

# Post Covid : Challenges and Opportunities for Least Develop Countries

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**Abstract:- Today, Corona virus disease has destroyed not only the lives of millions of people all over the world but has also destroyed the fast-running world economy. In this crisis, where poor people are struggling for their livelihood, government institutions, the corporate sector, and private companies are also grappling. Not only developed countries but also developing and underdeveloped countries have been badly affected due to Covid-19. The financial condition of the underdeveloped countries is already very poor. Underdeveloped countries have a share of just 2% in the world GDP and 1 percent of the world trade. Forty-seven countries fall under the category of underdeveloped countries. Most of these countries are from Africa. Covid-19 effects became more visible on the world economy in the beginning of 2020. Export of these countries declined by 1.6 percent in 2019. This declined was more than that of the world economy i.e 1.2 percent. Although Covid-19 effected the economies of the all over the world yet least developed nations effected badly as compared to developed and developing nations.**

## I. INTRODUCTION

United Nations has defined least developed countries as a category of the countries that are considered disadvantaged in their development efforts due to locality, structural, historical, and geographical reasons. LDCs are classified with a combination of geographical and structural criteria. Such small island situated in Africa, Asia and Pacific are treated as group of least develop countries. United Nations has designated forty-seven countries as the least developed countries including Bhutan, Angola, Bangladesh, Afghanistan, Benin, Burkina Faso, Burundi, Cambodia, Chad, Comoros, Central African Republic, the Democratic Republic of the Congo, Djibouti,

Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, the Lao People's Democratic Republic, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Zambia, Yemen, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu and Kiribati, are fall in the category of Least Develop Countries recognized by United Nation.

Least develop countries are already struggling with the higher poverty rate, Covid-19 has made task more tough to eradicate poverty for these countries. In these countries more than 75 percent of the population still lives in poverty. These countries are already facing the economic shocks like natural and man-made disasters and communicable diseases too affecting their survival level. Presently 47 least develop countries has encompass around 880 million people that is 12 percent of the world population. This population faces severe structural obstacles to growth. The list of the least developed countries is reviewed in every three years. This list is reviewed by a group of independent experts that report to the Economic and Social Council of the United Nations. Trade Scenario of LDC before Covid-19 Pandemic

Not only developed countries but also developing and underdeveloped countries have been badly affected due to Covid-19. The condition of underdeveloped countries is already very bad. LDCs have a share of just 2% in the world economy, while 47 countries fall under this category of underdeveloped countries. Most of these countries are from Africa. LDC countries have neither modern technology nor natural resources are being exploited properly here.

Table 1 Table 1 Exports of Goods and Commercial Services of the World Economy

	2015	2016	2017	2018	2019
<b>World export growth (%)</b>					
Goods and commercial services	-11.3%	-2.0%	10.4%	9.6%	-1.2%
Goods	-13.1%	-3.1%	11.0%	9.7%	-2.2%
Commercial services	-4.9%	1.5%	8.7%	9.0%	2.0%
<b>LDCs' export growth (%)</b>					
Goods and commercial services	-19.4%	-3.3%	15.1%	10.2%	-1.6%
Goods	-21.7%	-3.5%	16.8%	9.4%	-3.1%
Commercial services	-5.8%	-2.2%	6.8%	14.6%	5.3%
<b>LDCs' export value (US\$ billion)</b>					
Goods and commercial services	187.8	181.6	209.0	230.3	226.5
Goods	155.3	149.8	175.0	191.4	185.5
Commercial services	32.5	31.8	34.0	39.0	41.0
<b>LDCs' share in world exports (%)</b>					
Goods and commercial services	0.89%	0.88%	0.91%	0.92%	0.91%
Goods	0.96%	0.95%	1.00%	1.00%	0.99%
Commercial services	0.66%	0.64%	0.63%	0.66%	0.68%
<b>LDCs' trade balance (US\$ billion)</b>					
Goods and commercial services	-105.2	-94.2	-94.7	-96.9	-113.1
Goods	-68.0	-62.1	-61.8	-64.7	-87.4
Commercial services	-37.2	-32.1	-32.9	-32.3	-25.7

Source: WTO-UNCTAD-ITC Estimates

These countries are completely dependent on agricultural products but their agriculture sector is also not very advanced. Because of which these countries have been constantly fighting with poverty. Although these countries had achieved some success in increasing their exports in the past, Due to Kovid-19, their growth has slowed down again.

As shown in Table-1, in 2015, exports of goods and commercial services of the world economy registered a decrease of 11.3 percent over the previous year, while in LDC this decrease 19.4 percent, although the decrease in goods exports 21.7. Percent, while commercial services declined by 5.8 percent. This year, a total of \$ 187.8 billion exported from these LDCs to Goods and Commercial Services. In which \$ 155.3 billion exported to goods and \$ 32.5 billion exported to commercial services. LDC's share of world exports in the year 2015 only 0.89%. At the same time, with the improvement in the world economy in the year 2016, the exports of these countries also improved. In 2016, the growth in the world economy in goods and commercial services exports 2% negative as compared to 2014. On the other hand, LDCs had negative growth of 3.3% in these countries. However, in the year 2017, the world economy started picking up. In 2017, goods and commercial services registered a growth of 10.4 percent. LDC countries played an important role in this growth. These countries registered a 15.1 percent increase in exports in this category. At the same time, in the year 2018, the

world economy registered an increase of 9.6 percent in goods and commercial services, while the growth rate of LDC also 10.2 percent. In the year 2019, the rate of decline in export rate again started. In 2019, world exports recorded negative growth of 1.2%. This year LDC exported 226.5 billion dollars of goods and commercial goods.

Export of goods and services of LDC declined by 1.6 percent in 2019 as compared to 2018, while exports of the world economy dipped by 1.2 percent. Moreover, share of LDC in global exports stood at 0.91 percent in 2019, representing a marginal decline from 0.92 percent in 2018. Their trade balance widened further, reaching a new high of US\$ 113 billion in 2019, up from US\$ 97 billion in 2018. The LDC share in world goods exports estimated to be 0.99 percent in 2019, while their share in world services exports amounted to 0.68 percent. In sum, the LDCs entered the pandemic period as marginal participants in world trade, and the drastic decline in global trade is likely to have a disproportionate impact on all LDC exporters. Merchandise exports of LDCs are concentrated in a few markets, which make them even more vulnerable to COVID-19-related decline in demand in these markets. The top destination markets for LDCs as shown in Table-2, include those that are among the worst affected by the outbreak of COVID-19 (i.e. Spain, France, China, Germany, India, Italy, U.K and United States).

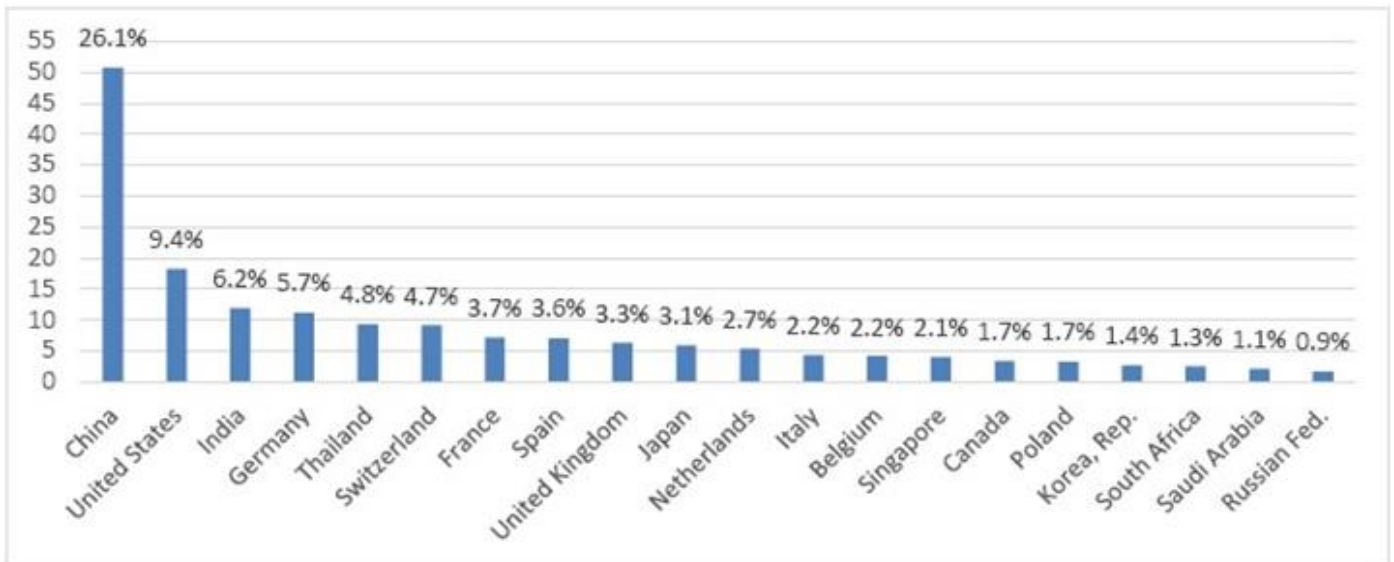


Fig 1 Top markets for LDCs' merchandise exports in 2019, US\$ billion and Percentage  
Source- International Trade Centre (ITC) Trade and WTO

Figure-1 indicates the top markets for LDC's merchandise export in 2019. Talking about LDC's export market, China, the US, India, Germany, France, and Spain are the countries that are most affected by Corona at present. Although the importance of different countries is different for LDCs, it is clear that the impact of Corona is going to be on their exports on a large scale. 26% of LDC exports are to China, 9.4% to the US, 6.2% to India, and 5.7% to Germany. Corona has had a great impact on these countries, so demand has decreased in these countries. This is going to have a direct impact on LDC.

Table 2 Top 20 Supplying markets for LDC in 2019 (the US \$ in millions and Percentage)

Total merchandise			Medical supplies		
Exporter	Value	%	Exporter	Value	%
China	77,594.3	30.4%	India	1,852.0	23.9%
India	29,665.5	11.6%	China	1,473.3	19.0%
Thailand	18,134.7	7.1%	France	762.6	9.8%
Singapore	12,852.4	5.0%	Netherlands	616.8	8.0%

Source-ITC Trade Map (WTO)

Table-2 shows that China, India, the US, Japan, France, and Germany are big merchandise supplier for LDC. These countries are on top in the covid-19 effected countries list. Due to the corona effect in these countries, these countries are not able to export LDCs, due to which basic requirements of LDCs are not being met.

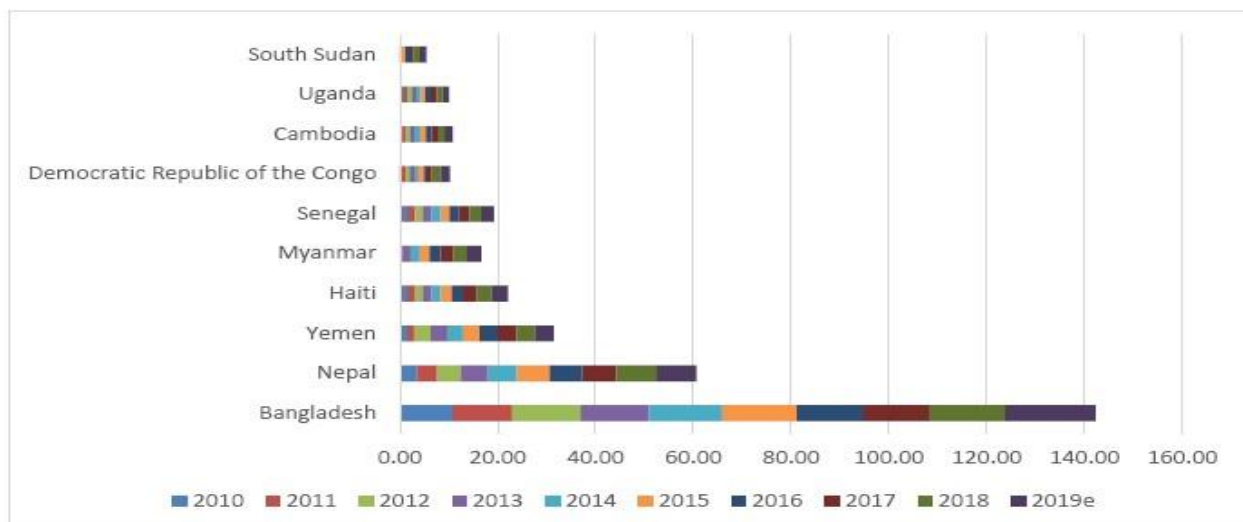


Fig 2 Ten LDC's with the highest cumulative remittance inflows, 2010-2019 (US\$ billion)  
Source-The Global Knowledge Partnership on Migration and Development (KNOMAD), accessed on 18 May 2020

At the same time, it has a direct impact on the export of LDCs. On the import side, developing economies and economies in Asia play a more important role as suppliers for LDCs. However, there have been disruptions to supply chains in these economies, which in turn have impacted LDC imports from these countries.

As per estimates of World Bank, global collections are likely to decline by about 20 percent in 2020-21, the sharpest decline in recent history, and remittance flows are expected to fall across all regions. Remittance represents an important source of foreign currency for South Asian LDCs such as Bangladesh and Nepal, to which countries migrant workers were reportedly being repatriated due to crisis conditions in host countries. Remittance flows to Bangladesh, which is one of the top LDCs to receive remittance income, is projected to decline by 22 percent in 2020; similarly, the contribution of remittances (accounting for one-quarter of its GDP) to the Nepalese economy is expected to drop by 14 percent. According to WTO economists, trade volumes will register a steep decline in 2020-21, this trade may reach the worst-case scenario of a 32 percent contraction projected in April. The volume of merchandise trade shrank by 3% year on year in the first quarter as per WTO statistics. According to Initial estimates of WTO for the second quarter indicate a year on year drop of around 18.5%. As things currently stand, the trade would only need to grow by 2.5% per quarter for the remainder of the year to meet the optimistic projection of a 13% contraction in 2020.

## II. POST-COVID OPPORTUNITIES FOR LDC

At the international level, politics is changing in a big way. This change is not going in China's favor. Europe, America, and India have also started making changes in their economic policy regarding China. India has banned many of China's apps in the initial phase. After this, the Indian government has also excluded Chinese companies from many tenders related to railway and power. America and Europe have also announced to break the financial relationship with China. International damage to China is going to create better options for many LDCs including India. A number of packages have also been announced by the World Trade Organization to remove LDCs from the financial crisis arising out of Kovid-19. This package will not only improve the current situation of these countries but will also create an opportunity for these countries to increase their participation in the world economy. These countries have the opportunity to take the place of business in China. Today's China is very strong from a business perspective. China has steadily increased its world trade since 1995. In 1995, China's total import and export turnover 280 billion dollars, which about 3 percent of world trade. With the advent of globalization and joining the WTO, China has increased its world trade rapidly. By the year 2018, China has increased its business to 4.62 trillion in the world market. China's share in world business reaches 13.45%. Today, China has reached first place in the world in exports. At the same time, America is second in the world market

with 8.98 percent and Germany is third with 8.43 percent share. China has steadily increased its exports due to its continuous efforts, while imports have also been reduced continuously. In the year 2018, China exported \$ 2.49 trillion, while imported data was 2.13 trillion dollars. China's foreign trade is steadily strengthening in China's favor. The US and Korea have played an important role in China's surplus foreign trade (exports more and imports less). China's exports to these countries are steadily increasing. In the year 2018, China's exports to the US about 19 percent of the total exports, while the US accounted for 7.3 percent of the imports from China. Korea accounted for 12.2 percent of the exports from China, while the import share just 0.4 percent. America's balance of payments went on deteriorating so much that the two countries started to grow. It is time for LDC's to catch this opportunity to develop new technology and infrastructure.

## SUGGESTIONS

Corona is having a big impact on LDCs. These countries now need to reduce their imports and increase exports to move forward. The World Trade Organization has announced large aid packages for these countries with the support of the IMF to overcome the Covid-19 crisis. This will help these countries to get out of their poor economy. Now, these countries will have to focus on the export of those products which are being exported from China all over the world, getting out of the crisis as soon as possible. At present, every major country in the world is against China, LDCs need to take advantage of these conditions and focus on increasing their exports. LDCs will have to accelerate their production by using measures against Corona soon so that this crisis can be converted into an opportunity. LDCs should ask the World Trade Organization for loans on machines that can be substituted for Chinese products. Some such efforts may open new markets for LDCs.

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