Trading more within Asia

Why in news?

The International Monetary Fund's (IMF) warning that global trade would slow down from 5.4% in 2022 to 2.4% in 2023 has spurred the debate on narrowing the trade within Asia.

Why trade within Asia is important?

- **SEZ** - South Asia has over 600 Special Economic Zones (SEZs) in operation in terms of exports and jobs and fostering domestic linkages.
- **FTAs**- South Asia has made a start with Free Trade Agreements (FTAs) such as the Japan-India FTA, the Sri Lanka-Singapore FTA and the Pakistan-Indonesia FTA.
- **Trade surplus** - Many countries of East and Southeast Asia have maintained substantial trade surpluses as they have been net exporters.
- **Agriculture** - Asia is the biggest producer of rice in the world, and rice remains an important commodity of intraregional trade.
- International Sugar Agreement, the Asian and Pacific Coconut Community and the International Tea Committee designed to promote intraregional trade helps in price stabilization
- **Inland navigation -** It is capable of carrying goods and passengers at small cost over considerable distances.
- **Trade integration** - Narrower geographical coverage between South Asian and Southeast Asia may be a building block for eventual trade integration across Asia.
- **Success of other groups** - The successful of these groups is Organization of Petroleum Exporting Countries (OPEC), which is dominated by the major oil-producing countries of Southwest Asia.
- The Association of Southeast Asian Nations (ASEAN) has fostered joint economic ventures among its member states and has worked to reduce trade barriers.

India's trade has been re-aligning towards East Asia through its 'Look East' and 'Act East' policies.

What needs to be done?

- **Tax reforms** - South Asia's trade opening should be calibrated with tax reforms as trade taxes account for much of government revenue in some economies.
- **Reduction of barriers** - Regional trade integration across Asia can be encouraged by gradually reducing barriers to goods and services trade.
- **Performance of SEZs** - The performance of SEZs needs improvement and investment to facilitate industrial clustering and exports.
- **FTAs** - Comprehensive FTAs can be pursued to lead to the Regional Comprehensive

Economic Partnership (RCEP) to provide for a regional rules-based trade to insure against rising protectionism.

- **BIMSTEC** - A reinvented trade-focused Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) can facilitate stronger trade ties.
- **Utilising the G20 Presidency** - India is South Asia's largest economy and its G-20 presidency can be a good platform to initiate these changes.

Reference

1. The Hindu | Trading more within Asia makes economic sense

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