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CONTENTS

OPINION IN LEAD

The WTO Reborn?

For too long, the World Trade Organization (WTO) has languished. Once the world's preeminent multilateral trade forum, the WTO has been steadily marginalized in recent years. Recent rebukes of globalization, such as the Brexit vote and the election of Donald Trump, suggest that this trend will accelerate. But these outcomes may actually have the opposite effect, owing to three key developments that could enable the revival of the WTO—and of the multilateralism that it embodies.

The first development is the decline of alternative trade arrangements. The WTO reached its peak in the early 2000s, a few years after the Uruguay Round of global trade negotiations concluded, and a time when more countries—most notably China—were acceding to the organization.

But major trade players like the United States (US) and the European Union (EU) subsequently shifted their focus from multilateral trade agreements to bilateral, regional, and mega-regional deals. The mega-regionals—namely, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP)—posed a particularly grave threat to the WTO. Yet those are precisely the deals that the Trump administration is rejecting, or at least postponing.

European integration had a similar impact on the WTO, as it provided an alternative platform for managing intra-European trade. But the European project has fallen on hard times, the most salient sign being the United Kingdom's impending departure from the EU. After Brexit, the WTO will probably become an important forum for Britain's trade relations with the world. Any further disintegration of the EU will only bolster that trend.

Of course, it is possible that regional trade agreements in Asia and elsewhere will continue to flourish. But new leadership would have to emerge. And no single systemically important country today meets the rigorous requirements of such leadership: internal political stability, economic dynamism, relatively contained risk, and a steadfast commitment to open markets.

However counterintuitive that may sound, a second development that bodes well for the WTO's revival is voters' increasing rejection of hyper-globalization. Hyper-globalization is essentially "deep" integration. It goes beyond creating open markets for goods and services to include increased immigration (in the US and Europe), harmonizing regulations (the ambition of the TPP and the TTIP), and intrusive adjudication of domestic policies (the investor-settlement procedures under North American Free Trade Agreement (NAFTA) and the TPP). In the EU's case, it even entails a common currency. For such integration, regionalism is much more effective than the WTO.

Now that "deep" is out, the WTO could once again become an attractive forum for trading countries to do business. Make no mistake: there will still be a lot of globalization for the WTO to facilitate and manage, not least because of the inexorable march of technology. The mesh-like structure of trade and investment connecting countries, embodied in global value-chains will prevent significant backsliding.

The third development that could reinvigorate the WTO is a more protectionist stance by the Trump administration. If the US raises tariffs or implements a border-adjustment tax favouring exports and penalizing imports, its trade partners are likely to turn to the WTO for adjudication, given the organization's demonstrated dispute-settlement capability.

The WTO could, therefore, become the place where US trade policies are scrutinized and kept in check. The universality of WTO membership, previously seen as an impediment to countries eager to move ahead with new rules and agreements, could be its main strength, as it implies a high degree of legitimacy, which is essential to minimize trade tensions and the risk of conflict.

Multilateralism has offered the best means for ensuring the peaceful rise of new powers. But it seems that the same argument could apply equally well to the management of receding powers.

But the WTO's revival will not happen automatically. Willing stakeholders must actively pursue it. The most obvious candidates for the job are the mid-size economies that have been the greatest beneficiary of globalization, and that, unlike the US and some European countries, are not currently under pressure from a globalization-averse public.

The champions of multilateralism should include Australia, Brazil, India, Indonesia, Mexico, New Zealand, South Africa, the UK, and possibly China and Japan. Because none of them is large (with the exception of China), they must work collectively to defend open markets.

Moreover, they must open their own markets not only in the traditional areas of agriculture and manufacturing, but also in new areas such as services, investments, and standards. In doing so, these countries would also be responding to the increasingly transactional approach to sustaining openness that the larger traders are being compelled to adopt.

The world needs a robust response to the decline of hyper-globalization. Multilateralism, championed by mid-size trading economies with a strong interest in preserving openness, may be it. To the shores of Lake Geneva they must now head.

(Adapted from the article by Arvind Subramanian published in Project Syndicate.)

REPORT

South Asia's infrastructure investment needs

South Asia will require investing more than US$6.3 trillion between 2016 and 2030 in infrastructure to maintain its growth momentum, eradicate poverty, and respond to climate change, according to the latest study by the Asian Development Bank (ADB).

The report 'Meeting Asia's Infrastructure Needs' estimates that South Asia will have to invest 8.8 per cent of its GDP annually in next 15 years to create infrastructure related to transport, power, telecommunications, and water supply and sanitation.

The ADB's report presents investment needs for all 45 member countries of the bank from 2016 to 2030, the final year of the United Nations Sustainable Development Goals. The report presents two sets of estimates—one including the costs of climate mitigation and adaptation (climate-adjusted estimate) and the other set excluding climate-adjusted costs (baseline estimate). Without factoring climate change mitigation costs, the baseline estimates for infrastructure need for South Asia stands at US$5.5 trillion for the next 15 years, or US$365 billion each year.

According to the report, ADB would require to US$26 trillion over the 15-years from 2016 to 2030, or US$1.7 trillion per year, including climate mitigation costs. The second set of estimates without climate-adjusted costs amounts to US$22.6 trillion, or US$1.5 trillion per year. This report builds upon ADB's 2009 report—'Infrastructure for a Seamless Asia'—which projected the total need for the four infrastructure sectors (transport, power, telecommunications, and water supply and sanitation) would reach a little more than US$8 trillion between 2010 and 2020.

This report has upgraded the projections by including all of the member countries and factoring in the role of infrastructure in tackling the impact of climate change. It has adjusted the baseline estimates by adding the costs of climate mitigation, in particular, for more efficient and cleaner power generation and electricity transmission, and costs related to adaptation—for "climate proofing," mainly in transport and water by making infrastructure more resilient to the impacts of climate change.

Of the total projection of US$22.6 trillion infrastructure investment need, South Asia accounts for about a quarter of the total needs. The investment needs amount to 7.6 per cent of the subregion's projected GDP, significantly higher than East Asia's 4.5 per cent and the developing Asia average. This is mainly due to South Asia's current lower GDP and expected faster GDP growth. However, the highest amount is required for East Asia, including China, which needs 61 per cent of the projected infrastructure investment.

In overall Asia, power and transport are the two largest sectors, accounting for 52 per cent and 35 per cent, respectively, of total infrastructure investments for the baseline projections; and 56 per cent and 32 per cent, respectively, of total climate-adjusted investments. Telecommunications and water and sanitation are relatively small, accounting for nine per cent and three per cent, respectively, of total climate-adjusted investments.

Having an efficient infrastructure is of utmost importance for it lowers distribution costs and boosts living standards by making goods and services more affordable. One of infrastructure's most dramatic benefits is on the poor, allowing access to better health and educational services, improving living conditions, and fostering greater social and economic mobility. The report points out the that decisions on infrastructure development—including the type of infrastructure and technology to invest in—have significant implications for economic sustainability, as climate change, pollution, and other environmental factors present new challenges.

Gap between estimated investment requirement and current investment is about US$329 billion in South Asia. Even without considering the climate change mitigation measures, the annual investment gap is about US$160 billion. To fill the gap, the eight countries in South Asia is supposed to investment as much as 5.7 per cent annually of their GDP. In overall Asia, the gap between current and needed investment levels works out to US$330 billion (baseline) or US$460 billion (climate-adjusted) annually.

The ADB points out that fiscal reform by raising more revenues, reorienting spending, and through prudent borrowing could generate additional revenues to finance infrastructure needs as public sector finances around 92 per cent of the region's infrastructure investment. However, in South Asia public sector finance in infrastructure account for 62 per cent only.

As suggested by the report, it is necessary for South Asia to create an enabling environment that delivers well-prepared, viable proposals for private investment which is critical for public-private-partnership. In addition, meeting the finance gap for infrastructure, it is necessary to tap the bond market to attract long-term institutional investors. Multinational development banks could contribute in co-financing with bilateral development assistance and catalyzing private foreign capital.

NEWS

Roberto Azevêdo reappointed WTO Director General

At a meeting of the General Council on 28 February, World Trade Organization (WTO) members agreed by consensus to appoint Mr. Roberto Azevêdo for a second four-year term as Director General (DG) Mr. Azevêdo's second term will begin on 1 September 2017.

In thanking members for their support, DG Azevêdo said that the WTO is on the right path. "We have achieved a great deal over the last few years. The WTO is stronger today than it was in 2013."

DG Azevêdo also encouraged members to speak up for the WTO. "I ask you to stand up and make the case for the value that you see in trade and the trading system. This organization is here for a reason—to support economic development, growth and job creation, but also to support peace, cooperation and solidarity among nations.

Source: www.wto.org, 28.02.2017.

Traders suffering huge losses, say Afghan officials

Traders and transporters have suffered losses worth billions of rupees following the indefinite closure of the Pakistan-Afghanistan border, Afghan officials said on 27 February, addressing a news conference held at the Peshawar Press Club.

According to them, more than 6,000 vehicles carrying goods are currently stranded on both sides of the border.

The Afghan trade commissioner in Peshawar, Mr. Mervais Yousafzai pointed out that the losses run up to billion and not only Afghanistan but also the people of Pakistan are suffering because of the border closure.

Mr. Yousafzai was accompanied by officials of the Afghan commissionerate, Afghan traders and transporters at a news conference said that Pakistani people incurred at least 80 per cent of the losses because their goods are perishing in the stranded vehicles.

Mr. Yousafzai said that bilateral trade and commerce should be impervious to politics. “Whenever such a situation arises, it must be resolved both politically and diplomatically, instead of punishing the poor people of both countries,” he said.

He pointed out that the closure of border (entry and exit points) was against all international laws, against Afghanistan-Pakistan Transit Trade Agreement and against (the rules of the) World Trade Organization (WTO) and South Asian Association for Regional Cooperation (SAARC).

Yousafzai said that these issues had also been conveyed to the government of Khyber-Pakhtunkhwa without any response.

“Every day, we pay taxes amounting to PKR 20 million to the Pakistan government which shows the quantum of loss being incurred by both sides on a daily basis,” said Mr. Muhammad Rasool Jan, the head of Afghan Traders Association.

Calling for a new trade policy, Mr. Rasool Jan said that traders were never involved in the affairs of any country. “Why are we being victimised?” he asked. “At least 6,200 vehicles are stranded on both sides of the border,” said Mr. Malik Gul Akbar, the head of the Afghan Transporters Association.

According to him, as many as 2,100 vehicles were carrying perishable items and most of them belonged to Pakistani exporters. He also urged the inspector general of police to take action against the harassment of Afghan transporters at the hands of police officials.

“Between Khairabad and Torkham, all vehicles have to pay at least PKR 52,000 to policemen manning various check posts,” he said, accusing the K-P police and the political administration of tribal areas.

Stressing the need for solving all outstanding political issues between the two countries at the earliest, Mr. Akbar said that traders and transporters should not be targeted.

Source: https://tribune.com.pk, 28.02.2017.

WTO’s Trade Facilitation Agreement enters into force

A major milestone for the global trading system has been as the WTO’s Trade Facilitation Agreement (TFA) obtained the two-thirds acceptance of the agreement from its 164 members needed to bring the TFA into force.

On 22 February 2017, Rwanda, Oman, Chad and Jordan submitted their instruments of acceptance to WTO Director General (DG) Mr. Roberto Azevêdo, bringing the total number of ratifications over the required threshold of 110. The entry into force of this agreement, which seeks to expedite the movement, release and clearance of goods across borders, launches a new phase for trade facilitation reforms all over the world and creates a significant boost for commerce and the multilateral trading system as a whole.

Full implementation of the TFA is estimated to slash members' trade costs by an average of 14.3 per cent, with developing countries having the most to gain, according to a 2015 study carried out by WTO economists. The TFA is also likely to reduce the time needed to import goods by over a day and a half and to export goods by almost two days, representing a reduction of 47 per cent and 91 per cent respectively over the current average.

Implementing the TFA is also expected to help new firms export for the first time. Moreover, once the TFA is fully implemented, developing countries are predicted to increase the number of new products exported by as much as 20 per cent, with least-developed countries (LDCs) likely to see an increase of up to 35 per cent, according to the WTO study.

DG Azevêdo welcomed the TFA's entry into force, noting that the Agreement represents a landmark for trade reform. He said that this would boost global trade by up to US$1 trillion each year, with the biggest gains being felt in the poorest countries.

The Agreement is unique in that it allows developing and least-developed countries to set their own timetables for implementing the TFA depending on their capacities to do so. A Trade Facilitation Agreement Facility (TFAF) was created at the request of developing and least-developed countries to help ensure they receive the assistance needed to reap the full benefits of the TFA and to support the ultimate goal of full implementation of the new agreement by all members.

Source: www.wto.org, 22.02.2017.

Vizag port to start services for Nepali importers in March

Kolkata port will face stiff competition from Vizag deep-sea port on handling Nepal’s third country import cargo.

Container shipping liner Maersk is expected to deliver the first batch of containers at Vizag port in the first week of March, Deputy Chairman Mr. PL Haranadh said.

Maersk is the first liner to offer the aggregation services as part of market making for Vizag. Mr. Haranad is hopeful that commercial success of the initiative will bring in other liners.

Kolkata port has been enjoying monopoly over Nepalese cargo. However, it is a right step for India to offer Nepalese importers wider and better options and counter Beijing’s effort to promote rail-road trade options through the Nepal-China land border.

Container Corporation of India (Concor) has already offered lucrative terms for transferring the cargo by rail from Vizag to Nepal. Concor runs a joint venture handling facility inside Nepalese territory at Raxaul (Bihar)-Birgunj (Nepal) border.

To attract Nepalese traders to try the new option, Concor has decided to run rakes (a cargo train) with a minimum 60 per cent capacity, thereby agreeing to underwrite the losses, if any.

Mr. Ganesh Lath, a Nepalese importer and former president of the Birgunj Chamber of Commerce said that Concor services would encourage Nepalese traders to shift cargo from Kolkata to Vizag.

“The Nepalese government has already agreed to use Vizag as the second port. Nepal’s Kolkata consulate extended services to Vizag. A meeting with shipping liners and Concor was held in Kathmandu during the end of last year to smoothen out things,” Mr. Lath said.

Source: http://www.thehindubusinessline.com, 22.02.2017.

India okays INR 5,723-crore hydro project in Nepal

The Cabinet Committee on Economic Affairs (CCEA) of India has approved an investment proposal for generation component of Arun-III Hydro Electric Project in Nepal by public sector undertaking Satluj Jal Vidyut Nigam (SJVN) Limited.

Mr. Piyush Goyal, Minister of State for Power, Coal, Renewable Energy and Mines, Government of India said, “The project was first initiated in March 2008 through an MoU between SJVN and the Nepal government. The project development agreement was signed on 25 November 2014, through which 21.9 per cent free power will be given to Nepal.”

Indian government statement said that the CCEA has approved an investment for the generation component of Arun-III (900 MW) for an estimated cost of INR5 723.72 crore at May 2015 price level.

The statement further noted that the completion period of the project shall be 60 months from the date of financial closure which is planned for September this year.

The project is located on Arun River in Sankhuwasabha District of Eastern Nepal. The run-of-river scheme envisages about 70-metre high concrete gravity dam and Head Race Tunnel (HRT) of 11.74 km with underground Power House containing four generating units of 225 MW each on Left Bank. The power from the project shall be exported from Dhalkebar in Nepal to Muzaffarpur in India according to the statement.

Source: http://www.thehindubusinessline.com, 22.02.2017.

Sri Lanka sets up WTO backed mechanism for export compliance

Sri Lanka is setting up the first ever national level mechanism to overcome export quarantining and other technical barriers.

Sri Lanka’s Minister for Industry and Commerce Mr. Rishad Bathiudeen informed that the Department of Commerce (DoC) is ready to set up a ‘National Committee on SPS and TBT’ to overcome their export compliance issues, specially related to sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT).

Minister Bathiudeen was addressing the press following the inauguration of DoC pioneering Colombo info session with WTO experts for Lankan exporters, compliance officials and specialists on SPS and TBT. WTO Economic Affairs Officer Ms. Roshan Khan and WTO Trade and Environment Counsellor Mr. Erik Wijkstrom briefed the DoC further on the issue.

WTO Trade and Environment Counsellor Erik Wijkstrom stressed that SPS & TBT compliance has become a great need in exports of developing countries such as Sri Lanka. “Across the world, average trade tariff is at nine per cent. Tariff reduction is not so much important anymore as those days. What is now important for trade is overcoming non-tariff barriers such as quality compliance, SPS and TBT. Compliance in these are especially beneficial for agricultural exports of countries such as Sri Lanka."

Around 22 per cent of Sri Lanka's annual exports are agricultural, at US$2.5 billion.

SPS and TBT measures have a significant impact on international trade affecting Sri Lanka negatively as it is a small and vulnerable economy. These SPS and TBT measures appear to be highly complex and increasingly challenging for the exporters.

According DoC, the newly planned SPS & TBT Committee under the Department of Commerce is a high level cross functional mechanism with no less than 14 institutions (Ministries and specialised government institutions including the Agri-Ministry, Customs, Quarantine Department, the Import Export Department etc) getting involved.

Source: http://www.lankabusinessonline.com, 21.02.2017.

India scraps service tax on ocean freight

Following Nepal government's request, the Indian government has removed 4.5 per cent service tax imposed on ocean freight.

Although the tax was meant for India's importers, the provision also affected Nepali traders as Nepal relies on Indian clearing agents for the management of goods imported from third countries that land at Indian ports.

"We have received information that the Indian government has decided not to levy the tax in the case of Nepal," said Mr. Eknarayan Aryal, Consul General in Kolkata, adding the decision comes into effect immediately.

Article 11 of the World Trade Organization's Trade Facilitation Agreement states: "Traffic in transit shall not be conditioned upon the collection of any fees or charges imposed in respect of transit, except the charges of transportation or those commensurate with administrative expenses entailed by transit or with the cost of services rendered."

Indian officials have conveyed they were not aware that such a decision would impact Nepal and Bhutan.

On January 16, the Container Corporation of India Limited (CONCOR), an Indian government undertaking that handles Nepal's railway freight from Kolkata port, had informed Nepal about the decision and had been levying 4.5 per cent service tax on ocean freight ever since.

Ocean freight costs vary depending on the distance of the country from where goods are imported. For an instance, the ocean freight cost to ferry every 20-foot container from China to Kolkata ranges from US$600 to US$1,600, according to Mr. Sharma. This cost ranges from US$3,700 to US$4,500 per 20-foot container if goods are shipped from the United States.

Nepal has also requested India to remove anti-dumping duty imposed on Nepali jute and jute products. India started levying an anti-dumping duty of US$6.30 to US$351.72 per tonne on jute and jute products imported from Nepal in the first week of January. The duty is valid for five years.

Source: http://kathmandupost.ekantipur.com, 19.02.2017.

China launches anti-dumping probe against Indian manufactures

China launched anti-dumping and countervailing duties investigations against some Indian manufactures for allegedly exporting a chemical product—widely used in dyes and pharmaceutical—to the country at an artificially low price.

The Chinese Ministry of Commerce had received requests from domestic producers, who accused Indian manufacturers of dumping Ortho Chloro Para Nitro Aniline, a type of dye intermediate, on the Chinese market and called for an inquiry, the ministry said in a statement.

It said it would investigate whether Indian firms were subsidised by the Indian government and if they had sold the product at an artificially low price in China.

The investigations are expected to conclude before February next year and may in special circumstance be extended to August, 2018.

Source: http://economictimes.indiatimes.com, 13.02.2017.

ACTIVITIES

Reviewing energy and water cooperation in South Asia emphasised

SAWTEE organized a media workshop in partnership with CUTS International and Institute for Social and Environmental Transition (ISET)-Nepal on 15 February 2017. The half-day media workshop 'Rethinking water and energy cooperation' saw a series of discussions among water and energy experts and media persons on how the changing dynamics—political, economic and ecological—have necessitated reviewing of Nepal's water and energy policies.

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