Trade, Climate Change and Development Monitor

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OPINION IN LEAD

Shocks for developing countries from President Trump's first days

His first days in office indicate that President Donald Trump intends to implement what he promised, with serious consequences for the future of the United Nations (UN), trade, the environment and international cooperation, and developing countries will be most affected.

The world and the world order have to prepare for more major shocks. President Trump signed an order fast-starting building a wall at the American border with Mexico indicating that even close friends are not spared. The Trump order to ban the entry of citizens from seven Muslim-majority countries has caused not only anger in the affected countries but also uncertainty among people in other developing countries who fear they may also be targeted in future.

Very troubling are the signs that the United States (US) is revamping its approach to international cooperation. Two executive orders are being prepared to reduce the US' role in the United Nations and other international organisations, according to a *New York Times* report.

One of the draft orders calls for at least a 40 per cent cut in US funding toward international organisations and terminating funds for any international body that fit certain criteria. The other order calls for a review of all current and pending treaties, and recommendations on which negotiations or treaties the US should leave.

The *New York Times* says that if Trump signs the orders, the cuts could severely curtail the work of UN agencies which rely on billions of dollars in annual US contributions.

Another looming problem is that President Trump looks intent on doing a complete turnaround on the present US environmental policies. This will have a grave effect on the world, both in terms of the physical environment itself and in turning back the clock on global efforts to tackle multiple environmental crises.

This policy turnaround will negatively affect international efforts to combat the global environmental crisis. At this point it is not certain whether the US will remain in the Paris Climate Agreement or even the UN Framework Convention on Climate Change; its withdrawal from either or both would be disastrous. It can however be expected that under Trump, the US will stop its funding to the Green Climate Fund (GCF), to which the Obama administration had pledged US$3 billion in its initial period and delivered US$1 billion. If the US withdraws, will other countries increase their funding to make up for the loss of US, or will they also reduce their share, thereby plunging the GCF into an uncertain future?

Another major action was Trump's move to withdraw the US from the Trans Pacific Partnership (TPP) agreement. The TPP was unpopular with the American public, because it was perceived that whatever gains the US would have would flow to the corporations and the elites, leaving the working and middle classes to face problems such as possible job losses from cheaper imports and relocation of factories abroad. With the demise of the TPP, developing countries, which are its members, regret the loss of their opportunity to gain greater access to the US market. But they are also spared from having to take on heavy obligations on investment, intellectual property and state-owned enterprises, and other issues.

The Trump move on the TPP is a prelude to other trade policies to be rolled out soon, in pursuance of his America First strategy, which includes the subsidiary slogans "Buy American and Hire Americans". Policies being considered include higher tariffs or else "border adjusting taxes" on products from countries with which the US has trade deficits, starting with China and Mexico; tax incentives for companies that export; taxes to punish US companies located abroad that export to the US; and requirements that companies that win government infrastructure and other contracts have to make use of American-made goods.

Many developing countries which depend on the US for their exports, and that presently host US companies or hope to attract new US investments, will be adversely affected by these policies, which together spell a new era of US protectionism. It will end the US-championed policies of liberalisation of trade and investment.

Trump also announced his plans to initiate new one-to-one bilateral trade agreements, in place of regional or plurilateral trade agreements. If his aim is to promote the US companies' interests even more strongly than in previous free-trade agreements, this may mean a negotiating stance of maximizing US exports while minimising imports from the bilateral partners, and pressurising them to accept provisions on investment, services, intellectual property, procurement, state-owned enterprises and other issues that are even stronger than what the TPP had

Another question is whether the rules of the multilateral trading system will act to constrain the new US administration. Many of the new policies announced by Trump or his team are probably against one or another of the agreements under the World Trade Organization (WTO).

Even if the Trump administration fine-tunes its policy measures in an attempt to fit within the WTO's rules, they will most likely be challenged by other WTO members. If the WTO panels rule against the US, will it comply with the decisions, or will Trump turn his fire against the WTO and its system instead?

Meanwhile, the WTO members are waiting to see what positions the new US trade team will take in the on-going WTO negotiations in Geneva.

Given that Trump ran on the promise to upend the establishment, and it looks as if he intends to keep to his word, leaders and people around the world, and especially in the developing countries since they are more vulnerable, should prepare themselves to respond to more and bigger shocks ahead.

(Adapted from the article by Martin Khor published in Inter Press Service available at: http://www.ipsnews.net/2017/01/shocks-for-developing-countries-from-president-trumps-first-days/.)

ANALYSIS

Nepal's potential for vegetable export unexploited

A research study carried out by SAWTEE with support from SAMARTH-NMDP concludes that the prevalence of high technical standards and lack of efficient marketing mechanism have left potential for vegetable exports from Nepal untapped. The research "Study on the Export Potential of Fresh Vegetables to India and Other Countries" found that the constraints are related with the management of both supply and demand sides, marketing being a major problem area.

The qualitative study has looked into the demand side and the supply side, particularly focusing on the market inadequacies of fresh vegetables and the subsequent analysis also reflects this.

The supply side and demand side issues in vegetable exports look positive. The government has been focusing on production and there is demand for fresh vegetables in neighbouring India and in various markets like Bangladesh and several Western Asian countries. Some specific types of vegetables—like bitter gourd, pointed gourd, sponge gourd, and mustard leaf etc.—that are grown in Nepal are better in quality and can be sold off at a higher price compared to Indian vegetables. Similarly off-season vegetables are becoming more attractive for farmers due to their high export potentiality, particularly to India.

However, such a rosy picture does not extend to the market. Efforts towards marketing are woefully inadequate from both public and private sectors. Management skills, especially those related to marketing, appear to be absent on the part of relevant actors and this seems to be the major hindrance for vegetables export.

Technical standards is another area beckoning reform. Mutual recognition of test and certification is important in order to enhance market linkages. There is no proper coordination and harmonization of standards between Nepalese and Indian Sanitary and Phytosanitary (SPS) and technical standards. The export potential to India and other countries can be realized only by improving and easing market access conditions which could be pursued through constructive and effective trade negotiations between governments. Nepal's approach to bilateral negotiations should be proactive in view of the continued difficulties faced by Nepalese farmers and exporters. However, these issues do not impede vegetable imports. The survey shows unchecked flow of Indian vegetables into Nepalese markets.

In the supply side, Nepalese farmers need intensive and extensive training on post-harvest operations to enable them to market their produce. Inadequacies in support mechanism to pest risk analysis (PRA) and lack of implementation of pest risk management (PRM) mechanisms are often found to be the reasons behind low preferences for Nepalese vegetables.

Quarantine issues reign supreme in the exports of vegetables. Hassles in meeting the quarantine requirements of India are the major impeding factor. Exporting to other countries would also require building national capacity regarding food test and SPS related measures. For example, fulfilling Saudi Arabian Standards could be helpful for Nepali produce to get an entry into the Gulf countries, but it is not an easy thing to do. Nepal needs to strengthen and streamline the capacity of SPS labs and also take measures to protect agriculture from unfair competition on account of large subsidies provided by neighbouring countries for similar products.

The study recommends ensuring quality products and consistency in supply as the key to find markets and sustain it. For this there is a need to identify products with high potential to export and invest resources on development and supply of these products. Likewise, establishing linkages of the exporters with importers from India to encourage new entrants in the exports of fresh vegetables is also necessary. Moreover, conducting border *haats* for exchange of agricultural goods including vegetables on both sides of the border on a regular and periodic manner to create a demand in the Indian markets is also recommended.

However, these steps would only be fruitful if there will be enough capacity building measures in place for the farmers during pre-harvest and post-harvest stage. All relevant value chain actors need to develop a complete strategy from production to marketing so that the produce is of good quality that do not go waste and find a market. All these mechanism would not yield much if the customs clearance procedures are not streamlined. Thus, it is recommended that the government needs to engage in regular negotiations with India and other potential importing countries for reorganizing and re-invigorating the trade facilitation mechanism for fresh produces.

NEWS

Nepal seeks ease in export of its products to India

Nepal's Commerce Minister Mr. Romi Gauchan Thakali has asked the Commerce Minister of India to facilitate export of Nepali products to the southern neighbour.

On the sidelines of two-day Partnership Summit 2017 held in Visakhapatnam, Minister Thakali held a bilateral meeting with Ms. Nirmala Sitharaman, Minister of State for Commerce and Industry of India, as per a media release issued by commerce ministry.

Minister Thakali especially requested his counterpart for the removal of countervailing duty and anti-dumping duty on Nepali jute products, removal of additional duties and charges on some Nepali export items to India, simplification of rules of origin, expediting letter of exchange on revision of Railway Service Agreement and removing services tax levied on transit cargo destined to Nepal from outside India.

During the talk, Ms. Sitharaman raised concerns regarding the unfair trade practices, the release says. She also raised the issue of harmonization of standard of Nepali goods and services that are exported to India. In response, Minister Thakali assured to provide responses promptly from the side of government of Nepal.

Speaking in the plenary Mr. Thakali also mentioned that Nepal is not only land-linked but could also be a transit hub for enhancing connectivity between North and South Asian countries, the release say.

On the sidelines of the Summit, Minister Thakali also held bilateral meetings with Minister for Commerce of Bangladesh Mr. Tofail Ahmed and Mr. Stepan Kubiv, First Deputy Prime Minister of Ukraine, during which various areas of trade and related issues were discussed.

Source: http://thehimalayantimes.com/, 29.01.2017.

Removal of hurdles to Pak-Afghan transit trade sought

Pak-Afghan Joint Chamber of Commerce and Industry (JCCI) has asked the governments of both Pakistan and Afghanistan to remove hurdles to Afghan Transit Trade (ATT).

Addressing a meeting of Pak-Afghan Liaison Committee on transit trade, Senior Vice-President of the Pak-Afghan JCC and Chairman of the Sarhad Chamber of Commerce and Industry Standing Committee on Railway & Dry Port, Mr. Ziaul Haq Sarhadi, urged the leaderships of both the countries to end their differences to ensure the facilitation of the business communities on both sides of the border.

The meeting decided that the involved stakeholders—Pak-Afghan Liaison Committee; Directorate, Transit Trade; Pak-Afghan JCCI and Peshawar-based Afghan Consulate—will submit a list of recommendations to remove impending factors in Pak-Afghan Transit Trade Agreement to the relevant agencies of respective governments.

Mr. Sarhadi said that ATT trade which has shifted to Bandar Abbas and Chabahar could be attracted to Pakistani ports by facilitating the business communities of both countries. He also called for addressing the grievances of business community on the new trade agreement.

Mr. Sarhadi told the meeting that the lack of interest from both the governments and political disputes were badly affecting both the Afghan Transit Trade and bilateral trade. He added that the business community was facing severe hardships due to non-review of the agreement for the last six years, requesting a meeting to review the new Afghan transit trade agreement through mutual consultations.

Source: https://www.thenews.com.pk, 28,01,2017.

India to ratify amended version of Kyoto Protocol

In a token measure to put pressure on developed countries to deliver on climate change commitments, India will soon ratify an amended version of the Kyoto Protocol. The Union Cabinet chaired by Indian Prime Minister Mr. Narendra Modi gave its approval to ratify the deal that is set to expire in 2020 and was shunned by several developed countries, most prominently the US.

Until now, 75 countries have ratified the so-called Doha Amendment of the Kyoto Protocol, which spans from 2012 to 2020, and falls far short of the 144 needed to bring it into force.

The 1997 Kyoto Protocol came into effect in 2005 and obligated the rich and industrialised countries to reduce emissions by 5.2 per cent of 1990 levels during the 2008-2012 period.

However, the refusal of the US, the second largest polluter, to be part of the Protocol and lack of commitments by Canada, Japan and other major developing countries meant that global emissions actually rose during this period.

“Implementation of Clean Development Mechanism (CDM) projects under this commitment period in accordance with sustainable development priorities will attract some investments in India as well,” said an accompanying press note. Developing countries like India have no mandatory mitigation obligations or targets under the Kyoto Protocol.

The Kyoto Protocol incentivised several firms in India to retrofit their polluting plants with newer technology in the hope of earning carbon credits. However after an initial spike, carbon credit prices—that could be traded in emission-trading markets like shares—have crashed to rock-bottom prices.

Source: http://www.thehindu.com/, 24.01.2017.

WTO IP rules amended to ease poor countries’ access to affordable medicines

The World Trade Organization (WTO) has ratified an amendment to its agreement on intellectual property, securing a legal pathway to access affordable medicines for developing countries.

Members of the organisation took the decision to amend the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement specifically to adapt the rules of the global trading system to the public health needs of people in poor countries.

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The WTO Director-General Mr. Roberto Azevêdo said that the amendment gives legal certainty that generic medicines can be exported at reasonable prices to satisfy the needs of countries with no pharmaceutical production capacity, or those with limited capacity, by doing so, it helps the most vulnerable access the drugs that meet their needs, helping to deal with diseases such as HIV/AIDS, tuberculosis or malaria, as well as other epidemics.

Unanimously adopted by WTO members in 2005, the protocol amending the TRIPS Agreement makes permanent a mechanism to ease poorer WTO members’ access to affordable generic medicines produced in other countries. The amendment empowers importing developing and least-developed countries (LDCs) facing public health problems and lacking the capacity to produce drugs generically to seek such medicines from third country producers under "compulsory licensing" arrangements. Normally, most medicines produced under compulsory licences can only be provided to the domestic market in the country where they are produced. This amendment allows exporting countries to grant compulsory licences to generic suppliers exclusively for the purpose of manufacturing and exporting needed medicines to countries lacking production capacity.

Source: https://www.wto.org/, 23.01.2017.

‘Bangladesh can use Indian territory to import power from Nepal’

Bangladesh’s State Minister for Power and Energy Mr. Nasrul Hamid has informed that his country has received India’s consent to import power from Nepal using Indian territory.

Mr Hamid told reporters that Bangladesh will sign an investment deal with Nepal to set up a power plant.

He also said a similar deal will be signed with Bhutan as Bangladesh has been planning to import about 10,000 MW of electricity from the neighbouring nations. Mr. Nasrul added that Bangladesh has also taken up a massive plan to generate 10 per cent of total electricity from renewable energy sources.

The government has been working with a mega plan to generate 60,000 MW by 2040 and its current target is to increase generation to 24,000 MW by 2021, he added.

Source: http://en.prothom-alo.com/, 21.01.2017.

India starts work on converting 106 rivers into national waterways

Inland Waterways Authority of India (IWAI) has begun the preparatory works on converting 106 rivers into National Waterways (NWs) by making them navigable. A total of 106 rivers across the country were declared national waterways by the government in April 2016 to be used to move freight cargo.

In the first phase, eight waterways are being considered for development. Some of the states that the eight NWs would cover include Bihar (NW-37, Gandak & NW-58, Kosi), Uttar Pradesh (NW-40, Ghaghra), West Bengal (NW-97, Sunderban), and Assam (NW-16, Barak).

According to a statement from IWAI, the Detailed Project Report (DPR) for these waterways are ready. The tender process for fairway development of two NWs, namely river Barak in Assam and Ghaghra in Uttar Pradesh, has been initiated. For Goa waterways, the tenders for construction of jetties would be taken up shortly.

For another 46 waterways, which are in coastal and tidal regions, two stage DPR studies have been initiated. These reports are in the final stage of preparation. Based on the recommendations, further development works would be undertaken.

Of the remaining 52 waterways which are in remote, inaccessible and hilly regions, only feasibility studies have been ordered. Field surveys in 44 NWs have been completed and are in progress in another four. Draft feasibility reports of 36 NWs have been received and are under evaluation.

With just 0.6 per cent of India’s freight transported through the inland waterway route despite vast network of rivers across its geographical corner that form about 20,000 Km of navigable waterways, the need for developing additional National Waterway is essential.

Source: http://economictimes.indiatimes.com/, 20.01.2017.

Dumping duty imposed on jute products from Bangladesh, Nepal

The Finance Ministry of India has imposed definitive anti-dumping duty on certain jute products—Jute Yarn/Twine, Hessian Fabric and Jute Sacking bags—from Bangladesh and Nepal.

The anti-dumping duty—which will be valid for five years—ranged from US$6.30 to US$351.72 per tonne depending on the producer and country of export.

This revenue department move follows the recommendations of the Designated Authority in the commerce ministry in its final findings in October 2016.

The broad usages of Jute include packaging, geo-textiles, protection of rooting plants, making of cloths, bags, wrapping, boot and shoe lining, fuse yarns, aprons, canal, ropes, strings, upholstery foundation, curtains and furnishing fabrics. Jute can also be mixed with wool for fine yarn and fabric production.

The Indian Jute Mills Association (IJMA) had sought anti-dumping probe on these jute product imports from Bangladesh and Nepal. At the time of filing of petition—October 2015, there were 34 producers of such products—who were members of IJMA. As many as 15 Indian producers had expressly supported the petition and had provided injury information. Another 14 Indian companies had supported the petition.

Source: http://www.thehindubusinessline.com/, 08.01.2017.

Traders express reservations over CPEC

Pakistani business community has urged the government to announce a 'domestic business plan' along the route of the China Pakistan Economic Corridor (CPEC) in consultation with the concerned industrial associations to take care of local industry so that domestic investor can reap maximum benefit of this mega project.

Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) Central Chairman Mr. Ijaz Khokhar suggested to set up a CPEC Business Committee or a CPEC Business Wing to update the local industry about the nature of China's planned industrial units in the country, warning of its adverse effect on local industry and apprehending that such a scenario might turn Pakistan into a purely consumer market.

He said that domestic industries are already at risk of being wiped out due to dumping of cheap Chinese products. Mr. Ijaz requested the government to also provide the incentives and tax relaxations for every industrial unit across the country as it has declared for Chinese investors in CPEC, to give level-playing field.

He complained that presently China has created non-tariff barriers for Pakistani investors through strict visa policy. He also asked the government to announce the incentives package for exporter without any further delay.

Lahore Chamber of Commerce and Industry (LCCI) Former Vice President Mr. Kashif Anwar said that CPEC is obviously going to help Pakistan by creating millions of new jobs. However, Chinese exporters were enjoying zero duties on 35 per cent of total product lines at present. In comparison, China has offered to immediately slash duties to 70 per cent of product lines. Both sides are negotiating the FTA afresh after Pakistani industries complained about the 2006 agreement that was highly in favour of China.

Similarly, All Pakistan Business Forum (APBF) President Mr. Ibrahim Qureshi said that CPEC is not for Pakistan rather it seems to be 'through Pakistan". Meanwhile, Former President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Mr. Rauf Alam was concerned about the protection of the local industry, which would have to compete Chinese products to be directly supplied to Pakistani market or to be produced in industrialists units at Special Economic Zones (SEZs) enjoying better facilities and many incentives including tax holiday against the existing ones facing various problems mainly the high cost of doing business.

Source: http://nation.com.pk/, 07.01.2017.

UN establishes Technology Bank for LDCs

The United Nations has established a "Technology Bank" for LDCs that aims to strengthen the science, technology and innovation capacity of LDCs that includes better management of intellectual property rights.

A resolution establishing the United Nations (UN) Technology Bank for the LDCs was passed by the UN General Assembly on 23 December.

The Technology Bank will be hosted by Turkey, which has pledged US$1 million, and will be located in Gebze, ideally with a staff of 10 to 15 people, expected to open in 2017 depending on funding, according to UN sources.

It will be financed by voluntary contributions from member states and other stakeholders, including private sector and foundations. The initial indicative budget is US$30-40 million over 3-5 years, but this will be further elaborated and refined by the staff of the Bank and its Council once it is appointed, they said. This will include discussions with the LDCs and their development partners.

Mr. Gyan Chandra Acharya, High Representative and Under Secretary General for the least-developed countries, landlocked developing countries and small island developing countries, said in the press release that poorest countries in the world need to effectively utilise technology to leapfrog various stages of their development process in order to meet goals of the Istanbul Programme of Action and the 2030 Agenda.

LDCs typically are far behind when it comes to intellectual property rights, many with no or few patents.

The Technology Bank plans to conduct a series of baseline science, technology and innovation (STI) reviews for a group of pilot LDCs. Such reviews will be organised in collaboration with the UN Conference on Trade and Development (UNCTAD) and the UN Scientific, Educational and Cultural Organization (UNESCO), and modelled after their STI reviews, “expanded to cover technology needs assessments,” the plan says.

The Technology Bank initiative has been promoted and supported by the UN Office of The High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) since 2011 in implementation of the Istanbul Programme of Action.

Once the Tech Bank is fully operationalized, the role of OHRLLS will be mainly to support the representative of the Secretary General sitting in the Bank’s Council. The Bank will be a subsidiary organ of the General Assembly.

Source: http://www.ip-watch.org/, 06.01.2017.

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