

A SACU-India Trade Agreement and Its Economic Impacts: A Computable General Equilibrium Approach

By

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Presentation outline

Background

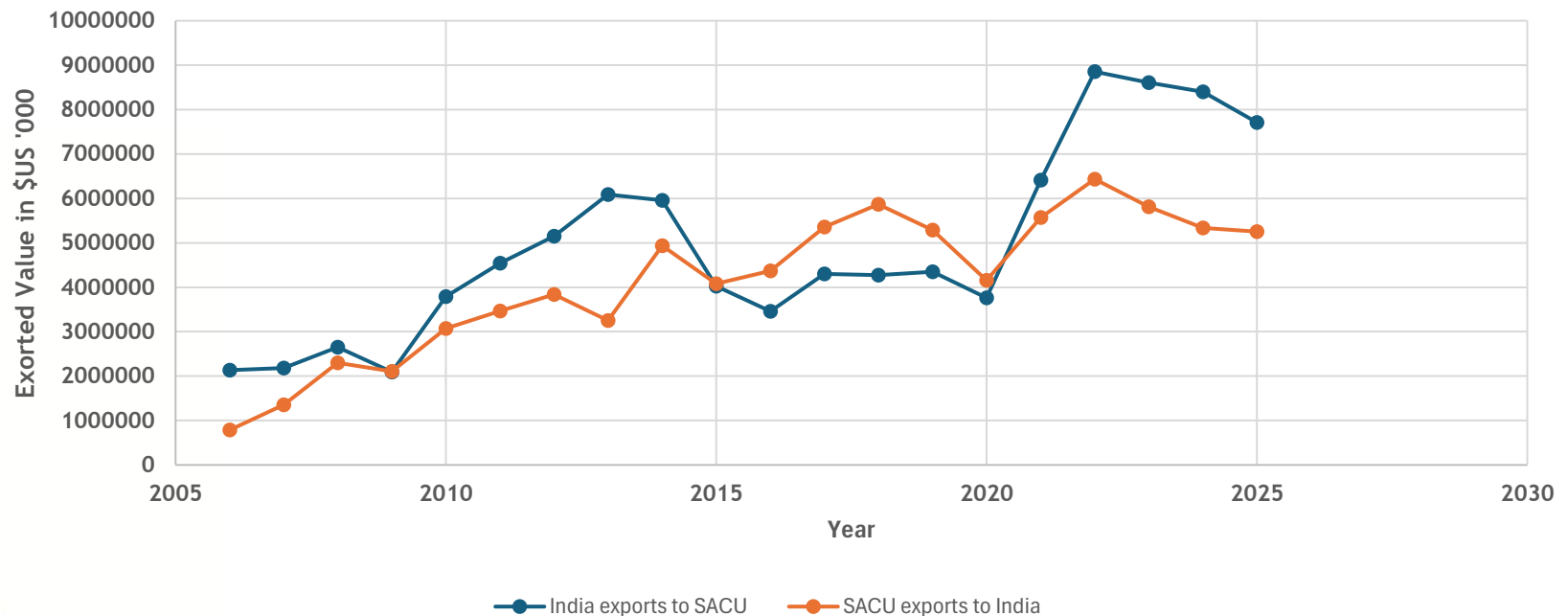
Data and Methodology

Results and discussions

Conclusions and Recommendation(s)

BACKGROUND: Motivation of SACU-India Trade Agreement

- ✓ Regional Trade Agreements (RTAs) have become more prevalent since the establishment of the world trade.
- ✓ The governments of Southern African Customs Union (SACU) member States (Botswana, Lesotho, Namibia, South Africa and Eswatini) and India announced a mutual interest of preferential trade agreement (PTA) (Tralac, 2015) (Soko, 2006).
- ✓ There has been a considerable rise in bilateral trade between SACU and India over the past two decades.



BACKGROUND: Motivation of SACU-India Trade Agreement

Literature gap

- ✓ Existing studies assessing the economic effects of a SACU-India free trade agreement have predominantly focused on tariff liberalisation.
- ✓ Available literature does not reflect the recent global trade structures.

Justification for the study

- ✓ Contemporary trade policy analysis requires a more comprehensive treatment of trade barriers beyond tariffs alone, particularly the inclusion of NTMs, which are increasingly the dominant form of trade restriction.
- ✓ By incorporating updated global trade dynamics, including evolving tariff structures and the expanded role of regulatory measures, the study provides a more realistic and policy-relevant assessment of a SACU-India trade agreement.

Objectives

- ✓ Adjust tariffs (Altertax) and **do historically simulations (GDP, population and labour)**
- ✓ Tariff reduction (full liberalization vs partial liberalization)
- ✓ NTMs reduction
- ✓ Reduction of both tariffs and NTMs

Data and Methodology

Altertax

- ✓ Tax Adjustment procedure for incorporating improved information on taxes into the existing GTAP data aggregation.

Simulations:

- ✓ Partial tariff bilateral liberalization
- ✓ Full tariff bilateral liberalization
- ✓ 25% and 50 % reduction in NTMs
- ✓ Partial liberalization with 25% and 50% reduction in NTMs
- ✓ Full liberalization with 50% reduction in NTMs

GTAP Model

- ✓ Standard static GTAP model
- ✓ Database Version 11 (2017 base year)
- ✓ 141 countries (42 regions)
- ✓ 65 commodities (aggregated into 39 commodities).

Results

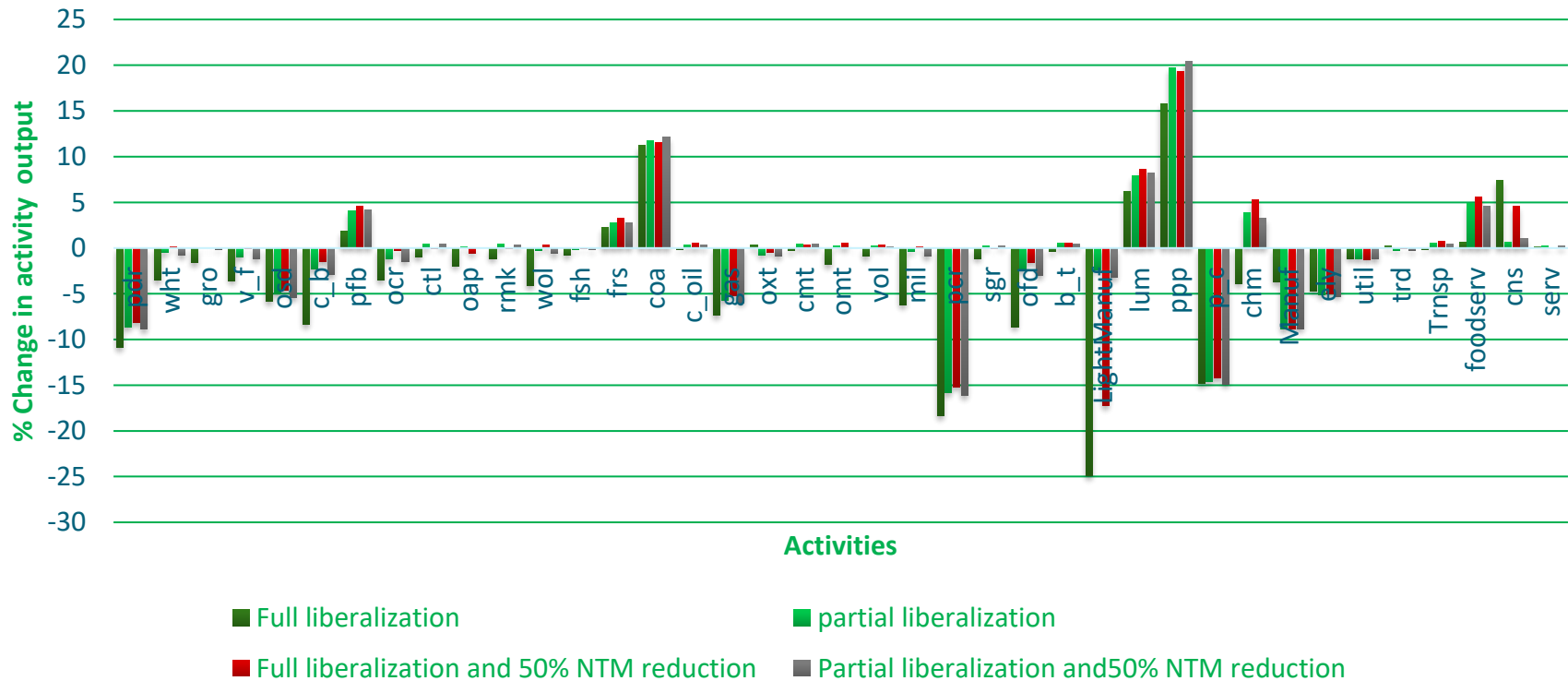
Macros	FL	PL	FL & 50% NTM	PL & 50% NTM
GDP	0,09	0,06	0,14	0,11
HH (ypev)	2,34	1,37	2,49	1,52
Exp	10,21	3,65	10,59	4,02
Imp, at wo	16,16	4,49	16,71	5,04
Trade bala	-517,54	775,78	-509,95	788,38

- FL – Full liberalization
- PL – Partial liberalization

Conti..

Winners Vs Losers: South Africa's Percent Change in activity output

NB: export??



Cont..

Welfare Results of Trade liberalization

Partial liberalization					
Region	Aggregate Welfare Effect	Contribution of	Contribution	Contribution	Other
zaf	3840	185	3894	-343	-104
SACU	777	-18,9	807	-19	8,23
India	1469	675	392	55,7	347
Full liberalization					
Region	Aggregate Welfare Effect	Contribution of	Contribution	Contribution	Other
zaf	6268	263	6188	-286	104
SACU	663	-21,1	686	-10,5	88,23
India	3905	912	2522	124	347

Recommendations and Concluding remarks



THANK YOU

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