A Glass Half Full – World Bank Report

Why in news?

\n\n

World Bank released ‘A Glass Half Full: The Promise of Regional Trade in South Asia’ report recently.

\n\n

What does it reveal?

\n\n

\n
- The report estimates India’s potential trade in goods with South Asia at $62 billion against its actual trade of $19 billion.
\n
- It said the trade between India and Pakistan is $2 billion but without trade barriers, this could be $37 billion.
\n
- Intra-regional trade in South Asia is negligible and stands at a mere 5% of the region’s total trade.
\n
- The report recommends an approach of **open regionalism**, and views intraregional trade as complementary to deeper global integration.
\n
- India can play a critical role in regional cooperation for mutual economic and welfare gains.
\n
- It highlights two specific examples of cooperation in the region that sheds light on both the barriers and the opportunities related to regional trade and connectivity.
\n
- One is the setting up of **borders haats** by India and Bangladesh, which enabled small-volume trading among local communities on both sides of the border.
\n
- Another is the liberalization of **India-Sri Lanka air services**, which has improved connectivity, reduced air fares, increased passenger traffic and air cargo volume.

\n
- Both serves as a model for an incremental approach towards deeper trade cooperation in the South Asian region.
\n
- Deeper regional trade and connectivity can reduce the isolation of Northeast India and will give Indian firms better access to markets in South Asia and East Asia.
\n
- It will also allow these regions to substitute fossil fuels by cleaner hydropower from Nepal and Bhutan.
\n
- Indian consumers will also gain from availability of greater variety of consumer goods at cheaper prices.
\n

\n\n

How should India's trade relations progress?

\n\n

\n
- **With Bangladesh** – India is already selling power and pharmaceuticals and it is building a railway line through the country that will cut the distance to our north-eastern States.
\n
- Local border markets are bolstering cross-border trade between communities and spurring mutual trust.
\n
- India's automobile manufacturers like Tata Motors and Ashok Leyland play a major role there and there is a possibility of controlling a sizeable chunk of the Bangladesh commercial vehicle market.
\n
- However, Indian auto manufacturers face competition from the Japanese who sell refurbished vehicles in the country.
\n
- Large numbers of medical tourists also arrive from Bangladesh and they account for a large chunk of medical revenues, especially in Kolkata.
\n
- **With Sri Lanka** – According to the World Bank study, both sides operated 147 flights a week to 11 Indian destinations in 2017.
\n
- Sri Lankan recently offered Indian visitors visas on arrival which had a huge impact on the island nation's tourism industry.
\n
- However, it did not demand reciprocal visa on entry rights, which a more

security-conscious India might have been reluctant to grant.
\n
- This made Indians to move on to the top of tourist arrivals to the island nation from ninth position.
\n
- It is also said to be considering visa-free entry for Indians and Chinese in the near future.
\n
- **With Nepal and Bhutan** – India-Nepal relationship has always been fairly open, but in the last three years it has soured.
\n
- India is getting hydroelectric power from Bhutan and looking at similar arrangements with Nepal, which could allow us to substitute more fossil fuels with cleaner hydro-power.
\n
- **With Pakistan** - Small quantities of trade in cement and agri-products reveals meagre trade potential between the two countries.
\n
- The Pakistanis make tractors and also have a large two-wheeler and auto-components market.
\n
- But India, which has a highly developed auto-components industry, contends Pakistani auto-components are of inferior quality and shouldn't be allowed in for now.
\n
- Hence, tariffs need to be harmonised for large-scale trade to take place.
\n

\n\n

Where does the future lie?

\n\n

\n
- The troubled political climate in the region deters Indian investors from looking closely at our neighbours.
\n
- Regional power status of India is being aggressively challenged by the Chinese who possess vast foreign exchange resources and top-notch infrastructure-building skills, which is witnessed in its Belt and Road Initiative.
\n
- Trade between South Asian nations hasn’t been improved with SAFTA, where each country has a long list of trading restrictions.
\n

- Also, in South Asia, protection is greater in the case of imports from within the region than from the rest of the world.
  \n
- Hence, Countries like Bangladesh and Pakistan can utilise India’s vast market potential and enrich its exports, which could boost intra- regional trade.
  \n
- India and all other south Asian neighbours should look at lifting the curbs and galvanise intra-regional trade as quick as possible.
  \n

\n\n

Source: Business Line

\n\n

\n\n

\n\n

\n

