Trade, Climate Change and Development Monitor

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

Volume 17, Issue 9, September 2020

CONTENTS

OPINION IN LEAD

India’s onion policies bring tears to neighbours

Onion prices across South Asia rose dramatically, especially in Bangladesh and Nepal, after India banned onion export in early September this year citing impending shortage. Within a day after the ban, Bangladesh witnessed a 50 percent price hike whereas Nepal saw onion prices going up by as much as 160 percent.

While the export ban came abruptly, this is not the first time that India has imposed such ban on onions. Since the Indian government's economic policy prioritizes maintaining a low consumer price index, export bans are one of the common measures taken to exert downward pressure on price. This would cause supply glut in the domestic market, thus bringing the prices down. Besides, the higher prices of onions, known as 'poor man's vegetable', impacts the households' food budget significantly.

Just about a year back, India restricted onion export when the domestic price skyrocketed as the production dropped after being hit by a drought and then heavy monsoon rain. This year, consumer price inflation has been on the rise, exceeding the target set by the Reserve Bank of India, pushing the government to take actions. In September, the price of onion had already tripled than what it was a month back. Onion is one of the major crops in India with livelihoods of millions of farmers dependent on it, hence, maintaining stable onion prices for the producers and consumers is significant from both economic and political perspectives. History shows that its price holds quite a political significance. Onions price being used by political parties in their election campaigns as an example of the ruling government's policy failure is well-documented in India. Thus, it was only a matter of time before the Indian government took some drastic measures to keep the price under control.

As neighbouring countries, like Nepal and Bangladesh, are highly dependent on Indian onions to meet their domestic demand, the abrupt export ban caught the countries completely off guard. Bangladesh officially expressed "deep concern" with India at the sudden ban and later arranged for India allowing the export of 25,000 tonnes to Bangladesh. Nepal, on the other hand, experienced an overnight dramatic price rise, exposing Nepal's over-reliance on India to meet its food consumption demand. Onion is one of the most consumed food items in Nepal, used extensively in cooking. Hence, the export restriction directly impacted households. But, even having suffered such trade setbacks in past, Nepal still seems hapless about the matter.

It is because of Nepal's inadequate domestic production and heavy reliance on imports of Indian onion that has caused Nepal's onion market to be so vulnerable. According to the Statistical Information on Nepalese Agriculture 2018/19, Nepal produced only 291,538 kg (~291 tons) of onions, whereas imported 167.9 million kg (~168 thousand tons) of onions. The astounding difference between production and import volume show that any disruption in the source markets will have a huge repercussion on the domestic supply. Moreover, this is not the first time that similar incident has had happened, the question is why has Nepal not prepared enough to deal with supply disruptions.

It is not that no efforts have been made to correct such deficiency. Back in 2008 (FY 2064/65), the Government of Nepal introduced a programme "onion mission" for import-substitution of the onions by increasing the domestic production. The programme, operational in 10 Terai districts, had allocated NPR 155 million to engage, train, assist and equip farmers with proper knowledge and tools to generate an additional 271,634 tons of onion. But the mission was a dismal failure, with output rising by only 22,593 tons. Nepal is still dependent on a large volume of onion imports, importing 75,000 tons from India alone, and a total of 77,000 tonnes from third countries in FY 2019-20, costing the country over NPR 2.97 billion. Among the vegetables, onions are the third most imported items, only behind dried peas and potatoes, and accounted for approximately 9 percent of all vegetable import.

Besides the supply disruption due to India's ban, the consumers in Nepal also suffered from black marketers taking advantage of the situation by creating an artificial shortage to hike up the prices. With India imposing the export ban and the COVID-19 pandemic adversely affecting the lives of every individual, the price of one of the most consumed kitchen staples rising astronomically is certain to make life more difficult for people, especially now when the festival season is approaching and when the demand for vegetables like onions goes up. Moreover, failure to ensure smooth supply of staple vegetable items is also a sign of policy failure. This is the reason why onion price seems to be politically significant in India. As the onion crisis is starting to become an annual problem in Nepal, Nepal should consider introducing more plans and programmes to increase the domestic output and must show more commitment and seriousness towards the programmes than it did the last time. On the external front, Nepal needs to ensure a better deal with India so that India will allow a reasonable volume of food staple to be exported to Nepal despite the changes in the domestic policies.

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

REPORT

COVID-19 pandemic derails fight against Zero Hunger

The world is not on track to achieve Zero Hunger by 2030 and the COVID-19 pandemic is likely add between 83 and 132 million people to the total number of undernourished in the world in 2020 depending on the economic growth scenario.

The latest issue of 'The State of Food Security and Nutrition in the World 2020: Transforming Food Systems for Affordable Healthy Diets' report estimates that currently nearly 690 million people are hungry, or 8.9 percent of the world population–up by 10 million people in one year and by nearly 60 million in five years. The number of people affected by severe food insecurity, which is another measure that approximates hunger, shows a similar upward trend. In 2019, close to 750 million–or nearly one in ten people in the world–were exposed to severe levels of food insecurity. If recent trends continue, the number of people affected by hunger would surpass 840 million by 2030.

The nutritional status of the most vulnerable population groups is likely to deteriorate further due to the health and socio-economic impacts of COVID-19. Food insecurity can worsen diet quality and consequently increase the risk of various forms of malnutrition, potentially leading to undernutrition as well as overweight and obesity. Low-income countries rely more on staple foods and less on fruits and vegetables and animal source foods than high-income countries. Only in Asia, and globally in upper-middle-income countries, are there enough fruits and vegetables available for human consumption to be able to meet the FAO/WHO recommendation of consuming a minimum of 400 g/person/day. While we still face significant challenges in just accessing food, challenges are even more important in terms of accessing healthy diets.

The cost of a healthy diet exceeds the international poverty line (established at US$1.90 purchasing power parity (PPP) per person per day), making it unaffordable for the poor. The cost also exceeds average food expenditures in most countries in the Global South: around 57 percent or more of the population cannot afford a healthy diet throughout sub-Saharan Africa and Southern Asia.

There are a number of reasons why hunger has increased in the last few years. Weak, stagnant or deteriorating economic conditions are underlying causes of increasing poverty and undernourishment. Economic slowdowns and downturns, particularly since the financial crisis of 2008–2009, have had significant impacts on hunger through various channels. Despite significant progress in many of the world's poorest countries, and extreme poverty rate declining in the last two decades from more than 50 percent to about 30 percent, almost 10 percent of the world population still lives on US$1.90 per day or less, especially in sub-Saharan Africa and Southern Asia. Debt has increased significantly in many poor economies during the last decade, with total debt reaching almost 170 percent of GDP in 2018, thus contributing to rising global risks and weakening growth prospects in many emerging and developing economies.

The increasing frequency of extreme weather events, altered environmental conditions, and the associated spread of pests and diseases over the last 15 years are factors that contribute to vicious circles of poverty and hunger, particularly when exacerbated by fragile institutions, conflicts, violence and the widespread displacement of populations.4,5,6,7 The number of displaced people in the world in 2018 was about 70 percent higher than in 2010, reaching some 70.8 million, mostly hosted by developing countries.

In Southern Asia, significant progress was also made in reducing hunger in the last ten years in countries like Nepal, Pakistan and Sri Lanka, owing largely to improved economic conditions.

The two subregions showing reductions in undernourishment–Eastern and Southern Asia–are dominated by the two largest economies of the continent–China and India. Despite very different conditions, histories and rates of progress, the reduction in hunger in both countries stems from long-term economic growth, reduced inequality, and improved access to basic goods and services. Average GDP growth rates were 8.6 percent and 4.5 percent in China and India, respectively, in the last 25 years.

In Asia, the percentage of people exposed to moderate or severe food insecurity remained stable from 2014 to 2016, then started increasing from 2017 on. The increase is concentrated in Southern Asia where the total prevalence of food insecurity increased from less than 30 percent in 2017 to more than 36 percent in 2019. The global crisis induced by the COVID-19 pandemic will certainly bring these figures to much higher levels, even in regions of the world like Northern America and Europe, which have traditionally been more food secure.

This piece is excerpted from The State of Food Security and Nutrition in the World 2020: Transforming Food Systems for Affordable Healthy Diets jointly published by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP) and the World Health Organization (WHO).

NEWS

Nepal-China trading via Tatopani and Rasuwagadhi still closed

Movement of Nepal-bound goods from China has not been eased despite the Chinese authority's assurance of facilitating the trading via Tatopani-Khasa and Rasuwagadhi-Khasa, the two main land routes for Nepal-China trade, said traders.

According to traders, they have been able to bring in only 13 loaded cargo trucks ferrying medicines, apparels and hydropower equipment via Rasuwagadhi-Kerung border in the past one week. Similarly, around seven trucks carrying relief materials entered Nepal through Tatopani-Khasa trade point over the period. Thousands of loaded containers are reported to have remained stranded at these trading points.

Issuing a press statement on 23 September, the Chinese Embassy in Nepal stated that China reopened Zhangmu and Jilong ports for one-way cross-border transit of goods from China to Nepal.

However, traders are unable to ferry their consignments as the strict safety measures sought by the Chinese authorities, recent landslides on Chinese side and slow customs clearance procedures by the Chinese officials are among the reasons behind the movements of few cargo containers.

Source: https://myrepublica.nagariknetwork.com, 29.09.2020.

Nepal's orthodox tea gets its own trademark

Nepal's orthodox tea got its own trademark on 22 September, 157 years after the country started growing it.

The trademark includes the words 'Nepal Tea Quality from the Himalaya'. Launched two years ago and formally executed on 22 September, it is the first brand of agriculture produce in the country.

The trademark is expected to help Nepal brand and market its tea, which has been facing an identity crisis for over a century, in the international market.

Nepali orthodox tea has been gaining popularity in the international market because of its quality, aroma, taste and aftertaste. But other popular tea brands, such as Darjeeling tea, overshadow the Nepali product abroad due to lack of branding, according to Nepali traders.

Tea producers said that a decade-long discussion regarding implementation of the Nepal tea trademark had been resolved. The collective trademark will work as a tool to brand the product abroad, and help Nepali tea producers to expand their footprint in the global orthodox tea market.

Among the 12 factories that have obtained the certificates, nine are from Ilam—Sandakphu Tea Processors, Himalayan Shangri La Tea Producers, High Hill Tea Producer Cooperative Society, Jasbire Tea Prasodhan, Gorkha Tea Estate, Nepal Green Tea and Speciality Tea, Oasis Tea Industries, Taragaun Tea Estate and Sakejung Hill Range Tea Processing Industry. Two of the factories—Bokre Dada Orthodox Chiya Prasodhan Udhyog and Singhadevi Tea Producers Cooperative—are from Tehrathum, and one factory—Sagarmatha Tea Estate—is from Sankhuwasabha.

Source: https://kathmandupost.com/, 23.09.2020

Assam tea industry suffers production loss due to coronavirus, flood

Due to the coronavirus pandemic and the floods, the tea industry of Assam is facing a huge loss. Till August, the production loss was about 25 percent, compared to the situation the previous year.

The coronavirus-induced lockdown and devastating floods have hit the 180-year-old tea industry hard, and the biggest sector of the state has witnessed a revenue loss of INR 120 billion.

According to the Tea Board India, from January to July 2020, the state produced 222.37 million kilogram of tea compared to the 274.58 million kilogram of tea produced the previous year. In 2019, the state had produced 716.49 million kilogram tea.

The first flush of tea, which falls between March and April, was affected due to the lockdown. "Initially, the total production of Assam tea came down to 45-50 percent. But we have recovered a little with the help of the small tea growers. The estimated crop loss is about 25 percent this year. The tea auction prices are hiking, but I don't think it will mitigate the losses. Apart from Covid-19, the floods have also hit the tea industry of the state," according to the Assam branch secretary of Tea Association of India (TAI).

Following the government order, tea auction started at Guwahati Tea Auction Centre from 23 April, and 53.65 million kilogram of tea has been sold so far. Last year, the Centre had sold 195 million kilogram of Assam tea.

Meanwhile, the Tea Board India has directed all manufacturing units of Assam and the North-Eastern region to stop production from the second week of December, to curb the poor quality of tea production. There are 803 registered tea gardens and over 10,000 small tea gardens in Assam.

Source: https://www.indiatoday.in/, 20.09.2020.

Bangladesh economy shows early signs of pandemic recovery

A rebound in garment orders after demand crashed during spring shutdowns is helping to revive the Bangladesh economy.

Apparel makers, the country's main export industry, say they are looking ahead to Christmas orders from the US and other major markets.

Remittances from Bangladeshi workers employed overseas have also recovered, helping to relieve pressures from a pandemic quasi-shutdown during the spring.

The Asian Development Bank reported this week that the economic comeback was encouraging. It is forecasting the economy will grow at a robust 6.8 percent annual pace in the fiscal year that ends in June if current conditions persist.

That's a much brighter outlook than in April-May, when global clothing brands suspended or cancelled orders worth more than US$3 billion, affecting about 4 million workers and thousands of factories.

"As economies in the West were turning around we were successfully able to get the buyers back to the negotiating table, which is why 80 percent to 90 percent of the US$3.18 billion in cancelled orders have been reinstated," president of the Bangladesh Garment Manufacturers and Exporters Association, or BGMEA, said.

Bangladesh earns about US$35 billion annually from garment exports, mainly to the United States and Europe. The industry is the world's second largest after China's.

Bangladesh’s exports rose 0.6 percent to US$3.9 billion in July, after plummeting 83 percent to $520 million in April. Imports, which are reported on a quarterly basis, began recovering earlier, rising 36 percent in May-June.

In August, exports rose 4.3 percent from a year earlier, to US$2.96 billion, mostly driven by apparel shipments, according to the government’s Export Promotion Bureau. Garment shipments totaled US$5.7 billion in July and August.

Source: https://apnews.com/, 18.09.2020.

US China tariffs 'inconsistent' with trade rules says WTO

The World Trade Organization (WTO) has ruled that tariffs the US imposed on Chinese goods in 2018, triggering a trade war, were "inconsistent" with international trade rules.

The WTO said the US did not provide evidence that its claims of China's unfair technology theft and state aid justified the border taxes.

Chinese officials welcomed the ruling. But the US said it showed that the WTO was "completely inadequate" to the task of confronting China.

China brought the case to the WTO in 2018, as the Trump administration started preparing the first rounds of tariffs on what would eventually become more than US$300 billion worth of products. The complaint challenged tariffs enacted in June and September of 2018 on goods estimated at more than US$200 billion in annual trade.

The US said the duties were a response to China's state-sanctioned technology theft, subsidies and other "unfair practices" and allowed under 1970s-era trade rules.

But China said the taxes violated trade regulations because they were higher than US commitments and targeted only one country.

Source: https://www.bbc.com/, 15.09.2020.

Climate crisis could displace 1.2 billion people by 2050

The global climate crisis could see more than a billion people displaced from their homes in the next 30 years, as ecological disasters drive mass migrations and greater armed conflict, according to a new report.

The Ecological Threat Register, conducted by the Sydney-based Institute for Economics and Peace (IEP), projected that as many as 1.2 billion people around the world could be displaced by 2050. No country will be able to escape the impact of the climate crisis -- but the world's poorest and most vulnerable populations will be hardest hit.

"Ecological threats and climate change pose serious challenges to global development and peacefulness," the report said. "The world's least resilient countries, when faced with ecological breakdowns, are more likely to experience civil unrest, political instability, social fragmentation and economic collapse."

The report drew on data from international organizations like the United Nations, the Internal Displacement Monitoring Centre, the Food and Agriculture Organization, and the IEP's prior research on countries' resilience levels. Using these figures, the IEP then calculated the relative threats of population growth, water stress, food insecurity, droughts, floods, cyclones, and rising temperature and sea levels.

It found that more than a billion people lived in 31 countries that had low resilience -- meaning they aren't equipped to withstand the impact of ecological change in the coming decades.

The regions facing the highest number of threats are Sub-Saharan Africa, South Asia, the Middle East and North Africa, the report said.

Source: https://edition.cnn.com/, 10.09.2020

Border clash fails to dampen India-China trade

The India-China border conflict has failed to dent bilateral trade so far, with New Delhi having witnessed an impressive 23.7 percent year-on-year surge in exports to the neighbour to US$1.74 billion in July. The deadly clash in the Galwan valley took place on June 15. In contrast, India's overall merchandise exports declined by 9.9 percent in July, reflecting the damage caused by the Covid-19 pandemic.

According to the latest data sourced from the directorate general of commercial intelligence, imports from the world's second-largest economy dropped by only 9.8 percent year on year in July to US$5.58 billion, compared with a much steeper 29.6 percent contraction in India's total goods imports during the month.

Similarly, between April and July, India's shipments to China surged by 30.7 percent, even though its overall exports contracted by as much as 30 percent. India's imports of the Chinese goods in the first four months of the fiscal shrank by 29.2 percent, while its overall merchandise imports contracted by a massive 47.9 percent. In fact, barring April, India's exports to China grew every month this fiscal. Of course, the bilateral trade has been heavily tilted in favour of China and India's exports to the neighbour are only a fraction of what it usually imports. In FY20, India's merchandise trade deficit with China stood at close to US$49 billion.

Source: https://www.financialexpress.com/, 09.09.2020.

New commercial waterway opens between Bangladesh, India

A new commercial inland waterway was inaugurated between Bangladesh and India on 3 September with the first export consignment of 50 tons of cement from Bangladesh to the Indian state of Tripura.

The new journey of trade through the waterway is expected to facilitate bilateral trade in a faster and safer way and to benefit the local communities of both countries, according to officials.

This is the first time that commercial trade between the two countries has started through the Gumti River in the Comilla district of Bangladesh.

There has been trade communication between two countries through waterways, but Bangladesh can only import through those inland waterways or routes from India, he said and added to elaborate on the case that if the new route can overcome the existing challenges and become an IBP route, Bangladesh will also benefit export through inland waterways.

Source: https://www.aa.com.tr/, 05.09.2020.

EVENT

Webinar series on COVID-19 and South Asia

South Asia Watch on Trade, Economics and Environment (SAWTEE), in association with Biruni Institute, Afghanistan, Centre for Policy Dialogue (CPD), Bangladesh, Research and Information System for Developing Countries (RIS), India, Sustainable Development Policy Institute (SDPI), Pakistan, and Institute of Policy Studies of Sri Lanka (IPS), Sri Lanka, is organising a series of webinars to deliberate on various socio-economic aspects of the COVID-19 pandemic, how they relate to South Asia and what should be the future course of action for South Asian countries. The first three webinars on ***A new global order post COVID-19 pandemic? Issues for South Asia***, ***Future of globalization: Outlook for South Asian countries*** and ***Future of e-commerce in South Asia*** were held in September and the rest of the eight webinar is taking place in October. Please click here for details.

EDITOR
Dikshya Singh
Assisted by Alabhya Dahal

CONTACT
South Asia Watch on Trade, Economics and Environment (SAWTEE)
P.O. Box: 19366, Tukucha Marg, Kathmandu, Nepal
Tel: 977-1-4424360, 4444438 Fax: 977-1-4444570
Email: enewsletter@sawtee.org
Web: www.sawtee.org

In order to subscribe or unsubscribe, send us an email with subject: 'subscribe' or 'unsubscribe'.