Trade, Climate Change and Development Monitor

Monthly E-Newsletter of South Asia Watch on Trade, Economics and Environment (SAWTEE)

Volume 11, Issue 9, September 2014

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OPINION IN LEAD

Climate talk gathers momentum but stronger global mitigation commitments needed

The biggest gathering of world leaders on climate change—the United Nations (UN) Climate Summit 2014—was held in New York following one of the largest climate march in history. More than 400,000 people took to the streets of New York to show support for action on climate change a few days before 125 heads of states convened for the UN Climate Summit to discuss ways to address the growing threat of climate change. The Summit was a forum for world leaders to express their political commitment to climate actions before talks next December in Paris, where governments are to agree on a new global agreement on climate change, including national commitments on emissions reduction beyond 2020.

The Summit delivered on the mobilization of US$200 billion for financing low-carbon and climate resilient development by the end of 2015. Specifically, a total of US$2.3 billion in financial pledges was made to the Green Climate Fund (GCF), which was designed to support climate change adaptation and mitigation efforts in developing countries. Additionally, a New York Declaration on Forests that commits to end forest loss by the end of 2030 and restore over 350 million hectares of forest and croplands was also endorsed. Moreover, some 73 countries, regional governments and more than 1000 business figures—collectively responsible for 54 percent of world greenhouse gas (GHG) emissions—signed on to support carbon pricing initiatives, while over 20 countries and 10 international organizations called for the launch of formal negotiations for an amendment under the Montreal Protocol to phase out the use of hydrofluorocarbons (HFCs).

Many leaders also outlined their current efforts to cut GHG emissions. Top carbon emitters, the European Union (EU) and the United States (US) both reaffirmed their commitments to reduce carbon emission by 40 percent below 1990 levels by 2030 and 17 percent from 2005 levels by 2020 respectively. However, the absence of Chinese President and the Indian Prime Minister, the leaders of two of the world's top emitters, was viewed with dismay, and has led many to question the effectiveness of the Summit and the commitment of China and India to address climate change impacts. Nonetheless, China's vice-premier made clear China's intentions to put in place a national carbon market from 2016, put a cap on total energy consumption and vigorously develop non-fossil fuels. But regrettably, India's new Environment Minister said that his country would not offer a plan to cut its GHG emissions ahead of a climate summit next year in Paris.

Many developing and least developed countries (LDCs), including India has for a long time argued that the developed world should bear the responsibility for reducing GHG emissions since they were chiefly responsible for the climate crisis. Historically, developing countries have contributed little to current climate crisis, mainly due to the low level of industrial development. But today, China has already overtaken the EU and the United States as the world's biggest carbon emitter, with India fast catching up. In order to reduce future emission, developed countries want developing countries, mainly China and India, to commit to reducing carbon emissions and take stern measures to address climate change. In return, developing countries demand the transfer of costly green technologies at low or no costs and compensation/assistance from developed countries for emissions reductions. With both sides entrenched in their positions, climate change conferences have thus far failed to break the climate change deadlock.

Despite India's position on carbon emission reduction, government representative from India stated that India has made efforts to double the dependency on wind and solar energy by 2020 and impose a coal tax. However, the concerns put forth by India resonated with those made by other South Asian countries. The heads of state of Bangladesh, Nepal and Sri Lanka, along with government representatives from Maldives clearly reiterated the need for climate finance in order to implement effective adaptation and mitigation measures to address the impacts of climate change. Notably, the Prime Minister of Bangladesh stressed the need for international support for technology transfer towards the development of adaptive technologies.

Though the argument that the beneficiaries of carbon emissions in the past have to bear the responsibility of mitigating climate change is justified, considering the reality of climate change and the vulnerability of developing countries—mainly South Asia to climate extremes—developing countries like China and India must also make strong commitments to reduce carbon emissions. It is necessary to understand that collective global action to reduce emissions and adapt to climate change is the only way to address climate change impacts. Despite the absence of head of states from China and India at the UN Climate Summit, immediate actions on climate change were successfully mooted at the Summit. However, the question still remains as to whether the Summit was significant enough to put climate change back in the political agenda. The Summit, overall, can be taken as a good first step for starting climate change-related debate afresh. However, much remains to be done to gather sufficient momentum before the Paris Conference to deliver a strong global agreement on climate change next December.

(Adapted from ICTSD. 2014. "World Leaders Outline Plans to Tackle Climate Change." *Bridges Weekly 18(31): 1-4. http://www.ictsd.org/sites/default/files/review/bridgesweekly18-31_1.pdf.)*

ANALYSIS

Trade and investment in Asia and the Pacific: trends and prospects

The Asia-Pacific region has become the largest trading area in the world, accounting for close to 37 percent of world trade, according to the *Asia-Pacific Trade and Investment Report 2014*. This has happened despite a mere 2 percent growth of total exports and imports from the region in 2013. The export performance of the region is expected to improve in 2015 to reach a growth rate of 7 percent in real terms. The report by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), arranged in six chapters, is a comprehensive coverage of pressing issues facing the trade and investment landscape of our time.

It has been reported that most of the dynamic trading economies in Asia and the Pacific are experiencing an export growth slowdown in the first quarter of 2014 as compared with the same period in 2013. China, the second-largest merchandise exporter and third-largest merchandise importer globally, experienced trade stagnation during the first five months of 2014. For India, exports increased marginally by 1.9 percent while the imports fell by more than 13 percent. Nevertheless, several labour- and resource-intensive economies including Afghanistan (20 percent), Bangladesh (16 percent) and Myanmar (26.5 percent) are said to have registered double digit export growth in 2013.

According to the Report, intra-regional trade has increased from 44 percent of total export of the region in 2000 to 52 percent in 2013. This has created a high reliance on a few trading partners which, in turn, have yielded an extreme level of intra-regional trade dependence for the LDCs and landlocked developing countries in the region. Meanwhile, the growth in commercial services exports from the region has lagged behind the world average in 2013. However, it is encouraging that trade in travel services has continued to grow strongly during recent years, the report says.

The Report presents a bleak picture of the performance of key trade and investment indicators for South Asian countries in 2013. Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka have been kept along with Iran and Turkey, and grouped as South and South-West Asia in the report. The South and South-West Asia sub-region saw contraction in merchandise exports by 0.2 percent, while services exports grew marginally by 0.6 percent in the same period. The disappointing performance of the sub-region is in contrast with the total merchandise export growth of 2.1 percent and services export growth of 4.9 percent of the region. The merchandise imports and services imports also contracted by 1.5 percent and 7.5 percent respectively for the sub-region.

As regards foreign direct investment (FDI), Asia-Pacific region has attracted US$549 billion in 2013, a rise of 6.6 percent which accounts for almost 38 percent of global inflows. Yet the inflow was still lower than the global increase and lagged behind other fast-growing regions such as Latin America. The Report, however, indicates a noticeable diversification in the destination of FDI within the region—with new locations and smaller players attracting more foreign investors, and on a larger scale. In South Asia, Pakistan had the highest percentage increase in FDI inflows with the total up by 52 percent to US$1.3 billion. But India remained the single largest recipient of FDI with around US$28 billion in 2013.

Against this backdrop, the Report suggests the need for long-term strategies to secure benefits from new and emerging forms of trade and production, especially amid the global economic uncertainties. One important strategy highlighted by the Report is to increase connectivity between countries through global value chains. It suggests that the sharp collapse of world trade in 2008 and 2009 illustrated the need to reduce dependence on external sources of demand, and on traditional markets in Europe and the US. Thus, the Report advocates for deeper integration, enhanced connectivity and reform of trade policies through growth strategies focused on identifying more diversified and stable sources of demand growth which also fosters domestic and regional sources of demand.

The Report, concurrently, underscores the importance of countries remaining open to imports, and not resorting to unnecessarily trade-restrictive measures. It traces a worrying trend of increasingly restrictive measures across the region, dominated by behind-the-border non-tariff measures, many of which have had unintended and detrimental consequences for the region's LDCs. It rightly calls for the negotiation of effective regional trade agreements and implementation of the "Bali Package" as a good first step towards further multilateral liberalization. The Report also highlights the need for removing hurdles to trade in the form of inefficient regulations and customs procedures while also mentioning encouraging progress being made in introducing paperless trade and other trade facilitation measures.

The Report also points towards securing greater market access for LDCs' products and ensuring that they do not suffer unduly from trade restrictive measures. It rightly highlights the need for greater commitment to tackling the most significant tariff and non-tariff barriers through international coordination, scaled-up technical assistance—for example, through Aid for Trade—to help LDCs realize their trade and development potential.

NEWS

Indian Ministries fast-tracking trade facilitation reforms

Anticipating a reconciliation between India and the US on World Trade Organization (WTO) negotiations during Indian Prime Minister's US visit, India's Commerce and Finance Ministries are fast-tracking domestic trade facilitation reforms. This is to ensure that India can notify these reforms and trade facilitation measures it has already undertaken once the WTO's Trade Facilitation Agreement (TFA) comes into force.

According to official sources, discussions were held between the Ministries recently on new measures in the pipeline including the "Indian Customs Single Window Project", expansion of the scheme of advance ruling in indirect taxes, and setting up more benches of the Authority of Advance Rulings and Custom Excise and Service Tax Appellate Tribunal (Cestat) as well as appointment of personnel for the same.

Under the single window mechanism, importers and exporters can submit all the required documents online at a single point and get the needed permissions as well, thereby, saving time and cost. Meanwhile, advance ruling scheme will be expanded to cover resident private limited companies to ensure they can seek advance ruling on new activities that they will be undertaking. In a bid to ensure faster dispute resolution, the Settlement Commission's scope will also soon be enlarged.

Moreover, Category A notifications to be filed before WTO on the TFA coming into force are also being finalised. Category A notification is regarding steps that a country has already taken under trade facilitation and the measures that it is confident of taking soon. The Ministries are also preparing India's Category B notification on trade facilitation measures.

During Modi's US trip, India and the US are likely to come to an agreement on a perpetual "peace clause" till a permanent solution is found on the issue of public stockholding for food security. The Bali package had an interim "peace clause" preventing WTO members from taking any developing country to the dispute settlement panel for violating the norms that the trade distorting domestic support should not be over 10 percent of the total production. The package also said members should work on a permanent solution to reach agreement by December 2017.

Countries fear that the peace clause would expire by December 2017 and want an amendment to the Bali agreement to specify that the peace clause would last till a permanent solution is found. The EU has also said that a confirmation of the open-ended nature of the interim solution can most probably be achieved. Once the Bali package is amended to include such a perpetual peace clause, India will not then come in the way of signing the TFA.

Source: http://www.financialexpress.com, 27.09.2014.

Government of India forms panel to examine SAARC Bank proposal

The Indian government has set up a committee under the chairmanship of finance secretary Arvind Mayaram to examine a proposal to establish a development bank for South Asian countries. The idea to create a South Asian Association for Regional Cooperation (SAARC) Development Bank was unanimously endorsed by Commerce Ministers of the SAARC Member countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) at a Ministerial meeting in Thimphu in July 2014.

A SAARC committee of experts comprising the commerce secretaries of the eight member countries had earlier recommended the formation of a SAARC Development bank to the South Asian Free Trade Area (SAFTA) Ministerial council, arguing that such a bank would help to meet the infrastructure funding gap in the region's LDCs and save them from high borrowing costs.

The eighth meeting of the SAFTA Ministerial council in Thimphu in July approved the proposal made by the committee of experts. The SAARC Development Bank is being mooted at a time when the BRICS New Development Bank (NDB) is taking shape and China has proposed an Asian Infrastructure Investment Bank.

At the sixth BRICS summit, held in Fortaleza, Brazil, in July, leaders of emerging economies Brazil, Russia, India, China and South Africa agreed to mobilize their resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies through the new bank. Each of the five members will contribute US$10 billion to create a capital base of US$50 billion for the bank.

Ram Upendra Das, a professor at Research and Information System for Developing Countries (RIS), a Delhi-based think tank, said a SAARC Development Bank will be important given the diverse development imperatives of South Asia including building SAARC connectivity between SAARC nations and raising funds for social needs. "All the projects in the region cannot be financed through grants and aid. A commercial angle has to be brought in for some projects where private players can join in".

Source: http://www.livemint.com, 22.09.2014.

Bangladesh, Bhutan to expand trade agreement

An existing trade agreement between Bangladesh and Bhutan is set for expansion to include trade in services and multimodal transportation of goods in order to boost trade between the two South Asian nations. The bilateral agreement, first signed in 1980, is set to expire on November 7 on completion of its current five-year term. Policymakers of both countries are seeking to amend the old trade deal to the benefit of both countries.

"The proposed amendment will soon be placed at the cabinet division for approval, as the commerce Ministries of both countries have already agreed in principle, in April, to bring the changes", said a senior official of the Commerce Ministry in Bangladesh. The official argued that the changes in the trade agreement are vital to boost the volume of trade between the two countries—which is negligible at present.

The amended agreement is set to replace the term "transportation" with "applicable multi-modal transportation and other means" to broaden the scope for trade in services, besides goods, as well as expand the options for transportation. Under the amended agreement, any means of transport can be used to exchange goods or services. The altered agreement also comes on the back of a number of meetings between the Telecommunications Ministries of the two countries to accommodate Bhutan's interest in importing broadband internet from Bangladesh.

The two-way trade between Bangladesh and Bhutan has long been insignificant. Bangladesh exported goods worth US$1.82 million to Bhutan in the 2012-2013 fiscal against import of US$24.7 million worth of goods.

Source: http://www.southasianmedia.net, 13.09.2014.

Mobile call centre to combat harassment in transportation of perishable goods

The Agriculture Ministry of India has launched a call-in facility to facilitate smoother transportation of perishable goods across the country. The move may help control prices of perishable goods by ensuring smooth supply of these items to markets.

The first of its kind of call-in portal—Reefer Vehicle Call-in-Centre (RVC)—will serve as a single point telephonic contact for recording all forms of in-transit bottlenecks including extortion, transit delays and any kind of harassment. The toll free call-in facility will be available to all transport operators of horticultural, pharmaceutical, livestock, dairy and other refrigerated goods. The call-in-centre can be reached through a toll free number (18002676223) where grievances of truck drivers and transport operators, transporting perishable goods, can be registered.

Launching this unique call-in facility, the Union Agriculture Minister Radha Mohan Singh said that this initiative, perhaps first of this kind in the world, would provide help in registering the complaints of more than 30,000 vehicles carrying perishable goods like vegetables and fruits. The information provided by RVC may help transporters to re-route trips away from critical zones, and improve service options for refrigerated transport services. This will also help future development of other modes of long haul transport of farm produce. Such facilitation will greatly contribute to minimise wastage due to delays in transportation of perishable goods, particularly those carrying fruits, vegetables, fish and meat.

The RVC is a joint initiative by the department of agriculture and cooperation, National Centre for Cold-chain Development (NCCD) and Mahindra Logistics.

Source: http://timesofindia.indiatimes.com, 12.09.2014.

Garment industry says 200 plants shut since Bangladesh disaster

More than 200 garment factories have shut down in Bangladesh since the country's worst industrial disaster prompted a massive clean-up of the world's second-largest textile sector, an industry group said on 11 October.

The closures have cost tens of thousands of jobs and led to a fall in exports, raising worries about the US$24.5 billion industry—the key economic mainstay for the impoverished nation of 155 million people. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), which represents 4,500 factories and compiled the figures, said the industry was going through a painful transition since the Rana Plaza collapsed in April 2013, killing 1,138 people.

Divided into two groups called the Accord and the Alliance, nearly 200 European and American brands such as Walmart and H&M have launched massive clean-ups of their Bangladeshi supplier factories after they came under heavy flak from Western consumers. The Accord has already inspected nearly 1,100 factories and the Alliance another 600. On their orders, hundreds of factories were forced to undergo safety upgrades including retrofitting structures and replacing shoddy electric wiring.

BGMEA vice president Shahidullah Azim said the closures mainly hit smaller factories, which were set up in shared buildings, and sub-contracting plants, as Western retailers cut orders for them in an effort to prevent further disasters. Political instability stemming from a disputed general election in January, a 76 percent wage hike late last year and structural concerns over many factory buildings also prompted some manufacturers to draw shutters on their plants.

"Some owners closed down their plants as they were convinced that retrofitting won't fix their problems," Azim said. He said overseas sales had been hit, with the shipment of woven garments -- the biggest component in Bangladesh's export basket—falling 1.6 percent in the first two months of the fiscal year beginning in July. Knitted garments such as sweaters, another key export item, grew only five percent during the period. Last year, garment shipments grew more than 12 percent.

Source: [http://www.businessinsider.com,](http://www.businessinsider.com) 11.09.2014.

India allocates US$100 million for Iran port

India has earmarked US$100 million for upgradation of Chabahar port in Iran so as to improve trade with Afghanistan and other Central Asian countries, Afghan envoy to India Shaida Mohammad Abdali said.

The port is of strategic importance to India as Pakistan does not allow transit facility from India to Afghanistan. Abdali said that because of the problems related to ports in Pakistan, India and Afghanistan decided to use the Chabahar port for import and export of goods. Chabahar port will provide India an alternative route for trade to Afghanistan, an official of Federation of Indian Exports Organisations had said earlier. Currently, the bilateral trade between India and Afghanistan is pegged at over $600 million.

Iran plans to develop the southeastern port of Chabahar with or without India's cooperation, Iran's Tasnim News Agency reported recently, citing Ali Jahandideh, the deputy head of Ports and Maritime Organisation. Jahandideh said that India has raised the issue of investment in Chabahar on the east coast of the Sea of Oman for years but no deal has been signed yet.

Source: http://www.businessworld.in, 01.09.2014.

Plan to launch campaign against excessive pesticide use gets government nod in Nepal

The government of Nepal has endorsed a proposal to control excessive use of pesticides in fruits and vegetables. Plant Protection Directorate (PPD) had forwarded a proposal to the Ministry of Agricultural Development (MoAD) for approval in the first week of August. Among others, the proposal envisages launching special programs to address the issues related to high pesticide use in fruits and vegetables.

In its proposal, PPD has said it needs NPR 60 million to run the campaign against excessive pesticide use throughout the country. Currently, PPD operates a pesticide residue testing laboratory at the Kalimati Vegetables Market, Kathmandu.

“We have approved a proposal of PPD regarding introduction of special programs to tackle excessive use of agrochemicals in fruits and vegetables”, said Ram Prasad Pulami, joint secretary of MoAD. He also added that the Ministry would soon request the Finance Ministry to allocate necessary budget to run the programs.

The proposal envisages establishing pesticide residue testing laboratories in Kathmandu, Nepalgunj, Pokhara, Butwal, Narayanghat and Biratnagar. PPD has also proposed to introduce mobile pesticide residue checking system and conduct training for around two dozen officials on pesticide residue testing procedures. It also plans to purchase 15 Rapid Bioassay for Pesticide Residue (RBPR) kits and other necessary equipment required for the laboratory.

Officials of PPD say the fund to run the campaign is likely to be made available through Project for Agriculture Commercialization and Trade (PACT). The acceptable limit for pesticide residue in fruits and vegetables has been set at 35 percent.

Source: http://www.myrepublica.com, 16.09.2014.

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