Trade, Climate Change and Development Monitor

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

Volume 17, Issue 01, January 2020

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OPINION IN LEAD

Can South Asia achieve SDG Goal 7?

With only a decade left to achieve the goals set by Agenda 2030, it appears that South Asia will perhaps achieve only a handful of the 17 Sustainable Development Goals (SDGs). Reports on SDGs in South Asia show that South Asian countries are making progress but the rate of progress is less than satisfactory. For example, goals related to ending hunger, reducing inequalities, building sustainable infrastructure, promoting the rule of law seem to be lacking desirable progress and, worst, countries are regressing in some indicators.

Amidst these bleak scenarios, one goal that South Asia has made positive progress is Goal 7, which is 'Ensure access to affordable, reliable, sustainable and modern energy for all'. United Nations states that "access to affordable, reliable and sustainable energy is crucial to achieving many of the Sustainable Development Goals – from poverty eradication via advancements in health, education, water supply and industrialization to mitigating climate change." Therefore, the positive progress that South Asian countries are making in SDG 7 is encouraging.

The targets set to achieve SDG 7 include, among others, increasing substantially the share of renewable energy in the global energy mix and enhancing international cooperation to facilitate access to clean energy. Therefore, SDG 7 is not only about access to energy, but more importantly about access to renewable and clean energy. Looked at from this perspective, it is yet to be seen whether South Asia will fully achieve SDG 7 or whether the progress it has made so far will stagnate meeting only a few targets.

Access to electricity has progressed remarkably in South Asia. While 81 percent of the households in the region had access to electricity in 2014, this figure rose to 91 percent in 2017. This was mainly due to the larger and more populous countries of the region, such as India and Bangladesh, relying upon non-renewable and 'dirty' sources such as oil, gas and coal for generating electricity. Countries like Nepal seem to be relying mostly on renewable means like hydropower for electricity generation; however, it also imports electricity from India's 'dirty' plants to meet seasonal peaks in demand. Thus, coal, liquefied petroleum gases (LPG) and oil still contribute to a huge proportion of energy in the region. Only about 30 percent of the total energy share in the region comes from renewable and clean sources. Hence, it appears that South Asia might be taking a step forward in achieving the target of universal access to electricity, but at the same time taking a step backwards in meeting the target of substantially increasing the share of renewable energy.

A major obstacle in achieving SDG 7 in South Asia is the high demand for coal for energy. Coal power-plant is a major source of energy in the region. Considering rapid urbanization and increased energy demand due to expanding industrial bases, it is unlikely that South Asia will drastically reduce the use of coal for energy. Moreover, power supply from coal, as opposed to solar or wind energy, can be controlled at discretion, thereby making it a preferable source of energy since it provides more control over the baseload power supply. As electricity from wind and solar power cannot be switched on and off like coal and other fossil-fuel power plants, and because storing surplus energy to meet deficiency at peak demand is an expensive alternative, coal remains the most desired resource for energy. This remains unlikely to change for a long time. For example, the central electricity authority of India predicts that coal will still account for around half of India's power generation in 2030 (the SDG deadline) and remain crucial beyond then.

Apart from the usage of coal for energy, unclean energy in household activity is also an issue in South Asia. More than half of the population in South Asia still doesn't have access to clean cooking fuel. Countries like Nepal, Bangladesh and Sri Lanka have less than a third of its population using clean energy for cooking. There is high demand for non-renewable energy, like kerosene and firewood, for the household activities like cooking. Besides bringing health hazards to the users, these energy cause air pollution by releasing greenhouse gases such as carbon dioxide and carbon monoxide after combustion. While increasing access to electricity may eventually replace kerosene, firewood and LP gas for cooking, such progress remains trivial. Shifting to modern energy source comes with the added cost of replacing appliance and adapting to a modern technology, thereby discouraging households from making such changes. Moreover, some governments in South Asia actually provide subsidies on these energy sources. Nepal, for example, provides substantial subsidies on LPG. While the subsidies are provided considering the low-income of most households, it nevertheless undermines the target set for the SDG.

Further progress in meeting SDG7 will depend on the region's ability and commitment to ensure clean fuel for households and increasing the share of renewable energy in the total energy consumption. As long as coal and fossil fuels remain the dominant source of energy, further progress will stagnate. Thus, a tougher policy intervention to discourage the use of non-renewable sources of energy is required. Moreover, policies and programmes that promote harnessing of clean and renewable energy through solar, wind and hydro are critical towards building sustainable energy sources in South Asia and in meeting SDG 7.

This piece is written by Mr. Alabhya Dahal, Research Assistant at SAWTEE.

REPORT

Global momentum required to boost social mobility

Income inequalities have become entrenched as very few economies have the right conditions to foster social mobility, according to the first ever Global Social Mobility Report published by the World Economic Forum

On average, across key developed and developing economies, the top 10 percent of earners have nearly 3.5 times the income of the bottom 40 percent. The Nordics and parts of Europe outperform the rest of the world, shows the report *The Global Social Mobility Report 2020: Equality, Opportunity and a New Economic Imperative*. The countries that provide their populations with most equally shared opportunities are mostly Nordic economies: Finland, Norway, Sweden, Denmark and Iceland. Among the 82 economies ranked by our index, Germany ranks 11th, France ranks 12th, Canada ranks 14th, Australia ranks 16th, Japan ranks 15th, the United Kingdom ranks 21st, the United States ranks 27th, the Russian Federation ranks 39th, China ranks 45th, Saudi Arabia ranks 52nd, Turkey ranks 64th, Mexico ranks 58th, India ranks 76th and South Africa ranks 77th.

The World Economic Forum's Global Social Mobility Index provides a holistic assessment of 82 global economies according to their performance on five key dimensions of social mobility distributed over 10 pillars: health; education (access, quality and equity, lifelong learning); technology; work (opportunities, wages, conditions); protection and institutions (social protection and inclusive institutions). Economies with greater social mobility provide more equally shared opportunities—namely, an equal and meritocratic footing irrespective of socio-economic background, geographic location, gender or origin. The report call for a global momentum to tackle inequality through a new social mobility agenda.

The economic and social returns from investing in the right mix of social mobility factors are substantial. If countries included in this report were to increase their social mobility index score by 10 points, this would result in an additional GDP growth of 4.41 percent by 2030 in addition to vast social cohesion benefits.

Low wages, lack of social protection and poor lifelong learning systems are the greatest challenges globally. Most countries underperform on three critical dimensions. The average score of the Fair Wages pillar is 52.5 out of 100, the lowest average among all pillars of the index, with these results underscored by particularly poor performance in prevalence of low pay. The average score of the Social Protection pillar is 58.2 out of 100, which highlights deficiencies in coverage and limited funding of social safety mechanisms across countries covered in our ranking. The average score of the Lifelong Learning pillar is 57.0, underscored by a relatively low percentage of firms offering formal training and poor access to training for unemployed workers.

The existence of pockets of over- and under-performance in each region suggests that there is little determinism across regional and income groups. Proactive efforts by government and business can enhance the ability of economies to foster social mobility and ensure that every child, young person and adult has a reason to believe in the prospect of a better future. Countries that adhere to the 'stakeholder capitalism' model tend to perform better than countries with a focus on 'shareholder value maximization' or 'state capitalism'. A new financing model for social mobility is necessary through taxation but must be complemented by a new mix of spending and tailored approaches. Many policies designed to address social mobility require both additional public resources through taxation and a different mix of public spending on the key drivers of social mobility. Fiscal policy can maximize the impact of redistribution through careful design of how resources are allocated to different groups, geographical areas and types of spending. Improving tax progressivity on personal income, policies that address wealth accumulation and broadly re-balancing the sources of taxation can support the social mobility agenda.

Improving access to education opportunities throughout an individual's life is a critical factor for all economies. Education is a powerful 'equalizer' of chances. Ensuring that individuals have equal opportunities to access the best schools is essential to reviving social mobility. In addition to a new focus on the availability, quality and distribution of education programmes aimed at disadvantaged children and youth, there is an urgent need for a wholly new agenda around promoting and financing skills development throughout workers' careers due to technology-driven disruption to jobs and skills. Forging a new social contract that provides adequate social protection beyond full-time employment contracts is important across economies. In addition to existing self-employment, as globalization and digitalization continue to reshape work, workers and employers are entering into more flexible work relationships. A new policy agenda aimed at creating holistic protections and support for all individuals irrespective of their status in employment is urgently needed.

In addition, the report calls for businesses to be a core stakeholder in the efforts around social mobility for their own employees, workers in their value chains and their communities broadly.

This piece is excerpted from [The Global Social Mobility Report 2020: Equality, Opportunity and a New Economic Imperative](#).

NEWS

World trade headed for first annual contraction since the financial crisis

World trade is poised to post its first annual decline since the last decade's financial crisis as the effects of a tit-for-tat tariff dispute between the US and China has rippled through broader supply chains.

Trade volumes declined 1.1 percent from a year earlier in November 2019, according to a closely watched gauge from the Netherlands Bureau for Economic Policy Analysis, 0.6 percent lower than in October. The sixth consecutive monthly drop put global trade activity on track for its first full-year decline since 2009.

A series of bitter trade standoffs among some of the largest economies have led to steep tariffs on thousands of products over the past two years, raising costs for importers and restricting access to key markets.

A wave of recent economic surveys has painted similarly dismal pictures of global trade. Faced with steeper costs and a high level of uncertainty, businesses have struggled with thinner margins and investment plans. Trade tensions have put particular pressure on the manufacturing industry, which slipped into a recession this year in the US and in Europe.

Recent trade truces the US administration announced separately with China and with North American trade partners could put activity back on track in 2020, but businesses and market watchers don't expect a full recovery anytime soon. Exacerbating a broader economic cooldown across the globe, tariffs remain on the vast majority of products that have been targeted in recent years.

Source: https://markets.businessinsider.com/, 27.01.2020.

India's e-commerce market set to surpass US$91bn in 2023, says GlobalData

The overall transaction value of the Indian e-commerce market is projected to grow from INR3.4 trillion (US$49 billion) in 2019 to INR6.3 trillion (US$91 billion) in 2023.

The data and analytics GlobalData's latest report *India Cards & Payments: Opportunities and Risks to 2023* states that the growth in the e-commerce market has been supported by rising Internet penetration rates, benefits such as discounts, faster delivery options offered by e-retailers and the rising consumer preference for online shopping.

With Indians being increasingly price-sensitive, the growth of e-commerce can be attributed to the benefits offered by online retailers such as discounts, cash-back and loyalty points on purchases. Annual online sale festivals such as ‘Flipkart Big Billion Days’ and ‘Amazon Great Indian Sale’ too have resulted in the exponential growth of e-commerce sales.

Retailers are also extending their product lines to further penetrate into the market. In May 2019, Flipkart launched online grocery store ‘Supermart’, extending its presence from fast-moving consumer goods to groceries.

Source: https://www.bmmagazine.co.uk/, 23.01.2020.

EU's GSP+ concession to Sri Lanka to continue till 2023

The European Union’s (EU) generalised scheme of preferences plus (GSP+) tax concessions to Sri Lanka will continue till 2023, Sri Lanka’s minister of industry, export, investment promotion, tourism and aviation Prasanna Ranatunga said after meeting Thorsten Bargfrede, head of political, trade and communications at the Delegation of the EU to Sri Lanka and Maldives.

Sixty percent of Sri Lanka’s garment exports go to EU member countries. The garments industry represents about 43 percent of the country’s exports and earns around $5 billion to the country annually, the minister said.

Source: https://www.fibre2fashion.com/, 22.01.2020.

Unemployment in South Asia at 5.4 percent

The unemployment rate in South Asia was the highest in Asia at 5.4 percent while the rate for the entire Asian region stood at 4.4 percent in 2019.

As per a report titled *World Employment and Social Outlook: Trends 2020* released by the International Labour Organisation, Asia and the Pacific continues to have the highest employment-to-population ratio worldwide. South Asia had the highest unemployment rate of 5.4 percent, followed by East Asia at 4.1 percent and South-East Asia and the Pacific at 3.1 percent.

Despite the region’s rapid economic progress over the past decades, 356 million workers, or 18.8 percent were still living in poverty in 2019, the report stated.

A lack of decent work combined with rising unemployment and persisting inequality is making it increasingly difficult for people to build better lives through their work, report further states, adding almost half a billion people are working fewer paid hours than they would like or lack adequate access to paid work.

In the near future, lingering intra-regional and regional trade tensions are expected to result in projected growth rates in all sub-regions that are significantly below the averages of the past decade.

The report shows that the mismatch between labour supply and demand extends beyond unemployment into broader labour underutilization. In addition to the global number of unemployed (188 million), 165 million people don’t have enough paid work and 120 million have either given up actively searching for work or otherwise lack access to the labour market. In total, more than 470 million people worldwide are affected.

Source: https://thehimalayantimes.com/, 21.01.2020

Bangladesh identifies 110 products for Nepal PTA

The Bangladesh Tariff Commission has identified 110 products to seek preferential market access for their export to Nepal under the planned Preferential Trade Agreement between the two countries.

The list, known as a request list, containing products mainly from the readymade garment, electronics, motorcycle, agro-processed foods, dairy products, plastic, footwear and steel sectors, has been prepared considering their export potential to the country.

Bangladeshi officials said that the commission took the initiative to prepare the list following a request of the commerce ministry as part of the negotiation on signing the PTA with Nepal.

They said that both countries had expressed their interests to enter into a preferential trade agreement regime during the fourth meeting of the Nepal-Bangladesh commerce joint-secretary level technical committee held in Kathmandu of Nepal in 22-23 October 2019.

At the meeting, Nepal sought duty free access for a number of products of the country to the Bangladesh market. In response, Bangladesh proposed to sign a PTA between the countries as Bangladesh also demands duty benefit for its products to the country.

Earlier in 2016, Bangladesh prepared a request list containing the names of 56 products and an offer list of 108 Nepali products for preferential market access to the Bangladesh market. But the move failed to see light later on.

The list excludes products which were now on a sensitive list of Nepal under the South Asia Free Trade Area (SAFTA) for the least developed countries.

Among the South Asian countries, Bangladesh has a trade surplus only with the land-locked Nepal which exported goods worth US$38 million in the last financial year of 2019-2020.

Source: https://www.newagebd.net/, 12.01.2020.

India restricts imports of refined palm oil

India imposed restrictions on imports of refined palm oil and palmolein on 8 January, a move thought to be a retaliation against top supplier Malaysia after its criticism of India's actions in Kashmir and a new citizenship law.

The Indian Ministry of Commerce and Industry issued a notification declaring that the import of refined palm oil "is amended from 'Free' to 'Restricted'."

However, industry sources say that the memo was an effective ban on imports of refined palm oil, meaning India can now only import crude palm oil. It will hit Malaysia, the main supplier to India of refined palm oil and palmolein, but is likely to help Indonesia, the biggest exporter of crude palm oil.

The move has also hurt Nepal's palm refining industry. At present, refined palm oil is the largest export of Nepal. While Nepali government officials are worried about the restriction's impact on Nepal's export volume, experts say this situation was a long time coming, as traders had been exploiting a zero tariff facility on essential products.

For Nepal, the restrictions could potentially wipe out exports worth NPR 22 billion or more annually, based on current export figures. Last year, Nepal exported processed palm oil, which is not produced in the country, worth NPR 10.33 billion to India.

Nepali refineries have been refining crude palm oil imported from other countries and them exporting the refined product to India. They are taking advantage of the tariff differentials arising from higher import duties in India and lower tariff levied to countries like Nepal under South Asia Free Trade Agreement (SAFTA).

Source: https://www.reuters.com/, 08.01.2020; https://kathmandupost.com/, 09.01.2020.

EVENT

Leveraging remittances for economic transformation

SAWTEE organized an interaction programme ‘Leveraging remittances for economic transformation’ on 17 January in Kathmandu. The event was organized to disseminate the findings of the research which assessed the impact of remittances from international migration on the non-farm self-employment activities of left-behind household members. The study found that doubling of remittances led an individual to supply, on average, 2.7 fewer hours to non-farm self-employment per week and higher remittances reduce labour hours supplied to self-agriculture and salaried employment, too. These findings suggest that strong policy measures are needed to create conditions that make non-farm self-employment a vocation of enthusiastic entrepreneurs rather than the occupation of reluctant ones. The participants in the policy dialogue pointed out the need to relook policy measures to incentivize entrepreneurs and channel remittance into productive use.

PUBLICATION

Trade Insight (Vol 15 No 4): South Asia in Fourth Industrial Revolution

Given the unprecedented scale, speed and scope of 4IR technologies, appropriate policies are required to facilitate technological adoption in multiple sectors, to create skilled human resources and to promote firms that make these technologies possible. It is high time that South Asian countries put in place the necessary policies. This issue of Trade Insight examines different issues pertaining to the 4IR through a South Asian lens. The articles explore the potential opportunities and challenges of 4IR adoption by South Asian countries, such as in relation to job markets, gender relations and attainment of Sustainable Development Goals, among others, and offer recommendations on how to deal with them. Click here to access the electronic copy of the issue,

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