

Recipe to boost South Asian trade



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TRADE has been identified as a vehicle of inclusive and sustainable economic growth and poverty reduction mechanism in the Addis Ababa Action Agenda and the Agenda 2030 of the United Nations.

The South Asian Association for Regional Cooperation (Saarc) was created to neutralise the deep-rooted mistrust and asymmetries between the South Asian countries.

The main objective of the Saarc was to promote effective cooperation between the member states and these cooperative arrangements also encourage the member countries to formulate common positions on vital economic and social issues at global platforms.

Since its inception, the Saarc has been gradually developing in conjunction with the UN and other regional organisations. But ironically, the development of the Saarc has been symbolic rather than substantive.

Bilateral problems and unwillingness of political parties to integrate are the major problems in this region. This creates a gulf of difference between adoption of broader policies at the highest political levels and implementation of them at the root level.

Moreover, the Saarc Secretariat and other regional centres have not taken any proactive action like the Asean. If these basic flaws are not addressed and cured, the regional integration through South Asia will remain a distant dream.

There are substantial social and geographical gaps in different parts of states, which can increase transportation costs, decrease inter-connection and fuel institutional differences.

Intra-regional trade's performance may improve through the World Trade Organisation (WTO) initiative to develop the trade system between the Saarc states through regulations and governmental policies.

It is necessary to identify obstructions and

possible assistance for trading within the Saarc.

Although South Asia is the world's fastest-growing region, it struggles because of decreasing capital inflow, increasing inflation and reduction in remittances from oil-exporting nations.

Economic growth rose from 6.8 percent in 2014 to 7 percent in 2015. South Asia's economic growth was projected to hit 7.1 percent in 2016 and 7.2 percent in 2017.

Presently, South Asia lags behind with low levels of trade in goods and performs very poorly in the ease of doing business where South Asian countries rank the lowest.

In 2011, the Saarc members pledged to promote a greater flow of financial capital and long-term investment. The South Asian Free Trade in Service focuses on issues like market access, progressive liberalisation, domestic regulations, recognition, dispute settlement, safeguarding measures and subsidies.

An investment-friendly environment is necessary because this region has failed to secure more than 2 percent of overall foreign direct investment (FDI).

In order to attract FDI, the member states should focus on establishing regional value chains or regional value platforms like the Asean countries.

They should also work to remove the restrictions for incoming FDI, such as scarcity of land to set up business. They should also address frequent corruption, bureaucratic delays and property disputes, which harm investment environment.

To attract foreign investment, these countries can also take certain steps to reduce corporate and personal income taxes in high priority sectors, subject to avoiding counter-productive regional competition.

The South Asian countries should facilitate public-private investment partnerships, keeping in mind the need for developing regional and sub-regional energy and infrastructure projects. Such steps shall promote regional value chains in the apparel, service sector and other industries.

The Saarc countries should focus on reinforcing and streamlining existing value chains and developing new value chains.

Costa Rica is an example of new value chain possibilities.

In the country, coffee and banana export was the source of international business for 25 years. Then a massive economic boom occurred and it began exporting over 4,500 products to 150 nations.

This transformation is a result of innova-



STAR/FILE

A view of Chittagong port that helps execute about 80 percent of Bangladesh's total external trade. South Asia lags behind other regions with low levels of trade in goods.

tive trade policies and trade agreements.

Proper application of the South Asian Free Trade Area (Safta) helped increase intra-regional trade by over \$2 billion, according to the World Bank.

The ratio of the intra-regional trade for South Asia is less than 5 percent, well below East Asia's 32 percent. The implementation of the Safta remains sluggish compared to other regional trade agreements because South Asian countries are willing to do more trade with the US or the EU.

Nevertheless, South Asia took a step towards unifying the rest of Asia. The Saarc was established to achieve the goal of doing \$100 billion worth of intra-regional trade.

They are required to give the inspiration to value chains, textile and clothing value chains, uphold intra-region investments, improve connectivity-financial trade, define the scope of economic corridors formation, encourage service trade, and resolve the India-

Pakistan dispute through regularising their trade relationship.

Through moving towards a customs union, South Asia's future prospective trade will illuminate among the regions.

Statistics of the Asian Development Bank reveal that South Asian intra-regional trade has risen from 2 percent since 1967, but it remains below 6 percent.

South Asia's intra-region trade vis-à-vis its global trade rose from 4.55 percent in 2010 to 5.58 percent in 2015.

On the other hand, the Asean boasts an impressive intra-regional trade figure of about 24 percent of its total trade with the rest of the world.

Statistics indicate that trade within the South Asian countries is increasing slowly but steadily. The intra-regional trade increased from 2.7 percent in 1990 to 4.3 percent in 2011. However, the corresponding figures for the Asean and the Asean +3 were 26 percent

and 39 percent respectively.

Various obstructions stand in the way of realising the true potential of this region. In trade liberalisation, there are always winners and losers.

Despite having a modest beginning, the Safta has set the pace for tariff reduction for least developed countries (LDCs) and non-LDC member states.

South Asian countries should come under the umbrella of harmonisation of rules and standards under a mutual recognition agreement.

To boost intra-regional investment, flagship investors should be proactively attracted, the idea of joint borders with single clearance should be explored and more attention should be given to establish a liberal visa policy.

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China to revamp farm sector to rev up rural economy



REUTERS/FILE

A farmer spreads red chillies to dry at a village in Huaibei, Anhui province, China.

REUTERS, Beijing

CHINA wants to modernise its farm sector by 2035 as part of a plan to boost rural incomes and living standards, according to a government policy statement that comes amid growing concern about a widening wealth gap and slowing economy.

The statement called for significant progress in rural rejuvenation by 2020, agricultural modernisation by 2035 and a "strong agriculture sector and full realization of farmers' wealth" by 2050.

"Without the modernisation of agriculture there is no national modernization," said the government's first policy statement of the year.

China has the largest agriculture sector in the world and hundreds of millions of people work as farmers but productivity is low.

The statement published by state news agency Xinhua late on Sunday is called the Number One document and sets out Beijing's priorities for the year.

China has already taken steps to modernise its sprawling farm sector in recent years in a bid to make it more efficient and better able to supply changing tastes in a wealthier, urban population.

It has been overhauling support for grain production, abandoning state stockpiling schemes and cutting support prices for major crops, such as wheat and rice, after years of bumper harvests saddled the government with overflowing reserves.

It is also trying to shift the focus to quality rather than quantity by promoting varieties in higher demand, such as high-gluten wheat, or corn used to make silage for dairy cows.

Those efforts will continue, said the document, which also called for upgrading of farm machinery, accelerating the development of modern crops and the development of digital agriculture.

It also reiterated recent efforts to better protect water and soil, strengthen management of resources and said China will deepen land reforms, allowing for more transfer of land.

China is trying to improve financing in rural areas to support modernisation. The document said Beijing would guarantee "strategic financial input" into the revitalization, with public finance prioritising rural areas.

It also wants to improve China's agricultural trade policy system and support large grain importers and agribusinesses, it continued.

In quest for growth, German toymakers keep it real

AFP, Nuremberg, Germany

IN an industry upended by the changing play habits of tech-savvy kids, German toymakers are pinning their hopes for growth on traditional, real-world toys -- with a little help from the big screen.

At the world's biggest toy fair in Nuremberg this week, it was a large panel showing a bearded Playmobil figure peeking from behind a curtain that perhaps best exemplified an industry in flux.

"We see us 2019" read the tagline, a tongue-in-cheek nod to how a German person with clumsy English might say it.

The teaser for the first-ever Playmobil movie may seem unremarkable -- rival Lego has been doing movie tie-ins for years.

But for a company that has hardly tweaked its recipe for success since 1974, it marks a sea-change -- evidence of the upheaval sweeping the sector as toymakers compete not just with each other, but also for the attention of children glued to tablets and smartphones.

Toy companies have in part responded by joining kids in the digital world, with apps, online games and YouTube videos.

They have also chased licensing deals with Hollywood studios, hoping that links with popular movie or television characters will win fans in new markets. But some of Germany's favourite toy brands are bucking these trends, keeping the focus on the physical products that they themselves created.

"Parents are getting bored of all these tablets," said Schleich chief executive Dirk Engehausen, whose company is best known for its hand-painted, plastic animal figures.

"It's much easier for a child to really understand the fascination of an elephant, giraffe or cheetah by having it in your hand instead of just swiping over the surface of an iPad," he told AFP at the fair.

Daniel Barth, CEO of Steiff, the 138-year-old company behind the iconic teddy bears with a button in their ear, agreed.

"We see ourselves as an analog brand," he said. "You can't cuddle an iPad."

So far, the strategy has paid off. In a near-stagnant toy market, Schleich's global revenues climbed nine percent in 2017 to a record 156 million euros (\$194 million), driven by robust demand for its Horse Club range.

Steiff's revenues were up some eight percent to around 45 million euros, as customers snapped up a new line of colourful, ultra-soft stuffed animals -- a departure from the brand's usual true-to-nature creatures and one that was originally aimed at the Asian market, but



AFP/FILE

Visitors stand in front of a 1967 Chevrolet Camaro, presented in an oversized packaging to mark the 50th anniversary of the Hot Wheels brand, at the 69th International Toy Fair in southern Germany.

proved a hit at home too.

Looking ahead, both companies plan to join Playmobil in moving to the silver screen to reach new audiences.

Schleich is bringing its popular Bayala fantasy world populated by elves, unicorns and mermaids to life with an eponymous movie set for release next year.

Steiff was more tight-lipped about its film plans, with Barth saying only it would be a "surprise".

While both firms have dipped their toes into the licensing pool -- Steiff was one of the first toymakers to partner with Disney in the 1930s -- Engehausen and Barth said they were relying on the strength of their own brands to drive future growth.

"We believe that the potential in our own franchise is so big that we are focusing more on our stuff," said Engehausen.

Germany is somewhat of an exception in this area, said Joachim Stempfle of the NPD research group.

While licensed toys account for over 25

percent of global toy sales, in Germany that share is only 19-20 percent.

"In Germany, traditional toy manufacturers have a higher status than in other markets," Stempfle said.

Playmobil only entered the licensing game last year, creating "Ghostbuster" toys and a line based on the animated film "How to Tame Your Dragon".

Playmobil sales shot up 11 percent to 679 million euros, and although the Bavarian giant does not release a breakdown of revenues, spokesman Bjoern Seeger said licensed toys brought "new momentum" to the brand.

But licensing remains fraught with risk.

After years of growth, Lego revealed at the fair that consumer sales in Germany slumped by 2.6 percent in 2017 -- in part because of "disappointing" sales in the "Star Wars" range.

Seeger said licensed toys and the upcoming Playmobil Movie allowed for "new ways of storytelling" that would bring greater attention to the brand as it seeks to expand in the United States and China.