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OPINION IN LEAD

The Marrakech mandate

World leaders gathered in Marrakech from November 7-18 to discuss the implementation of the Paris Agreement at the twenty-second session of the Conference of the Parties (COP22). The outcome of the last year's COP held in Paris, the Paris Agreement, entered into force earlier in November 2016. One of the important aspects of the Agreement is the submission of Nationally Determined Contributions (NDCs) of the participating countries that pledges to limit their greenhouse gases (GHGs) emissions. The implementation of these pledges by most countries depends on, among others, finance and technology support from the developed world. Moreover, developed countries have a central role to play in taking forward the global agenda of limiting global warming amid the fear of American President-elect Mr. Donald Trump opting for blocking the Paris Agreement.

Marrakech conference coincided with the election of Mr. Trump. Yet, the delegates from around the world had to shrug off pessimistic considerations when they began the long and painstaking process of figuring out the scope and modalities for implementing the Paris Agreement. The first meeting of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), the group responsible for supervising the execution of the deal, took place during the COP22. There are several substantive details—such as the procedures that facilitate the implementation of and compliance with the Agreement—to be worked out. These details are expected to be completed only by 2018.

Financial support for developing country action on the NDCs was an important agenda item of this meeting as was the issue of transparency. Seven years ago, in Copenhagen, a Green Climate Fund was promised with the aim of making available US$100 billion a year by 2020 primarily to support developing countries address the impacts of climate change and find ways to reduce their GHG emissions. The Copenhagen Agreement stated that the money would "come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance". Since then, there has only been a trickle of pledges but a torrent of controversy over claims made by the Organisation for Economic Co-operation and Development (OECD) countries that finance was already forthcoming from them largely in the form of private investments in developing countries. The Marrakech negotiators simply noted that these issues remain to be resolved in forthcoming meetings.

One of the remarkable announcements at the Marrakech COP was the pledge by the Climate Vulnerable Forum, comprising 48 least-developed countries (LDCs), including Bangladesh, Ethiopia and South Sudan, to get 100 per cent of their energy from renewables by 2050. Along with them, 165 sub-national jurisdictions, calling themselves the Under2s, announced that they would reduce their emissions by 80-95 per cent below 1990 levels and limit their per capita emissions to under two tonnes of Carbon dioxide by 2050. These governments range across states like California, New York and Telangana and cities like Manchester and São Paulo, and contribute to over a third of the global economy.

Another cause for cheer is that the 'Science Based Targets initiative' got a boost in Marrakech when over 200 companies worldwide committed to emissions reductions targets. With regard to the Warsaw International Mechanism for Loss and Damage, the framework for a five-year rolling work plan was approved. It will serve as the basis for developing corresponding activities, starting with the first meeting in 2017. Since adaptation has limitations, this is a global mechanism to provide support to countries that sustain ongoing and future harm from climate change. The aim will be to address issues such as extreme events, non-economic losses, displacement, migration, slow-moving climatic changes and risk management.

It is not clear whether these actions will be sufficient to put the planet on a path to a stable climate with warming below 2°C, let alone the more ambitious target of under 1.5°C. Nevertheless, they show that, amid all adversaries and differences, global actions to address climate change are here to stay. With global temperatures predicted to cross the 1.5°C limit in the 2030s, there is no point for countries to delay taking actions and fulfil obligations. The second Kyoto commitment period until 2020 is an opportune time for rich countries to make an effort to build confidence through their actions to reduce emissions and support developing nations.

(Adapted from an op-ed by Sujatha Byravan, Principal Research Scientist, Center for Study of Science, Technology & Policy, Bengaluru published in 'The Hindu' on 25 November 2016.)

ANALYSIS

Nepal and Bhutan bear the brunt of India's demonetization drive

Indian Prime Minister's late evening announcement of 8 November of demonetizing higher denomination currency notes not only left whole India into disarray but its reverberations were felt across borders. Bhutan and Nepal, the two northern neighbours that have intricate formal and informal economic ties with India, are facing collateral damage.

India is the largest trading partner for both Bhutan and Nepal. Bhutan's total merchandise trade with India is almost 90 per cent of its total trade, while that for Nepal is estimated to be 64 per cent. The Indian decision to demonetize INR 500 and INR 1000 bank notes in a pretext to tackle black money and counterfeiting has left traders in Bhutan and Nepal without much cash for economic activities with their largest trading partner, for example, to pay for the transportation of the goods to Indian truckers. Many people in Bhutan and Nepal hold Indian currency notes—that enjoys the status of *de facto* legal tender—due to their frequent dealing with Indian traders. However, the use of 500 and 1000 bills was not so widespread until the Indian government had recently allowed transactions in these two denominations upto INR 25,000.

The move would not hamper the formal trade as the payments are made through banking channels. However, it is mostly agriculture traders and those involved in the informal trade, which is not recorded officially by either side, who have been affected. Let us take an example of Nepali ginger exporters of Kakarvitta customs in Nepal-India border in Eastern Nepal. The inability of the Nepali traders to pay the transportation charges to Indian transporters in cash has reportedly affected export of Nepali ginger to India from there. Similarly, traders in Bhutan's border town Phuentsholing are facing troubles with sending off their consignments of cardamom and potatoes to India. The cash-strapped traders were forced to decrease price of cardamom from INR 900 per kg to INR 700 per kg, according to media reports. The difficulty of the Indian truckers is no less. For example, they are unable to come all the way to the borders to do business due to lack of currency to buy fuel.

The demonetization has not only affected the traders but the ordinary citizens as well. Free movement of people between Nepal and India due to its 1800 km long open border meant many Nepalis in the bordering towns and villages shopped in Indian side due to cheaper prices. People are allowed to take small quantities of these consumable items—ranging from daily essential items, groceries, clothing to agriculture inputs—from India without paying customs duty. Migrant workers in India and their family in Nepal also hold large amount of Indian currency, especially in the Western parts of Nepal where the use of Indian currency is more rampant.

The existence of high degree of informal trade through unofficial routes in the bordering areas exacerbates the impact of demonetization. This sort of unrecorded trade is estimated to be as much as almost 50 per cent of the formal trade for both neighbours. In addition, amid the prevalence of practices such as the under-invoicing, some traders show less amount in the bills presented at the customs than the actual import value. The banks issue Letter of Credit for payment for such traders only equivalent to the amount in the customs document. Thus, to pay for the rest of the import bill, traders resort to informal channels that hoard Indian currency. This causes surge in exchange rate of Indian currency against Nepali rupee as the former is always in short supply in Nepal. The hoarders who keep large amount of Indian currency for this purpose are now in soup.

The lack of mechanism of exchanging the existing high denomination notes in Bhutan and Nepal has further fuelled the panic. Even after a month of the announcement, Indian side is yet to provide clear instructions on how to exchange the existing notes in neighbouring countries. According to the unofficial estimate there is about INR 30 billion worth of large denomination Indian bank notes in Nepal. The actual number may be much bigger than this estimate, somewhere between INR 50-60 billion. Nepal's central bank, Nepal Rastra Bank, has stated there are around 33.6 million Indian currency notes of 500 and 1000 denominations with the banks and the financial institutions across Nepal. Bhutan's central bank, Royal Monetary Authority, reportedly has about INR 28 million in large denominations, and is accepting deposit of large denomination Indian notes in exchange of Ngultrum till mid-December.

The monetary authorities in Nepal and Bhutan have formed a high-level task force to address the issue. But they are clueless about what to do with the demonetized currency notes they have with them and in their economy. The troubles caused by India's demonetization drive may or may not succeed in drawing out black money or driving India into a cashless society, but it has seriously affected its neighbours. The onus is on India to put in place proper regulation and mechanism to exchange the demonetized notes in Bhutan and Nepal without further delay.

NEWS

Ginger export to India affected yet again

Export of Nepali ginger to India has been affected after the Indian traders stopped purchasing ginger from Nepali farmers citing eight per cent duty levied by the Indian government on Nepali farm products. Not a single truck carrying Nepali gingers left for India in the past two days through the Kakarvitta Customs Office.

According to Nepali traders, Indian importers have told them not to send ginger to India. Mr. Narendra Khadka, the president of the Nepal Gingers Producers and Traders Association (NGPTA), said that Indian government's decision to levy eight per cent duty on Nepali ginger discouraged the importers from buying Nepali products. Mr. Khadka said that the Indian traders had decided not to buy Nepali products until the decision is rolled back affecting thousands of quintals of ginger ready for export to India.

According to local traders, Indian traders have to acquire permit from the Indian customs office before placing an order for Nepali ginger by paying eight per cent of the market value (of the total import) as a 'permit duty'.

Three months ago, India had put a ban on ginger importers from Nepal citing high pesticide residue in the Nepali farm product. India had also alleged that Chinese ginger was being imported to Nepal in large quantity which has been branded as a Nepali product. The ban, however, was lifted after 25 days following lab tests which showed no harmful pesticide residue in Nepali ginger.

Nepali traders and farmers had also suffered from the recent demonetization of 1,000 and 500 Indian rupee bills. But the recent imposition of new duty has brought ginger export to a halt altogether. According to Indian importers, customs offices under Bihar state government have written to all India customs units to impose eight per cent duty on import of Nepali gingers.

Source: www.myrepublica.com, 30.11.2016.

Bhutan refuses to ratify BBIN Motor Vehicle pact

A plan to implement a Motor Vehicles Agreement (MVA) among the BBIN countries (Bangladesh, Bhutan, India and Nepal) has received a jolt, with Bhutan refusing to ratify the pact. Incidentally, the pact, which seeks to achieve seamless movement of cargo containers, trucks and passenger vehicles within these countries across the international borders, was signed in the Bhutanese capital of Thimphu last year. However, on November 15, Bhutan's upper house, the National Council, rejected its ratification. While 13 votes were against the move, two were in favour and five members abstained from voting.

Sources said that for the time being, it has been decided to implement the pact only amongst those countries which have ratified it—India, Bangladesh and Nepal. India has also asked the Bhutanese government to reconsider the pact later, when there is a joint session of both the houses. The lower house, National Assembly, had cleared the pact. However, the reconsideration can be done only after a year, as per the procedure there.

Bhutan's trade is mostly with India—almost 75 per cent in 2015. Bhutan and India allow free movement of vehicles across their border. "Therefore, according to Bhutan's lawmakers, the BBIN MVA is not much of help to Bhutan in economic development. It is concerned about the environment," said Dr. Prabir De, Professor and Coordinator (ASEAN-India Centre), Research and Information System for Developing Countries (RIS), New Delhi. He pointed out that if the agreement fails to get implemented, sub-regional trade will continue to suffer high transaction costs, and it may impact other sub-regional programmes on energy, social projects and infrastructure.

Source: www.thehindubusinessline.com, 25.11.2016.

India-Pakistan dialogue in UAE

Amid troubles along the Line of Control, legislators from Pakistan and India held a dialogue on sharing their experiences on governance and democracy. Facilitated by Pakistan Institute of Legislative Development and Transparency (PILDAT), the fourth round of the Pakistan-India Legislators and Public Officials Dialogue on Sharing of Experiences on Governance and Democracy took place in Dubai, United Arab Emirates (UAE) on 20 November.

The Dialogue focused on sharing of experiences and good practices on effective agriculture and livestock policies and practices between legislators and experts belonging to Indian States of Punjab and Haryana and Pakistan's province of Punjab.

The participating legislators and experts opined that sharing of experiences between two countries is necessary to reform policies and practices as both countries face similar challenges. They stressed that the workable solutions may be devised through sharing good practices adopted by each other.

Source: www.thenews.com.pk, 24.11.2016.

China to let Nepal use Tibet roads

China has agreed to allow Nepal to use its highways in the bordering Tibetan region for transportation of goods. In a bilateral meeting at Lhasa, Chinese officials agreed to Nepal's request for using the highways along the Nepal-Tibet border via Kerung at the moment, which would be accessed via other points in the future. Kerung, 27 km north of the Nepal-China border, is an emerging market for Nepali traders. The Chinese side is working to upgrade the road to facilitate the movement of Nepali vehicles on highways in the bordering Tibetan Autonomous Region of China.

The agreement will come into effect soon, a Nepali official said from Lhasa. Nepal faces difficulties in transporting goods across its own land due to a difficult terrain. The Chinese side has been promoting the new Kerung-Rasuwagadhi route as an alternative after the Araniko Highway which is the major transit route of Nepal to China was badly affected by the earthquakes in 2015. China is building an integrated check post and other facilities such as dry port there for bilateral trade.

The meeting with Chinese officials led by Mr. Rabi Shankar Sainju, Joint-secretary at the Ministry of Commerce and Supplies, also discussed developing a protocol for the Nepal-China transit transportation agreement. The task involves preparing a draft protocol detailing procedures and guidelines, and identifying ports and routes. Other agendas of the meeting include free trade agreement and facilitation of trade with China. During the visit of then Prime Minister KP Sharma Oli to China last year, the two governments had agreed to expedite cross-border infrastructure and connectivity projects.

Source: www.ekantipur.com, 18.11.2016.

Benefit sharing must for using Madhya Pradesh's bio-resources

Companies or individuals using Indian state of Madhya Pradesh's bio-resources like medicinal plants and genetic material will soon have to share benefit with the state. Mr. Sreenivasa Murthy, the member secretary of the state biodiversity board, said the state government was in the process to adopt "guidelines on access to biological resources and associated knowledge and benefits sharing regulations 2014" framed by the Centre under the *Biological Diversity Act*, 2002. The move, the official said, was aimed at protecting the state's biodiversity and associated knowledge against their use by individuals and organisations for research or commercial use without sharing benefits.

Given the state's rich biodiversity, financial implications could be in thousands of crores once the guidelines are implemented, Mr. Murthy said. "Till now, companies are buying bio-resources from Madhya Pradesh primarily through middlemen at nominal rates and sell their products in domestic and international markets at high cost," he said. "We are planning to devise some mechanism to gather market intelligence about how many companies are procuring bio-resources from the state," he added. "We will also look into rates at which companies buy bio-resources from the state and at what rates they sell their products later. Only after we gather market intelligence, we can ensure proper benefits sharing," he said.

Up to 95 per cent of the benefit sharing will go to local bodies, biological management committees and tribals, Murthy said, adding that it would act as a major incentive for locals to conserve biological resources. "The state biodiversity board is already talking to companies like Himalaya and Dabur on access and benefit sharing," said the board's member secretary.

Source: http://www.hindustantimes.com/, 16.11.2016.

India, Bhutan sign new bilateral trade agreement

India and Bhutan signed a new bilateral trade agreement on 12 November to enhance trade between the two countries through trade facilitation by improving procedures. "The bilateral agreement aims at cutting down on documentation and adding additional exit and entry points for Bhutan's trade with other countries. It is also expected to further strengthen the excellent relations between the two countries," Commerce Ministry of India said in a statement.

The agreement was signed by commerce and industry minister Ms. Nirmala Sitharaman and H.E. Tengye Lyonpo Lekey Dorji, Minister for Economic Affairs, Bhutan. Ms. Sitharaman also had a bilateral meeting with a high-level Bhutanese delegation led by Mr. Dorji where both the leaders discussed various issues related to bilateral trade, transit and investment.

The first agreement on trade and commerce between Bhutan and India was signed in 1972. Since then, the agreement has been renewed four times. The last agreement was renewed on 28 July 2006 and was valid till 29 July 2016. The validity of the agreement was extended for a period of one year or till the date of coming into force of the new agreement, whichever is earlier, by exchange of diplomatic notes between the two countries.

Source: http://indianexpress.com/, 13.11.2016.

New global trade alert system launched to boost market access for developing countries

A new online alert system designed to help government agencies and small and medium-sized enterprises (SMEs) keep track of the latest information on regulatory requirements for international trade was launched on 8 November by the United Nations Department of Economic and Social Affairs (DESA), the World Trade Organization (WTO) and the International Trade Centre (ITC).

The system, known as ePing, was launched at a special meeting of the Technical Barriers to Trade (TBT) Committee at the WTO. This new system allows access to WTO members' notifications of TBT and sanitary and phytosanitary (SPS) measures. It also facilitates dialogue among the public and private sector in addressing potential trade problems at an early stage. Users of ePing will be able to easily keep up-to-date with notifications affecting foreign markets and products of particular interest to them.

In recent years, the number of technical regulations and standards adopted by countries has grown significantly. Consequently, the need to comply with different foreign technical regulations and standards involves significant costs for producers and exporters. Each year the WTO receives more than 3,500 TBT and SPS notifications proposing new measures that may affect international trade. By improving access to this information, ePing will help avoid disruptions caused by these measures.

Source: https://www.wto.org/, 8.11.2016.

First trade activity under CPEC kicks off

Pakistan and China kicked off first trade activities under the China-Pakistan Economic Corridor project (CPEC) on 31 October as over a hundred Chinese containers arrived at the Sust port after clearance from the Pakistani customs. An inaugural ceremony was held at the port a day earlier. The containers left for Gwadar afterwards.

The ceremony was attended by Chinese officials as well as Gilgit-Baltistan Chief Minister Mr. Hafeezur Rehman and the Force Commander of Gilgit-Baltistan, Saqib Mahmud Malik. Addressing the inaugural ceremony, Mr. Rehman said that under the CPEC the fate of GB would change, adding that one thousand Chinese containers would pass through the Karakoram highway in Gilgit-Baltistan every week. He said that it was an important day for both Chinese and Pakistani people since trade activity under the CPEC had officially started. s

Police personnel were posted on the containers as part of security measures for the CPEC. The customs superintendent at the Sust port, Mr. Ishaq Kiani, said containers loaded with CPEC projects goods were exempted from paying import tax.

Source: http://www.dawn.com/, 1.11.2016.

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