

Smart borders to boost trade in South Asia



MD NEYAMUL ISLAM

THE world trading system has become increasingly open textured over the last few decades. The triggering factors for this have been the reduction of tariff rates and elimination of quantitative restrictions. South Asia is looking to attain the goal of customs union and economic union by 2020. Despite their suitable geographical position, South Asian countries fail to perform according to their trade potentials. One of the vitiating factors is the lack of regional transit trade unlike European countries. Nonetheless, partial transit exits between Afghanistan, Bhutan and Nepal. South Asian countries are incorporating various regional transit agreements and reducing regional and multilateral trade transportation costs in order to integrate regional connectivity. Bangladesh is a beneficiary of the Article V of the GATT because of its potential to offer transit to neighbouring landlocked countries. For example, both Nepal and Bhutan show keen interest to use transits in Chattogram and Mongla. However, there is no clear information about Bangladesh's strategy relating to adopting the guidelines envisaged by the GATT Article V.

Nepal and Bhutan are dependent on Indian seaports for export and import, whereas Afghanistan relies heavily on Pakistani ports. When a twenty-foot container transported from Delhi to Dhaka reaches Chattogram through Mumbai, Colombo or Singapore, it costs \$2,500 and has to cover some distance by railways from Chittagong to Dhaka. Furthermore, it takes around 30-35 days. On the other hand, if the same container directly reaches Dhaka by rail, it will take only 4-5 days and the cost will be only \$850.

In 2005, a Saarc Regional Multimodal Transport Study of Asian Development Bank suggests that a decrease of 10 percent transaction costs may facilitate around 3 percent of

exports of a region.

Goods from Agartala and Tripura to India must travel 1,645km through the Kolkata port to reach Chattogram. However, the direct distance between Agartala and Chattogram is only 75km. Similarly, tea from Assam must travel 1,400km to reach the Kolkata port. Creating direct transportation facilities would reduce travel to around 400km between Kolkata and Bangladesh.

Bangladesh is working to ensure seamless connectivity among India, Nepal, Bhutan and Myanmar. It made available two airports in the north of the country for Bhutan and is working to intensify shipping linkages with Sri Lanka.

Bangladesh signed a bilateral trade agreement with India on March 28, 1972. Additionally, on October 4, 1999 Bangladesh signed a bilateral agreement titled Protocol on Inland Water Transport and Trade. The renewing of this agreement in 2007 aimed at providing transit facilities between these two countries. Moreover, they also agreed to use railways for trade and services.

On May 12, 2003, Bangladesh and Bhutan signed a bilateral trade agreement that granted the most favoured nation status to each other's trade. The agreement made Burimari (Bangladesh)-Changrabandha (India)-Jaigaon (India)-Phuentsholing (Bhutan) transit routes for bilateral trade between Bhutan and Bangladesh. Although there are many individual bilateral trade agreements and transit agreements, there is no unified broader regional transport and transit arrangement for cross-border movement of goods and vehicles.

To have an integrated framework for trading and ensure smooth movement of goods, there is no alternative to establishing a nationwide single window system. Such a scheme will operate as an integrated hub and facilitate the importers, exporters and all facilities relating to goods in transit. Moreover, it will provide a unified electronic gateway for information exchange and streamline the entire process. Such schemes shall accelerate revenue collection and improve trade compliances, transparency and accountability. It will also help maintain improved coordination among customs and other government agencies, banks, trade bodies, export promotion councils and insurance companies.

For coordination of border management and inland locations, it is necessary to provide facilities for examination of goods, stuffing and sealing of containers in the inland



STAR/FILE

Prospective customers are seen at stalls selling saris on the Indian side of a border haat in Mokamia, Feni. Analysts think border haats need further encouragement to develop the economy of the border area.

container depots under the supervision of customs and border agencies. Encouraging import clearance in inland locations can impose customs control.

Border haats and special economic zones need further encouragement to develop the economy of the border area. This will act as the bridge connecting trade corridors in a manner that they form part of the seamless web of connectivity between the people. Last but not least, the procedure for obtaining visa within this region must be easy, flexible and uniform.

The econometric evidence raised in this segment emphasises the existing linkage of the trade costs and trade flows. It identified that high transaction costs hinder the way of free trade. It appeared that electronic filling of customs documents at the borders accelerated the trade growth in the

South Asian region. Contrarily, it also is apparent that not all border custom stations are adequately equipped with modern technologies.

In South Asia, cross-border transactions occur mainly through bilateral agreements between the countries. However, promotion is necessary to get the full essence of the regional trade arrangements. Establishing highly equipped customs stations can abolish asymmetries between the corridors.

In order to improve their performances, border corridor management authorities (governments) need to regularly evaluate their operations and processes related to providing, marketing and selling services to users. There has to be regional coordination for monitoring the performances.

Policies need revision in light of changing global environment and regional trade. This

will significantly improve competitiveness within the region. The development of the regional trade shall heavily rely upon evolution of corridor services, introducing new performance standards and implementation of policies both at national and regional levels.

Transit is as important as trade liberalisation. It plays an important role both in the national and regional economies. There is no alternative to the seamless movement of the goods within the region to reduce transaction costs and time. The countries should design and develop regional transit agreements in addition to the existing bilateral arrangements to improve the situation and facilitate free trade.

The author is a joint commissioner at Custom House, ICD, Dhaka.

10 years after crisis, bank CEO pay swells again

AFP, New York

TEN years after Wall Street recklessness helped lead to the Great Recession, compensation for top bank CEOs is soaring even as pay flattens at junior levels.

Compensation figures released so far by large banks this year suggest a rich season for CEOs, despite myriad worries for markets, including slowing global growth, trade wars and Brexit uncertainty.

Compensation for Jamie Dimon, chief

of the weekend by the Financial Times.

At Goldman Sachs, which faces government probes over its connections to the scandal-plagued Malaysian fund 1MDB, worker salaries fell three percent.

Worker pay rose 2.2 percent at Bank of America and Citigroup and Wells Fargo worker pay climbed 4.1 percent, according to the Financial Times.

The gap between CEOs and rank-and-file employees remains astronomical.

At JPMorgan, Dimon's salary is more than 364 times the median employee



JPMorgan Chase CEO Jamie Dimon

executive of JPMorgan Chase, the biggest US bank by assets, hit \$31 million in 2018, up 5.1 percent from last year and his highest pay since the 2008 financial crisis.

At Morgan Stanley, Chief Executive James Gorman will take home \$29 million, up 7 percent.

Final pay numbers are expected in the coming days from Bank of America, Goldman Sachs, Citigroup and Wells Fargo. The biggest six US banks last year reported a record \$117.6 billion in profits, with JPMorgan notching its highest-ever annual income of \$32.5 billion and Morgan Stanley also a new peak at \$8.2 billion.

Compensation varies for everyday employees of the financial heavyweights but even the more generous boosts do not reach the CEO pay bumps thus far.

Pay among JPMorgan's 256,000 employees rose an average of 4.4 percent while compensation for Morgan Stanley's 60,300 workers dipped two percent, according to an analysis published over

salary, while at Morgan Stanley Gorman's compensation is some 192 times greater than that of a median employee, according to the AFL-CIO.

The bounty is even greater at other financial groups like private equity behemoth Blackstone, which paid Chief Executive Stephen Schwarzman \$786 million in 2017, the third biggest payout ever on Wall Street behind Daniel Och of Och-Ziff Capital, who took home \$1.2 billion in 2008 and \$918.9 million in 2007.

Tharindra Ranasinghe, an assistant professor at the University of Maryland's school of business, said the public's view of the higher pay has been muted somewhat by improvement in the broader economy that has strengthened employment markets.

"It seems that this is not that much of an outrage for Main Street," he told AFP. "It seems like Main Street kind of gets excited on this when the economy is doing badly."

Trump won't soften hardline on China to make trade deal

REUTERS, Washington

AS much as US President Donald Trump wants to boost markets through a trade pact with China, he will not soften his position that Beijing must make real structural reforms, including how it handles intellectual property, to reach a deal, advisers say.

Offering to buy more American goods is unlikely by itself to overcome an issue that has bedeviled talks between the two countries. Those talks are set to continue when Chinese Vice Premier Liu He visits Washington at the end of January.

The United States accuses China of stealing intellectual property and forcing American companies to share technology when they do business in China. Beijing denies the accusations.

With a March 1 deadline approaching to reach an agreement or risk an escalation of tariffs on another \$200 billion worth of Chinese goods, the two sides are still far apart on key, structural elements critical for a deal, according to sources familiar with the talks.

"We're not yet in a position where our concerns have been addressed sufficiently," one US official said, speaking on condition of anonymity. The official said the Trump team, led by hard-line US Trade Representative Robert Lighthizer, was focused on such structural issues as well as trade imbalances.

White House economic adviser Larry Kudlow told Reuters that forced technology transfers, IP theft and ownership restrictions remained a top priority for Trump.

"The president's said many times how crucial that is, and he's not going to back down," Kudlow said.

Lack of progress led the Trump administration to decline an in-person meeting with a lower-level Chinese delegation for preparatory talks ahead of Liu He's visit, a source familiar with the situation told Reuters.



REUTERS/FILE

US President Donald Trump, right, and Chinese President Xi Jinping, left, attend a working dinner after the G20 leaders' summit in Buenos Aires.

The Financial Times also reported that an offer for preparatory meeting was rejected, but White House officials pushed back on the suggestion that any meeting was canceled.

"With respect, the story is not true," Kudlow told CNBC, referring to the FT report.

"The teams remain in touch in preparation for high-level talks with Vice Premier Liu He at the end of this month," said White House spokeswoman Lindsay Walters.

Trump and Chinese President Xi Jinping agreed on a ceasefire in their trade war at the G20 meeting in Buenos Aires last year, setting a 90-day period to discuss differences and agree a deal.

Those talks have yet to produce anything on paper.

"There's progress in that the two sides are talking. But I look at it like this: there's still nothing agreed on in writing," said one source familiar with the discussions.

Trump has painted developments in the US-China trade talks as largely positive, aware of the

effect that the tensions have had on stock markets.

The S&P 500 registered its biggest four-week percentage gain since 2011 on Friday after dropping nearly 20 percent from its record September close on Christmas Eve. The benchmark index lost ground on Tuesday after a national holiday on Monday.

"We've really had a very extraordinary number of meetings, and a deal could very well happen with China. It's going very well," Trump told reporters at the White House on Saturday.

China has offered more than \$1.2 trillion in additional commitments on trade, Treasury Secretary Steve Mnuchin said last month. That is not sufficient for Trump or his team.

"To think that this is going to end with simple 'commitments,' I think, is overlooking the historical experience that we've had," the US official said.

Chinese officials pledged to buy enough US products to wipe out the U.S-China trade deficit at talks in Beijing earlier this month

but also hedged its position, saying it depended on the demands of Chinese companies, said Scott Kennedy, director of the Project on Chinese Business and Political Economy at the Center for Strategic and International Studies.

The Chinese have indicated they feel they already addressed US concerns about intellectual property rights through a new law and other actions, Kennedy said.

"These weren't sufficient to satisfy the US negotiation team. So we'll see if the Chinese give any more on those or if they still try to focus on sweetening the purchases side, and hoping that Trump bites on the potential big numbers," he said.

Barring progress at the end of the 90-day period, the Trump administration is scheduled to increase tariffs on \$200 billion worth of Chinese goods from the current 10 percent to 25 percent.

"All I'll say is the meetings coming up at the end of the month with Liu He are very important," Kudlow said.