



**Reframing South Asian  
Regional Cooperation  
in the New Context**  
*National and Global Dimensions*

4-5 November 2023, Dhaka, Bangladesh



Generating Knowledge, Giving Voice, Challenging Injustice

Parallel Session B3

**Value Chains and Foreign Direct Investment (FDI)**

Sunday, 5 November 2023 | 11:30 am – 1:00 pm

Venue: Nawab, Sheraton Dhaka

**Chair:** *Dr N. R. Bhanumurthy*, Vice-Chancellor

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The liberalisation of trade since the 1990s facilitated South Asian countries' integration into the Global Value Chains (GVCs). Leveraging integration into the GVCs, South Asian economies have created new jobs, attracted Foreign Direct Investment (FDI), upgraded technology, and achieved significant economic growth over the years. Thanks to access to an inexpensive labour force, South Asian countries are now mostly exporters of the manufacturing industry, including textile and garment, electrical machinery, leather footwear, etc.<sup>1</sup> (ITC Trade Map, 2023). For instance, three South Asian countries, Bangladesh, India & Pakistan, account for around 14 per cent of global clothing exports (WTO, 2023). The combined employment in this sector (including footwear) totals approximately 25 million in these three countries (ILO, 2022). On the other hand, according to UNCTAD (2023), the total FDI inflows in South Asia stood at 55,870 million US dollars in 2022, which was 4.3% of total global FDI inflows.

Despite the advantages of GVC integration, other than India, the GVC's participation of South Asian countries remained very low (Wijesinghe & Yogarajah, 2022). Presence of multiple barriers in the region impedes the potential GVCs integration of South Asian countries and deprives them of even higher benefits. Overcoming these barriers could substantially attract FDI, thereby facilitating the adoption of new technologies that align with the abundant labour force in these countries (OECD, 2015).

One of the weaknesses of South Asian countries is their relatively low participation in GVCs of intermediate goods and capital goods; especially when goods increase the competitiveness of an economy by lowering production costs (IMF, 2022). The regional cooperation within the South Asia region that could facilitate the competitiveness of these countries is also limited (Drishty, 2023). Lack of functional economic corridors in the region; conflict zones brewing mistrust between neighbours; slow progress on trade facilitation and free trade agreements in the region; and non-tariff barriers that prevent skills and technology transfer are the key challenges that limiting the regional integration within these South Asian countries (Vaqqar, Suleri, & Javed (2015). These countries face common barriers in the domains of infrastructure, regulation, and logistics (World Bank, 2017). In view of the LDC graduation of three countries, Bangladesh, Nepal, &

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<sup>1</sup> However, Mineral oil product is India's one of the major exporting products

Bhutan, the landscape of GVCs participation in the South Asia region could experience significant changes.

**Guiding Questions for the Panellist**

1. How can the participation of South Asia in GVCs be leveraged to draw higher FDI in the region?
2. How may the landscape of South Asia's GVC's participation change in view of the ongoing global economic crisis, climate change, 4IR, and LDC graduation?
3. What role do different South Asian regional organisations (such as SAARC, SASEC, etc.) and trade agreements (such as SAFTA) play in increasing this region's GVCs integration and facilitating FDI?
4. What are the lessons from other regions such as South-east Asia in enhancing intra-regional and inter-regional FDI in the GVCs?