Connecting Asia’s growth pole

Why in news?

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The vice president of Asian Development Bank highlighted the potentials of integrating South and South-East Asia and the obstacles in this integration.

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What are the benefits of this integration?

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- India and other South Asian nations, collectively forecast to grow by 7.3% in 2017, can integrate their dynamic economies into the rest of Asia.
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- Removing obstacles to trade and investment between South Asia, Southeast Asia and other parts of Asia is the key to erase extreme poverty in the region.
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- If South Asia and Southeast Asia each cut non-tariff barriers by 50% and trade costs by 15%, will lead to gains of 8.9% of GDP in South Asia and 6.4% of GDP in Southeast Asia.
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- Sub-regions of Asia have their respective weaknesses. So the Asia’s growth spurt can be achieved from integrating these regions.
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How can the integration be done?

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- Myanmar and Bangladesh are ideally located to open the economies on the southern side of Asia and those to the east.
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- Therefore the growth should happen along India’s east coast, through Bangladesh and Myanmar into the rest of Southeast Asia and China.

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What are the causes of concern?

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- Only 5% of total trade is done among the South-Asian compared to 35& in East Asia and 26% in Southeast Asia.
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- Trade between the economies of South Asia and Southeast Asia climbed from just $4 billion in 1990 to $90 billion in 2013. But that is not fast enough and represents only a fraction of the potential gains.
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- Building the mutual trust, consensus, and political commitment needed to forge closer trade and transport links will be challenge.
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What should be done?

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- South-East Asian economies grew quickly even after the global financial crisis through new trade agreements, highways, shipping routes, communications and cross-border logistics. This should be replicated in South Asia.
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- South Asia lacks the institutional framework provided by ASEAN, which has galvanized the above mentioned economic integration. SAARC should be strengthened on these lines.
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- The trilateral highway connecting India, Myanmar and Thailand will deliver physical connectivity.
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- More robust value chains should be developed with Southeast Asia and East Asia to make tsuch movement of goods efficient.
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- Market and institutional links are also to be strengthened.
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- A host of new economic corridors, like Bangladesh-China-India-Myanmar (BCIM), are another key to connecting Asia’s fastest growing countries.
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What are the gains for India in the integration?

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- ASEAN and India have forged a free trade agreement to deepen trade in goods and services and strengthen investment ties.
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- India is partnering with Myanmar to deepen maritime trade by developing Sittwe as a deep-sea port in northern Myanmar.
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- The 2,500-km East Coast Economic Corridor (ECEC) along India's east coast links the Visakhapatnam-Chennai industrial corridor into Bangladesh, Myanmar and China and to the ports of Vietnam.
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- Matching the strengths of India's northeast in products such as wood, rubber, cement and steel to ASEAN's needs would maximise the ECEC's potential as an eastern gateway.
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- There is great scope also for economic corridors connecting India with Nepal, Bangladesh and Sri Lanka, to maximise the export
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- For all this to happen, behind-the-border barriers to trade in South Asia need to be addressed, including the better of its infrastructure and regulatory regimes.
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