

## Book Review

S. Kathuria and a team of South Asian researchers. (2018). **A Glass Half Full: The Promise of Regional Trade in South Asia**. International Bank of Reconstruction and Development/The World Bank, Washington, DC, PP226+ xxi + Notes and References

This work is a product of the staff of The World Bank with external contributions edited by Sanjay Kathuria, a lead economist in the World Bank. Other contributors are Guillermo Arenas, an economist in the World Bank; Mauro Boffa, an International Economics at the Robert Schuman Centre for Advanced Studies; Indranil Bose, an Associate Professor of Political Science; Sayandeep Chattopadhyay, a Research Associate, CUTS International, India; Mohini Datta development and trade practitioner; Raveen Ekanayake former Research Officer at the Institute of Policy Studies of Sri Lanka; Priya Mathur former economist at the World Bank; Prithviraj Nathan Associate Director, CUTS International, India; Nadeem Rizwan, a consultant of the World Bank; Visvanathan Subramaniam, a master's degree Graduate, Institute of International Affairs and Development, Geneva; Nisha Taneja, a Professor at the Indian Council for Research on International Economic Relations; and Janaka Wijayasiri, a Research Fellow at the Institute of Policy Studies of Sri Lanka.

The book under review is aimed at advocating an approach of intraregional trade integration as a stepping-stone for global trade integration by unpacking four critical trade barriers-i) border tax distortions; ii) nontariff barriers; iii) costs of connectivity; and iv) trust deficits. It also aims at providing appropriate way to enhance intraregional trade in goods and services, addressing these trade barriers to the policy makers of South Asian Region.

The book consists of five chapters covering four different aspects of trade barriers and the first chapter is on current trade situation in South Asia. It is the compilation of five individual reports. Each chapter is concluded with the writer's concluding remarks and a way forward.

The first chapter is 'South Asia: A Work in Progress' contributed by Sanjay Kathuria and Priya Mathur discusses about the gaps between current and potential trade in South Asia and address important specific barriers that have held trade back. Current intraregional trade in South Asia falls short of its potential because of significant man-made barriers. Artificial barriers have thwarted the goals of free trade in the region. Inadequate infrastructure and inefficient trade procedures have led to disproportionately high intraregional trade costs, compounded by complex nontariff measures. Lack of mutual trust among South Asian countries could be considered as the major cause of these barriers. Despite these handicaps, trade among countries in South Asia has grown and benefited consumers, exporters, and productive firms. Confidence building through greater people-to-people interaction, will need to accompany traditional policy measures that address the barriers to trade.

The second chapter contributed by Sanjay Kathuria and Guillermo Arenas discuss the issue of first trade in 'Border Tax Distortions in South Asia: The Impact on Regional Integration'. Though the agreement between the member countries led to the South Asian Free Trade Area

(SAFTA) in 2006, intraregional trade among their members countries is low compared with more successful and well below its potential. It was assumed that nomenclature “free trade agreement” will be enhance member countries to conduct duty-free, quota-free trade among themselves. But the reality is far from this aspiration. The chapter discusses a key reason for SAFTA’s underperformance as existence of too many exceptions to the principle of duty-free trade; and lack of exploration about para-tariffs, whether it is additional taxes or fees imposed on goods over and above customs tariffs. Hence, para-tariffs charged on intraregional imports virtually counterbalance the limited tariff concessions offered under SAFTA. The chapter is concluded by suggesting three major reform areas- initiation in reduction of sensitive lists, elimination para-tariffs and eliminate tariffs among the membership for non-sensitive items, for making tariff liberalization more meaningful under SAFTA.

A Granular Approach to Addressing Nontariff Barriers: India’s Trade with Bangladesh and Nepal by Nisha Taneja is the third chapter discussing the second trade barrier- nontariff barriers. The author claims that in tariff liberalization which has been successful in lowering tariffs to historically low levels, nontariff barriers are emerging as new tools of protectionism. This chapter tries to uncover patterns in the application of nontariff measures NTMs which have affected significantly, the bilateral trade of goods between Bangladesh and India and between India and Nepal. The author explains the private exporters sometimes finds complying with the technical regulation’s requirements, of importing countries difficult because of complex requirements and administrative obstacles due to inadequate access to information about applicable measures. The World Trade Organization has permitted members to adopt product standards to protect plant, animal, and human life. Importing countries are applying these non-tariffs measures: sanitary and phytosanitary standards (SPS) and technical barriers to trade TBT in a trade-restrictive manner as per necessary. The concluding section of the chapter suggests efficient flow of information on: i) summary of the key regulations governing each product; ii) NTM restrictiveness scores; and iii) major obstacles in meeting NTM requirements of the partner country markets.

The third trade barrier: cost of connectivity has been reviewed in the fourth chapter ‘Reducing Connectivity Costs: Air Travel Liberalization between India and Sri Lanka’ contributed by the authors Sanjay Kathuria, Mauro Boffa, Nadeem Rizwan, Raveen Ekanatake, Visvanathan Subramanian, and Janaka Wijayasiri. This chapter discusses the evolution of commercial aviation market between India and Sri Lanka and tried to draw lessons for South Asia. Authors claimed substantial improvement in air connectivity between India and Sri Lanka post-2011, which translated into more than 16 flights and 2,442 more seats in a week. This has also resulted in stimulating cargo volumes to some extent, but growth was less pronounced and robust compared with the growth in passenger traffic. The tourism industry benefited in both countries. Authors conclude the chapter claiming that most of the goods traded between India and Sri Lanka comprise low value-to-weight or bulk items, it is not feasible or profitable to use air freight for transporting such items. The lack of regional production networks in high value-to-weight products, is another reason for the unchanging composition of goods transported between the two countries.

The final trade barrier 'The trust deficit' is a lack of people-to-people interactions. South

Asian countries are prevented from reaping the full economic benefits of geographical proximity and complementary resource endowments due to mutual mistrust rooted in historical conflict. The final chapter of this book 'Bangladesh–India Border Markets: Borders as Meeting Points' contributed by authors Mohini Datt, Prithviraj Nath, Indranil Bose, and Sayandeep Chattopadhyayatriy to address this final barrier by understanding the impact of: i) border haats on the livelihoods and incomes of the rural communities participating in these markets, including women; ii) informal trade in the region, which has historically been high and a source of cross-border tensions; and iii) haats on cross-border relations, through the India–Bangladesh border haats survey. Border trade: usually unrecorded in trade statistics are often traded in small quantities with the aim of catering the markets within 30 kilometers of the border. Following were the findings of the survey: Border haats provides a wider variety of goods at cheaper prices; improved cross-border relations; and reduced informal and illegal trading. The chapter concludes with the following suggestions for the policy makers: systematic scaling up of border haats is necessary; streamlining of procedures, improve facilities, and enhance the use of technology; a focus on value limits rather than limitations on products for increasing welfare gains; capitalization of the opportunities that haats offer to enhance women's participation; and South Asia countries could deliberate on the possible replication of the border haats in experience Bangladesh and India haat.

On the whole, the book documents experiences from around the world that clarify the motivations behind integration among various regional actors. It illustrates current trade patterns and the potential benefits that deeper trade integration could help realize. It also shows how trading regimes in South Asian countries discriminate against each other. The South Asia trade integration strategy, like all trade reform, would create winners and losers. This calls for careful management of implementation. A sustainable process of trade integration, irrespective of the actors with whom a country is entering into a deeper partnership, will require: Precisely articulation of the trade strategy; Phasing in trade liberalization; effective and efficient implementing of the strategy; necessary reforms to help the economy and the private sector take advantage of trade liberalization; and building of capacity of the stakeholders adversely affected by trade reforms.

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