

# LDCs in SAsia being marginalised

## POST REPORT

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**D**ESPITE some positive developments on regional economic cooperation amongst the South Asian nations, least developed countries (LDCs) in the region are facing a prospect of being marginalised from the South Asian economic mainstream. The main reason being the LDCs' overwhelming dependence on the South Asia's two largest economies—India and Pakistan—for their regional trade.

Between 2000-2010, the LDCs in South Asia, along with Sri Lanka, recorded a huge increase in their imports from the region but the shares of their exports shrunk. However, in the case of India and Pakistan, it is the reverse situation.

"If proper measures are not taken, there is a risk for LDCs being marginalised in the regional trade," said Ratnakar Adhikari, executive chairman of South Asia Watch on Trade, Economics and Environment (SAWTEE) at a Workshop on Regional Cooperation in South Asia organised by the World Bank on Wednesday. Adhikari added that the LDCs' participation in SAFTA has been disappointing, measured by their shares in overall regional trade, in particular exports.

There has been decline in share in intra-regional exports for countries like Nepal, Bangladesh, Sri Lanka, Maldives and Afghanistan during this period. For instance, Nepal, which had a share of 10.7 percent in intra-regional exports in 2000, now

Country	Share in intra-regional exports	
	2000	2010
Afghanistan	2.09%	1.70%
Bangladesh	3.21%	2.65%
Bhutan	-	1.29%
India	62.97%	70.09%
Maldives	0.48%	0.30%
Nepal	10.7%	3.23%
Pakistan	13.99%	16.81%
Sri Lanka	6.57%	3.92%

has a meagre 3.23 percent.

However, there have been some positive developments in the recent past that gives some hope. A recent decision by Pakistan to provide "most favoured nation" status to India, and India's unilateral decision to reduce its sensitive lists to 25 items for the region's LDCs, while offering zero tariff access on those items removed from negative list, could contribute to greater regional trade integration.

According to Adhikari, there is a need for enhancing technology, institute and infrastructure related to trade, regional connectivity including rural areas and setting up testing laboratories and cold storage for trading of agricultural products in order to help these countries in benefitting from intra-regional trade.

He said that the establishment of an LDC Integration Fund is required to provide a much needed shot in the arm to spur the regional economic integration in South Asia. By helping them address critical supply-side constraints, it will also prevent marginalisation of the LDCs from the regional

economic mainstream, according to him.

The World Bank (WB) has said that it will focus on reducing non-tariff barriers mainly the cross-border issues in the South Asian region in order to enhance the regional cooperation through trade promotion. Salman Zaheer, the Bank's programme director for South Asia Region, said that the WB was funding mainly in energy collaboration, trade connectivity and natural resource management, including water resources for the purpose.

Zaheer urged the private sectors to initiate promoting trade which could help enhance the regional cooperation. "There is a need to change the mindset to anchor the business community besides government in enhancing trade relation among the South Asian countries," he added.

The WB has initiated the transmission line in Nepal-India and India-Bangladesh region. Recently, the institution has agreed to extend US\$ 99 million in support for India-Nepal cross-border energy cooperation. Besides, it is also initiating a project named CASA-1000 in Pakistan-Afghanistan region in order to promote the energy collaboration. The project is also expected to improve linkage among the South Asian countries and those from East Asia.

Citing an example of China and Vietnam, WB's Task Team Member Richard Spencer said they would give priority mainly to connectivity and road transport besides power trading for regional cooperation in South Asia.