63.4	47.2	7.1	67.2
	2009	88.9	58.2	6.1	47.9	63.6	51.7	8.5	67.0
Other	1990-91	2.8	29.4	1.6	58.0	3.6	37.2	3.0	81.6
	2000-01	6.7	32.7	1.5	53.6	11.1	49.2	4.2	69.3
	2006-07	14.8	35.3	1.2	51.2	25.0	48.4	2.9	82.7
	2008	12.4	44.2	0.8	50.3	20.2	59.1	1.9	79.1
	2009	12.0	47.0	0.8	54.2	18.1	61.3	2.0	81.2
Central and West Asia	1990-91	1.9	34.5	0.5	86.7	1.0	23.7	0.6	52.3
	2000-01	2.1	35.0	0.5	82.5	1.2	24.1	0.6	55.4
	2006-07	8.2	41.7	0.6	85.5	7.2	27.3	1.0	67.6
	2008	11.3	40.8	0.7	77.9	10.3	29.5	1.2	67.4
	2009	7.4	46.1	0.5	89.7	7.4	27.8	0.9	71.7
Pacific	1990-91	0.1	14.6	0.0	99.8	0.1	20.6	0.1	98.5
	2000-01	0.3	16.2	0.1	97.5	0.4	27.3	0.1	76.9
	2006-07	0.2	25.3	0.0	97.2	0.5	27.0	0.0	96.3
	2008	0.2	16.6	0.0	92.8	1.0	31.6	0.1	96.6
	2009	0.1	19.4	0.0	93.8	0.4	33.2	0.0	96.2
All Asian countries	1990-91	179.7	42.0	100.0	84.7	130.3	33.7	100.0	89.8
	2000-01	442.7	42.9	100.0	82.1	345.2	41.4	100.0	90.0
	2006-07	1,292.9	49.6	100.0	80.1	939.5	48.6	100.0	88.4
	2008	1,645.8	52.1	100.0	76.8	1132.1	49.4	100.0	85.8
	2009	1,449.9	54.2	100.0	77.2	944.4	49.6	100.0	84.9

1. Including Hong Kong SAR and Macao

Table 4: Direction of Non-fuel Trade, 2006-07

(a) Exports

	DEA	NEA	PRC	SEA	SOA	CWA	Pacific	MEA	Africa	LACR	South <sup>3</sup>	North <sup>3</sup>	\$ bliion
Developing Asia (DEA)	39.8	24.0	21.0	11.7	3.4	0.6	0.1	4.0	2.6	3.3	49.7	47.8	2601
Northeast Asia (NEA)	38.5	27.3	24.1	7.5	2.9	0.7	0.1	3.4	2.5	3.9	48.3	49.3	1738
China (PRC) <sup>1</sup>	38.0	27.3	23.4	7.0	2.8	0.8	0.1	3.2	2.4	3.3	46.9	51.1	1413
Korea (KOR)	40.6	27.0	27.0	9.5	3.1	0.5	0.5	4.6	3.2	6.3	54.6	41.4	326
Southeast Asia (SEA)	46.5	18.7	15.8	23.7	3.9	0.0	0.2	3.1	1.9	2.2	53.7	43.2	688
Indonesia	42.6	14.8	12.1	23.3	4.3	0.0	0.1	3.6	1.9	1.8	49.8	48.0	106
Malaysia	44.9	16.7	14.5	24.4	3.6	0.0	0.1	3.5	1.8	1.7	51.8	45.8	145
Philippines	40.3	23.7	20.4	15.8	0.7	0.0	0.1	0.8	0.3	0.8	42.1	53.7	48
Singapore	57.2	23.2	19.3	29.5	4.3	0.0	0.3	2.2	1.4	2.7	63.4	32.7	247
Thailand	39.7	16.7	14.8	19.5	3.4	0.0	0.1	4.6	2.9	2.5	49.6	47.7	135
Viet Nam	23.6	11.3	8.6	11.3	0.8	0.1	0.1	1.8	1.8	2.6	29.8	66.3	34
Other	28.6	18.6	18.5	9.8	0.2	0.0	0.0	0.4	0.2	0.9	30.2	69.7	2
Southern Asia (SOA)	25.3	11.7	10.5	6.5	6.5	0.5	0.0	14.7	6.1	2.4	48.5	50.5	154
India	27.8	13.7	12.2	8.1	5.8	0.3	0.0	15.5	7.2	2.6	53.2	46.0	113
Other	18.4	6.5	5.8	2.3	8.3	1.2	0.0	12.7	3.1	1.6	35.7	63.0	41
Central and West Asia (CWA)	35.8	20.4	19.1	0.3	4.9	10.2	0.0	4.9	0.9	0.4	42.0	57.7	20
Pacific	24.8	9.9	9.6	5.4	0.4	0.0	9.1	0.0	0.2	0.5	25.5	65.1	1
Middle East (MEA)	15.8	3.8	3.2	2.0	8.3	1.7	0.1	16.7	6.0	1.0	39.5	44.6	272
Africa	9.1	4.4	3.4	2.0	2.7	0.1	0.0	4.4	19.2	1.4	34.0	61.7	134
South Africa	12.5	7.6	5.5	2.5	2.3	0.1	0.0	3.6	14.4	1.8	32.3	65.8	52
Other	6.9	2.4	2.1	1.6	2.9	0.0	0.0	4.8	22.3	1.1	35.2	59.1	82
Latin America (LACR) <sup>2</sup>	9.3	6.6	5.2	1.4	1.3	0.1	0.0	1.4	2.1	18.3	31.2	66.6	559
Brazil	13.3	8.6	7.2	2.4	2.2	0.1	0.0	3.6	5.2	25.0	47.2	50.3	137
Mexico	1.6	1.2	1.0	0.3	0.1	0.0	0.0	0.2	0.2	6.1	8.2	91.6	220
Other	15.0	11.2	8.5	1.8	2.0	0.0	0.0	1.3	2.0	27.2	45.5	50.4	201
Developing countries (South)	32.0	19.0	16.5	8.9	3.4	0.6	0.1	4.6	3.4	5.4	45.4	51.0	3567
Developed countries (North)	11.8	6.8	5.1	3.0	1.4	0.4	0.1	3.9	2.4	4.8	22.9	76.0	7848
World	18.7	11.0	9.0	5.1	2.1	0.5	0.1	4.1	2.6	5.1	30.6	67.5	10807

(b) Imports

	DEA	NEA	PRC	SEA	SOA	CWA	Pacific	MEA	Africa	LACR	South <sup>3</sup>	North <sup>3</sup>	\$ bliion
Developing Asia (DEA)	43.0	26.7	20.1	14.0	2.0	0.3	0.1	1.6	1.1	3.0	48.7	42.8	2184
Northeast Asia (NEA)	43.7	30.4	22.7	11.2	1.7	0.4	0.1	1.0	0.9	3.7	49.4	41.2	1366
China (PRC) <sup>1</sup>	46.1	32.0	22.6	11.8	1.9	0.4	0.1	1.0	0.9	3.6	51.6	37.8	1124
Korea (KOR)	32.7	23.0	23.0	8.4	1.0	0.2	0.1	0.9	1.1	4.2	38.8	57.2	242
Southeast Asia (SEA)	46.0	21.6	16.2	22.5	1.7	0.0	0.1	1.1	0.7	1.6	49.4	44.1	580
Indonesia	44.5	21.0	15.6	21.6	1.8	0.0	0.0	0.8	1.0	2.1	48.3	45.7	81
Malaysia	45.8	22.4	16.8	22.0	1.4	0.0	0.0	0.7	0.9	1.9	49.3	44.0	126
Philippines	41.4	19.5	13.1	20.4	1.2	0.0	0.4	0.8	0.2	1.9	44.3	48.0	47
Singapore	48.6	20.9	15.7	26.3	1.4	0.0	0.0	1.1	0.4	0.8	50.9	42.4	202
Thailand	40.2	20.2	15.4	17.7	2.0	0.0	0.3	1.7	1.2	2.4	45.4	49.6	130
Viet Nam	56.2	32.5	23.8	21.0	2.7	0.1	0.0	0.8	0.5	2.0	59.6	30.5	46
Other	73.8	34.3	29.8	37.4	2.1	0.0	0.0	0.2	0.1	0.1	74.1	18.9	3
Southern Asia (SOA)	34.1	18.8	15.6	10.4	4.3	0.5	0.2	6.2	3.1	2.7	46.0	44.2	198
India	32.4	20.1	16.4	10.2	1.8	0.1	0.3	7.0	3.7	3.2	46.4	51.6	131
Other	37.4	16.2	14.0	10.9	9.2	1.1	0.0	4.5	1.7	1.7	45.3	29.9	67
Central and West Asia (CWA)	18.6	12.5	10.6	1.0	1.5	3.6	0.0	6.9	0.4	1.5	27.5	71.8	39
Pacific	26.0	8.3	7.1	11.4	2.3	0.0	4.0	0.1	0.5	0.4	27.0	70.9	2
Middle East (MEA)	22.9	12.3	9.2	4.3	5.7	0.6	0.0	7.5	2.8	2.2	35.4	58.3	459
Africa	20.1	12.6	10.6	4.0	3.3	0.1	0.0	4.8	9.6	4.3	38.8	58.2	238
South Africa	24.2	16.0	13.3	5.7	2.5	0.0	0.0	2.0	3.4	5.0	34.6	63.0	60
Other	18.7	11.5	9.7	3.4	3.6	0.1	0.0	5.8	11.7	4.0	40.2	56.6	178
Latin America (LACR) <sup>2</sup>	18.0	13.8	10.4	3.3	0.8	0.0	0.0	0.5	0.4	18.3	37.1	57.8	584
Brazil	22.3	16.2	12.5	4.9	1.1	0.0	0.0	1.0	1.3	17.9	42.5	55.2	86
Mexico	20.4	15.5	10.9	4.4	0.6	0.0	0.0	0.3	0.2	5.4	26.3	71.5	252
Other	13.9	11.3	9.1	1.7	0.9	0.0	0.0	0.4	0.2	31.7	46.2	44.7	246
Developing countries (South)	34.6	21.6	16.4	10.2	2.4	0.3	0.1	2.4	1.8	5.6	44.3	48.4	3466
Developed countries (North)	19.1	13.5	11.6	4.1	1.3	0.2	0.1	1.8	1.4	5.4	27.7	71.0	8046
World	24.2	16.2	13.1	6.2	1.6	0.2	0.0	2.0	1.5	5.6	33.3	63.2	10926

Notes: 1. Including Hong Kong SAR and Macao

2. Including the Caribbean

2. Figures do not add up to 100 because the total includes data for unclassified countries.

Table 5: Commodity Composition of developing-country non-fuel trade, 2006-07  
(A) Exports

Exports	South –South				South-North			
	Fuel	Non-fuel primary	Manufactures	Total, \$ billion	Fuel	Non-fuel primary	Manufactures	Total, \$ billion
Developing Asia	8.6	8.0	83.3	1414.8	7.3	7.0	85.7	1340.9
Northeast Asia	3.0	3.1	93.9	866.6	1.8	3.6	94.7	872.0
China	1.9	3.4	94.7	675.5	0.8	3.8	95.4	728.3
Republic of Korea	6.7	1.9	91.4	174.4	6.4	2.6	91.0	137.4
Southeast Asia	15.9	14.1	70.0	438.8	11.4	14.8	73.8	335.9
Indonesia	9.3	19.4	71.3	36.7	7.2	10.2	82.6	37.3
Malaysia	16.6	14.9	68.5	89.7	10.5	9.8	79.7	74.0
Philippines	4.4	7.7	87.9	21.0	1.1	10.0	88.8	25.9
Singapore	15.6	7.5	76.8	185.8	8.9	9.3	81.8	88.7
Thailand	7.6	18.1	74.3	72.6	1.6	19.5	78.9	65.6
Viet Nam	24.4	27.9	47.7	53.0	27.5	26.3	46.2	51.8
Other	95.9	0.5	3.6	3.6	96.7	0.3	3.0	4.0
Southern Asia	19.4	22.8	57.8	92.8	16.7	9.0	74.3	94.8
India	21.2	21.3	57.6	76.1	7.0	10.9	82.0	55.8
Central and West Asia	49.5	22.7	27.8	16.4	70.1	11.2	18.8	37.7
Pacific	19.0	61.7	19.3	0.3	0.0	69.9	30.1	0.5
Middle East	43.7	12.5	43.8	195.3	58.5	6.3	35.2	292.2
Africa	43.8	23.0	33.2	81.3	54.6	14.2	31.2	182.6
South Africa	14.2	20.8	65.0	19.8	7.3	16.3	76.4	37.2
Latin America	15.0	35.4	49.6	204.6	18.5	25.2	56.4	456.6
Brazil	10.0	34.4	55.6	72.0	6.4	44.9	48.7	73.8
Mexico	15.9	12.1	72.0	21.4	15.6	9.0	75.4	238.9
Total South	14.7	12.1	73.2	1896.0	19.9	11.1	68.9	2272.3
Memo items:								
Developed countries	5.0	15.2	79.8	1895.5	9.2	16.1	74.7	6575.4
World	10.0	13.6	76.4	3667.2	12.2	14.2	73.6	8304.0

## (a) Imports

	South-South				South - North			
	Fuel	Non-fuel primary	Manufactures	Total, \$ billion	Fuel	Non-fuel primary	Manufactures	Total, \$ billion
Developing Asia	25.1	10.7	64.2	1418.7	4.3	14.2	81.5	977.1
Eastern Asia	20.5	10.4	69.1	847.4	4.2	14.1	81.7	587.5
China	13.7	10.6	75.7	672.7	3.3	14.3	82.5	438.8
Republic of Korea	48.1	9.4	42.4	161.7	6.3	12.9	80.7	138.3
Southeast Asia	27.8	9.1	63.1	397.2	3.2	11.1	85.7	264.2
Indonesia	7.7	16.3	76.0	26.8	0.2	10.0	89.8	46.6
Malaysia	15.9	12.4	71.7	74.0	0.9	11.5	87.6	56.1
Philippines	28.4	10.6	61.0	29.0	1.1	9.6	89.3	22.8
Singapore	28.1	6.5	65.4	143.3	5.8	7.0	87.3	91.1
Thailand	32.8	7.8	59.4	73.4	3.0	10.7	86.4	56.7
Viet Nam	46.1	11.2	42.7	43.4	1.8	22.8	75.3	22.9
Other	2.4	24.3	73.3	1.0	0.4	8.3	91.3	0.6
Southern Asia	43.2	16.0	40.8	161.0	4.5	24.9	70.6	91.6
India	48.3	14.3	37.4	118.3	5.0	25.8	69.2	71.1
Central and West Asia	11.5	14.9	73.6	11.9	14.8	10.7	74.5	32.4
Pacific	56.8	11.0	32.1	1.2	4.9	32.8	62.3	1.4
Middle East	10.4	20.1	69.5	181.2	6.4	15.1	78.5	285.9
Africa	26.4	17.1	56.4	125.2	5.4	19.1	75.5	146.6
South Africa	36.8	13.6	49.7	33.1	3.4	17.2	79.5	39.4
Latin America	17.0	13.2	69.7	261.1	7.1	11.0	81.9	363.8
Brazil	30.9	16.3	52.9	52.9	6.6	6.1	87.4	51.0
Mexico	4.6	12.9	82.5	69.5	7.0	11.8	81.2	193.9
Developing countries	22.8	12.3	65.0	1986.2	5.3	14.1	80.6	1773.5
Developed countries	23.0	11.8	65.2	2898.4	10.7	15.9	73.5	6394.6
World	22.7	11.9	65.5	4702.7	9.0	14.9	76.1	7591.6

Table 6: Parts & Component share in Developing-Country manufacturing Trade, 1996-07\*, 2000-01\*, 2006-07\*, 2008 and 2009

	Exports					Imports			
		South-South	Intra-regional <sup>1</sup>	South-North	World	South-South	Intra-regional <sup>1</sup>	South-North	World
Developing Asia	1996-7	22.8	24.9	20.7	21.9	22.4	38.0	26.1	24.6
	2000-1	42.3	47.0	32.7	38.1	42.8	71.2	43.2	43.4
	2006-7	42.3	47.7	30.4	37.4	48.3	76.0	39.4	45.1
	2008	38.7	44.5	28.2	34.8	45.3	71.3	36.6	42.1
	2009	39.9	45.8	27.7	35.6	47.6	75.1	37.3	44.0
Eastern Asia	1996-7	24.8	24.3	21.8	23.6	24.1	21.2	34.2	29.8
	2000-1	34.6	38.1	26.3	30.9	36.2	32.9	40.9	39.1
	2006-7	39.9	50.8	26.9	34.2	50.2	53.9	37.6	45.5
	2008	37.2	52.0	25.7	32.6	49.6	55.3	36.1	44.3
	2009	38.5	54.4	24.9	33.3	50.9	58.1	36.2	45.5
China	1996-7	24.5	0.0	16.4	20.6	23.3	0.0	32.8	28.0
	2000-1	36.9	0.0	21.9	29.2	37.4	0.0	40.6	39.3
	2006-7	40.1	0.0	25.4	33.3	52.4	0.0	39.6	47.7
	2008	38.0	0.0	23.8	31.8	52.6	0.0	37.9	46.8
	2009	40.2	0.0	22.9	32.8	52.9	0.0	37.9	47.5
Southeast Asia	1996-7	21.6	24.3	22.1	22.0	21.1	40.1	18.6	19.2
	2000-1	58.6	66.7	56.2	58.6	56.2	100.3	53.9	54.9
	2006-7	55.4	56.7	48.8	53.7	51.2	53.4	49.7	51.5
	2008	49.5	49.9	44.0	48.5	43.7	42.5	45.2	45.0
	2009	51.8	51.2	46.3	51.3	49.2	48.3	46.5	48.9
Southern Asia	1996-7	7.3	2.0	4.5	5.3	11.1	0.4	19.4	15.5
	2000-1	8.2	2.0	4.6	5.9	17.9	0.9	22.1	20.3
	2006-7	8.4	2.1	8.0	8.2	24.6	1.0	24.3	24.4
	2008	9.8	2.8	11.3	10.6	22.1	0.6	19.8	20.9
	2009	10.9	1.9	10.9	10.9	23.1	0.8	23.8	23.5
Central and West Asia	1996-7	1.0	0.9	0.5	0.7	1.0	0.0	2.0	1.8
	2000-1	4.8	3.4	5.5	5.3	20.7	6.4	22.5	22.1
	2006-7	2.4	1.7	4.7	3.8	15.2	1.1	18.2	17.5

	2008	1.8	1.6	4.2	3.3	13.8	0.7	18.5	17.1
	2009	2.1	1.6	4.5	3.4	16.7	0.7	20.3	19.3
Pacific	1996-7				0.0	0.5	2.6	1.2	1.1
	2000-1	1.3	0.5	10.0	8.5	5.0	0.3	9.1	8.0
	2006-7	20.5	12.4	38.8	32.5	12.0	1.1	20.9	18.0
	2008	22.5	15.4	30.2	26.7	15.7	1.0	22.9	20.4
	2009	21.5	13.8	34.8	28.6	12.5	1.1	24.8	20.7
Middle East	1996-7	11.4	2.0	15.8	15.2	7.8	1.1	17.8	15.6
	2000-1	13.5	5.3	17.0	16.5	8.8	4.8	21.6	18.4
	2006-7	10.4	13.1	13.2	12.9	13.5	5.0	22.8	19.5
	2008	43.4	48.5	31.5	38.4	49.0	77.3	40.0	45.8
	2009	114.0	114.0	114.0	114.0	114.0	114.0	114.0	114.0
Africa	1996-7	0.4	1.2	0.3	0.3	2.9	0.8	5.6	4.8
	2000-1	7.9	24.9	8.4	8.2	12.1	14.8	17.8	16.3
	2006-7	9.1	26.2	12.8	11.4	16.4	8.6	22.3	20.0
	2008	9.5	22.9	13.2	11.8	17.6	6.9	22.7	20.6
	2009	11.2	27.1	16.5	14.7	18.4	6.3	24.0	21.6
Latin America	1996-7	10.5	10.7	30.9	24.9	15.1	34.7	29.5	26.3
	2000-1	16.2	15.0	36.2	32.4	24.7	30.0	39.9	36.8
	2006-7	17.7	17.6	33.2	28.6	29.8	18.8	32.3	31.7
	2008	16.4	16.9	31.6	26.5	28.9	16.3	30.7	30.4
	2009	15.3	16.7	33.3	27.3	31.8	14.7	30.7	31.6
Developing countries	1996-7	41.8	41.8	44.0	43.4	40.5	40.5	50.2	46.7
	2000-1	36.9	36.9	33.0	35.4	35.5	35.5	38.4	37.7
	2006-7	38.0	38.0	29.1	34.1	40.6	40.6	34.0	38.1
	2008	34.9	34.9	27.2	31.7	37.8	37.8	32.1	35.7
	2009	36.0	36.0	27.5	32.8	40.3	40.3	32.2	37.3

\*Two year averages

1. Trade within given regions (Developing Asia, Middle East, Africa and Latin America and developing countries)

Table 7: South-South Non-Fuel Trade net of Manufacturing Parts and Components, 1996-2009

	\$Billion	share in total Southern exports	Share in world Exports	\$Million	share in total Southern imports	Share in world imports
	Exports			Imports		
1996	388	40.6	10.7	335	29.9	8.5
1997	369	40.2	10.1	319	29.1	8.0
1998	340	37.7	9.4	301	29.7	7.5
1999	322	35.7	8.8	304	29.4	7.3
2000	377	36.5	9.6	371	30.0	8.1
2001	386	37.7	9.9	382	30.9	8.5
2002	415	37.1	10.0	411	30.7	8.6
2003	517	38.9	10.7	494	31.4	8.9
2004	657	39.6	11.3	642	32.2	9.5
2005	796	41.0	12.4	758	33.0	10.2
2006	972	42.0	13.1	898	32.9	10.4
2007	1215	44.1	13.9	1126	34.9	11.3
2008	1476	45.9	15.0	1392	36.5	12.5
2009	1255	47.5	16.0	1092	35.5	12.5



Table 8: South-South Trade by Region: Non-fuel trade net of manufacturing parts and component

		\$billion	SS in exports	Region's share in total SS exports	Intra-regional share in SS exports	\$billion	SS in exports	Region's share in total SS exports	Intra-regional share in SS exports
		Exports				Imports			
Asia	1996-07	297.9	44.4	78.7	83.1	243.1	32.7	74.3	88.0
	2000-01	279.2	41.7	73.3	76.4	245.4	33.0	65.2	86.1
	2006-07	795.1	46.4	72.7	73.6	623.6	33.3	61.7	82.1
	2008	1,077.7	49.7	73.0	70.7	830.0	35.8	59.6	79.0
	2009	925.1	51.2	73.7	70.6	672.8	34.6	61.6	77.0
Northeast	1996-07	171.0	46.2	45.3	82.2	136.5	35.1	41.8	90.5
Asia	2000-01	176.3	41.5	46.3	77.7	155.3	35.0	41.3	89.2
	2006-07	517.1	44.3	47.2	73.4	380.1	32.0	37.6	81.9
	2008	693.7	47.0	47.0	70.0	479.1	33.4	34.4	77.4
	2009	607.3	48.2	48.4	70.9	409.9	32.2	37.5	75.8
China, PRC	1996-07	123.6	44.2	32.7	86.6	118.0	40.1	36.1	93.1
	2000-01	130.6	39.6	34.3	81.6	135.3	37.9	35.9	90.9
	2006-07	407.0	42.2	37.1	74.9	314.0	32.0	31.1	82.6
	2008	544.7	44.4	36.9	71.2	389.7	33.0	28.0	76.7
	2009	460.2	44.4	36.7	71.2	344.8	32.1	31.6	75.2
Southeast Asia	1996-07	108.6	43.5	28.6	87.9	88.2	29.1	26.9	89.6
	2000-01	77.8	43.8	20.4	80.3	61.9	26.9	16.4	88.5
	2006-07	199.3	52.3	18.2	80.9	158.7	33.8	15.7	89.3
	2008	283.6	56.5	19.2	78.0	234.9	38.6	16.9	88.8
	2009	217.9	59.1	17.4	78.2	155.9	36.1	14.3	88.0
Southern Asia	1996-07	16.4	35.8	4.3	59.5	16.7	34.9	5.1	63.5
	2000-01	22.7	38.4	5.9	52.1	25.8	42.3	6.8	63.6
	2006-07	70.3	48.8	6.5	52.7	75.0	41.3	7.4	70.1
	2008	89.0	54.7	6.0	52.1	101.5	45.0	7.3	65.5
	2009	92.5	56.7	7.4	49.1	97.8	48.1	9.0	64.8

Central and	1996-07	1.9	34.4	0.5	86.8	1.7	26.0	0.5	48.1
West Asia	2000-01	2.1	35.1	0.5	82.6	1.9	24.2	0.5	55.9
	2006-07	8.1	42.1	0.7	85.5	9.2	26.9	0.9	67.6
	2008	11.2	41.2	0.8	77.8	13.5	29.2	1.0	67.8
	2009	7.3	46.4	0.6	89.8	8.9	27.2	0.8	72.0
Pacific	1996-07	0.0	67.2	0.0	100.0	0.0	24.9	0.0	99.2
	2000-01	0.3	16.4	0.1	97.5	0.5	27.5	0.1	76.9
	2006-07	0.2	26.9	0.0	97.1	0.5	27.6	0.0	96.2
	2008	0.2	16.3	0.0	92.1	0.9	31.2	0.1	96.9
	2009	0.1	19.3	0.0	93.3	0.4	34.1	0.0	96.4
Middle East	1996-07	14.0	30.0	3.7	36.9	16.3	18.0	5.0	29.8
	2000-01	26.2	33.7	6.9	41.1	43.7	27.3	11.6	26.9
	2006-07	98.6	39.8	9.0	41.6	145.0	35.5	14.3	21.8
	2008	119.2	36.5	8.1	41.4	215.3	37.6	15.5	22.2
	2009	102.5	36.6	8.2	35.9	159.1	36.4	14.6	18.8
Africa	1996-07	8.4	26.4	2.2	52.6	13.9	21.7	4.3	19.1
	2000-01	17.0	28.6	4.5	53.7	25.9	28.8	6.9	35.6
	2006-07	43.3	34.8	4.0	55.8	80.7	37.7	8.0	25.4
	2008	66.3	40.4	4.5	50.6	119.0	40.1	8.6	22.7
	2009	44.5	42.0	3.5	47.0	85.5	41.9	7.8	22.6
Latin America	1996-07	58.1	31.0	15.4	70.9	53.7	25.6	16.5	74.5
	2000-01	59.6	26.7	14.9	67.1	61.2	25.3	15.5	67.9
	2006-07	156.4	34.2	14.3	56.9	162.9	33.2	16.0	57.2
	2008	213.2	38.4	14.4	56.5	227.4	36.3	16.3	54.3
	2009	182.9	40.5	14.6	48.9	174.8	35.5	16.0	33.2
Total South	1996-07	378.4	40.4	100.0	100.0	327.0	29.5	100.0	100.0
	2000-01	381.1	37.1	100.0	100.0	376.6	30.4	100.0	100.0
	2006-07	1,093.4	43.0	100.0	100.0	1,012.2	33.9	100.0	100.0
	2008	1,476.5	45.9	100.0	100.0	1,391.8	36.5	100.0	100.0
	2009	1,254.9	47.5	100.0	100.0	1,092.2	35.5	100.0	100.0

**Table 9: Variables construction and data sources for gravity model estimation**

Label	Definition	Data Source/variable construction
<i>X, M</i>	Value of bilateral trade (imports and exports) in US\$ measured at constant (2000) price.	Exports (at CIF price, US\$): compiled from importer records of UN-COMTRADE, online database ( <a href="http://www.bls.gov/ppi/home.htm">http://www.bls.gov/ppi/home.htm</a> ). Exports and import values are deflated by US import and export price indices extracted from the US Bureau of labour Statistics data base.
<i>GDP, GD PP</i>	Real GDP, and real per capita GDP (at 1995 price)	World Development Indicator, The World Bank
<i>ADJ</i>	A binary dummy: 1 for countries which share a common land border and 0 otherwise	CEPII database
<i>DIST</i>	Weighted distance measure of the French Institute for Research on the International Economy (CEPII), which measures the bilateral great-circle distance between major cities of each country	French Institute for Research on the International Economy (CEPII) database
<i>LPI</i>	World Bank logistic performance index Arvis et al. (2007),	LPI database, World Bank
<i>RER</i>	Real exchange rate: $RER_{ij} = NER * \frac{P_j^W}{P_i^D}$ where, <i>NER</i> is the nominal bilateral exchange rate index.(US\$ price of foreign currency), $P_j^W$ in price level of country <i>j</i> measured by the producer price index and $P_i^D$ is the domestic price index of country <i>i</i> measured by the GDP deflator. An increase (decrease) in $RER_{ij}$ indicates a deterioration (an improvement) in country <i>j</i> 's competitiveness in traded-goods production in <i>i</i> (The USA, in this case).	Constructed using data from World bank, World development Indicators database. Following Soloaga and Winters (2001), mean-adjusted RER is used in the model. This variable specification assumes that countries are in exchange rate equilibrium at the mean.
<i>TRF</i>	Trade-weight MFN tariff rate (the same average tariff rate is applied to all bilateral trading partners)	World Development Indicator database, World Bank
<i>LNG</i>	A dummy variable which is unity if <i>i</i> and <i>j</i> have a common language and zero	CEPII database
<i>ADJ</i>	A binary dummy variables which take value 1 for countries which share a common land border and 0 otherwise	CEPII database

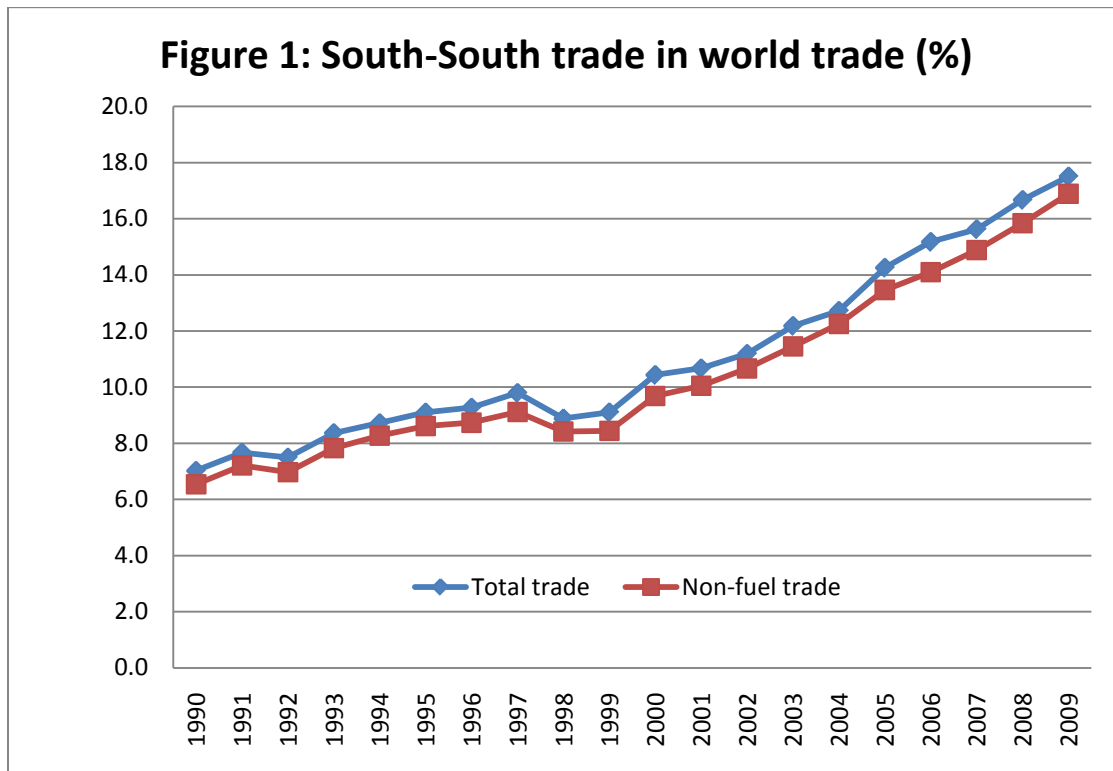


**Table 5. Determinants of Manufacturing (Mfg) trade, (1990-2008)<sup>1</sup>**

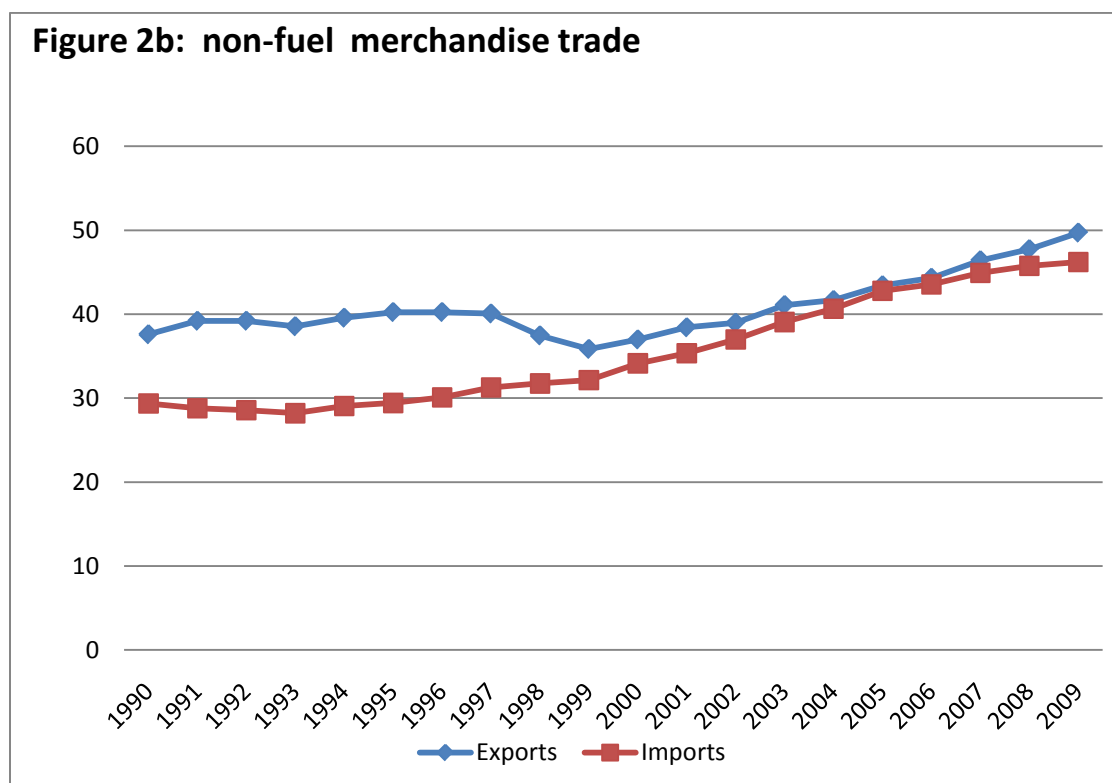
Explanatory Variables <sup>2</sup>	Exports		Imports	
	Benchmark model	With ST dummy	Benchmark model	With ST dummy
<b>(a) Exports</b>				
Ln GDP, reporter	1.147*** (0.011)	1.018*** (0.017)	0.624*** (0.015)	0.603*** (0.002)
Ln GDP, partner	0.799*** (0.009)	0.946*** (0.014)	0.904*** (0.111)	0.941 (0.017)***
Ln distance ( <i>DST</i> )	-0.793*** (0.019)	0.445*** (0.056)	-1.068** (0.023)	-0.772*** (0.069)
Tariff rate ( <i>TFR</i> )	-0.011*** (0.001)	-0.040*** (0.009)	-0.044*** (0.001)	-0.035*** (0.002)
Regional trading agreement (RTA)	1.012** (0.314)	1.055*** (0.221)	0.675*** (0.134)	0.675** (0.242)
Ln real exchange rate ( <i>RER</i> )	0.093*** (0.010)	0.097*** (0.15)	-0.065* (0.014)	-0.116*** (0.018)
Common language (CLN)	0.687*** (0.034)	0.319*** (0.015)	0.377*** (0.041)	0.055 (0.063)
Logistic performance (LPI)	0.616** (0.030)	0.688*** (0.057)	0.855** (0.034)	1.497*** (0.068)
Asian financial crisis (DAFC)	-0.025 (0.034)	-0.007* (0.051)	-0.097** (0.044)	-0.113* (0.062)
ST*LnGDP, reporter		0.245*** (0.022)		0.053* (0.029)
ST*LnGDP, partner		-0.277*** (0.018)		-0.086 (0.023)
ST* Ln distance ( <i>DST</i> )		-1.396*** (0.061)		-0.223*** (0.074)
ST*RER		0.024 (0.021)		-0.118*** (0.029)
ST*TFR		0.027*** (0.009)		-0.013*** (0.002)
ST*RTA		-0.107 (0.268)		-0.046 (0.289)
ST*LPI		0.210*** (0.073)		-0.481 (0.087)
ST*CLN		0.264*** (0.070)		0.387*** (0.084)
ST		12.737*** (0.916)		5.682*** (1.176)
Constant	-25.956*** (0.392)	-37.869*** (0.772)	2.51 (0.28)	-0.90 (0.09)
Observations	13339	13339	11463	11463
R <sup>2</sup>	0.74	0.075	0.70	0.71
F	3992.81	1085.79	2156.09	1084.93

RMSE <sup>4</sup>	1.206	1.257	1.406	1.380
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**Notes:** Figures in parentheses are standard errors (SEs) derived using the Huber-White consistent variance-covariance ('sandwich') estimator. Statistical significant is denoted as \*\*\*1 percent, \*\*5 percent, and \*10 percent. Results for the time dummies are not reported. RMSE: root mean square error

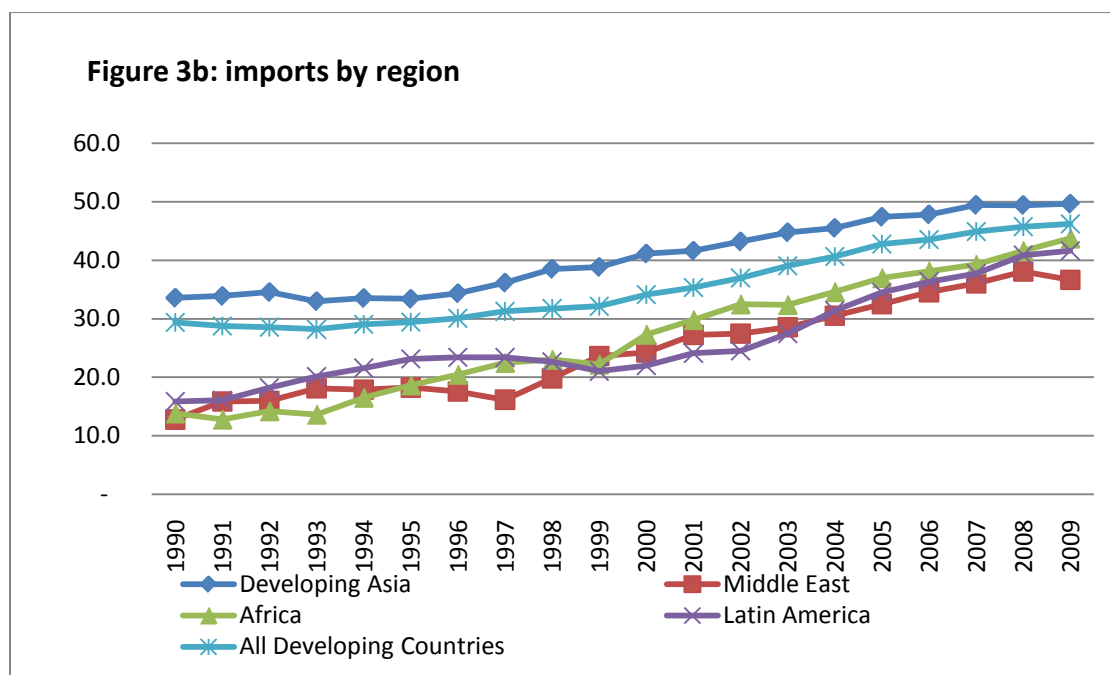
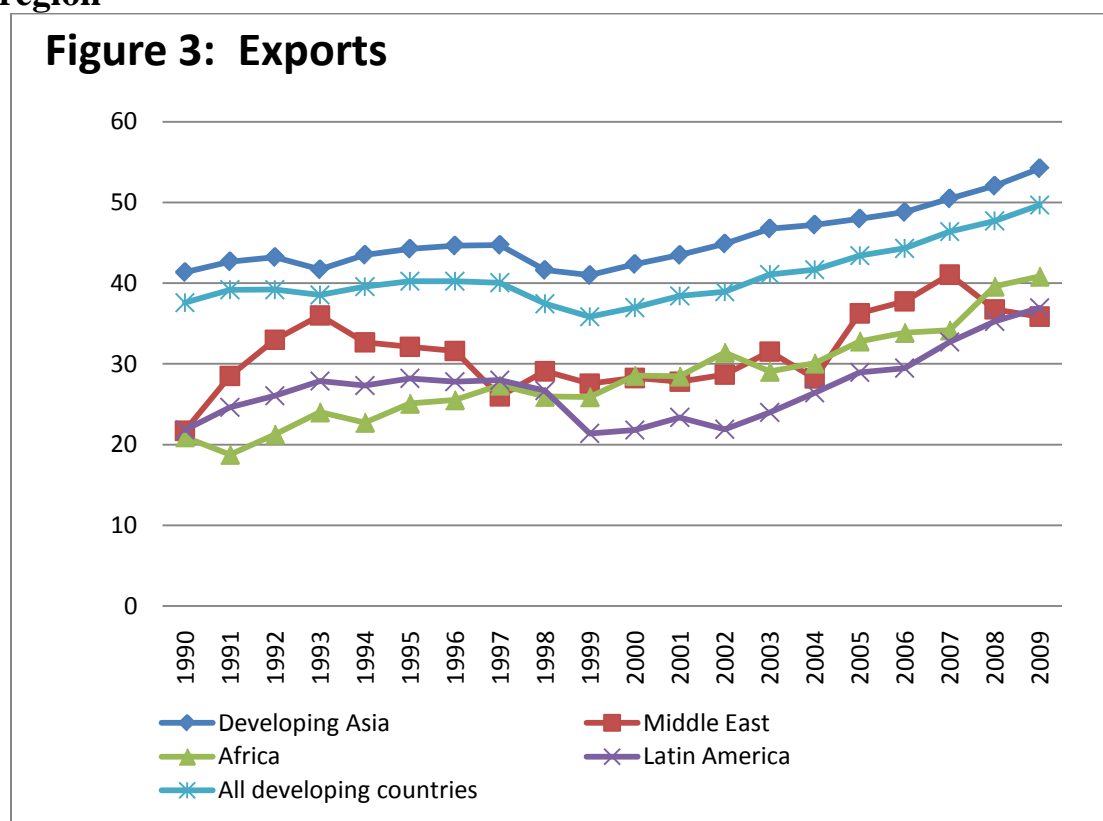


**Figure 2: Share of South-South trade in Developing Country trade (%)**

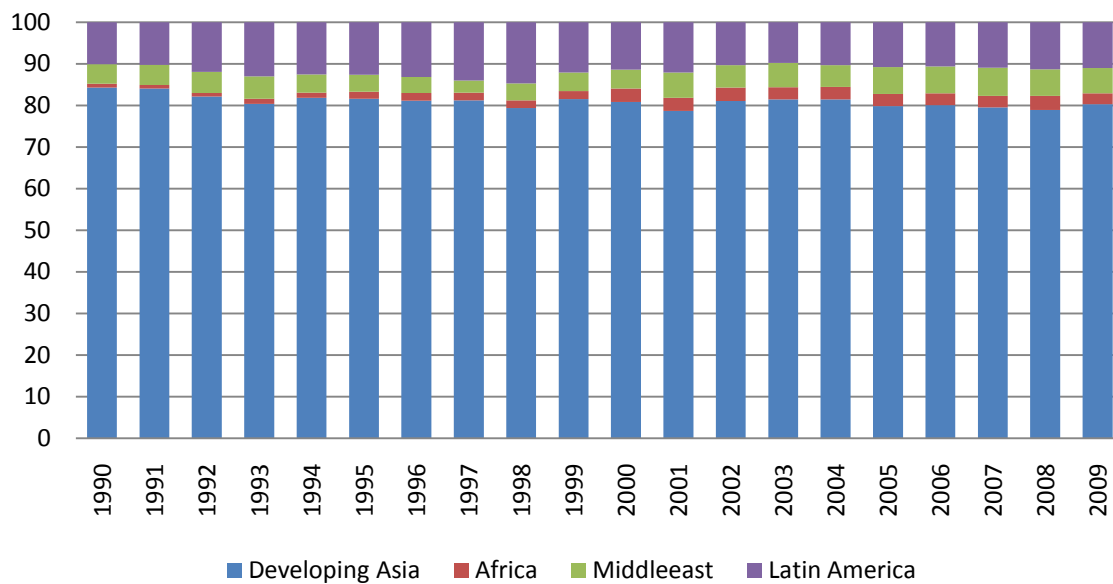




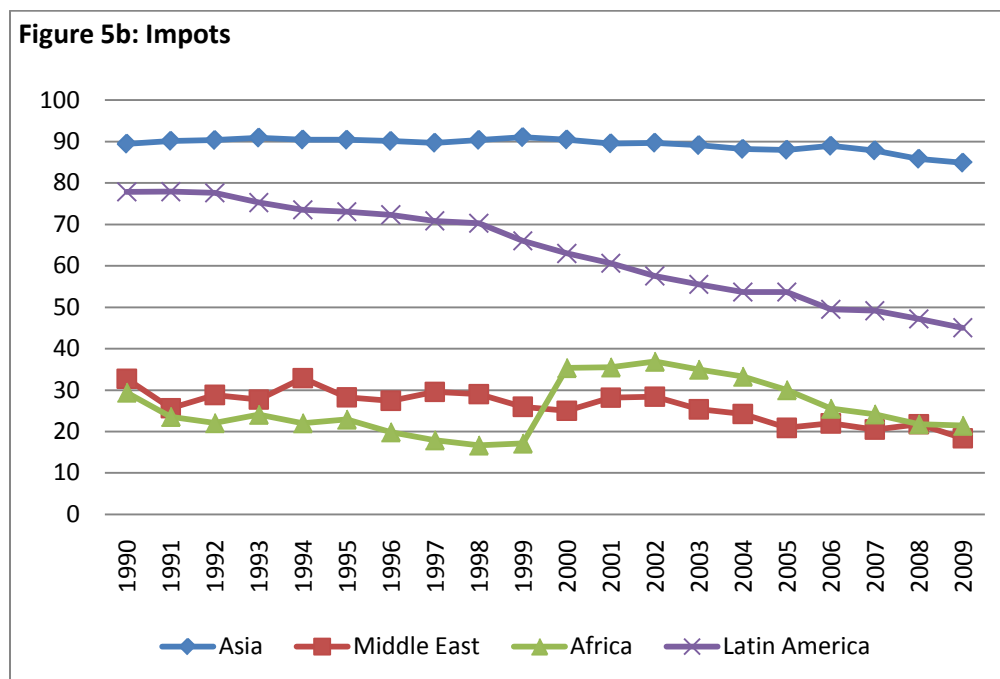
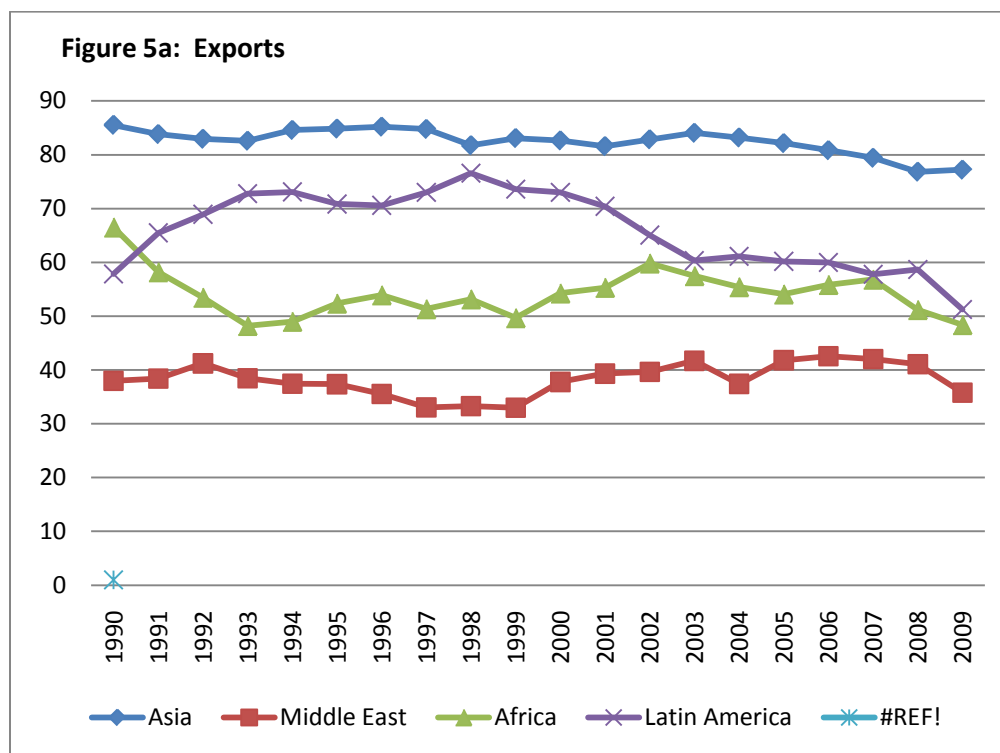
**Figure 3: Share of South-South trade in non-fuel merchandise trade by region**



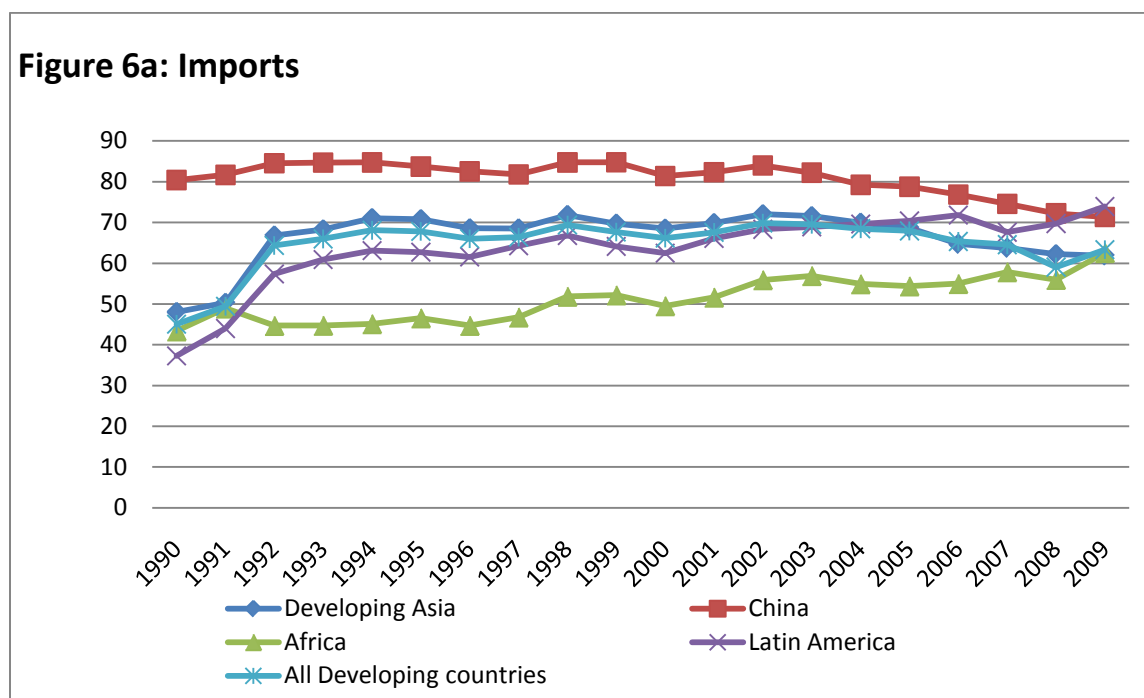
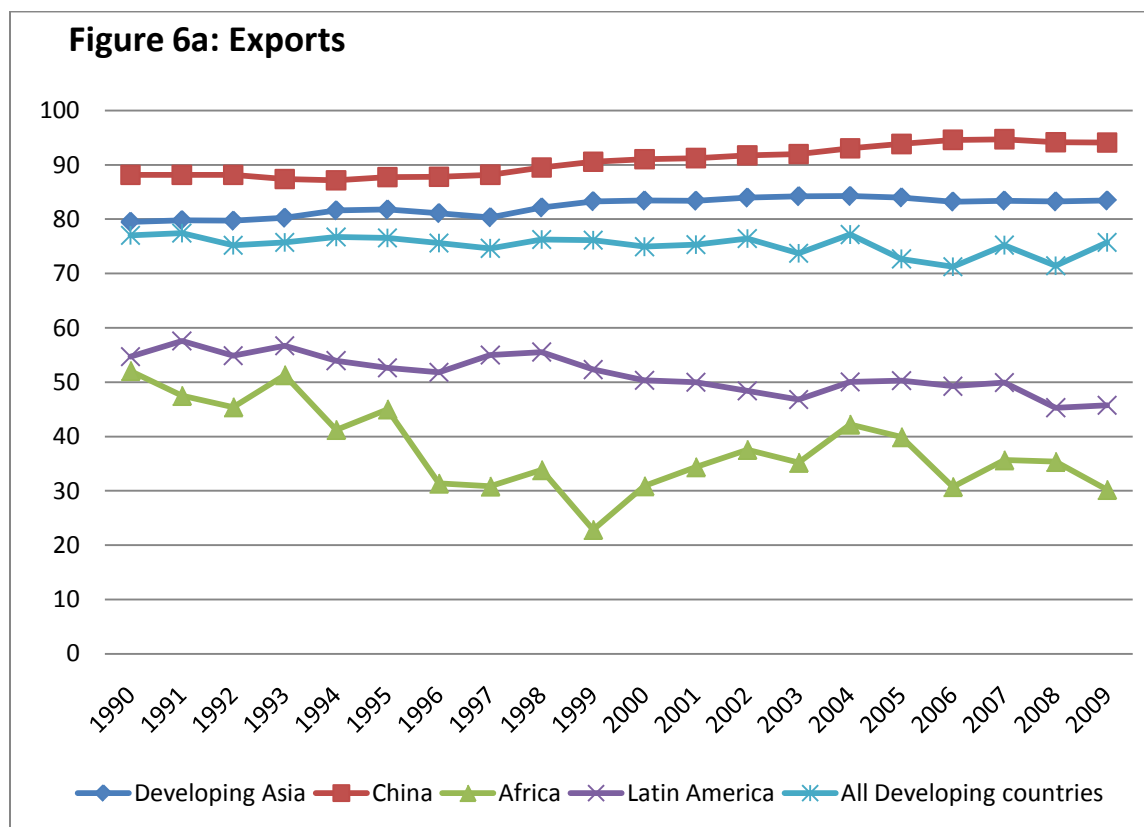
**Figure 4: Regional composition of South-South Trade (%)**



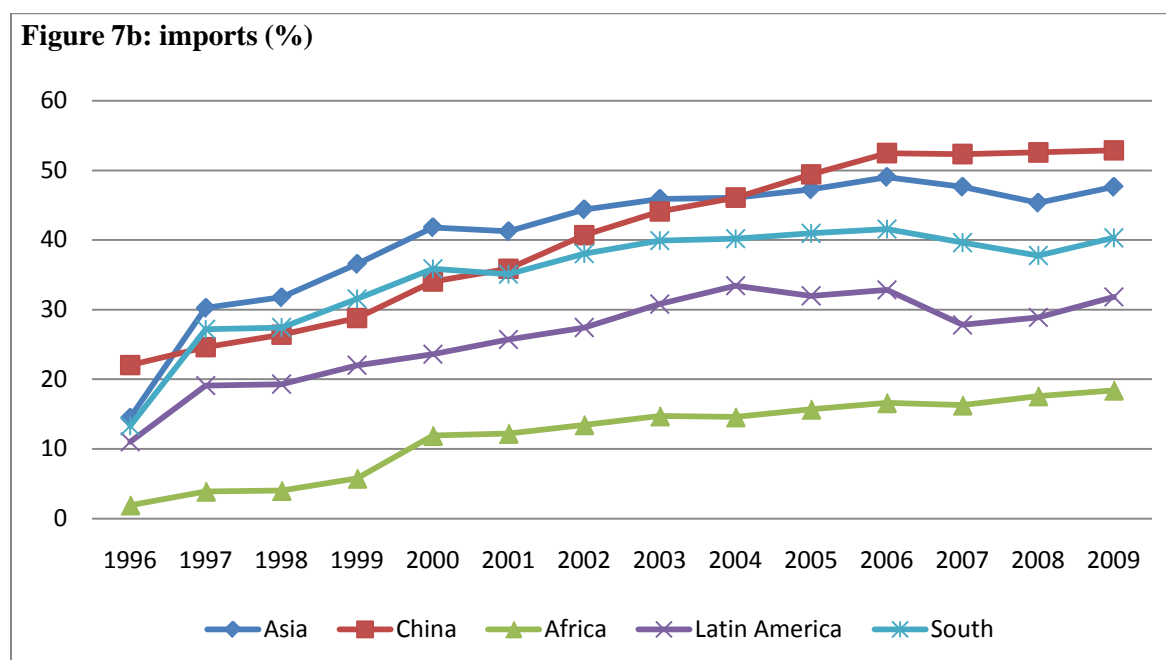
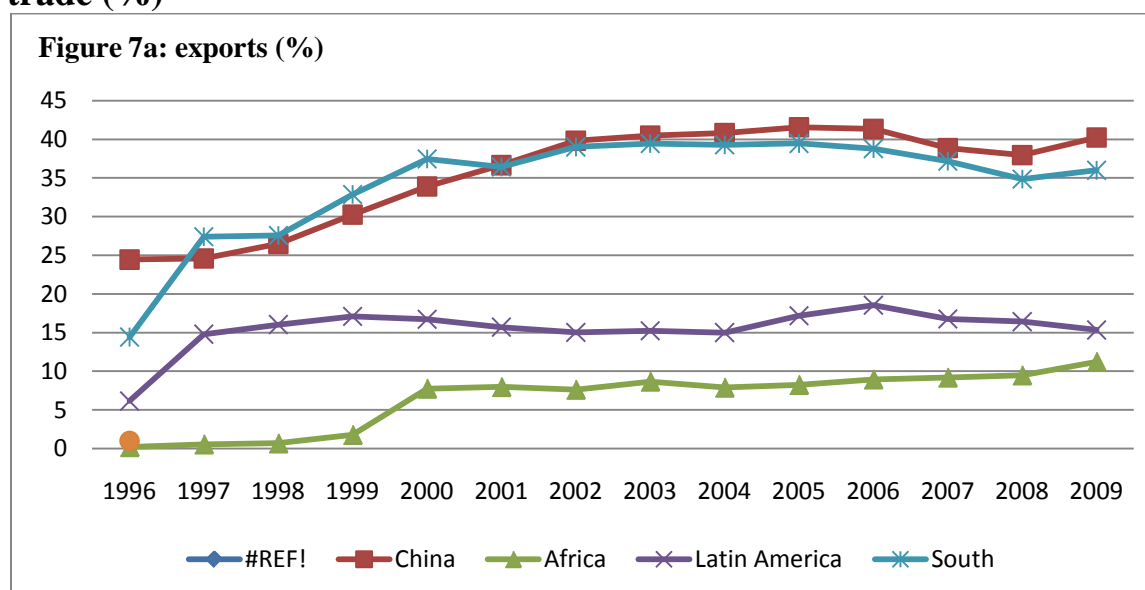
**Figure 5: Intra-regional shares in South-South non-fuel trade (%)**



**Figure 6: Share of manufactures in South-South trade (%)**



**Figure 7: Share of Parts and Components in South-South manufacturing trade (%)**





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