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OPINION IN LEAD

Renewed challenges continue to plague the post-Bali Package

When World Trade Organization (WTO) members concluded negotiations on the Trade Facilitation Agreement (TFA) at the Bali Ministerial Conference in December 2013, as part of the Bali Package, it was thought to have revitalized the multilateral trading system. Along with the TFA and other Bali decisions, it was agreed in Bali that the General Council—the WTO's highest decision making body in Geneva—would have until 31 July 2014 to adopt the Protocol of Amendment that would bring to legal effect the TFA by inserting it into Annex 1A of the WTO Agreement. But unfortunately, the deadline for adopting the Protocol of Amendment for the TFA has passed without a resolution, which has raised some serious concerns about the future of the Bali package.

Without the Protocol, the TFA will not be part of the WTO's legal framework and is thus a necessary prerequisite for the implementation of the TFA. However, as Members were unable to close the divide over whether to link the Protocol with progress towards a 'permanent solution' on the issue of public food stockholding, the General Council failed to meet the July 31 deadline. Dissatisfied with the pace of progress on the issue of public food stockholding, India had made it clear in recent weeks that it would not join the consensus on the Protocol of Amendment unless all issues concerning agriculture and development, mainly the concerns on public food stockholding, are addressed along with the Protocol.

India's stance has basically reignited the debate that had dominated much of the Bali Ministerial. Ahead of the conference in Bali, India spearheaded the G33 proposal on agriculture subsidies, which called for WTO rules on agriculture subsidies to be updated in order to grant greater flexibility to developing countries to purchase foodgrain at administered prices when building stocks for food security purposes. India had strongly argued that unless developing countries were granted wider policy space to implement food security programmes, there would be no deal in Bali. India's stance was likely due to the Indian Food Security Act 2013, which, if enacted, could breach the 10 percent *de minimis* level of support as agreed in the WTO's Agreement on Agriculture (AoA) and consequently leave India open to scrutiny in the WTO's Dispute Settlement System.

After lengthy negotiations in Bali, WTO Members only just agreed to put in place an interim mechanism until a 'permanent solution' is found for adoption by the 11th Ministerial Conference. Meanwhile, Members signed off an interim solution that would provide a 'peace clause' preventing Members from bringing legal disputes against existing public stockholding programmes, granted that such programmes do not distort trade or adversely affect food security of other Members. But India's recent decision to bring forth the issue of public food stockholding and relink it with the TFA has raised eyebrows since many are unsure as to why the issue has been brought to the forefront, given that the subject had been settled in Bali with a firm commitment to find a 'permanent solution'.

Though many developed and developing country Members of the WTO have denounced India's rigid stance on the need to connect the TFA with public stockholding, India was backed by Bolivia, Cuba, South Africa, Venezuela and Zimbabwe. In addition, during the Trade Facilitation sessions held by the WTO Preparatory Committee responsible for drawing up the Protocol of Amendment of the TFA, there were differences among Members over the possible language for the Protocol. In their interventions, a number of developing countries, including India, South Africa, Lesotho, Uganda, Tanzania, Zimbabwe, Bolivia and Cuba had emphasised the need for the language in para 47 of the Doha Declaration to be in both the draft Protocol of Amendment and the draft General Council decision that will adopt the Protocol. Nonetheless, it was the stance taken by India on the issue of public food stockholding that divided the Members and ultimately lead to a deadlock in the adoption of the Protocol of Amendment of the TFA.

For many developing and least-developed countries, particularly in South Asia, issues regarding food security, including public food stockholding, are important. But equally important, if not more, is the issue of trade facilitation. That is why, in Bali, all developing and least-developed country Members hailed the Bali agreement on Trade Facilitation. Their only concern was related to technical and financial assistance required to implement various trade facilitation measures as committed under the TFA. To this end, WTO Director-General Roberto Azevêdo has recently announced the launch of a new WTO Trade Facilitation Facility aimed at ensuring that developing and least-developed countries receive the assistance they need to implement the trade facilitation pact.

Now, with the deadline to adopt the Protocol of Amendment being missed, developing and least-developed countries will have to wait much longer to access technical and financial assistance from the new WTO Facility since the Facility will only begin work when the Protocol of Amendment of the TFA is adopted. Against this backdrop, it is important for all WTO Members to reflect and consider the way forward on how to implement the TFA at the earliest, or risk all the progress made in Bali. Importantly, with no solution in sight, India should re-evaluate its stance and adopt flexibility when demanding concurrent progress in the implementation of the TFA alongside the formulation of a 'permanent solution' to the issue of public food stockholding. However, given the importance of food security issues for many developing and least-developed Members, the issue of public food stockholding for food security purposes should not be completely side-lined, but rather a more balanced approach should be taken by Members to take forward both issues—trade facilitation and food security—at the multilateral level.

ANALYSIS

SAARC Bank: regional cooperation to boost infrastructure development

India has been firm on its strident objections over the WTO's TFA, and is in no mood to allow the deal to move forward until it is allowed to pursue agricultural-support programmes at home. Meanwhile, at the regional level, India has pitched an idea to set-up a regional bank to finance infrastructure development in South Asia. The proposal to establish a South Asian Association for Regional Cooperation (SAARC) Bank from the largest economy in the region has come as a welcome move and has already been approved by all the SAARC countries.

Miniscule level of intra-regional trade continues to plaque South Asia, making it one of the least economically integrated regions of the world. Moreover, the region is home to the world's largest number of poor people and lags behind in vital development indicators. Notably, despite national and regional efforts, the region has thus far not been able to use trade as a means to achieve the overriding goal of poverty reduction. But recently, the idea of the SAARC Bank has stolen the spotlight and comes against the backdrop of the new Indian Prime Minister's meetings with his counterparts during his swearing-in ceremony. The plans for greater regional connectivity and cooperation on diverse issues for shared prosperity of the region were reportedly discussed during the occasion that had become a veritable SAARC Summit.

The physical infrastructural gridlocks and regulatory constraints exist as major stumbling blocks to both intra- and inter-regional trade in the region. It has been long felt essential to have comprehensive strategies for enhancement and growth of trade in South Asia backed by a concrete funding mechanism to overcome constraints and challenges. A recent World Bank report 'Reducing Poverty by Closing South Asia's Infrastructure Gap', reveals that the region's growing demands for infrastructure has enlarged an existing infrastructure gap. According to the Report, addressing such gaps will require investing as much as US$2.5 trillion by 2024 with one third to be spent on improving transportation infrastructure.

The proposed SAARC Bank shall finance construction of infrastructures such as railway lines, roads, waterways, ports and customs stations to expedite easy and cost-efficient trade within the region. The Bank is expected to provide impetus to trade in goods, services and investment for overall development of the region. The SAARC Development Bank will likely function in a similar manner as the World Bank and the Asian Development Bank, and extend concessional financing facilities to member countries. Though the Bank's paid-up capital, structure and functioning mechanisms are yet to be determined, the Bank is likely to start with the capital the SAARC countries agree to put in as equity, with a target of scaling-up later.

Meanwhile, it is also not known whether the existing SAARC Development Fund (SDF) would be transformed into the SAARC Development Bank. The SDF is a successor of the South Asian Development Fund (SADF) that had been established in 1996 to support industrial development, poverty alleviation, protection of environment, institutional/human resource development, and promotion of social and infrastructure development projects in the region. The SDF came in place in 2005 as an 'umbrella financial mechanism' for all SAARC projects and programmes. However, the US$300 million funding mechanism is yet to start works on its infrastructure and economic windows.

One reason for sub-optimal performance of the SDF might have been its vague mandate to look after diverse sectors falling under the purview of its different windows. The SAARC Bank with a clear mandate of building infrastructure to support trade may be more effective per se. It seems logical for SDF to be clubbed with the proposed Bank, with SDF focusing entirely on the social sector. Such arrangement may bring both the SAARC financing mechanisms under a single umbrella and thus bring synergy in the works of SDF and the proposed SAARC Bank. However, such merger may prove counterproductive as it may dilute the main focus of the proposed Bank. Therefore, it is advisable to assess the strengths and weaknesses of the SDF before deciding on the *modus operandi* of the Bank to be submitted during the upcoming 18th SAARC Summit. There is no point in creating yet another SAARC institution that looks so good on paper, but fails to deliver on its objectives.

SAARC Bank could not only be a game changer for the SAARC countries with ailing economies, but also provide heightened impetus to the clamour for greater regional integration. However, the proposed Bank is sure to face major hiccup in gathering capital. By contributing a major chunk of the paid-up capital, India is most likely to obtain a dominant role in the proposed bank. It is thus important for India to strengthen trust between its neighbours and take them in confidence as a *de facto* regional hegemon. Moreover, the proposed Bank could leverage its own capital base for next level of capital, and may call bilateral and multilateral donors for contributions, and may also borrow long-term funds based on its performance. It also remains equally important for all the countries to show maturity to work together in this initiative that can be a cornerstone in the overall development of the region.

Let us hope SAARC Bank does not remains a mere rhetoric and yet another missed opportunity for shared South Asian prosperity.

NEWS

Logistic cost of freight forwarders likely to come down in Nepal

The logistic cost of moving cargoes from Kolkata port to Nepal is expected to come down by at least 20 percent in the near future, as the Indian government has agreed to ease trans-shipment facility for Nepal-bound goods.

According to Joint Secretary at the Ministry of Commerce and Supplies (MoCS) Jib Raj Koirala, India had agreed to ease the trans-shipment facility for Nepal-bound goods imported from third countries during the Nepal-India Joint Commission meeting held in Kathmandu on 26 July.

'We have now been asked to submit modalities on implementing the new facility within the next 30 days', Koirala said. 'After the modalities are endorsed by the Indian government, a formal agreement will be signed'.

The latest understanding generally means that customs clearance of cargoes imported from third countries via Kolkata port will soon be conducted at border points. Currently, works related to customs clearance for Nepal-bound goods are first conducted at Kolkata port — from where most of the third-country goods come into Nepal — and then again at the border point.

Currently, Kolkata customs office takes around three to four days to release goods. If the goods are not cleared within a certain number of days because of congestion at the port or other problems, demurrage charges beginning from US$14 per day per container are levied.
Because of these benefits, Nepal had long been raising the issue of easing trans-shipment facility for Nepal-bound cargoes. The last time the issue was raised was during a Nepal-India commerce secretary-level meeting held in Kathmandu, in December. Although India had agreed to revise modalities on trans-shipment for goods headed for Nepal, nothing much had transpired.

Among others, the Indian government has also agreed to help Nepal build a petroleum pipeline from Raxaul in India to Amlekhgunj in Nepal. 'We have been asked to submit a plan in this regard,' Koirala said.

Source: http://thehimalayantimes.com, 27.07.2014.

India starts transport of rice to Tripura via Bangladesh

After months of parleys, Food Corporation of India (FCI) has dispatched 5,000 tonne of rice to Tripura via Bangladesh territory. The move, if replicated, will cut down on cost of transportation and distribution of grain to other Northeastern states as well. According to sources, the rice consignment from Kakinada port in Andhra Pradesh reached Kolkata recently and is now being transported to Ashuganj river port (in Bangladesh) in smaller vessels. From Ashuganj, the grain will be transported by trucks to Agartala, which is only 37 km away.

‘The rice consignment will reach Tripura in a week’, a food ministry official said. Another consignment of 5,000 tonne will be transported to Tripura shortly. This is a pilot initiative to check the feasibility of transporting 10,000 tonne of rice to the north eastern states via Bangladesh.

After successful transportation of 10,000 tonne of rice, the government is expected to ask Bangladesh to allow 35,000 tonne of foodgrain to be transported to Tripura annually.

Sources said that for the first time, Bangladeshi trucks will carry foodgrain from Ashuganj directly into the FCI warehouse in Agartala so as to prevent a second transshipment at the Akhaura international border (Indo-Bangladesh border).

For the purpose of allowing Bangladesh trucks inside Indian territory, the ministry of external affairs has given the necessary clearances and 'truck scanners' have been installed at the Akhaura check post. Besides, the Indian government has also made arrangements for proper escort of Bangladesh trucks along with drivers up to the warehouse and during the return journey, besides providing transit visa to the drivers.

At present, FCI transports grain for the Targeted Public Distribution System using trucks that have to negotiate tough geographical terrain, vagaries of nature and frequent road blocks by insurgent groups. A truck travels more than 1,650 km to carry grain from Kolkata to Agartala through Guwahati — a distance that can be reduced to 350 km through the Bangladesh route. For transporting goods, essentials and heavy machinery from abroad and other parts of the country to the north east, India has been demanding land, sea and rail access through Bangladesh, with which it shares a 4,000 km border.

Source: http://www.financialexpress.com, 24.07.2014.

WTO’s least developed countries submit collective request on services waiver

The WTO’s poorest members, known as the LDC Group, submitted a collective request regarding the preferential treatment they would like to see for their services and service suppliers. The LDC services waiver was initially an outcome of the 2011 WTO Ministerial Conference, held in Geneva, Switzerland. However, in the two years that followed, no preferences had been requested by LDCs or granted to them, prompting WTO members to reconsider ways to use the services waiver. As a result, at the WTO’s subsequent ministerial conference in Bali, Indonesia last December, members agreed to initiate a process aimed at promoting the ‘expeditious and effective operationalization’ of the LDC services waiver.

Under the terms of the 2013 Bali Decision, the submission of the LDC collective request now triggers a six-month period for the Council for Trade in Services (CTS) to convene a ‘high-level meeting’. At this event, those developed and developing countries in a position to do so shall indicate sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers.

The waiver, as outlined in the 2011 Geneva ministerial decision, releases WTO members from their legal obligation to provide non-discriminatory treatment to all trading partners—as outlined in Article II of the General Agreement on Trade in Services (GATS)—when granting trade preferences to LDCs.

According to sources, the LDC collective request calls for the fulfilment of WTO members' past commitments toward giving LDCs special priority in services sectors and modes of supply. The commitments referred to include those provided under GATS Article IV.3, as well as the modalities for special treatment for LDCs in the negotiations (TN/S/13), Annex C of the 2005 Hong Kong Ministerial Declaration, and the 2011 waiver decision itself. The request also urges members to take initiative in their individual capacity to fulfil the Bali decision on the services waiver, referring to paragraph 1.3, which encourages members to extend preferences at any time to LDCs' services and service suppliers – independent of the request process.

The scope of the individual requests in the collective document is manifold, ranging from horizontal measures to very specific sectoral ones. These include, among others, measures in the area of tourism, banking, transport, education, information and communication technology (ICT), business process outsourcing (BPO), and creative industry services. Preferences selected from offers tabled previously under the WTO's Doha Round negotiations have also been requested, as have preferences related to work permits and allowing recognition of LDC professionals' qualifications.

Source: http://www.ictsd.org, 24.07.2014.

Tajikistan, Pakistan to boost energy cooperation

Tajikistan and Pakistan have discussed an electricity transmission and trade project between Central Asia and South Asia (CASA), and other elements of energy cooperation. Tajik President Emomali Rahmon met with visiting Pakistani Water and Power Minister Khawaja Muhammad Asif in Dushanbe on 21 July 2014, where the two sides also discussed investment projects and the elimination of regional trade barriers.

The CASA 1000 power transmission project extends from Kyrgyzstan to Afghanistan and Pakistan, and is expected to be completed by 2017. The project is designed to develop the necessary physical infrastructure, and create the institutional and legal framework to transmit surplus power from existing generation facilities in Tajikistan and the Kyrgyz Republic to Afghanistan and Pakistan.

Infrastructure for the project is likely to include a high voltage direct current transmission system between Tajikistan and Pakistan through Afghanistan, and a transmission link from Kyrgyzstan and Tajikistan to connect to the high voltage line from Tajikistan to South Asia. It could also involve setting up electricity sub-stations in Kabul, Pakistan's north-western city of Peshawar, and Tajikistan's Sangtuda city.

Tajikistan and Pakistan have set up a joint commission for energy cooperation. A number of important bilateral cooperation agreements are expected to be signed when Pakistani Prime Minister Nawaz Sharif visits Tajikistan in September.

Source: http://www.globalpost.com, 22.07.2014.

Azevêdo launches new WTO Facility to deliver support to LDCs and developing countries

A new initiative unveiled at the WTO will help developing countries and least-developed countries (LDCs) reap the benefits of the WTO's new TFA, which was agreed at the Bali Ministerial Conference in December 2013. The aim of this new initiative, entitled the WTO

Trade Facilitation Agreement Facility (TFAF), is to help ensure that assistance for the implementation of Trade Facilitation measures is provided to all those that require it.

The new Facility will complement existing efforts by regional and multilateral agencies, bilateral donors, and other stakeholders to provide Trade Facilitation-related technical assistance and capacity-building support. It will act as a focal point for implementation efforts. It will become operational when the protocol to insert the TFA into the existing regulatory framework is adopted by WTO Members. The functions of the Facility will include:

- supporting LDCs and developing countries to assess their specific needs and identify possible development partners to help them meet those needs;
- ensuring the best possible conditions for the flow of information between donors and recipients through the creation of an information sharing platform for demand and supply of Trade Facilitation-related technical assistance;
- disseminating best practice in implementation of Trade Facilitation measures;
- providing support to find sources of implementation assistance, including formally requesting the Director-General to act as a facilitator in securing funds for specific project implementation;
- providing grants for the preparation of projects in circumstances where a Member has identified a potential donor but has been unable to develop a project for that donor's consideration, and is unable to find funding from other sources to support the preparation of a project proposal; and
- providing project implementation grants related to the implementation of TFA provisions in circumstances where attempts to attract funding from other sources have failed. These grants will be limited to 'soft infrastructure' projects, such as modernization of customs laws through consulting services, in-country workshops, or training of officials.

Meanwhile, the World Bank has recently launched a new Trade Facilitation Support Program which will help developing countries reduce costs and improve speed and efficiency of trade at their borders by simplifying their customs procedures. The new Program, supported by Australia, the European Union, the United States, Canada, Norway and Switzerland, will make US$30 million available in assistance for developing countries to help them devise and implement large scale reform programs, leading to increased trade, investments, and job opportunities.

Source: http://www.wto.org, 22.07.2014; http://www.worldbank.org/, 17.07.2014.

HDR 2014 identifies climate change as critical development challenge

Addressing vulnerabilities is critical to ensure equitable and sustainable human development, according to the 2014 Human Development Report (HDR). The report, titled 'Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience', recommends reducing poverty and people's vulnerability to falling into poverty as a central objective of the post-2015 agenda. According to the report, 1.5 billion people are multi-dimensionally poor while another 800 million are at risk of falling back into poverty.

The HDR identifies climate change as 'one of the most critical challenges to the global development agenda'. It highlights the under-provision of climate stability and resulting vulnerability to extreme weather events and food crises as a recurring threat around the world. It recommends urgent action on climate change, underscoring the need for multilateral action and a comprehensive approach. The report calls for improving global governance, arguing that 'larger, first-order changes to governance architectures may be needed before progress is likely to be made on…climate change'.

Stronger collective action and improved global coordination and commitment on enhancing resilience is necessary to respond to vulnerabilities that are global in origin and impact and address trans-national threats, according to the report. It describes how transnational threats from climate change and conflicts result in local and national effects. It mentions the example of Niger, which experienced food and nutrition crises as a result of a series of droughts, while coping with an influx of refugees from Mali.

The report further recommends implementing universal provision of basic social services, addressing life cycle and structural vulnerabilities, strengthening social protection, promoting full employment, promoting responsive institutions and cohesive societies, and building capacities to prepare for and recover from crises. The HDR also calls for greater efforts to strengthen national and regional early warning systems as part of disaster risk reduction (DRR) strategies.

Source: http://climate-l.iisd.org, 24.07.2014.

Sustainable development goals adopted amidst differences

The Open Working Group (OWG) on Sustainable Development Goals (SDGs) concluded its 13th session (14-19 July) and adopted the text of the SDGs containing a set of 17 goals that span the three pillars of sustainable development—economic, social and environmental areas. The Post-2015 development agenda is the successor of the Millennium Development Goals, and will be the official global template informing international development policy, and to some extent national development planning.

Each goal is accompanied by a set of targets and means of implementation (MOI). One of goals is an MOI thematic goal divided into the structural areas of trade, finance, technology, capacity building, multi-stakeholder partnerships, and data, monitoring and accountability.

The other 16 goals, encompassing fundamental issues in economic, social and environmental policies, are as follows:

1. end poverty in all its forms everywhere;
2. end hunger, achieve food security and improved nutrition, and promote sustainable agriculture;
3. ensure healthy lives and promote well-being for all at all ages;
4. ensure inclusive and equitable quality education and promote life-long learning opportunities for all;
5. achieve gender equality and empower all women and girls;
6. ensure availability and sustainable management of water and sanitation for all;
7. ensure access to affordable, reliable, sustainable, and modern energy for all;
8. promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
9. build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
10. reduce inequality within and among countries;
11. make cities and human settlements inclusive, safe, resilient and sustainable;
12. ensure sustainable consumption and production patterns;
13. take urgent action to combat climate change and its impacts;
14. conserve and sustainably use the oceans, seas and marine resources for sustainable development;

15. protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss; and
16. promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

The next step is for the text to be presented to the General Assembly in September, after which intergovernmental negotiations among all the countries in the United Nations will take place in the context of the Post-2015 development agenda, with the current text serving as the basis from which to work on.

Source: http://www.sidint.net, 21.07.2014.

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