Heeding the lines on the map

Forging a China-India-Pakistan-Bangladesh axis would be a game-changer for all of South Asia

SYED MUNIR KHASRU

AT the heart of South Asia's poor integration is India-Pakistan rivalry, further complicated by China-Pakistan proximity and India-China hostility. A new dimension has been added with souring of Pakistan-Bangladesh relations and the India-China tug of war over Bangladesh. The time has come to make a paradigm shift in South Asia's regional integration strategy. Politics and religion aside, across India, Pakistan and Bangladesh (IPB) there are common socio-cultural bonds, and people-to-people connectivity remains positive.

Caught in a tangle

Today the big three of South Asia are caught up in a complex quagmire, both within and beyond the region. The remaining five—i.e. Bhutan, Nepal, Maldives, Sri Lanka, and Afghanistan—are paying the price of regional disintegration caused by unresolved puzzles having roots in the China-IPB (CIPB) axis. If the big three can have a strategic partnership that also factors in China, the remaining five can effortlessly fit into positive regionalism with a win-win situation for all.

IPB account for approximately 95 percent of South Asia's GDP and population. Along with China, they account for 18.5 percent of global GDP and 41 percent of global population. South Asia's intra-regional trade, currently 5 percent of total trade, can grow to USD 80 billion from the current USD 28 billion, the lion's share being within IPB. Pakistan and India have potential trade capacity of USD 20 billion compared to the current USD 3 billion. Underdeveloped transport and logistics services and bureaucratic procedures are deterring India-Bangladesh cross border trade, which can grow by 300 percent. The Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) has a pivotal position in developing joint investment agreements but sluggish progress in infrastructural development has rendered the corridor nearly comatose. Due to its common borders with China and India, Myanmar's significance also needs to be factored in.

India continues to be the natural choice for external investors including Chinese multinational enterprises like Alibaba and Xiaomi. In 2016, foreign direct investment to Pakistan rose by 56 percent, largely due to Chinese investment in Belt and Road Initiative (BRI) infrastructure. Although the China-Pakistan Economic Corridor (CPEC) is being developed as a bilateral initiative, if Indian sensitivities can be addressed, it can be a multilateral project, integrating India as well as other South Asian and Central Asian regions. China has already pledged USD 38 billion to Bangladesh under the BRI. Synergetic integration of the economic corridors with other BRI projects can accelerate inward investment into IPB.

Due to cross-border barriers and lack of transport facilitation among IPB, freight movement is taking place along expensive routes, escalating investment cost. Movement of trucks across the international frontier is confined by absence of cross-border agreements between India and Bangladesh and India and Pakistan. China is injecting huge funds into physical infrastructure such as Pakistan's Gwadar port project and USD 20 billion in various Indian industrial and infrastructural projects. China has committed USD 1.4 billion for building Colombo Port City and is set to invest USD 1 billion more.

Rail connectivity is restricted due to technical problems of different gauges, track structures, signalling and so forth. Absence of a multilateral agreement has restricted the realisation of the railway potential. The deep-pocketed Chinese can invest in land and rail infrastructure to develop both inter-regional connectivity and intra-regional connectivity. Although India and Bangladesh have started exploring opportunities using Ashuganj inland port, regional inland waterways remain unexplored. Air cargo flights are encumbered by limited access to Indian airspace by Pakistan and vice-versa. China can lead in transport and transit agreements to facilitate smooth movement of freight and passenger vehicles across IPB resulting in integration with China and also South Asia.

The supply-demand gap of power in IPB is estimated to be 18,707 MW. To unravel the full potential, energy treaties based on renewable sources have become imperative. China and India are shifting from fossil fuels to renewables. With greater electricity generation and utilisation of domestic energy endowments, combined efforts of BCIM, CPEC and the proposed China-Nepal-India (CNI) Economic Corridor under BRI, can capitalise on regional energy potential.

By 2050, China, India, Pakistan and Bangladesh will experience water shortages. The three largest trans-boundary river basins, Indus, Ganga and Brahmaputra, are all within CIPB. This represents a huge potential for water-sharing and hydro power projects across the basins, but political mistrust is an impediment. The Zangmu hydroelectricity dam, situated in the middle reaches of the Brahmaputra, has raised concerns in India over downstream water supply. This damming, along with that of the Ganga, could exacerbate Bangladesh's downstream water scarcity.

While there exist bilateral river-water sharing treaties between India and Bangladesh as well as India and Pakistan, China is absent except for a hydrological data-sharing collaboration. China has expressed interest to pursue water-sharing treaties and the other three affected can come together in a collaborative framework. This can boost the livelihoods of millions across the region.

India and China are leading globally in terms of Internet and smartphone users, but Internet penetration for these four countries is below 55 percent, representing immense potential. Bangladesh, Cambodia and China have signed a framework to strengthen digital regional trade. China's BRI initiative is projected to increase connectivity by developing digital infrastructure.

Between 2016 and 2020, international bandwidth is expected to grow at an average of 43.5 percent across CPEC and 46.3 percent across BCIM. Higher broadband connectivity and Internet access can boost regional e-commerce. Digital connectivity can act as the gateway to a holistic transformation of the region via the CIPB conduit.

IPB fail to attract sufficient tourists due to poor civil aviation connectivity, complex regulations and lack of visa liberalisation procedures. Of China's total outbound tourists, only one percent are to IPB. Inadequate, expensive and mediocre travelling facilities against the backdrop of pickpockets, burglary, and sexual assaults have resulted in tourists lacking interest in the region. Rooms that cost USD 400 a night in Delhi or Mumbai would cost hardly USD 100 in most parts of China. China is unable to attract students from South Asia against the improved facilities provided by the US and UK. Only five percent of outbound students of IPB go to China, compared to 22 percent to the US. If these opportunities are tapped, it would enhance mobility of both tourists and students.

Solving the jigsaw puzzle

The CIPB axis is an open-ended chess game played out against cross-border conflicts. A strategic collaboration that rises to the occasion, looking beyond historical animosity and misgivings, can unlock a new era of regionalism whose benefits far outweigh negatives. Solving the jigsaw puzzle will need political statesmanship which will see friends and foes, living next to each other, knowing where to connect and when to disconnect.

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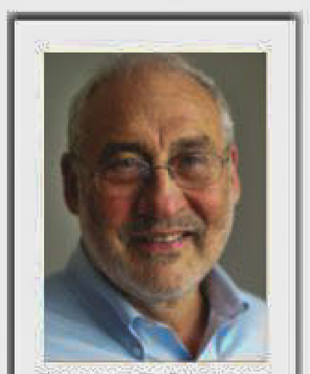
PROJECT ▪ SYNDICATE

Trump's trade confusion



JOSEPH E STIGLITZ

The danger of the Trump era is that while the world watches the US president's Twitter feed and tries not to be pushed off one cliff or another, such real and difficult challenges are going unaddressed.

THE trade skirmish between the United States and China on steel, aluminium, and other goods is a product of US President Donald Trump's scorn for multilateral trade arrangements and the World Trade Organization, an institution that was created to adjudicate trade disputes.

Before announcing import tariffs on more than 1,300 types of Chinese-made goods worth around USD 60 billion per year, in early March Trump unveiled sweeping tariffs of 25 percent on steel and 10 percent on aluminium, which he justified on the basis of national security. Trump insists that a tariff on a small fraction of imported steel—the price of which is set globally—will suffice to address a genuine strategic threat.

Most experts, however, find that rationale dubious. Trump himself has already undercut his national-security claim by exempting most major exporters of steel to the US. Canada, for example, is exempted on the condition of a successful renegotiation of the North American Free Trade Agreement, effectively threatening the country unless it gives into US demands.

But there are a host of issues in contention, involving, for example, lumber, milk, and cars. Is Trump really suggesting that the US would sacrifice national security for a better agreement on these minor irritants in US-Canadian trade? Or perhaps the national-security claim is fundamentally bogus, as Trump's secretary of defence has suggested, and Trump, as muddled as he is on most issues, realises this.

As is often the case, Trump seems to be fixated on a bygone problem. Recall that, by the time Trump began talking about his border wall, immigration from Mexico had already dwindled to near zero. And by the time he started complaining about China depressing its currency's exchange rate, the Chinese government was in fact propping up the renminbi.

Likewise, Trump is introducing his steel tariffs after the price of steel has already increased by about 130 percent from its trough, owing partly to China's own efforts to reduce its excess capacity. But Trump is not just addressing a non-issue. He is also inflaming passions and taxing US relationships with key allies. Worst of all, his actions are motivated by pure politics. He is eager to seem strong and confrontational in the eyes of his electoral base.

Even if Trump had no economists advising him, he would have to realise that what matters is the multilateral trade deficit, not bilateral trade deficits with any one country. Reducing imports from China will not create jobs in the US. Rather, it will increase prices for ordinary Americans and create jobs in Bangladesh, Vietnam, or any other country that steps in to replace the imports that previously came from China. In the few instances where manufacturing does return to the US, it will probably not create jobs in the old Rust Belt. Instead, the goods are likely to be produced by robots, which are as likely to be located in high-tech centres as elsewhere.

Trump wants China to reduce its bilateral trade surplus with the US by USD 100 billion, which it could do by buying USD 100 billion worth of US oil or gas. But whether China were to reduce its purchases from elsewhere or simply sell the US oil or gas on to other places, there would be little if any effect on the US or global economy. Trump's focus on the bilateral trade deficit is, frankly, silly.

Predictably, China has answered Trump's tariffs by threatening to respond to their imposition with tariffs of its own. Those tariffs would affect US-made goods across a wide range of sectors, but disproportionately in areas where support for Trump has been strong.

PHOTO: AFP

Predictably, China has answered Trump's tariffs by threatening to respond to their imposition with tariffs of its own. File photo of President Xi Jinping speaking in a business leaders' event with President Trump in Beijing in 2017.

China's response has been firm and measured, aimed at avoiding both escalation and appeasement, which, when dealing with an unhinged bully, only encourages more aggression. One hopes that US courts or congressional Republicans will rein in Trump. But, then again, the Republican Party, standing in solidarity with Trump, seems suddenly to have forgotten its longstanding commitment to free trade, much like a few months ago, when it forgot its longstanding commitment to fiscal prudence.

More broadly, support for China within both the US and the European Union has been waning for a number of reasons. Looking beyond the US and European voters who are suffering from deindustrialisation, the fact is that China is not the gold mine it was once perceived to be for American corporations.

As Chinese firms have become more competitive, wages and environmental standards in China have risen. Meanwhile, China has been slow to open up its financial markets, much to the displeasure of Wall Street investors. Ironically, while Trump claims to be looking out for US industrial workers, the real winner from "successful" negotiations—which would spur China to open its markets further to insurance and other financial activities—is likely to be Wall Street.

Today's trade conflict reveals the extent to which America has lost its dominant global position. When a poor, developing China started increasing its trade with the West a quarter-century ago, few imagined that it would now be the world's industrial giant. China has already surpassed the US in manufacturing output, savings, trade, and even GDP when measured in terms of purchasing power parity.

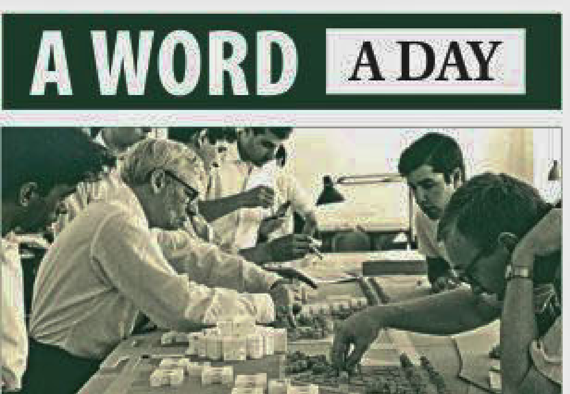
Even more frightening to many in the advanced countries is the real possibility that, beyond catching up rapidly in its technological competence, China could actually lead in one of the key industries of the future: artificial intelligence. AI is based on big data, and the availability of data is fundamentally a political matter that implicates issues such as privacy, transparency, security, and the rules that frame economic competition.

The EU, for its part, seems highly concerned with protecting data privacy, whereas China does not. Unfortunately, that could give China a large advantage in developing AI. And advantages in AI will extend well beyond the technology sector, potentially to almost every sector of the economy. Clearly, there needs to be a global agreement to set standards for developing and deploying AI and related technologies. Europeans should not have to compromise their genuinely held concerns about privacy just to promote trade, which is simply a means (sometimes) to achieving higher living standards.

In the years ahead, we are going to have to figure out how to create a "fair" global trading regime among countries with fundamentally different economic systems, histories, cultures, and societal preferences. The danger of the Trump era is that while the world watches the US president's Twitter feed and tries not to be pushed off one cliff or another, such real and difficult challenges are going unaddressed.

Joseph E Stiglitz is the winner of the 2001 Nobel Memorial Prize in Economic Sciences. His most recent book is Globalization and its Discontents Revisited: Anti-Globalization in the Era of Trump.

A WORD A DAY



[C] HARETTE

NOUN

From a French word referring to a cart, charette refers to a period of intense (often group) work usually in order to meet a deadline (in common use among architects, planners, and engineers).

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Float on the breeze
5 Fried turnover of India
11 Farm unit
12 Fencing hedge
13 Movie mutants
14 Canada's capital
15 "Certainly!"
16 Cushy
17 17-syllable poem
19 Hotel amenity
22 Tack on
24 Milkweed product
26 Like some beef
27 Surrealist Salvador
28 Church offshoots
30 Fountain orders
31 Cry to the torero
32 Police concern
34 Cajole
35 Like go-go boots
38 Titan orbits it
41 Long dress
42 Left
43 News article
44 Crunchy veggie
45 Comfy places

DOWN
1 Like paraffin
2 High point
3 Newcomer
4 Sawbuck
5 Haunted house resident
6 Cunning
7 Catching need
8 Egg cells
9 Fix seams
10 -- She Sweet?"
19 Standoff
20 Trapper's item
21 Line of symmetry
22 In addition
23 Detect, in a way
25 First person
29 Game official
30 Dance tape
33 Singer travis
34 Fetching
36 Cart pullers
37 Loses light
38 Short time
39 Lumber-jack's need
40 Up to briefly
41 Central

4-4

YESTERDAY'S ANSWER

A	R	E	S			C	A	D	E	T
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R	E	T	R	O			B	E	D	S

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BEETLE BAILEY — BY MORT WALKER

BABY BLUES — BY KIRKMAN & SCOTT