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CONTENTS

OPINION IN LEAD

SAARC Summit: Deeper regional integration still elusive

The eighteenth South Asian Association for Regional Cooperation (SAARC) Summit concluded in Kathmandu, with an outcome far below expectation. Overall, the Summit failed to take noteworthy decisions to push the region towards “deeper regional integration”, which was the main theme of the Summit. There was no major breakthrough at the Summit. It merely adopted a 36-point Kathmandu Declaration which states that Members will continue their efforts to facilitate trade, enhance regional connectivity, combat terrorism, tackle poverty, improve the effectiveness of the SAARC Development Fund (SDF) and strengthen all SAARC processes, among others. But considering the absence of any concrete commitments, it remains to be seen whether the actions and implementation on the lofty promises will ever be effective. Additionally, the Summit also decided to merge four Regional Centres—Coastal Zone Management Centre (Male), Meteorological Research Centre (Dhaka), Forestry Centre (Bhutan) and Disaster Management Centre (New Delhi)—and create a new centre named “SAARC Environment and Disaster Management Centre”.

The SAARC process has always been stalled by the tensions between two largest economies in the region—India and Pakistan. This time around the Summit was expected to deliver three major agreements related to connectivity on road, railways and energy. While India clearly expressed its stance that it would endorse all three agreements or none, Pakistan blocked all three arguing that it has not yet completed its “internal processes”. Pakistan’s opposition to the connectivity agreements was despite strong push by all Member countries to endorse the agreements for greater connectivity in the region. The Summit was in a deadlock, but fortunately a compromise was reached to sign the Framework Agreement for Energy Cooperation (Electricity) and to table the remaining two—the Agreement for the Regulation of Passenger and Cargo Vehicular Traffic, and the SAARC Regional Agreement on Railways for discussion in the next three months.

Whether Pakistan intended or not, its reluctance to sign all the connectivity agreements seems to be a response to India’s cancellation of scheduled unilateral Foreign Secretary level talks. Some may even argue that Pakistan’s stance was intended to deny India access to the markets of Afghanistan and Central Asia. However, only time will tell whether the concerns put forth by Pakistan for not endorsing the road and railways agreements are indeed legitimate. Nonetheless, in light of the fact that the road and rail connectivity agreements have been in the works for the last eight years, it is tragic that yet another opportunity to sign the agreements has been missed. Undoubtedly, regionalism in South Asia is a hostage to existing rivalry between India and Pakistan. Therefore, thawing the cold India-Pakistan relation is paramount if South Asia is to shake off the infamous title of being the “least integrated region” in the world.

Amid the resource constraints faced by many South Asian countries, and the rivalry between India and Pakistan that continues to limit socio-economic development of the region, many SAARC countries are supportive of elevating China’s status from that of an observer to either a full member or a dialogue partner. Owing to the economic lure of China, SAARC leaders have agreed to review and analyse a previous document regarding the engagement with the Observers to enable project based cooperation in priority areas. Ever since China was given the observer status in SAARC in 2006, it has significantly improved its political and economic relations with SAARC countries, and at the SAARC Summit in Kathmandu, China committed to invest US$ 30 billion for infrastructure development in resource constraint South Asia. However, South Asian countries should be wary of China’s greater involvement in SAARC and must not allow China to compromise SAARC regional agenda as it did in Association of Southeast Asian Nations (ASEAN) Summit in 2012. In this regard, economic cooperation and trust between the existing Members must be strengthened before expanding membership to observer countries.

SAARC has thus far largely been a non-achiever and the eighteenth SAARC Summit in Kathmandu was no different. Though Member countries renewed their commitments to a South Asian Economic Union in the coming 15 years, regional economic integration will continue to be as elusive as ever in the absence of concrete plan and the presence of animosity between India and Pakistan. But while the pace of SAARC's activities is sluggish and irritatingly slow, it must be realized that SAARC is indeed inching towards the right direction. Though the Summit in Kathmandu failed to meet expectations, it was able to deliver the much awaited agreement on energy cooperation which will definitely play a pivotal role in facilitating region connectivity and growth. Meanwhile, the connectivity agreements on road and railways could also be signed in the coming months, granted Pakistan is on board on the agreements. Considering that the future of SAARC and regional growth rests on India-Pakistan relations, both countries should work out their differences and play a more constructive role. Until India-Pakistan relation can be revived, only slow and modest progress can be expected from SAARC.

ANALYSIS

Growth with structural transformation: A Post-2015 development agenda

Developing economies are characterized by large productivity gaps between different sectors of the economy. A recent report highlights the need for the poorest countries to shift from low- to high-productivity activities to improve their economies. In its annual Least Developed Countries Report, United Nations Conference on Trade and Development (UNCTAD) suggests the least-developed countries (LDCs) to structurally transform their economies to overcome the "poverty trap" which is stunting their growth and development.

In 2013, LDCs as a group attained an average real gross domestic product (GDP) growth rate of 5.6 percent, which is higher than 4.6 percent of the other developing countries (ODCs). However, this rate is below the upward revised rate of 2012 (7.5 percent) and the 7 percent annual growth target established by the Istanbul Programme of Action (IPoA) that the LDCs are expected to maintain. The real GDP per capita in LDCs increased only by 2.8 percent in 2013 as the per capita income growth was higher than population growth by only a small margin in many LDCs. Moreover, despite the high rate of growth in 2013, LDCs were beginning to show signs of economic slowdown termed as "LDC paradox" by the Report.

A vicious cycle—comprising problems such as poverty, undernourishment, poor health and low educational attainment—is playing key role in preventing LDCs progress in social and economic fronts. Such problems pose serious obstacles to productive investment, and ultimately hinder their economic development. This, in turn, limits capacity of the LDCs to reduce poverty and to make investment for promoting, among others, health and education, thus reinforcing this vicious circle. The Report recommends sustained increases in labour productivity coupled with job creation for the long-run economic growth to break such pernicious cycle. The idea is to raise the real labour incomes necessary for poverty reduction and human development.

The Report puts forth the need for a “structural transformation” in the LDCs, whereby resources are shifted to more productive activities and the economy is able to generate activities characterized by higher productivity. The idea that development entails structural change has been one of the earliest and most central insights of the literature on economic development. The countries that are able to diversify away from agriculture and other traditional sectors are able to pull themselves out of poverty and get richer. Overall productivity and income tend to increase when labour and other resources move from agriculture into modern economic activities.

The structural transformation of LDCs is also essential in the context of the Sustainable Development Goals (SDGs), which will carry on from where the Millennium Development Goals (MDGs) end in 2015. The MDGs are eight different goals for nations to achieve sustainable development by 2015. Of the 48 LDCs, only Laos is on track to achieve all seven MDG goals by 2015. There are studies that suggest that LDCs as a group are unlikely to meet any of the indicators.

Meanwhile, South Asia is home to four LDCs, namely Afghanistan, Bhutan, Bangladesh and Nepal. It remains instrumental for these countries to pursue supportive economic and human development policies to graduate from the LDC status as well as to successfully move forward with the Post-2015 development agenda. Bangladesh’s development amongst the LDC group is remarkable due to improved growth, remittance influx, enhanced food security and resilience to environmental disaster, among others. The country, however, lags behind in areas such as income and employment generation, diversification of existing exportable items, and low per capita income due to increasing population. Regrettably, other South Asian countries lag behind when it comes to graduating from the LDC status.

One important area for the South Asian LDCs and others, as highlighted by the Report, is the need to enhance their trade-related capacity to make full use of duty- and quota-free market access to developed and developing countries. Aid for Trade for LDCs—including through the Enhanced Integrated Framework (EIF)—that supports development of their productive capacities can play an important role in overcoming the trade-related bottlenecks prevalent in LDCs. Similarly, LDCs should take full advantage of the recently concluded Trade Facilitation Agreement and the Doha Development Agenda of the World Trade Organization (WTO) to enhance their export incomes.

The SDGs that aim to eradicate extreme hunger and poverty by 2030 are more ambitious than the MDGs. As the Report argues, world poverty can only be eradicated if it is eradicated everywhere; the LDCs are the battleground where SDGs will be won or lost. Therefore, LDCs should prioritise resource mobilisation for public and private investment, formulate appropriate industrial and sectoral policies to channel resources into most productive sectors backed by prudent macroeconomic policies which foster economic growth. Meanwhile, it is also essential to put emphasis on improving governance system, and strengthening institutions and mechanisms of service delivery for achieving desirable outcomes. The limited progress on MDG 8—that calls for a global partnership for development—with donors falling far short of their commitments on official development assistance (ODA) will be very important in the quest for achieving the structural transformation.

Based on the Least Developed Countries Report. 2014. Growth with structural transformation: A post-2015 development agenda. Geneva: United Nations Conference on Trade and Development.

NEWS

Nepal expected to benefit from energy agreements

Indian companies are giving special interest to invest in the energy sector in Nepal and the Government of Nepal has also demonstrated a serious interest in this regard. The Nepal Investment Board has recently held agreements on two important projects related to the energy sector with the Indian companies and with these agreements the long awaited Upper Karnali and the Arun III are on the process of going ahead. Each project has the capacity of generating 900 megawatt (MW) power and the country would be notably benefited with the completion of these projects.

As per the agreements, Nepal will get 306 MW power free of cost, which is equivalent to about 50 percent of the total power available in the central grid. It has been agreed that Nepal will get free shares of the Upper Karnali and Arun-III Hydroelectricity projects. The Arun III Hydroelectricity Project is going to provide shares worth NPR 1 billion to locals, while Nepal will only get 27 percent share of the Upper Karnali. Similarly, the government is in preparation to invest NPR 100 billion, provided by India, on the most awaited project—Budhigandaki Hydropower Project.

The projects will help Nepal reduce the increasing trade deficit with India. India has been providing electricity to another SAARC member countries—Bangladesh, and has been purchasing power from Bhutan.

Nepal and India have signed the Power Trade Agreement (PTA) few months ago. The agreement has opened door to sell the electricity produced in Nepal to Bangladesh.

Works regarding the construction of Dhalkebar-Muzaffarpur Transmission Line are going in a speedy manner. Some 1,400 MW of power can be exported and imported through the transmission line. Similarly, construction works of other transmission lines are in final stage from where Nepal can get maximum benefit.

Source: www.thehimalayantimes.com, 28.11.2014.

WTO Trade Facilitation pact, food security signed

After almost 11 months of parleys, the WTO signed the trade facilitation agreement (TFA) and agreed to India’s demand for a perpetual “peace clause” till a final solution to the issue of food stockholding is found. The decisions were taken at a special meeting of the WTO General Council (GC), the highest decision-making body after ministerial conferences.

Following tense negotiations and last-minute hiccups due to oppositions from Argentina and Pakistan, the GC adopted three main decisions—signing of the TFA protocol, extension of the “peace clause” for an indefinite period and setting a deadline for the remaining Bali package commitments for poorer countries.

The breakthrough came after India and the United States (US) earlier in November reached an understanding where the Americans assured support to India’s demand for a permanent ‘peace clause’ and, in turn, India agreed to sign the TFA, which it had vetoed in July. Since then, the Indian government had been insisting on having a parallel agreement on public food stocks for its poor and marginal farmers.

A permanent ‘peace clause’ insulates India and other developing countries with public stockholding programmes from challenges by other WTO members, even for violation of global rules on farm subsidies. The so-called ‘peace clause’ also grants India the freedom to offer subsidies to its farmers without following any limit. The cap, according to WTO rules, is 10 percent of the total production of the crops that are covered under the food stockholding programme.

At present, India offer subsidies in the form of ‘minimum support price’ for rice, wheat and cereals. However, the ‘peace clause’ does not come for free. India, along with other developing countries, has to adhere to some strict conditions to avail of the interim relief. The most important rider pertains to future food stockholding programmes, which would not be covered under this provision. In other words, any new food stockholding programme will have to follow WTO’s 10 percent threshold. Another condition is that countries following food stockholding programmes will have to ensure they do not distort trade and adversely affect similar schemes of other developing countries. Otherwise, the affected country will have to the option of appealing to the WTO dispute-settlement body.

The TFA, expected to infuse US$1 trillion into the global economy and create 21 million jobs, will now be open for ratification by all 160 member countries. After that, it will be implemented by July 2015.

Source: www.business-standard.com, 28.11.2014.

Bangladesh farmers turn back the clock to combat climate stresses

Indigenous varieties of rice are making a comeback in Bangladesh as farmers abandon high-yielding hybrid rice in favour of more resilient varieties that can cope with more extreme climate conditions, researchers say.

About 20 percent of the rice fields planted in the low-lying South Asian nation now contain indigenous varieties that can stand up to drought, flooding or other stresses, said Jiban Krishna, director general of the Bangladesh Rice Research Institute.

At its peak, high yielding varieties of rice are accounted for 90 percent of total rice grown in Bangladesh. Bangladesh’s government first introduced high-yielding rice in the 1960s, in an effort to promote food security and meet rising demand, Krishna said. Over time, most farmers adopted the new varieties, which brought in higher incomes. But in recent years, as climate change has brought more irregular rainfall—including worsening floods and droughts—farmers have had more difficulty producing consistent crops of high-yielding varieties. That has led to a growing share of farmers returning to more resilient varieties capable of coping with the extreme conditions, or planting both old and new varieties side by side.

The switch back to traditional varieties has happened with the help of non-governmental organisations that have reintroduced the varieties in an effort to protect “heritage” species and help farmers cope with adverse weather conditions, Krishna said. The government previously never promoted such varieties, considering them too low-yielding, he said. But in the face of growing climate impacts, it is now actively encouraging their cultivation as part of efforts to help farmers adapt to climate change, he said.

Farmers say returning to the old varieties has been a big help in ensuring they get a harvest each season. According to a farmer, Anisur Rahman, cultivation of the old varieties is expanding in part because they need almost no chemical fertilisers or pesticides which make them cheaper and easier to grow, and because their yields are good in tough conditions.

Source: in.reuters.com, 26.11.2014.

Green Climate Fund sees US$9.3bn pledged at Berlin summit

More than US$9 billion has been pledged to an UN-backed Green Climate Fund (GCF) aimed at helping poorer countries cope with the impacts of climate change. Twenty-one countries including the US, United Kingdom, France, Germany and Japan formally announced their contributions at a Berlin meeting.

“The result of today’s capitalization of the Green Climate Fund is foremost an unmistaken sign of trust-building,” said Hela Cheikhrouhou, executive director of the Fund in a statement. The news could provide a significant boost to negotiations towards a UN climate change agreement, due to be signed off in Paris next December. In 2009 rich countries said they would deliver US$100 billion from public and private channels by 2020 to help developing countries invest in clean energy systems and adapt to changing weather patterns.

Mobilisation of those funds has been slow, and leaders from many climate vulnerable countries had warned that significant financial flows would be a precondition for any international climate agreement. Peru’s environment minister, who will chair the next round of talks which start in Lima on December 1, said pledges made to the GCF would create a “positive atmosphere” for the start of these negotiations.

The fund is expected to start funding its first projects near the end of 2015, but civil society observers warned it would need far greater financial support moving forward. “With the climate crisis growing worse every year, these pledges are at best a Band-Aid on a gaping wound and fall far short of the funding required to meet the needs on the ground,” said ActionAid’s Brandon Wu.

Source: www.rtcc.org, 20.11.2014.

Parliament approves proposal to ratify SAARC Seed Bank pact

Nepal’s Parliament has approved a proposal presented by the Ministry of Agricultural Development to ratify the agreement on the establishment of the SAARC Seed Bank.

Nepal signed the pact to establish the bank during the 17th SAARC Summit held in Addu City of the Maldives in 2011. Four countries—India, Sri Lanka, Bhutan and Bangladesh—have ratified the accord to create a mechanism to guarantee food security.

South Asia has put in place a collective mechanism to ensure food security as agriculture and food production has been hit by recurring floods, droughts and other erratic weather conditions caused by global warming. The Agreement to set up the SAARC Seed Bank will go into effect after it has been ratified by all the Member states.

After the Seed Bank comes into existence, SAARC countries can share and grow common varieties of seeds. Currently, each country has its particular variety of seeds, and some of them are not grown in other territories while some are restricted by intellectual property rights. The Bank will also play a key role in introducing seed multiplication programmes and helping countries to increase their seed replacement rate. Nepal's seed replacement rates for cereal crops are very low.

The ministry's statistics show that the rate of seed replacement in Nepal is 9 percent, and under National Seed Vision 2013-25, the government plans to increase the rate to 25 percent for cereals by 2025. By the same year, the seed replacement rate for vegetables is expected to reach 90 percent from the current 66 percent.

As many land races and indigenous genetic resources are on the verge of extinction, the bank will ensure that these precious genetic resources are well preserved for the development of climate resilient high yielding competitive varieties in the future, added Mahendra Poudel, under-secretary at the Ministry of Agricultural Development. It will ensure greater availability of quality seeds and spread high yielding improved crop varieties.

Source: www.ekantipur.com, 05.11.2014.

Afghanistan transits goods from Karachi port to Peshawar: Railways to run two trains weekly

Pakistan Railways has given green signal to the business community for lifting goods under the Afghanistan-Pakistan Transit Trade Agreement (APTTA); two trains per week would be operated from Karachi port to Peshawar.

Official sources revealed that Pakistan Railways has formally informed the Pakistan-Afghanistan Joint Chambers of Commerce and Industry (PAJCCI) through a letter that two trains would operate per week to lift goods from Karachi port. So far, the Railways Ministry has not received any response from the concerned quarters for transportation of transit goods through railways.

Representatives of the PAJCCI said that main hurdle in smooth transportation of goods from Pakistan to Afghanistan is State Revenue Office (SRO) 121 of the Federal Board of Revenue (FBR). The strict conditions including ban on the transportation of loose cargo under SRO 121 has created problems for the transportation of Afghanistan bound goods through Pakistan. At the same time, part-shipment and de-stuffing are also disallowed and clearing agents are facing severe difficulties in getting bank guarantees, experts said.

The FBR has issued a detailed procedure for processing and clearance of transit trade cargo under Customs Computerised System to and from Afghanistan. The Board has amended Customs Rules, 2001 through an SRO121(I)/2014 to issue the procedure of the "Transit under Customs Computerised System" covering Afghan commercial cargo (i) imported through Karachi Port, (ii) Port Muhammad Bin Qasim, (iii) Gwadar Port or Sost, (iv) Afghan commercial cargo from Afghanistan to India through Wagha, (v) Afghan commercial cargo from Afghanistan to other countries, (vi) and non-commercial cargo.

Under the SRO121(I)/2014, Afghan trucks carrying fresh and dry fruit up to Wagha shall be allowed entry in accordance with these rules, subject to the production of letter of guarantee, in each case, by the Ministry of Transport and Civil Aviation, Government of Afghanistan to the effect that the vehicles would return to Afghanistan within the stipulated time, it said.

Under the procedure on filing of Goods Declaration for Afghan Transit cargo, the FBR said that the transit goods which are carried under the Customs transit shall not be subject to payment of import or export duties and taxes provided the activities are in conformity with these rules. Afghan Transit cargo shall be distinctly manifested as such in the Import General Manifest (IGM)/carrier declaration uploaded electronically in the Customs Computerised System by the shipping line or its agent/customs agent/bonded carrier. The importer's country name and address shall be of Afghanistan for goods intended to be imported for Afghanistan.

The transport operator shall be responsible and bound to carry the goods to its destination without any delay. The transport operator shall also be bound to deliver the bonded transit goods to their destination within the prescribed time-limit, using the transport route as notified by the Federal Board of Revenue. In case of any pilferage en-route Point of Entry to the Point of Exit within Pakistan, the bonded carrier shall have the primary responsibility to pay the leviable duty/taxes on transit goods, the rules added.

Responding to queries, PAJCCI Secretary General Faiza Nasir and director Zia-ul-Haq Sarhadi said that the main hurdle in the implementation of the Agreement was SRO 121 which does not allow the import of goods in open container. Unless and until the SRO is not withdrawn, the transit agreement cannot be fully enforced, said Zia-ul-Haq.

He further said that in this regard a meeting was recently held in the Ministry of Commerce where representatives from Federal Board of Revenue also participated and the issue of the said SRO was also raised. The Ministry stated that it had noted the issue and would discuss it in the upcoming ministerial meeting between Pakistan and Afghanistan to be held in November 2014.

Source: www.brecorder.com, 31.10.2014.

Activities

Regional consultation on "Deepening Economic Cooperation in South Asia: Expectations from the 18th SAARC Summit"

SAWTEE, in collaboration with the German Agency for International Cooperation (GIZ), Federation of Nepalese Chamber of Commerce and Industry (FNCCI), CUTS International and Indian Council for Research on International Economic Relations (ICRIER), organized a two day regional consultation on "Deepening Economic Cooperation in South Asia: Expectations from the 18th SAARC Summit" in Kathmandu on 23 and 24 November 2014. The regional consultation was organized on the sidelines of the 18th SAARC Summit. The major objective of the consultation was to discuss issues important for South Asia in the area of regional trade, investment and energy cooperation, among others, and provide recommendations on the way forward. The programme was attended by about 81 participants representing academics, research, government, private sector and media.

The chief guest for the inaugural session Hon. Mr. Mahendra Bahadur Pandey, Minister for Foreign Affairs, Government of Nepal, stated that through the effective implementation of the South Asian Association for Regional Cooperation (SAARC) Agreement on Trade in Services (SATIS), SAARC could see higher growth in the services sector. He also expressed hope that SAARC would undertake necessary steps to promote intra-regional investments and attract foreign direct investments (FDIs). Speaking as the chair, Dr. Posh Raj Pandey, Chairman, SAWTEE, stressed the need for SAARC to have political will and sincere commitments at the highest level to move forward.

The remaining part of the programme was divided into six technical sessions. The technical sessions were held on the themes of: (i) improving trade and transport facilitation and transit among South Asian countries; (ii) promoting trade through reducing non-tariff barriers in South Asia; (iii) trade, gender and technology transfer in the South Asian context; (iv) normalizing India-Pakistan trade for enhanced regional co-operation in South Asia; (v) promoting intra-regional investment and technology transfer in South Asia ; and (vi) ensuring energy security in South Asia through greater regional cooperation.

Stressing on the problems of poor connectivity and non-tariff barriers (NTBs), speaking as the chief guest of the closing session, Hon. Dr. Swarnim Wagle, Member, National Planning Commission, Government of Nepal mentioned that it is cheaper for South Asian countries to export to any other region in the world than in South Asia. Moreover, he expressed SAARC commitments as far-fetched and suggested on implementing South Asian Free Trade Area (SAFTA) properly as an immediate goal. Mr. Suraj Vaidya. Senior Vice President, SAARC Chamber of Commerce and Industry concluded the session by emphasizing the need to make use of SAARC in international negotiations for South Asia. He also underlined the importance of having a committee that can ensure implementing and monitoring of the SAARC declarations.

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