

EDITORIAL

SAARC trade, a sorry

Bureaucratic and political barriers have impeded trade in commodities within the SAARC region. However, the emergence of regional brands can break this stranglehold.

R. SRINIVASAN



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Here's a quick quiz question: How many brands from India's neighbouring countries can you name?

Without using Google, most Indians would be hard-pressed to stretch the list beyond Nepal's Wai Wai noodles, Bhutan's Druk jams and juices, and, thanks to their sponsorship of their national cricket team, Sri Lanka's Dilmah tea. Rum aficionados and those who had spent time in the Army might add Nepal's Khukri rum, but that's about it.

It's a pretty slim list by any reckoning. More so, when it could have been so vastly different.

Last month, an exhibition of leading Pakistani fashion brands caused a near stampede in the capital. Well-to-do Delhiites — and even the not so well-to-do — made a beeline to the fair.

The response to the Pakistani designer apparel and brands was so spontaneous and strong, that if these brands had opened shop in Delhi the next day, it would have enjoyed standout sales.

STATE OF SAARC

But that is unlikely to happen. Despite sharing a land border with most other members of the South Asian Association for Regional Cooperation (SAARC), and easily reachable by sea from two others, India imports less than 1 per cent of its requirements from its South Asian neighbours. And most of this is in the form of commodities.

Floated as South Asia's grand plan for mutual regional co-operation, SAARC, on paper, is a brilliant idea. A market with a population one and a half times larger than China's, with a combined GDP of over \$3 trillion and home to some of the youngest, hardest working, aspirational consumers in the world. But unfortunately, has remained just



Pakistani textiles and apparel would be a rage in India, if only trade barriers were to be lifted.

that — a plan on paper. In December this year, SAARC — the eight nation (Afghanistan joined in 2005) grouping of South Asian nations would complete 27 years of existence, without much to show by way of actual achievements.

Much has been written about the reasons for intra-regional trade failing to take off in the SAARC area. Hostility between the two biggest economies of the region — India and Pakistan — is a key factor. Tariff and non-tariff barriers are another.

The lack of infrastructure and connectivity within the region has been cited as a third. Mutual suspicion and shifting political equations between the member countries, which has placed roadblocks in the way of the basic requirement — transit routes between the member countries — is yet another reason.

All these are valid and indeed, are the major reason for the fact that as a regional grouping, SAARC has the lowest share of intra-regional trade as a percentage of the region's total trade.

While the European Union region generates more than half its

trade within the EU, SAARC generates barely 5 per cent of its total trade. Cumulative trade under the South Asian Free Trade Area pact has barely crossed the \$1 billion mark in more than seven years.

UNIFIED MARKET

But bureaucratic and political barriers are more effective in blocking trade in commodities. They do not explain the singular absence of SAARC brands outside of their home country in the SAARC area. Brands have a presence much larger than that of the basic commodity which they may be based on.

So Dilmah tea is distinctly Sri Lankan in identity, which mere Sri Lankan tea is not. For instance, a bulk of what is sold as 'Indian' tea in UK and Europe is actually Sri Lankan tea imported in bulk and repackaged. Similarly, a Kohinoor or Lal Qila basmati is distinctively Indian, although Pakistan's version of basmati is virtually indistinguishable from the Indian, and indeed, enjoys greater popularity in the Gulf.

The SAARC market, from a brand point of view, is perhaps the easiest

nut to crack for a marketer. Geographically, it is virtually one vast, contiguous market area. The customer profiles are quite similar. An apparel marketer would not have to drastically resize his range to fit Bangladeshi, Pakistani, Afghan or Sri Lankan consumers.

Customer tastes are also pretty similar. Prawn pickles, made in Bangladesh, have a fanatic following all over Eastern and North Eastern India, even though availability is a major issue. Several Indian food product brands have an avid following in Pakistan and Bangladesh, while Sri Lankan juice brand Onjus is widely mistaken for an Indian brand in India.

But establishing a brand in any market goes beyond merely reaching the product to the shop shelves. It has to be positioned, its brand attributes marketed to build brand recognition and brand value.

Here too, the SAARC market offers easy pickings for marketers. Satellite television in any case covers the entire region with its signals. And the popularity of Bollywood and regional television soap operas

story

offer a ready vehicle for brands to latch on to.

BRAND PERCEPTIONS

Brand building costs can be substantially reduced for many products as well. The easily translatable star value of brand ambassadors — an Indian film star is just as popular in the neighbouring countries, as are Pakistani or Sri Lankan cricketers in India — offers the opportunity to reduce the impact cost of creating brand awareness or trial.

Even retailing is easy. While the retail revolution in India is still in a relatively nascent stage, Sri Lankan retail formats are far more sophisticated, and would undoubtedly find India relatively easy to penetrate.

Perhaps the biggest barrier of all — geographic origin — is also an advantage in the region. From tractors to IT services, Indian exporters have faced their biggest challenge in the initial years in overcoming the lack of consumer trust in the 'Made in India' label.

In developed markets, this label stood for poor quality and lax standards. Only in the SAARC region, one could reasonably argue, would a 'Made in India' label find automatic acceptance among consumers. Just as a 'Made in Sri Lanka' or 'Made in Bangladesh' label would face far less consumer resistance in India than in a developed market.

Yet, SAARC brands have been strangely diffident about pushing their way across regional borders. Even though, prior to 1947, a bulk of the SAFTA area was actually a single, unified market.

Players blame politics and bureaucracy for the lack of access. But the malaise runs deeper. There is a strange diffidence and often, a lack of entrepreneurial drive in creating and expanding brands.

A Bangladesh trade official in India bemoaned the fact that while Bangladesh apparel makers supplied virtually every top global label in the world, there is virtually no 'Made in Bangladesh' brand worth the name with a global presence.

That reluctance lies at the heart of the failure of SAARC's failure to transition from concept to reality. If businesses from the region can get their brands to do the talking, bureaucratic doublespeak would be promptly silenced.