Trade, Climate Change and Development Monitor

Monthly E-Newsletter of South Asia Watch on Trade, Economics and Environment (SAWTEE)

Volume 16, Issue 07, August 2019

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OPINION IN LEAD

Misreading savings

It is fashionable among the commentariat, the intelligentsia and the political class to sigh in despair over how little of the remittances sent home by Nepalis toiling abroad is saved. If you ask them how they know that remittance receivers do not save much, they are likely to point to either media reports or the survey such reports cite—the Third Nepal Living Standards Survey (NLSS)of 2010/11.

The belief that the savings rate is low is rooted in a widely cited figure regarding the uses to which remittances are put. It comes straight off the summary report of NLSS (Table 15.7, Volume II). The numbers in the report seem to tell us that 78.9 percent of remittances are used for consumption, 7.1 percent for repayment of loan, 3.5 percent for education and 4.5 percent for household property (though it is not clear what this actually entails), with only 2.4 percent spent on capital formation, 0.6 percent saved and 0.5 percent invested in business.

A closer scrutiny of the underlying questionnaire that generated these numbers reveals that the survey provides information on the primary uses of remittances, not what portion of remittances actually went to different uses. Indeed, the survey's summary report mentions "primary uses" when presenting the distribution of remittances, an aspect that is often ignored when quoting it, even by economists…

To continue reading the article click here. This opinion piece, published in República on 15 September 2019, is written by Dr. Paras Kharel, Research Director, SAWTEE.

REPORT

Aid for Trade to improve economic diversification

Using development aid to build trade capacity in poor countries is helping to improve economic diversification and to economically empower marginalized groups, yet progress remains geographically uneven, according to the latest OECD-WTO report on Aid for Trade.

Economic empowerment can be both the outcome of economic and export diversification, as well as the catalyst for this process, the 2019 aid-for-trade monitoring and evaluation exercise showed in the report *Aid for Trade at a Glance 2019: Economic diversification and empowerment* published by the Organization for Economic Cooperation and Development (OECD) and the World Trade Organization (WTO). The report, based on 133 respondents, highlights how economic diversification is a gateway for economic empowerment but that the link between diversification and empowerment runs in the opposite direction too. The report found progress was achieved but it is not uniform, with least-developed, landlocked, and small island developing states facing particular challenges. This is also the case in fragile and conflict-afflicted states. For these countries and others, economic diversification is inextricably linked with the achievement of higher levels of productivity resulting from the reallocation of economic resources within and between economic sectors.

Since the start of the Aid for Trade Initiative in 2006, donors have disbursed US$409 billion in official development assistance to help developing countries build trade capacities. In addition, US$346 billion in low concessional loans was disbursed. Almost another US$100 billion in both type of flows is committed in 2017. South-South providers contributed US$9 billion according to OECD estimates. Empirical studies and programme evaluations find that this support is helping developing countries improve their competitiveness, expand and diversify their trade, attract foreign direct investment, and create employment.

According to OECD and WTO, every dollar invested in aid for trade has been found to generate US$8 worth of exports in developing countries and nearly US$20 of exports in least-developed countries, depending on the country and the type of investment. Open, rules-based trading contributes to global welfare by helping to diffuse goods, services, technology and knowledge, though many developing countries still face numerous supply-side constraints.

The report points out that economic empowerment can be fostered through programmes that are specifically aimed at improving the extent to which marginalized groups, including women and youth, participate in and benefit from international trade At the same time, small and medium enterprises (SMEs) are finding it difficult to attract the skilled employees they need to be competitive and trade. The twin problems of youth unemployment and SME competitiveness can and should be solved together; the objectives of youth economic empowerment and SME competitiveness are synergistic. That is, the relationship goes both ways: improved youth skills and innovation promote SME competitiveness and exports, while internationally competitive SMEs provide more and better jobs for young people.

While economic diversification is essentially a nationally driven process, the international community can offer assistance in creating an enabling environment for the trade integration of developing countries and helping tackle supply-side constraints. To promote empowerment, aid programmes need to focus more explicitly on helping developing countries create more opportunities for women and youth. Youth employment or entrepreneurship can be harnessed by addressing firm level market failures and improving the business ecosystem. Women's empowerment should receive more attention, particularly in sectors such as transport, energy, banking and financial services, as well as mining and industry. In this context, the development of concrete guidance on how to plan, monitor and evaluate donor activities in contributing to women's economic empowerment through aid for trade will be useful, the report concludes.

This piece is excerpted from the report Aid for Trade at a Glance 2019.

NEWS

Nepal and India sign MoU on food safety

Nepal and India signed an agreement on food safety during the fifth Nepal-India Joint Commission meeting that concluded in Kathmandu on 22 August.

Nepal's Minister of Foreign Affairs Pradeep Kumar Gyawali and Indian External Affairs Minister Subrahmanyam Jaishankar, who co-chair the commission, witnessed the signing of the memorandum of understanding on food safety between the Department of Food Technology and Quality Control (DFTQC) of Nepal and Food Safety and Standards Authority of India (FSSAI).

On the occasion, the Indian government also handed over a cheque of NPR2.45 billion towards reimbursement to the Nepal government for post-earthquake housing reconstruction in Nuwakot and Gorkha districts. Similarly, the Indian government also handed over another cheque worth NPR1.29 billion to Nepal for improving road infrastructure in the Tarai region of Nepal.

During the meeting, both sides reviewed the entire gamut of bilateral relations with specific focus on areas of connectivity and economic partnership; trade and transit; power and water resources sectors; culture and education, according to a press release issued by the Ministry of Foreign Affairs.

Source: https://thehimalayantimes.com/, 22.08.2019.

Climate change to slow global economic growth

Climate change will exact a toll on global economic output as higher temperatures hamstring industries from farming to manufacturing, according to a new study published by the National Bureau of Economic Research.

Researchers say a persistent increase in average global temperature by 0.04°C per year, barring major policy breakthroughs, is set to reduce world real GDP per capita by 7.22 percent by 2100.

The researchers, hailing from the International Monetary Fund, the University of Cambridge and the University of Southern California, found little evidence that precipitation had an impact on GDP, but instead observed a large temperature-related effect.

The US is expected to see its GDP per capita decline 10.5 percent, China's by 4.3 percent and the European Union's by 4.6 percent over the next 81 years as a result of temperature fluctuations. In other words, if global GDP doubles or halves by 2100, the results suggest real GDP per capita would still be 7.22 percent below where it would be otherwise.

In the nearer term, and assuming no major policy changes and continued greenhouse emissions, the climate-related drag on global GDP per capita is projected to surpass 2.5 percent.

“A persistent above-norm increase in average global temperature by 0.04°C per year leads to substantial output losses, reducing real per capita output by 0.8 percent, 2.51 percent and 7.22 percent in 2030, 2050 and 2100, respectively,” the researchers wrote. “Furthermore, we show that our empirical findings apply equally to countries, poor or rich.”

Source: https://www.cnbc.com, 20.08.2019.

Sri Lanka sets US$3.5 billion tea export target for 2030

Sri Lanka is targeting US$3.5 billion in foreign exchange and 350 million kilos of tea production by 2030, according to the Colombo Tea Traders’ Association (CTTA).

Sri Lanka’s tea production has remained at around 300 million kilos over the past two decades, with a peak 340 million kilos crop in 2013, as the country’s tea growing land has remained unchanged, according to official data. Tea production in 2018 was 303.8 million kilos, down from 307.1 million kilos from a year earlier.

Sri Lanka’s tea exports have stagnated between US$1 billion and US$1.63 billion from 2007 to 2018, with a peak US$1.63 billion in 2014. In 2018, Sri Lanka exported US$1.43 billion of tea, down from US$1.53 billion in 2017.

Sri Lanka’s main export destinations in the Middle East have been in flux over the past decade while African nations are becoming more competitive in tea exports than Sri Lanka’s Ceylon Tea.

Source: https://economynext.com/, 12.08.2019.

Tens of thousands losing jobs as India’s auto crisis deepens

Slumping sales of cars and motorcycles are triggering massive job cuts in India’s auto sector, with many companies forced to shut down factories for days and axe shifts.

The cull has been so extensive that one senior industry source said that initial estimates suggest that automakers, parts manufacturers and dealers have laid off about 350,000 workers since April.

Within this previously unreported figure, car and motorcycle makers have laid off 15,000 and component manufacturers 100,000, with the remaining job losses at dealers, many of which have closed, the industry source said. At least five companies have recently cut or plan to cut hundreds of jobs, mainly from their temporary labour force.

The downturn—regarded by industry executives as the worst suffered by the Indian auto industry—is posing a big challenge for Prime Minister Narendra Modi’s government as it begins its second term at a time when India’s unemployment numbers are climbing.

To revive the sector, auto executives plan to demand tax cuts and easier access to financing for both dealers and consumers.

The industry’s plight was highlighted by the Automotive Component Manufactures Association of India (ACMA), with the trade body’s director general, Mr. Vinnie Mehta, saying the sector was experiencing a “recessionary phase”.

Source: https://www.hindustantimes.com/, 07.08.2019.

Pakistan expels Indian envoy, suspends bilateral trade

Pakistan's top civil and military leadership on Wednesday decided to downgrade diplomatic relations, expel the Indian High Commissioner and suspend bilateral trade with India in the wake of New Delhi's move of revoking special status for Jammu and Kashmir.

The decision was taken at a second session of National Security Committee (NSC) within a week presided over by Prime Minister Imran Khan to review the situation following the Indian government's move on Kashmir.

"Our ambassadors will no longer be in New Delhi and their counterparts here will also be sent back," Foreign Minister Shah Mahmood Qureshi told ARY News.

According to a statement issued after the meeting, the NSC decided to downgrade diplomatic relations, suspend bilateral trade with India, review of bilateral arrangements, take the matter to the UN and observe Pakistan's Independence Day on 14 August in solidarity with Kashmiris.

Source: https://www.livemint.com/, 07.08.2019.

China coal mine approvals surge

Approvals for new coal mine construction in China have surged in 2019, government documents showed, with Beijing expecting consumption of the commodity to rise in the coming years even as it steps up its fight against smog and greenhouse gas emissions.

Long-term cuts in coal consumption are a key part of China’s energy, environment and climate goals, but the fivefold increase in new mine approvals in the first-half of 2019 suggests China’s targets still provide ample room for shorter-term growth.

China’s energy regulator gave the go-ahead to build 141 million tonnes of new annual coal production capacity from January to June, compared to 25 million tonnes over the whole of last year.

The projects included new mines in the regions of Inner Mongolia, Xinjiang, Shanxi and Shaanxi that are part of a national strategy to consolidate output at dedicated coal production “bases”, as well as expansions of existing collieries, the National Energy Administration (NEA) documents showed.

Beijing aims to raise the share of non-fossil fuels in its overall energy mix to 15 percent by the end of next year from around 14.3 percent currently, and to 20 percent by 2030. It cut the share of coal to 59 percent last year, down from 68.5 percent in 2012.

It has also promised to adopt the “highest possible ambition” when it reviews its climate change pledges next year, with one government think tank recommending China to impose a mandatory cap on coal consumption in its 2021-2025 five-year plan.

But while smog-prone regions like Hebei and Beijing have already cut coal use and shut hundreds of small mines and power plants, China is still allowing for significant increases in coal production and coal-fired power generation.

Source: https://www.reuters.com/, 06.08.2019.

EVENT

BBIN MVA Interaction Workshop

South Asia Watch on Trade, Economics an Environment (SAWTEE), in collaboration with the Asian Development Bank (ADB), organized an interaction workshop on 11 Aug 2019 to discuss the implications for Nepal of the Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement (BBIN MVA). Prof. Dr. Puspa Raj Kadel, Vice-chairperson of the National Planning Commission acted as the Chief Guest and Mr. Kedar Bahadur Adhikari, Secretary at the Ministry of Industry, Commerce and Supplies provided special remarks. The workshop was attended by high-level decision-makers from different ministries, representatives from the private sector, representatives from the academia, and key media representatives, among others. The stakeholders urged the government to quickly resolve some of the practical concerns and ambiguities in the protocols to ensure that the MVA can be implemented soon and is beneficial to Nepal. Click here for more information.

Sanitary and Phytosanitary Issues in Agriculture Trade

SAWTEE and the Ministry of Industry, Commerce and Supplies, Government of Nepal, organized a discussion programme on Sanitary and Phytosanitary (SPS) Issues in Agriculture Trade on 5 August 2019. The main objective of the programme was to create awareness on SPS issues in agriculture trade and discuss measures that Nepal should undertake in the days ahead. Mr. Matrika Prasad Yadav, Minister for Industry, Commerce and Supplies, was the Chief Guest of the programme. Click here for more information.

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