



Planning Minister MA Mannan speaks at the inaugural session of the 14th South Asia Economic Summit at the Sheraton Dhaka hotel yesterday. Prof Rehman Sobhan, founding chairman of the Centre for Policy Dialogue, Abid Qaiyum Suleri, executive director of the Sustainable Development Policy Institute of Pakistan, Sachin Chaturvedi, director-general of the Research and Information System for Developing Countries of India, Nandalal Weerasinghe, governor of the central bank of Sri Lanka, Fahmida Khatun, executive director of the CPD, and Durga Prasad Bhattarai, a former foreign secretary of Nepal, were also present. Story on B1

PHOTO: RASHED SHUMON

South Asia should build a proper economic corridor

Experts say at South Asia Economic Summit

STAR BUSINESS REPORT

South Asia should put emphasis on building a proper economic corridor with the efficient utilisation of its port infrastructure to gain the benefits of multi-modal transport in cross-border logistics, according to experts.

They also stressed the need for leveraging policies and geopolitical issues to enhance economic growth and business activities in South Asia.

“Road connectivity and other necessary infrastructure has been built along the Bangladesh-India border but neither side is enjoying the benefit for technical issues, such as inefficiencies in port handling and customs,” said Selim Raihan, a professor of economics at the University of Dhaka.

He made this comment while addressing a session on “Multi-Modal Transport (Cross-border Logistics)” at the Fourteenth South Asia Economic Summit.

The event was organised by the Centre for Policy Dialogue (CPD) at Sheraton Dhaka yesterday.

Raihan, also executive director of the South Asian Network on Economic Modeling, said it is meaningless if infrastructure development is restricted

to the construction of decorative buildings with no real benefit to trade or business activities.

For example, India and Bangladesh have improved highway and railway connectivity but there has been no visible development in the soft infrastructure of their ports, he added.

Soft infrastructure refers to facilities related to port handling and customs, among other services.

With this backdrop, Raihan emphasised that planning and coordination should be aligned with regional or neighbouring countries during the construction of any project in order to get its maximum benefit.

He also said Bangladesh has borrowed large sums of money from bilateral and multilateral lenders to develop its connectivity with India, which is of benefit to other South Asian nations as well.

Govind Raj Pokharel, former vice-chair of the National Planning Commission of Nepal, said they fast-tracked some infrastructure projects as a part of their plan to connect certain Indian highways with Kathmandu.

However, they are yet to get any benefit from the initiative, funded by China

under its Belt and Road Initiative, due to geopolitical issues.

“Even SAARC has become dysfunctional due to a lack of coordination among member countries and so, nobody can benefit from it,” he added.

Pokharel also said that if Nepal wants to increase trade with Bangladesh, then there needs to be tripartite discussions among the two countries and India.

India and Bangladesh have improved highway and railway connectivity but there has been no visible development in the soft infrastructure of their ports, said an expert

So, leveraging policies and geopolitical issues is important to ensure multi-modal transport, he added.

Dushni Weerakoon, executive director of the Institute of Policy Studies of Sri Lanka, said they have developed a number of eye-catching infrastructures but are yet to enjoy the expected benefit.

“We have taken loans from China and India to develop these infrastructures

but are now facing geopolitical issues, for which we are not getting the benefit,” she added.

Weerakoon also stressed the need for coordination among concerned quarters to achieve trade and economic benefits.

Prabir De, a professor at the Research and Information System for Developing Countries in India, believes Bangladesh and India have developed road, rail, river and air connectivity that can bring a lot of benefit to countries in south and central Asia.

He said the newly established link between Sabroom in India and Ramgarh in Bangladesh is a new gateway for India as it will help transport goods to the seven sister states.

Prabir also suggested Bangladesh should utilise the cargo handling facility of Delhi airport.

“First, small sectors should try to take the benefit of these infrastructure and if it is doable, then large companies should follow suit,” he added.

Among others, Abdul Ghufuran Memon, secretary of the Ministry of Maritime Affairs of Pakistan, and Chewang Rinzin, director of the Royal Institute of Governance and Strategic Studies in Bhutan, addressed the session.

Dollar tumbles to six-week low

REUTERS, New York

The dollar fell to a six-week low on Friday after data showed the world's largest economy created fewer jobs than expected last month, reinforcing expectations the Federal Reserve is likely to hold interest rates steady again at its December meeting.

The dollar index, a gauge of the greenback's value against six major currencies, dropped 1.1 percent to 105.03, after earlier sinking to 104.93, its lowest since Sept. 20. The index was on track for its largest one-day fall since July.

For the week, the greenback was down 1.4 percent, on pace for its worst weekly performance since July as well.

Data showed nonfarm payrolls increased by 150,000 jobs last month. The numbers for September were revised lower to show 297,000 jobs created instead of 336,000 as previously reported.

“From my view, the Fed rate hike cycle is over and this reaffirms the view that the Fed should not hike rates again,” said Ronald Temple, chief market strategist at Lazard in New York.

“If you look at the new jobs, 150,000 versus 180,000 expected – that is still a strong jobs-creation number, but more in line with what the U.S. economy needs relative to population growth and the stable unemployment rates. That is a Goldilocks number,” he said, suggesting it was ideal for the economy.

Against the yen, the dollar fell to a two-week low of 149.18, and was last down 0.8 percent at 149.315 yen, capping a whirlwind week, in which the Japanese currency touched a one-year low against the dollar and 15-year trough against the euro.

On the week, the dollar was down 0.2 percent versus the yen, its biggest weekly loss since late July.

The drop in the yen earlier in the week came after the Bank of Japan tweaked its yield curve control policy on Tuesday, but not by as much as markets had expected.

Kazuo Ueda, the central bank's governor, will continue to dismantle its ultra-loose monetary policy and look to exit the decade-long accommodative regime next year, Reuters reported on Thursday, according to six sources familiar with the central bank's thinking.

STOCKS		WEEK-ON WEEK
DSEX ▼	CASPI ▼	
0.13%	0.07%	
6,267.90	18,573.03	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▼	
\$1,992.62 (per ounce)	\$80.90 (per barrel)	

ASIAN MARKETS				AS OF FRIDAY
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.44%	▲ 1.10%	▲ 1.98%	▲ 0.71%	
64,363.78	31,949.89	3,143.66	3,030.80	

South Asia not ready

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Yet it is the least integrated in terms of trade, said Zahid Hussain, former lead economist at The World Bank, Bangladesh.

Intra-regional trade accounts for 5 percent of South Asia's total trade whereas the share of intra-regional trade in the Association of Southeast Asian Nations (Asean) region is 25 percent, he said.

South Asia is diverse in land area, gross domestic product or economic output, and population but the region's countries have similar levels of human and economic development, which calls for increased integration, he said. However, there are a lot of barriers to mobility, he said, citing non-tariff barriers, complicated visa policies and rigid bureaucracies.

“There is high sensitivity to national sovereignty. National currencies evoke strong attachment and emotion,” said Hussain at the event.

Political will to give up fiscal and monetary autonomy is also necessarily to go for a common currency, he said.

Complementarity in trade and free flow of labour and capital among the members can make cooperation over a currency more likely, he said.

Several countries have taken steps to reduce dependence on the US dollar and Bangladesh also took bilateral initiatives to settle trade in Chinese yuan and Indian rupee in 2022 and 2023, said Hussain.

However, the response with regard to trade in rupee is muted while exporters in China prefer receiving payments in dollars, euro and pound sterling, he said.

There is persistent and growing trade deficits among Bangladesh, China and India, which makes trade in rupee and yuan limited here, he said.

Bangladesh's average monthly trade deficit is \$1.13 billion with China and \$644 million with India.

Comparability of economies is needed for a common currency, said Md Habibur Rahman, chief economist at Bangladesh Bank.

“We are not right there...We can search for an appropriate time and opportunity for this,” he added.

A mechanism enabling

independence is needed to avoid sanctions, said Abid Qaiyum Suleri, executive director at Sustainable Development Policy Institute, Pakistan.

Pakistan is relying on barter trade with countries such as Afghanistan, China and Russia, he said.

“Instead of losing hope on a common currency, we can explore so that we reduce dollar dependence,” said Suleri. Posh Raj Pandey, senior economic advisor of the finance ministry of Nepal, proposed establishing a regional financial market in this regard.

Use of the US dollar for international transaction settlement is declining, said Professor Sachin Chaturvedi, director general of the Research and Information System for Developing Countries, India.

International transactions other than that of the US dollar accounted for 9 percent of total global trade in July 2022 and it rose to 14 percent in December the same year, he added.

“This is an indication of rising arrangement of settlement in non-dollar,” he said, adding that 38 countries have shown interest to trade with India in rupee.

However, to make trade in the rupee popular between Bangladesh and India, a large line of credit in rupee is needed, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

“Otherwise, the performance we have seen is dismal...We also should think of currency swap to protect against external shock,” he said.

Countries should start with trade facilitation for economic integration and go for common documentation for customs, encourage firms to invest regionally and foster people to people connectivity, said Mansur.

Visa issuance and border control is quite pervasive and old fashioned, he said. The economist also suggested harmonisation of tax and trade policies among members of the South Asian Association for Regional Cooperation.

“We also need monetary policy harmonisation. We need to think about bringing inflation close to each other and currency stability. Cooperation at the institutional level is critical,” he said.

Learn from Sri Lanka's crisis

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payment on its foreign debt for the first time in its history. It had borrowed \$200 million from Bangladesh under a currency swap agreement two years ago.

In September this year, Colombo paid \$50 million to Bangladesh, the final instalment of the loan as its embattled economy is staging a recovery.

In the last six months, Sri Lanka has seen inflation drop to just 1.3 percent in September, its currency appreciate by about 12 percent, and foreign exchange reserves improve.

“To that end, the think tanks that we have gathered here have a special role to play to do the analytics and empirical analyses to help evidence-based policy-making and bring the private sector, media and young community along with it in order to create a constituency pressure to go forward,” said Bhattacharya.

He made the remarks while addressing a plenary session titled “Identifying New Opportunities and New Modalities for Fostering Regional Cooperation in South Asia” at the 14th South Asia Economic Summit, a two-day event, hosted by the CPD at the Sheraton Dhaka hotel.

He said despite the impasse, the time hasn't come to write off the South Asian Association for Regional Cooperation (Saarc).

“It is still there and there are many modalities within the Saarc. We should exhaust its inner potential first. And let's create political momentum within the Saarc.”

“However, we should not remain hostage to these structural issues. Rather, we should explore new opportunities, including other multilateral and plurilateral.”

“We need to think through how we can create regional platforms that are not hostage to structural impediments,” he said, calling for creating political momentum.

Political consensus needed

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Weak infrastructure is a major barrier to raising regional trade, so Bangladesh has invested a huge amount in developing road, rail and waterway network, he added.

Intra-regional trade among Saarc countries was about \$40 billion in 2022, way higher than \$6 billion in 2003.

Imports among Saarc countries were around 4 percent of the total imports from the world by the nations. Exports were about 7 percent of their total shipment to the world.

“This indicates that despite steady growth in regional trade, it is still limited compared to the total trade of the region,” said Nandalal Weerasinghe, governor of the central bank of Sri Lanka.

“Intra-regional trade among Saarc nations is crucial for promoting economic growth and reducing poverty in the region.”

Trade within the region has historically been limited due to various factors, including political tensions, restrictive tariffs and duties, import restraints, protracted customs requirements, and excessive documentation.

A welcome initiative has been the recent scheme by New Delhi to settle trade transactions in the Indian rupee, Weerasinghe said.

“This is expected to create more avenues for trade and trade integration within the region by reducing the exposure to the US dollar and other reserve currencies.”

“It may also be appropriate to assess the possibility of expanding such initiatives to the South Asia region as a whole and expand trade settlement by South Asian countries in local currencies.”

Many South Asian countries were trying to recover from the shock of the pandemic when the Ukraine war erupted, deepening the struggle of the countries, said Shirin Sharmin Chaudhury, speaker of parliament.

“Regional integration can help them significantly.”

Prof Rehman Sobhan, founding chairman of the CPD, said economic advancement is being driven mostly by

bilateral trade with the West, instead of South Asia or multilateral trade.

“Civil societies should identify in which way and where regional cooperation can take place.”

The noted economist suggested establishing an institute to go through all the issues that were itemised from the very beginning of the Summit of civil societies.

“It will summarise the agendas, progress, how the issues changed and where we stand together. The institute also will do advocacy to implement the agendas.”

The South Asian countries are facing three problems, namely Covid-19, conflict between many countries in the global arena, and climate change, said Abid Qaiyum Suleri, executive director of the Sustainable Development Policy Institute of Pakistan.

“These issues are affecting food security, energy security, and economic prosperity of the countries. So, we have to think together to protect ourselves.”

Prof Sachin Chaturvedi, director-general of the Research and Information System for Developing Countries of India, said South Asian countries are making huge contributions to global economic growth, but the regional trade among themselves is still at a lower level.

“Researchers should find ways to translate the potential of the region into reality.”

Fahmida Khatun, executive director of the CPD, said the prospect of smooth graduation for Bangladesh, Nepal and Bhutan from the LDC group has become more challenging in the new economic reality.

“In this context, cooperation among the countries in South Asia is crucial.”

She said regional cooperation has stumbled over the years due to political tensions, historical animosity between countries, and ongoing political and territorial disputes.

“There prevails a trust deficit among countries in the region.”

According to her, the new areas of cooperation may include the public health system, structured labour market policies, expansion and deepening of supply chains, and foreign direct investments

Civil societies have been talking about regional cooperation for the last three decades, but it is still not up to the mark, said Durga Prasad Bhattarai, a former foreign secretary of Nepal.

He recommended setting aside political differences for the betterment of the economic benefit of the region.

“You can't change your neighbours, so it is better to accelerate integration.”

Bhattarai pointed out that countries have been talking about food security for years, but in reality, they are imposing restrictions on the movement of food.

“We have to work collectively to ensure food security in the whole region.”

Dushni Weerakoon, executive director of the Institute of Policy Studies of Sri Lanka, Paras Kharel, executive director of the South Asia Watch on Trade, Economics and Environment of Nepal, and Ishrat Husain, a former governor of the State Bank of Pakistan, also spoke.

Sri Lanka

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“This type of financial cooperation among us can not only be a short-term buffer but it can also be of a more long-term nature in the form of investment flows towards infrastructure gaps and even building of overall productive capacities.”

In September, Sri Lanka paid \$50 million to Bangladesh, the final instalment of a \$200 million loan taken under a currency swap agreement two years ago.

Sri Lanka paid back its loan as its embattled economy is staging a recovery from its worst economic crisis just a year ago.

Weerasinghe said amid the global economic slowdown, the Saarc bloc will need to go back to the drawing board and rapidly work out effective yet pragmatic strategies that can help our vulnerable region to weather this storm.

“Regionalism will be essential to sustain South Asia's dynamism. South Asia is a subregion that is yet to fully exploit its intra-regional potential.”