

Economic non-cooperation hits consumers

Further trade liberalisation in South Asia could save \$2 billion

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Increasing trade in South Asia at preferential rates on a range of products that have both high intra-regional trade potential and high prospects for improving consumer welfare could save at least \$2 billion per year, according to a recent study conducted by CUTS International, South Asia Watch on Trade, Economics and Environment (SAWTEE) and other research organisations in the region.

Launching the report, 'Cost of Economic Non-Cooperation to Consumers in South Asia', at a meeting in Kathmandu today, minister of Commerce and Supplies Lekh Raj Bhatta said that the interests of consumers, who constitute the largest segment of stakeholders, should not be neglected while assessing the impact of trade liberalisation.

"While tariff liberalisation increases overall consumer welfare, it also brings with it revenue loss, impacting spending on crucial development activities," he said, adding that tariff liberalisation should also be complemented with a robust and meaningful revenue compensation mechanism. "Those, who would have to make a net positive contribution to the compensation fund and may be loath to the idea should note that the contribution is aimed at facilitating and speeding up trade liberalisation, which helps their own exporters."

On the occasion, executive chairman of SAWTEE Dr Posh Raj Pandey said that South Asia represents a puzzle as far as the issue of regional economic cooperation is concerned, where despite geographical proximity and cultural similarity, trade and economic interaction is extremely limited.

"The share of regional trade, which currently stands at around five per cent, is equivalent



Executive Chairman of SAWTEE Dr Posh Raj Pandey (second from right) with other participants in 'Cost of Economic Non-Cooperation to Consumers in South Asia' report launching programme in Kathmandu on Friday.

to what the region was able to achieve in the 1950s," he said, suggesting that the region has virtually made no progress in the last six decades. "People put the blame on political factors but economic factors have also contributed to the low volume of trade in South Asia," he added.

A perception survey — which was also a part of the study, held in Bangladesh, India, Nepal, Pakistan and Sri Lanka — revealed that though most of the stakeholders including government officials — dealing with issues of regional trade integration — politicians, trade and industry representatives, and consumer representatives believe in the merits of regional economic cooperation,

optimism about economic possibilities is hidden in pessimism about political feasibility. "Also, awareness about the benefits of imports and its potential for consumer welfare is very low among some key stakeholders," the report noted, adding that a more objective discussion on economic benefits can discredit many unjustified beliefs about regional economic cooperation and bringing the dimension of consumer welfare gains into the ambit of such discussions can influence the course of future regional integration substantially, making it more inclusive, participatory and progressive.

Similarly, advisor and head of International Trade and Re-

gional Cooperation at the Economic Affairs Division of the Commonwealth Secretariat Edwin Laurent said that trade and investment nexus should be harnessed to benefit from trade liberalisation in region.

However, it is necessary for developing countries to be fully prepared and to understand fine details prior to signing any investment treaty, he added.

Likewise, country representative of the Asia Foundation Nick Langton expressed that tremendous potential exists for regional cooperation in South Asia, not only in the areas of trade in goods, but also in trade in services. He also emphasised that it is the consumer that is going to benefit the most from any trade liberalisation effort.