

● TRADE ● insight

FOOD INSECURITY

CAN TRADE ADDRESS IT?



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Food insecurity, trade and UNLDC IV

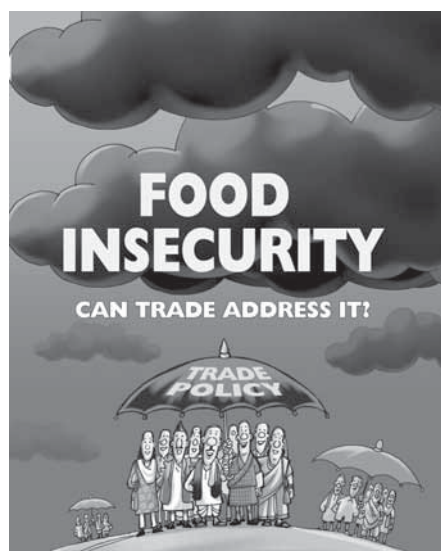
THE resurgence of escalating global food-price inflation since mid-2010 and its transmission into South Asian economies is yet another reminder about the region's vulnerability to worsened food insecurity and increased poverty. With a 10 percent increase in domestic food prices enough to push tens of millions into poverty, it also highlights the transitory nature of the gains recorded in poverty reduction. The incongruity of an appallingly high rate of hunger and undernourishment coexisting with one of the highest economic growth rates persists.

Increased investment in agriculture, neglected for decades despite being the biggest employer, is critical for boosting production through higher productivity. This is doubly important as the adverse impacts of climate change on agriculture are already being felt, and worse consequences are predicted. However, adequate production or supply does not automatically guarantee *effective* availability and access, as demonstrated, for example, by the acute prevalence of hunger and undernourishment in India despite surplus production and state silos bursting at the seams. Inefficiencies, leakages and corruption in the public storage and distribution systems also explain the paradox of hunger amid plenty. Plugging these can go a long way towards ameliorating food insecurity in several South Asian countries.

Because food insecurity is a common challenge facing all South Asian countries, attempts have been made to tackle it collectively, under the aegis of the South Asian Association for Regional Cooperation (SAARC). Yet, even four years after the establishment of the SAARC Food Bank, the reserve that is supposed to help countries tide over normal food shortages or emergencies is yet to be operational. That countries reeling under natural disasters have not been able to get any succor from the Food Bank is telling about the cumbersome procedures that govern it.

The potential of intra-regional agriculture and food trade liberalization for addressing food insecurity is yet to receive due attention from policy makers. In the South Asian context, export restrictions are at least as important as, and at times more important than, import restrictions in hindering such trade. Experience shows that export restrictions by surplus producers within the region aggravate the severity of food crisis for net food-importing countries, which form the majority in South Asia. On the import front, tariff, para-tariff and non-tariff barriers impede trade in agriculture and food products. The agriculture and food products on the sensitive lists of Member States under the Agreement on South Asian Free Trade Area should be reviewed and gradually removed, taking into account rural development, livelihood enhancement and food security goals, and instituting safety nets for the losers from liberalization; and regional sanitary and phytosanitary measures and technical standards should be developed and adopted.

The least-developed countries (LDCs) are among the least equipped to tackle the problems of food insecurity, poverty and adverse climate change impacts. The outcome of the Fourth United Nations Conference on the Least Developed Countries (UNLDC IV), held in Istanbul in May, has been a disappointment for them, including South Asia's four LDCs. The Istanbul Programme of Action is high on rhetoric but devoid of quantified, time-bound targets. It does not address the implementation gaps with regard to its predecessor, the Brussels Programme of Action. No additional aid resources have been pledged, be it for enhancing the productive capacity of LDCs or helping them adapt to climate change, thus tending to make development partners' commitments sound like hollow promises. Nor does it provide for a robust monitoring and evaluation mechanism, the need for which was widely emphasized in the run-up to the Istanbul Conference. ■



With proper safety nets in place, trade has the potential to help address food insecurity.

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Recommendations on food security



OVER the last three years, food security has remained high on the agenda of the South Asian Association for Regional Cooperation (SAARC). The global food crisis of 2007–2008, which caused an alarming rise in food prices and reduced availability of food in the region, thereby adversely affecting food security, prompted SAARC heads of state/government to issue the Colombo Statement on Food Security in the 15th SAARC Summit, held on 2–3 August 2008. In the Statement, SAARC leaders affirmed their resolve to “ensure region-wide food security and make South Asia, once again, the granary of the world”. The 16th SAARC Summit, held on 28–29 April 2010, directed the SAARC Agriculture Ministers to vigorously pursue regional cooperation in agriculture covering all sub-sectors to enhance overall agriculture productivity.

With a view to providing recommendations to the SAARC Agriculture Ministers, who were scheduled to meet in Dhaka on 3 March 2011, SAWTEE and Oxfam organized the Second Civil Society Forum on Responding to Food Insecurity in South Asia on 24–25 February 2011 in Kathmandu.

Civil society leaders and experts from the region participated in the Forum. The Forum came up with a statement on food security containing a set of recommendations and project ideas for consideration by the SAARC Agriculture Ministers. The Forum was a continuation of the first Civil Society Forum, launched in Kathmandu in 2008 against the backdrop of the food crisis of 2007–2008. Some of the recommendations made by the Forum are discussed below.

There is a need to address the challenges of changing farming systems and agriculture conditions, and take measures to capitalize on shifting comparative advantage of agriculture products, taking note of their implications for livelihoods of poor, vulnerable and marginalized farmers, including women.

Adaptive research and breeding for variety/breed development should be strengthened with a particular focus on landraces/local breeds and the rights of local, indigenous and farming communities. There is also an urgent need to assess the implications of biofuels and biotechnology for food security.

South Asian governments must explore the avenue of regional cooperation on trade in agriculture and food products as a means of achieving food security goals. In this regard, it is absolutely essential that export restrictions on food among Member States be prohibited.

Implementation of trade facilitation measures; reviewing the agriculture and food products on the sensitive lists of Member States under the Agreement on South Asian Free Trade Area, and taking measures to prune the lists, taking into account rural development, livelihood enhancement and food security goals; and taking steps towards developing and adopting regional sanitary and phytosanitary measures and technical standards are some recommendations for facilitating intra-regional agriculture and food trade.

Likewise, the institutional mechanism of the SAARC Food Bank must be strengthened for its effective operationalization.

Developing regional guidelines for the application of intellectual property rights and the protection of farmers’ rights through the sharing of knowledge and experiences would also contribute to long-term food security. Effectively materializing the “SAARC Technology Initiative” as agreed upon during the 10th SAARC Summit, and expanding its mandate to cover existing and emerging issues in agriculture and climate change are also essential.

With SAARC having formally accepted the idea of a seed bank, the challenge is now to make the SAARC Seed Bank Agreement comprehensive by creating and strengthening a regional network of national and community seed banks. ■

Address poverty to achieve food security: Research



TACKLING poverty remains the single best way to help poor people in developing countries achieve food security and adapt to climate change, says a report by the International Food Policy Research Institute (IFPRI).

When families have more income, they are better able to cope with drought, floods, and other climate shocks, says the report, *Food Security, Farming, and Climate Change to 2050: Scenarios, Results, Policy Options*.

"Many have made the case that we have to address climate change to fight poverty. We are saying you must address poverty as a key part of climate

change adaptation, and you must do it now. Once the most serious effects of climate change kick in, it will already be too late to respond effectively," said Gerald Nelson, IFPRI senior research fellow and report co-author.

The severe drought in Russia and devastating floods in Pakistan in 2010 offer a glimpse of a future negatively affected by severe weather. Using sophisticated modelling, the study assesses the harmful impact of climate change on food security through 2050.

The study presents 15 different future scenarios based on various combinations of potential income growth, population growth, and possible climate situations that range from slightly to substantially wetter and hotter.

The report finds that between now and 2050 staple-food prices could rise by 42–131 percent for maize, 11–78 percent for rice, and 17–67 percent for wheat, depending on the state of the world's climate, economy and population.

Climate change will cause lower rice yields all over the world in 2050, compared to a future without climate change. One of the climate change scenarios results in substantial declines in maize exports in developed countries, but small increases in yields in developing nations. Wheat yields will fall in all regions, with the largest losses in developing countries.

The report also finds that improving crop productivity can counteract the negative effects of climate change on food production, prices and access (*Commodity online*, 04.12.10, www.commodityonline.com). ■

SAARC Secretary General Saeed assumes office



THE newly-appointed Secretary General of the South Asian Association for Regional Cooperation (SAARC) Fathimath Dhiyana Saeed of the Maldives assumed office on 3 March. She succeeded Dr. Sheel Kanta Sharma of India.

A former Attorney General of the Republic of the Maldives and former parliamentarian, Saeed is the 10th Secretary General of the SAARC and is the first woman to occupy the position.

She was serving as the Maldivian Government's Envoy for South Asia just prior to assuming her new assignment in Kathmandu, according to a press statement issued by the SAARC Secretariat in Kathmandu.

Saeed holds a Master's Degree in Law from the Graduate School of Law and Politics, Osaka University, Japan.

The Secretary Generals of SAARC are appointed by the Council of Ministers upon nomination by a member state on the basis of the principle of rotation in alphabetical order for a period of three years.

The 33rd session of SAARC Council of Ministers held in Thimpu, Bhutan, had appointed her to lead SAARC for the next three years upon nomination by the Government of the Maldives (*Republica*, 02.03.11, www.myrepublica.com). ■

EU, US downplay expectations for Durban climate meet

LEADING climate officials from the European Union (EU) and the United States (US) have expressed serious doubts about the feasibility of establishing a legally binding climate deal in Durban later this year. By calling the possibility “highly unlikely”, EU climate change commissioner Connie Hedegaard, towards the end of April, aligned herself with US climate negotiator Todd Stern who had called such a deal “not doable”.

Emerging and developing countries have started to criticize the lack of fast-start funding under the Copenhagen Accord; however, some progress was made in late April on establishing a framework for the Green Climate Fund. Developing countries have also expressed frustration over what they call the inadequate incorporation of equity, intellectual property rights, and trade issues in the documents adopted at the 16th Conference of the Parties (COP) to the United Nations Framework Convention on Climate

Change (UNFCCC) in Cancun, Mexico in December 2010. They have since requested that a future climate framework should be more in line with the Bali Road Map agreed in 2007.

The first UNFCCC meeting after Cancun, which was held in Bangkok in April, served as a reminder of the political complexities that underlie the negotiations. In Bangkok, discussions in both the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) and the Ad Hoc Working Group on Long-Term Cooperative Action (AWG-LCA) were to focus on how to implement the decisions taken at the COP16 (referred to as the Cancun Agreements) in 2011, and resolve the outstanding issues that were not addressed in Cancun.

However, in both AWGs, Parties faced difficulties in agreeing on the agenda for the negotiating session. Generally speaking, this was the result of different views of parties with

regard to what the focus of the work in 2011 should be on issues related to Cancun (e.g., level of ambition by developed countries, agriculture, technology transfer and its trade implications, and sources of financing). Talks under the two AWGs will reconvene in early June in Bonn, likely to be followed by an additional session in late September or early October, before the COP17 in Durban at the end of the year.

Thus, it is expected that the focus in Durban will shift to seeking agreements on sub-topics. The EU, for example, intends to push for the inclusion of shipping and aviation in the international negotiations, because the International Maritime Organization has thus far been unable to deliver on taking measures against climate change. The EU also supports the linkage of existing regional carbon markets and the associated emergence of a global carbon price (*Bridges Trade BioRes*, 02.05.11). ■



Search for Doha “Plan B”

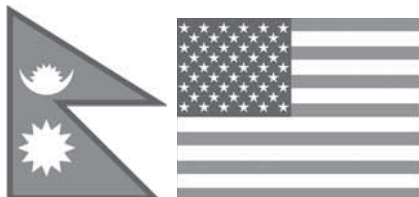
WITH World Trade Organization (WTO) Members once again failing to meet a key deadline for concluding the long-struggling Doha Round by 2011-end, trade negotiators and WTO officials have begun to explore options for a Doha “Plan

B”, reports *Bridges Weekly Trade News Digest*.

On 21 April, WTO Director-General Pascal Lamy released a set of documents highlighting the state of play of the Doha Round. Comprising a set of updates and texts provided by

the chairs of the negotiating groups, along with a cover note by Lamy, the documents revealed continued sharp divisions among members. In his cover note, Lamy bluntly observed that the divisions on non-agriculture (industrial) market access

Nepal and the US sign TIFA



NEPAL signed Trade and Investment Framework Agreement (TIFA) with the United State (US) on 16 April 2011.

Visiting Nepali Deputy Prime Minister and Finance Minister Bharat Mohan Adhikari and United States Trade Representative (USTR) Ron Kirk inked the agreement in Washington.

Kirk termed the new pact a landmark agreement, particularly as the two sides had not signed any trade agreement since 1947.

TIFA has seven articles. Of them, Articles 2 and 3 are important, said Dr. Shankar Sharma, Nepal's ambassador to the US. Article 2 of the agreement provisions formation of Nepal-US Trade and Investment Council (NUS-TIC) led by the Commerce Secretary of Nepal and a senior official of USTR. The Council will meet at least once a

year in Nepal and the US alternatively.

The meetings will focus on issues of bilateral trade and investment, thereby serving as a forum for bilateral talks to enhance trade and investment and discuss specific trade issues. The Council will also pave the way for the promotion of more comprehensive trade agreements between Nepal and the US and work to eliminate trade-related barriers.

Likewise, in Article 3, the US promises to provide support to Nepal to remove trade-related barriers. The agreement also says the two countries will work together with the private sector and civil society to promote bilateral investment. It also has provisions on protection of intellectual property rights and expansion of service trade.

The two sides formalized the NUSTIC soon after the agreement was signed and convened its first meeting on the day. Nepali Commerce Secretary Purushottam Ojha and Deputy USTR Demetrios Marantis led the two sides, respectively, in the meeting (*Republica*, 17.04.11, www.myrepublica.com). ■

Poverty impact of food-price rise high in South Asia

A 10 percent increase in domestic food prices could increase the percentage of people living below the US\$1.25-a-day poverty line in developing Asia by 1.9 percentage points, according to a recent study *Global Food Price Inflation and Developing Asia* by the Asian Development Bank.

According to the study, the simulated poverty impact of food-price inflation, among South Asian countries, is greatest in India, with rural India expected to witness an increase in the poverty rate by 2.9 percentage points and urban India by 2.1 percentage points due to a 10 percent increase in food prices, *ceteris paribus*. The lowest impact is estimated for Sri Lanka, at 1.2 percentage points. The figures for Bangladesh, Pakistan, Nepal and Bhutan are, respectively, 2.5, 2.2, 2 and 1.8 percentage points. In absolute terms, the aggregate number of South Asian population that will be thrown into poverty due to a 10 percent increase in food prices is estimated at 37.6 million. ■

(NAMA) are “not bridgeable today”. Despite other unresolved areas, he expressed the belief that “a deal would be doable... but for NAMA, where the differences today are effectively blocking progress and putting into serious doubt the conclusion of the Round this year”.

Following the release of the documents, Lamy has started quiet consultations with member delegations to explore possible options for trying to salvage something from the wreckage in case a comprehensive Doha accord proves impossible, so as to limit the damage of a failed round to the global trade body. However, in public, WTO Members have shied away from dis-

cussing Plan B scenarios.

Three scenarios are being discussed. The most longstanding suggestion for a Plan B is to “handpick” some issues from among those under consideration in the Doha negotiations, and then conclude a stand-alone agreement on those, leaving aside divisive issues like agriculture and industrial goods. Currently, trade facilitation appears to have widespread support, but countries differ on what other issues might be taken out of the Doha Round negotiations for a stand-alone agreement.

An alternative Plan B that some Geneva-based trade diplomats have mentioned would focus on least-de-

veloped countries (LDCs). It would have WTO Members agree on providing duty- and quota-free market access to exports from LDCs, and agree on a waiver that would authorize them to discriminate in favour of LDC service providers.

A third scenario being discussed is a sort of suspension or “quiet time” during which the Doha Round would be put on the backburner, with WTO members using the reprieve to address developing-country concerns about some of the existing rules, or to turn their attention to newer issues (*Bridges Weekly Trade News Digest*, various issues). ■

Regional Economic Integration, Climate Change and Food Security

SOUTH Asia is home to the largest number of poor people on earth. Although poverty in proportionate terms has been declining in most of the countries of the region, the absolute number of people living in poverty has not declined substantially. The countries of the region are poor scorers on overall as well as different measures of human development. National-level efforts to reduce poverty and enhance human development in South Asian countries have been in place for decades, but without much success. In a region where countries, to a significant extent, have a number of shared identities, regional cooperation will have the potential to contribute enormously to poverty reduction and human development in all countries of the region. This realization has its genesis in the Asian Relations Conference held in New Delhi in 1947; however, it was formalized with the establishment of the South Asian Association for Regional Cooperation (SAARC) in 1985.

Two of the objectives behind the establishment of SAARC are the acceleration of economic growth, social progress and cultural development in the region; and the promotion of

active collaboration and mutual assistance in the economic, social, technical and scientific fields. However, outcomes in all these fields have been disappointing. In the 16th SAARC Summit held in Thimpu, Bhutan in April 2010, SAARC Leaders themselves admitted that SAARC has not been able to deliver much in almost all areas of regional cooperation.

A number of new and emerging threats are adding to the precarious conditions of people, mostly the poor and vulnerable, living in South Asia. One of such threats is climate change, which has severe implications for livelihoods, particularly those of the poor.

South Asia Economic Summits

Some of the prominent civil society organizations in South Asia have initiated the process of bringing together relevant stakeholders from all the countries in the region once every year to discuss the problems and challenges hindering effective regional cooperation and suggest possible solutions. Accordingly, the 1st South Asia Economic Summit was organized in Colombo on 28–30 August 2008, and the 2nd South Asia Economic Summit

was organized in New Delhi on 11–12 December 2009. While the theme of the 1st Summit was “Economic Integration in South Asia: SAFTA and Beyond”, the theme of the 2nd Summit was “South Asia in the Context of Global Financial Meltdown”.

The 3rd Summit

The 3rd South Asia Economic Summit was organized on 17–19 December 2010 in Kathmandu with the theme “Regional Economic Integration, Climate Change and Food Security Agenda for the Decade 2011–2020”. The Summit was jointly organized by South Asia Watch on Trade, Economics and Environment (SAWTEE) and South Asia Centre for Policy Studies (SACEPS) in partnership with the Asian Development Bank (ADB), the Commonwealth Secretariat, Oxfam Novib, the United Nations Development Programme (UNDP) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and in collaboration with Centre for Policy Dialogue (CPD), Dhaka, Institute of Policy Studies of Sri Lanka (IPS), Colombo and Research and Information System for



Developing Countries (RIS), New Delhi. The Summit covered a wide range of trade, socio-economic and climate change issues that are critical to enhancing and deepening regional cooperation in South Asia.

The programme was inaugurated by the then Rt. Hon'ble Prime Minister of Nepal Madhav Kumar Nepal, and some of the participating dignitaries included Hon'ble Neomal Perera, Deputy Minister of External Affairs, Government of Sri Lanka, and Dr. Gowher Rizvi, Adviser to the Prime Minister of Bangladesh. Other participants included policy makers, representatives of governments, political parties, business community, international and intergovernmental organizations, development partners, civil society, academia and media from all member countries of SAARC.

Major recommendations

Some of the major recommendations of the 3rd South Asia Economic Summit are:

- South Asian countries should sustain the growth dynamism in the medium term by developing new

engines of growth such as increasing consumption and investment. For that, they should promote agriculture and rural development, strengthen social protection, facilitate financial inclusion, and exploit the potential of regional economic integration.

- South Asian countries should make improvements in Track I and Track II interactions based on the model adopted by the Association of Southeast Asian Nations (ASEAN). For instance, officials could take part in Track II dialogues in non-official capacity or they could be released on sabbatical leave to work in Track II. It is also essential to restructure the SAARC's organizational structure, its charter and its Secretariat.
- To build confidence, SAARC Member States should initially focus on soft areas and projects with greater visibility and immediate viability such as the South Asian University, Citizens Committee on the Social Charter, special airport channels for SAARC citizens, Green Channels

at Customs for goods traded under the Agreement on South Asian Free Trade Area, and intra-regional tourism, among others.

- Greater gestures of generosity on the part of the larger, faster growing South Asian economies will be important in building support for and confidence in the integration processes in the region's smaller economies.
- With most-favoured-nation tariffs coming down, non-tariff barriers (NTBs) are becoming increasingly important from the perspective of advancing trade cooperation among SAARC Member States. If regional cooperation is to be deepened through vertical integration and promoting cross border supply-chains, NTBs in South Asia will need to be addressed adequately with due importance.
- A targeted programme needs to be designed to facilitate cross-border trade through the development of border infrastructure, and if required, coordination of infrastruc-

ture development at border points. Customs rules and regulations, valuations and customs procedures also need to be harmonized.

- South Asian countries should be cognizant of the distributional aspects of services trade liberalization under the SAARC Agreement on Trade in Services (SATIS). They should also be cautious about the ambitions of what is achievable under SATIS.
- South Asian countries should liberalize air services by drawing lessons from the phased approach to such liberalization adopted by ASEAN and the European Union. Short-term measures to boost connectivity in the region could include enabling code sharing with third party airlines; liberalizing ground handling; granting fifth freedom rights on certain routes; simplifying transit visa processes; increasing overall investment in airline-related infrastructure such as airport capacity, safety, etc.
- Eradication of extreme poverty is a *sine qua non* for food security in terms of affordability. Poverty reduction must, therefore, be a high priority in South Asia.
- The region also needs a “green monetary policy” so that monetary policy can help address concerns about climate change.
- Operationalizing the SAARC Food Bank and establishing a regional seed bank are essential to ensure food security in South Asia. South Asian countries should also increase investment in agriculture.
- Regarding the food bank, alternatively, South Asia might also think of creating a regional fund for food, which is akin to the ASEAN model. There should be a standby line of credit for food imports to ward off speculative pressure in smaller countries when in crisis.

Parliamentarians of SAARC Member States should have a regional outlook and think of issues that do not respect national boundaries.

- Food security should be analysed in a broader context keeping in mind the capabilities and entitlements of the people in South Asia. Food security agenda should be over and above all other agendas in the region.
- In the context of the vulnerabilities of South Asian countries to the negative effects of climate change, there should be more sharing of knowledge and resources among them. They should also develop mechanisms to preserve crops which might seem unproductive today but could have better use tomorrow.
- On energy cooperation, an overriding common law governing regional energy pool may help allay the anxiety of smaller countries related to their ability of negotiating with a stronger partner. Regional cooperation could also be useful in addressing issues such as dearth of human resources to tap the region’s hydropower potential.
- While emphasizing regional energy cooperation in South Asia, one has to be mindful of some of the associated risks and problems as well. For example, cost-benefit analysis of water resources projects in Nepal has involved overvaluation of hydropower and undervaluation of everything else. Financial and economic calculations of the poverty-alleviating benefits surrounding the construction of export-related projects should be weighed against their true social costs.

- In order to protect the rights of migrant workers, South Asian countries which have not yet ratified the “International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families” should ratify it immediately.
- Improving trade facilitation should be a priority of South Asian countries. For that, they should focus on port efficiency, customs environment, regulatory environment, and e-business usage. Also, more aid for trade should be directed towards least-developed countries (LDCs) and landlocked countries to help them put in place proper trade facilitation measures.
- The State in LDCs needs to play a greater developmental role to foster economic development that is productive and transformative.
- The international development support mechanism for LDCs needs to reorient in light of some global developments such as the dynamic growth in the South, volatility of growth (especially the recession in the advanced economies) and the challenges posed by climate change.
- In order to address the supply-side constraints facing the LDCs in the region, SAARC Member States should establish an “LDC Integration Fund” or an “LDC Development Fund” with an annual indicative portfolio of US\$1.1 billion.
- Parliamentarians of SAARC Member States should have a regional outlook and think of issues that do not respect national boundaries. There is also a need to involve the youth in the regional integration process.
- Bilateral issues of conflict among South Asian countries should be discussed independent of the wider regional collaboration process so as not to poison it. ■

International trade crucial for food security

Harsha Vardhana Singh
Deputy Director-General, WTO



What is the current status of the Doha Round? Is it going to be concluded? In particular, what is going to happen in terms of agriculture liberalization?

After the meeting of the G20 and the Asia-Pacific Economic Cooperation (APEC) leaders last year, new energy has been infused at the instructions of the leaders for the early conclusion of the Doha Round. The negotiating texts prepared by the chairs will provide an overall perspective of all the areas under negotiation.

Because these texts will be produced on the basis of what the members discuss and suggest to the chairs, a number of issues will be further clarified in the preparations of these texts. So, the number of issues that have to be dealt with will hopefully be far less than today's. That will form the basis of further interactions and we can hope that the modalities in agriculture and non agricultural market access (NAMA) will be on the table soon. In the case of services also, we expect to have the final offer by the same time.

Plurilateral negotiations have progressed a lot, and the members have agreed to have a consolidated text based on members' positions on domestic regulations and other areas in which discussions are going

on. Modalities for least-developed countries (LDCs) are very close to be finalized, which will provide them preferential market access in areas that are indicated under the modalities. However, the conclusion of the Doha Round will depend on the nature of the interactions that take place now.

Regarding agriculture liberalization, much of what is going to happen is already there, for example, the formula on bound tariff, conditions that are relevant for tariff rate quotas, flexibilities available to net food-importing developing countries (NFIDCs) and LDCs, etc. What is not clear yet is the structure of the special safeguard mechanism (SSM), and which products will be scheduled as special products.

On the latter, some discussions have already been held and there has been some clarity. In the case of SSMs, some bilateral meetings that have been held recently on the issue have been useful. There are concerns that some countries want more products in the list of sensitive products, but broadly, disciplines are there.

There are other issues also, but in general, most of the issues in agriculture, if seen in detail, are rather clear. If further market access is provided, it will take the market liberalization momentum forward.

In terms of agriculture liberalization, you mentioned about the tariff rate quota, special products and SSMs. What about export subsidy and other kinds of subsidies?

Phasing out of export subsidies has been agreed and included in the text. It includes substantially reducing overall trade-distorting support, maintaining discipline in the blue box, and having product-specific caps on assistance to be provided. Similarly, it has also been agreed that export subsidies will be phased out and there will be disciplines on those policies that are seen as substitutes for export subsidies.

Food aid will continue, but discussions are progressing to ensure that such aid will not result in a back-door entry of export subsidies. Members have also agreed to have more disciplines on export restrictions and provide flexibilities to commodity-exporting countries. In terms of market access, a very important development is that there has been a broad agreement to substantially reduce tariffs on tropical products.

Regarding the overall liberalization of agriculture, there are concerns that reduction of subsidies would result in higher prices of agriculture and food

products and would hurt NFIDCs and LDCs. How would you assess the impact of the reduction in agriculture subsidies as a result of the Doha Round?

Prices of agriculture and food products are high even now and the ceilings that we have today are not in operation. Therefore, those who argue that prices will rise due to reduction in subsidies are functioning within an analytical model where the applied subsidy level is at the bound subsidy level. Food prices are likely to be high for various other reasons such as the shift of some of the food crops to biofuels, rise in oil prices, change in dietary preferences, and so on.

Reductions in subsidies, rather, will provide incentives to efficient producers in the world, wherever they are, to compete and supply their products in the world agriculture market without the disability of being outcompeted. And these are likely to be producers in countries that are not providing enough subsidies today.

Agriculture production will have to increase to feed the rising world population. However, the demand for food, in terms of the increase in population, might not be hugely different. Therefore, focus should be on increasing agriculture production. In the last few years, about 70 percent of the increase in agriculture production in developing countries has been the result of the increase in their agriculture productivity. And there are estimates that the productivity of a large number of small farmers in developing countries can be doubled or trebled just by coordinating and applying some investment policies and strategies. Therefore, under current

About 70 percent of the increase in agriculture production in developing countries has been due to increase in their agriculture productivity.

conditions, reduction in agriculture subsidies will not have a major impact on NFIDCs and LDCs.

For NFIDCs, the answer to their food requirements is international trade. They should have proper trade facilitation system and distribution system in place and should have easy access to markets and supplies. International trade is also crucial for the timely and efficient provision of inputs such as seeds and fertilizers.

Also, since LDCs do not have to undertake any additional obligations, their defensive interests are fully addressed. In terms of market access, reducing tariffs and bringing down tariff rate quotas and tariff escalation will make it much easier for LDCs to sell their value added products. The possibility of utilizing LDCs' strengths in areas that are covered by even greater liberalization and with prospects to tap markets in a larger way provides LDCs with opportunities to attract greater foreign direct investment.

Article XI of the General Agreement on Tariffs and Trade (GATT) 1994 allows countries to set temporary export restrictions in case of critical shortages of food stuffs and industrial raw materials. This is vague in that "critical shortage" and "temporary" have not been defined. Is the WTO agreement itself providing a *carte blanche* to countries that want to set export restrictions, which will aggravate the situation of food insecurity?

WTO does not provide *carte blanche*. There are disciplines on export restrictions that are being worked upon further and there is a proposal from Switzerland and Japan to take the disciplines even further. The main issue is what a country should do when there is an internal scarcity. I think we need to manage this in a cooperative manner through policies that are now being discussed at various international forums. The UN has also formed a high-level task force on food security chaired by the UN Secretary General himself. They have come out with a comprehensive

framework for action, which has been revised recently with active participation of major stakeholders. It has tried to balance the export restrictions issue because countries which are restricting exports are doing so to meet the demand of their domestic consumers; but on the other hand, such action of theirs is affecting the international market. Therefore, the comprehensive framework for action has suggested putting in place alternative policies that can be followed. One of the areas where some clearer understanding is appearing is that food aid should not be halted because of these restrictions, which has occurred in some instances during the recent food crisis.

Providing food on time by keeping adequate buffer stocks is important. And with adequate buffer stock available, the impact of a production failure on prices will not be the same. In that context, if a more level playing field could be created so that efficient producers could enhance their production and increase overall supply of agriculture and food products, buffer stocks could be kept in adequate amount on the one hand, and on the other, markets would get deeper. Additionally, there must be opening up of markets together with increase in investments to enhance productivity.

Finally, as the issue of transit is being discussed under Article V of GATT, can there be a proposal to provide separate treatment to food items in transit, for example, clearing food items through a fast track process?

It is a very good idea, but this has to be seen in two different ways for perishables and non-perishables. There may be a case to argue about perishables. Actually, ideally, such a mechanism should be possible for all kinds of products; but if there is a need to limit it to food products for some special reason, I see no reason why not to put forward the proposal.■

This interview was taken by the Editor-in-Chief and the Associate Editor of Trade Insight on 16 February 2011 during Dr. Singh's visit to Nepal.

Climate Change Negotiations and South Asia

An outline of a constructive mosaic

Bipul Chatterjee and Shruti Mittal

The success of climate change negotiations does not depend on developed countries alone. Emerging economies also have a significant role to play.



In the early 1970s, scientists observed persistent climatic extremes and commenced their study of such patterns on a global scale. A focus of their study was to ascertain whether those changes were being caused by human activities. The World Meteorological Organization (WMO) also set up a panel to study the subject and sounded an alarm by issuing a statement that the proportion of carbon dioxide in the atmosphere was higher than before. A group of meteorologists stressed that the burning of oil and coal was one of the major causes of such an imbalance, which would lead to the warming of the earth's atmosphere over the long term.

Consequently, the WMO, in association with the United Nations (UN) and other international institutions, organized the world's first climate change conference in Geneva in 1979. The conference led to the establishment of the World Climate Programme and eventually the Intergovernmental Panel on Climate Change (IPCC) in 1988. The IPCC, since then, has been playing an instrumental role in assessing climate change and suggesting policy options to the governments. It published its first assessment report on climate change in 1990 and

three subsequent ones in 1995, 2001 and 2007, all of which claimed that global temperature has been rising consistently at a more than natural pace and that there is an immediate need to halt greenhouse gas emissions.

A series of regional and international conferences were also organized with the aim to reach consensus among nations on reducing the level of emissions, protecting the ozone layer and addressing climate change. In 1985, an international conference on ozone layer depletion held in Vienna produced the Montreal Protocol. The Protocol, which entered into force in 1989, was designed to protect the ozone layer by phasing out the production and use of harmful substances such as chlorofluorocarbons and hydrochlorofluorocarbons.

With the aim of broadening the scope of international efforts, in 1992, the UN organized a major conference, popularly known as the Earth Summit, in Rio de Janeiro. The United Nations Framework Convention on Climate Change (UNFCCC) was born out of this Summit. It had far-reaching objectives and was ratified by 154 nations, but it was not legally binding and contained no enforcement mechanism. Consequently, as an addition to the UNFCCC, the Kyoto Protocol was adopted in 1997 and it became one of the most significant agreements in the history of climate change negotiations.

The Kyoto Protocol set binding

targets for emissions reduction by industrialized countries and followed the principle of “common but differentiated responsibilities”. It also provided flexibilities to the nations ratifying the Protocol by allowing them to trade in emissions, establish carbon sinks and invest in other countries to assist them in adapting to climate change. The Protocol came into effect in 2005, but its effectiveness was limited due to its non-ratification by the United States (US), which perceived that ratifying the Protocol would hurt its growth prospects, particularly in the absence of emissions reduction norms for developing countries.

In 2007, the Bali Action Plan was launched with a view to bridging the gap between the positions of various countries and accelerating efforts to combat climate change. The major focus of the Action Plan was to reach an agreed decision at the 15th Conference of the Parties (COP15) to the UNFCCC in Copenhagen in December 2009.

Despite widespread public demonstrations, preparatory efforts by international organizations and participation by more than 35,000 registered members, the COP15 could produce only an accord, which could not state concrete figures for emissions reduction. However, the approach taken by country representatives was more amiable, and it also witnessed the institutionalization of a group of emerging developing nations—the

BASIC group—consisting of Brazil, South Africa, India and China. They agreed to undertake voluntary measures to reduce their emissions and also agreed to be accountable to domestic legislation to achieve their emissions reduction targets. Thus, the COP15 prepared the ground for the COP16 (Cancun, Mexico, December 2010) where countries were expected to declare concrete emissions reduction targets.

Cancun and South Asia

COP16 was much awaited because of the hope that it would come up with a functional architecture for a climate change deal. It was expected to follow a balanced approach, thereby encouraging both developed and developing countries to make efforts in combating climate change.

However, negotiations in Cancun could not achieve a legally binding treaty for emissions reduction, but it succeeded in finding consensus in a number of areas requiring voluntary actions. Unlike the closed-door meetings that took place in Copenhagen, the meetings in Cancun were kept transparent and they focused on various areas of agreements rather than a full treaty, which might have been too ambitious at that time.

To some extent, the COP16 can be seen as a breakthrough because many developed countries agreed to increase their emissions reduction targets. They

Table
Emissions and mitigation commitments of major polluters

Countries	US	China	India	EU	Japan	Brazil
Global share in emissions (%)	16	17	4	12	3	7
Global share of historical responsibility (%)	29.3	8	2	27	4	1
Emission reduction commitments	17% reduction	40–45% reduction of emission intensity per unit GDP	20–25% reduction of emission intensity per unit GDP	20% reduction	25% reduction	36–39% reduction
Baseline	2005	2005	2005	1990	1990	Projected 2020 emissions

Adapted from The Cancun-o-Gram - The Cancun Conference, 29 November 2010, Institute of International and European Affairs.

have largely agreed on the aim to keep the expected rise in average global temperature below 2 degrees Celsius. They have also agreed that mitigation measures taken by the developed countries will be subject to international assessment and review. It is expected that such assessment and review would push developed countries to undertake timely mitigation measures, and it would also establish a better system of accountability.

The Cancun decisions will have strong bearing also on developing countries, including those in South Asia. For example, it has been agreed that a Green Climate Fund will be created, which will be funded by developed countries and managed under the auspices of the UN. US\$30 billion has been earmarked for this fund for the period 2010–2012 with the agreement that it will be raised to US\$100 billion by 2020. The responsibility of utilizing this fund lies with developing countries. Incapacity to access and make proper use of the fund will not help developing countries fight climate change.

Therefore, to ensure that the utilization of the fund creates a lasting positive impact, an inclusive process should be followed. Lessons should be learnt from the implementation of the Global Environmental Facility, which was a result of the Rio Convention on Biological Diversity held in 1992 and which got momentum after the adoption of the Kyoto Protocol so that there is better governance and accountability in the utilization of the Green Climate Fund.

Under the Cancun Adaptation Framework, developing countries, especially the emerging economies, have also agreed to state their emissions reduction plans. Hence, their actions related to climate change, henceforth, will be open to international consultation and analyses. Although a group of developing countries has already taken steps to allow the international scrutiny of the implementation of its individual adaptation plans, others need to prepare themselves for such an action.

An inclusive process should be followed in the utilization of the Green Climate Fund.

Future negotiations: Role of South Asia

Climate change negotiations have made slow but steady progress over the years. Although hesitant previously, countries such as the US and those of the European Union have acknowledged their responsibility to address the problems associated with climate change. Accordingly, financial assistance and technology transfer from the North to the South is expected to increase in due course, which will help developing countries in taking proper adaptation measures in key areas such as agriculture, and in the development of less energy-intensive industrial and service sectors.

However, it must be realized that the success of climate change negotiations does not depend squarely on developed countries. Developing countries, and especially the emerging economies, also have a significant role to play. They have a critical responsibility to ensure that the milestones are achieved. In their pursuit of higher levels of economic growth, they must factor in environmental sustainability. They should accept that integrating economic growth with environmental sustainability through innovative methods is the right approach for the future. The financial and technical resources required to undertake such initiatives can be accessed from the climate fund(s) which are created at regional and international levels.

South Asia, as a region, should formulate a joint action plan to tackle the problems associated with climate change. While doing so, successful

adaptation and mitigation practices of individual countries should be taken into consideration. The countries can also set regionally acceptable standards for monitoring, and introduce a unified monitoring system. They can then measure their progress based on stated parameters. By taking such an approach, while progress made by each country can be compared with that of the others in the region on the one hand, the region's progress as a group can be presented at international forums on the other.

Furthermore, South Asian countries should create a "Climate Corpus Fund" which can be utilized for local initiatives towards adaptation and mitigation. South Asian countries should also join hands to develop facilities for research and development of technologies (including multiple-use technologies) in order to reduce their dependence on the western world. Such an initiative will also help in making available locally adaptable indigenous technologies, which are much more cost effective in terms of their development and use, and in better utilizing available human resources in the region. It could also create some scope to transfer such technologies to other parts of the developing world, particularly Africa, which shares some features with South Asia.

Cohesive regional efforts by South Asian countries will provide them higher negotiating power and a unique identity in future global negotiations on climate change, which could have positive spill-over effects in other negotiating forums. It could also result in the concerns of smaller countries such as Bangladesh, Bhutan, the Maldives and Nepal, which are extremely vulnerable to climate change, getting more attention at international forums. An economically more progressive country like India must take a leadership role in taking such an initiative in the region. ■

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SAARC Food Bank and Food Security in Bangladesh

Some of the operational modalities of the Food Bank need to be changed for it to help Bangladesh fight food insecurity.

Selim Raihan

On 12 August 1988, member countries of the South Asian Association for Regional Cooperation (SAARC) agreed to set up a SAARC food security reserve. But due to a number of operational and procedural problems, the reserve could not be functional. At the 12th SAARC Summit held in Islamabad in 2004, SAARC

leaders went a step further and agreed to establish the SAARC Food Bank, an agreement on which was finalized and signed at the 14th SAARC Summit in April 2007.

Initially, it was decided to set aside 241,580 metric tons (MT) of food grains as reserve in the SAARC Food Bank with different shares for

different member countries. Recently, Members have decided to increase the reserve to 486,000 MT with India, Pakistan, Bangladesh, Nepal, Sri Lanka, Afghanistan, Bhutan and the Maldives contributing 306,400 MT, 80,000 MT, 80,000 MT, 8,000 MT, 8,000 MT, 2,840 MT, 360 MT and 400 MT respectively. Members are also exploring the pos-



sibility of increasing the reserve to 1 million MT in the future.

The objectives of the SAARC Food Bank are “to act as a regional food security reserve for the SAARC member countries during normal time food shortages and emergencies; and to provide regional support to national food security efforts, foster inter-country partnerships and regional integration, and solve regional food shortages through collective action”. The agreement contains different provisions on the quality of food grains, procedures for withdrawal of food grains by each country from its own stock of reserve, refilling of the reserve, price determination, and functional and operational measures. The Food Bank, however, has not yet been operational. Production shortages and unavailability of food grains in recent years have increased the importance of operationalizing the Food Bank for all SAARC member countries.

Importance for Bangladesh

Bangladesh often faces natural calamities at least once a year. Devastating floods or excessive rains severely damage seasonal crops like *Boro* and *Amon* and also other staples such as rice. Consequently, their shortages induce food price increases, thereby affecting mainly the poor people who spend almost 70 percent of their income on food. Unexpected natural calamities also cause damage to the national food security reserves and undermine the government's efforts to keep an adequate quantity of food reserve at the national level. Bangladesh can seek immediate support from the SAARC Food Bank during such times.

The recent upward trend of inflation level in Bangladesh is primarily the result of rising prices of basic food items. According to Bangladesh Bank, the central bank of the country, the monthly average overall inflation was 8.13 percent in December 2010, whereas the food price inflation was 10.12 percent. This has reduced the purchasing power of poor people. Export bans imposed by India and Vietnam on rice and by Argentina, Kazakhstan, Paki-

stan and Russia on wheat have further aggravated the food insecurity situation in Bangladesh. Since Bangladesh is a net food-importing country, such export bans have contributed to the skyrocketing of rice and wheat prices.

The rise in the prices of agriculture inputs and fuel, and lack of adequate infrastructure facilities and energy have led to a rise in the cost of production of food items, which in turn has escalated food prices in recent times. In Bangladesh, although there has been improvement in agriculture productivity and overall agriculture production over the last decade, massive population growth has made per capita food availability far short of the required level. Population growth has also resulted in the reduction of arable land since more land is now used for accommodation purposes. In such circumstances, an effective operationalization of the SAARC Food Bank could act as a cushion.

Issues to consider

Despite the positive attributes of the SAARC Food Bank and its possible contribution to fighting food insecurity, there are some issues that require special consideration. The first and foremost is regarding individual members' share of food grains to be deposited in the reserve, which is not equitable. Although India's share of depositing food grains in the Food Bank is the highest among all the member countries, it is not proportionate to its share in regional agriculture production. For example, during the

period 1999–2008, on average, India accounted for 71 percent of rice production and 76 percent of wheat production in South Asia. However, India has undertaken to earmark only about 63 percent of the total reserve requirement. Therefore, India should increase its quota of food grain deposits in the SAARC Food Bank.

Similarly, during 1999–2000, on average, Pakistan and Bangladesh accounted for about 21 percent and 20 percent of South Asia's total wheat production respectively. However, in the case of Bangladesh, production has fluctuated. Moreover, Bangladesh does not have enough production surpluses as that of Pakistan and India. Therefore, Bangladesh and Pakistan having the same quota to deposit food grains in the Food Bank is also inequitable. Hence, Bangladesh should negotiate for reducing its contribution to the reserve and ask India and Pakistan to increase their share. Another concern for Bangladesh is that even if its share will be reduced, being an import-dependent country, it might not be able to maintain its specified contribution to the Food Bank. A possible way out on this issue could be making a proposal that if annual food production fell persistently over three to five years, there would be a quick release of food stocks.

Persistent rise in food prices has both short- and long-term impacts. While the short-term effects are mainly food insecurity and hunger among the poor, the long-term effect is the low quality of human capital due to malnutrition and deteriorated health status of children. In Bangladesh, several policy measures have been taken over the past few years to deal with the problems of production shortages and rising food prices. However, as experiences have shown, Bangladesh cannot solve these problems alone. It needs continuous support from its neighbours and the rest of the world. Therefore, effectively operationalizing the SAARC Food Bank is in Bangladesh's interest. ■

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India and Pakistan should increase their contributions to the SAARC Food Bank .

Food Distribution System in Nepal in the Context of SAARC Food Bank

Krishna Prasad Pant

Public food distribution system (PDS) serves several purposes related to food security. First, it helps food products flow from surplus countries to deficit ones. Second, it plays an important role in distributing food within the country, mainly to those areas that face food shortages. Third, by purchasing food during the harvesting season and releasing it during the lean season, it makes food available in all seasons. Fourth, by releasing more food during emergencies, it discourages rent-seeking behaviour of traders. Finally, it contributes to stabilizing food prices by helping producers get a reasonable price during harvests and consumers get food at a reasonable price during the lean season.

SAARC Food Bank and PDS

Member countries of the South Asian Association for Regional Cooperation (SAARC) have agreed to establish the SAARC Food Bank that would act as a regional food security reserve and provide regional support to national food security efforts. An effective PDS is necessary to benefit from the Food Bank since it is essential that food

obtained from the Bank is properly distributed at the national level. The SAARC Food Bank has not yet been operational mainly due to the stringent rules to access food, and partly due to limitations of PDS in member countries.

The food earmarked as reserve in the SAARC Food Bank is located in respective member countries in varying proportions. To access food from the reserve of any other member, the needy member should declare an emergency food deficit in its country and demonstrate its inability to purchase food from the international market. Thereafter, the deficit country should formally request the reserve-holding country to allow it to have access to the latter's food reserve, negotiate the price and make arrangements to import the food. Hence, the process to get access to food from the SAARC Food Bank is cumbersome.

Member countries can negotiate among themselves to simplify these rules, however. Therefore, they should pay more attention to addressing the limitations of their PDS. Enhancing the efficiency of PDS can increase

the capacity of member countries to efficiently distribute food when and where required at the national level.

PDS in Nepal

Nepal has a parastatal organization named Nepal Food Corporation (NFC) that manages PDS in the country. It provides subsidized food to people living in 27 remote districts. It also sells food in the cities at competitive prices.

Different places in Nepal have diverse topographies and climate. Therefore, food production is not the same throughout the country. For example, cereals, particularly rice, the most important staple crop, are grown mostly in the southern plains and river basins where the climate is warm and irrigation facilities are better than in the northern hills and mountains. Consequently, while some areas in the country are food surplus, others are food deficit, some persistently. In the mountains, particularly in the western region of the country, food insecurity is a chronic problem. NFC's role in national-level food distribution has been particularly helpful for the poor

people living in such areas where the market is also unsuccessful in supplying food, mainly during times of acute shortages. NFC's role has also been important during times of disasters such as disease outbreak, flood, drought and earthquake.

Cereal production, trade and NFC

Nepal produces most of the major cereals, of which rice is produced in the highest quantity. In 2008/09, cereals produced included rice, wheat, maize, millet and barley (Figure).

Trade plays a limited role in the supply of cereals in Nepal. Export of major cereals is less than 1 percent of their total domestic production, but their import is three times higher than their exports (Table 1). However, imports are still less than 3 percent of the total domestic production. The total availability of cereals in 2008/09 was 5.25 million tons.

Although promoting the market

Table
Production, export and import of major cereals (in tons) (2008/09)

Major cereals	Production	Export	Import	Food availability
Rice	2,461,203	2,019 (0.08)	98,988 (4.02)	2,558,172
Wheat	1,069,167	47,858 (1.94)	1,157 (0.05)	1,022,466
Maize	1,383,647	412 (0.02)	32,861 (1.34)	1,416,096
Millet	240,031	0(0.00)	12,376 (0.50)	252,407
Barley	6,358	0(0.00)	5(0.00)	6,363
Total	5,160,406	50,289 (0.97)	145,387 (2.82)	5,255,504

Figures in parentheses are percentage of production.

Source: Author's calculation based on MOAC. 2009. Statistical Information on Nepalese Agriculture. Kathmandu:Ministry of Agriculture and Cooperatives, Government of Nepal.

to supply food at competitive prices is one of the long-term solutions to fight food insecurity, trade has contributed very little in making food available in remote areas of Nepal because of poorly developed markets in those areas. NFC should be playing a larger role in that context. But due to some weaknesses in NFC, its role in instrumentalizing trade for food security has been limited.

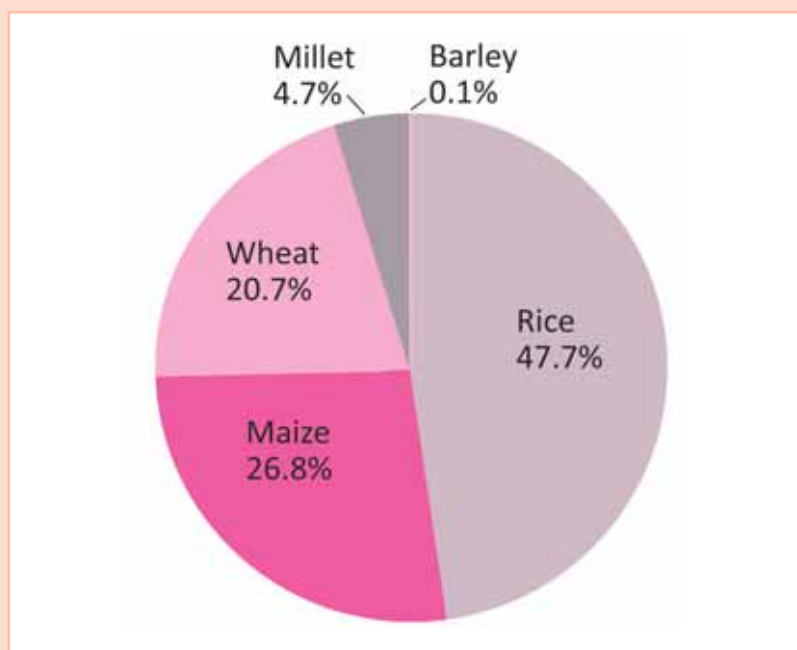
Way forward

NFC has a long history of distributing staple food, mainly rice, at subsidized prices. It collects food through domestic procurements at pre-announced prices and resorts to imports to a limited extent. The procurement and distribution system involves a large amount of subsidy and food handling costs, storage losses and huge incidental costs because of which it has not been able to reach all the targeted beneficiaries. There are also some problems inherent in NFC. For example, in order to monitor the food insecurity situation in rural areas, the government, with the assistance of the World Food Programme, has initiated a Food Security Monitoring and Analysis System that collects real-time data on household food security, crop production and food prices. But NFC does not have the mechanism and the ability to immediately respond to acute food shortages so as to make the best use of such a sophisticated monitoring system.

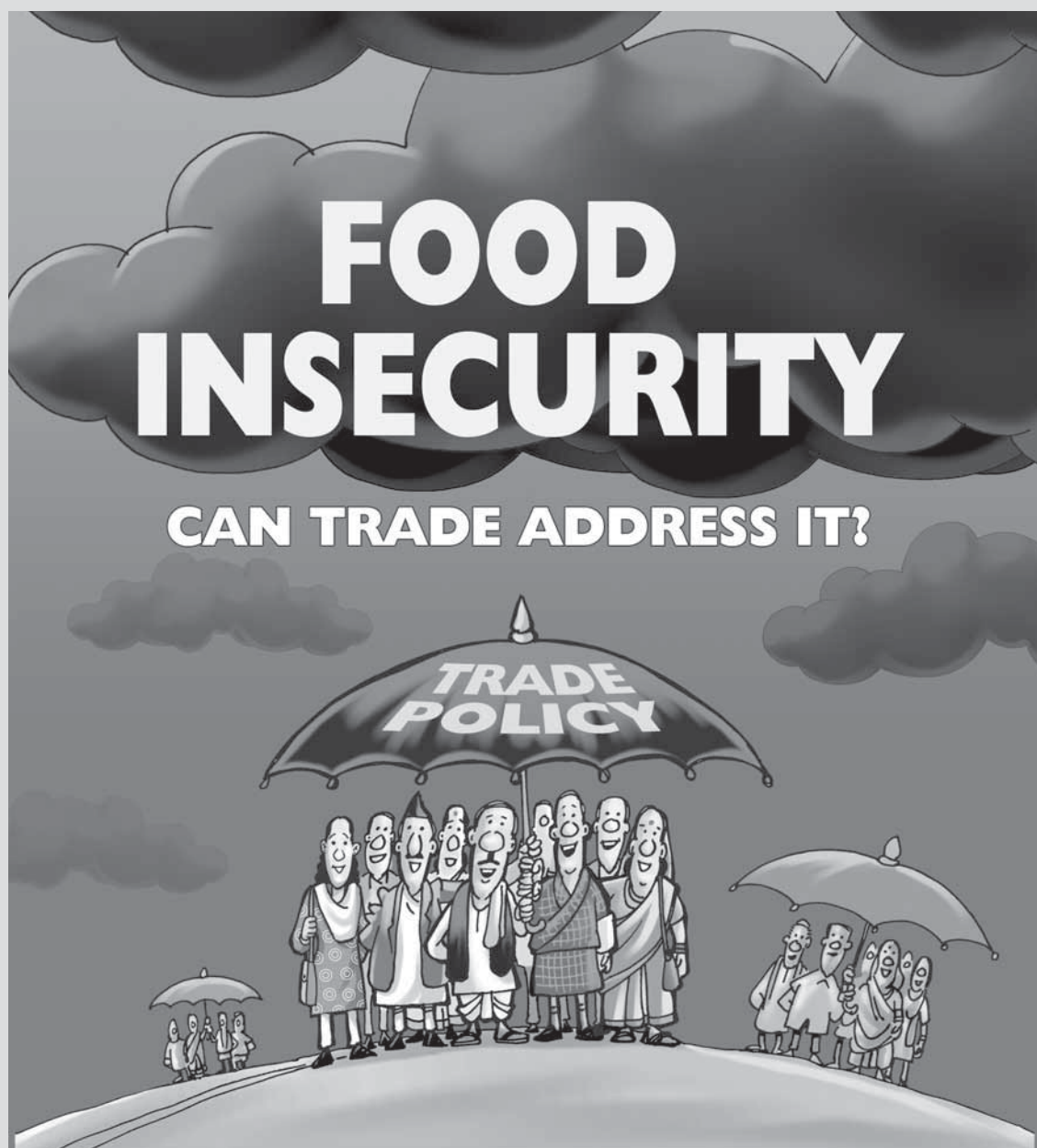
Therefore, while effective operationalization of the SAARC Food Bank could ensure the availability of adequate food grains during times of acute food shortages, efficiency of NFC will determine whether the food reaches the targeted population. For that, along with strengthening NFC, the private sector should also be encouraged to participate in the process. ■

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Figure
Composition of cereal production



Source: Author's calculation based on MOAC. 2009. Statistical Information on Nepalese Agriculture. Kathmandu:Ministry of Agriculture and Cooperatives, Government of Nepal.



Intra-regional food and agriculture trade has the potential to help address food insecurity in South Asia. However, removal of trade barriers, both on the import and export fronts, accompanied by measures to increase agriculture productivity and production, is essential.

Chandan Sapkota

Food insecurity is a major national as well as regional issue in South Asia. Most of the countries in the region are reeling under high food prices, which are pushing up overall inflation, and deficit food production. Food-price inflation is having a negative impact on poverty reduction,¹ progress in achieving the Millennium Development Goals (MDGs), and overall macroeconomic balance. Given this mounting problem closely linked to the livelihood and survival of millions of people in the region that has the largest number of poor people in the world, ensuring food security is a pressing concern.

Solving the problem of food insecurity has become even more imperative in South Asia because the region's total population is expected to be 2.3 billion in 2050 (up from 1.6 billion in 2011), but the area would remain the same (4.8 million sq.km).² This is equivalent to about one-fourth of the total projected world population in 2050. Furthermore, by 2050, South Asia will have the highest population density (486.8 persons per sq. km) of all the regions in the world. Increasing agriculture productivity and smoothing supply within and across borders are vital to ensuring food security for such a large population.

While there are many factors that are causing food prices to rise at the national, regional and global levels, one of the ways to mitigate the impact—with regard to access, availability and price volatility—is to facilitate agriculture trade by removing trade restrictions and by enhancing cooperation on smoothing the flow of agriculture goods from surplus to food deficit nations. It should, however, be realized that achieving food security is a multidimensional task that involves international trade as well as, *inter alia*, new technology and input availability, environmentally sustainable farming and appropriate supply management practices.³

This article examines the extent of agriculture trade, food insecurity and agriculture trade restrictions in South Asia.

Table 1

Agriculture exports and imports within South Asia⁵

Intra-regional exports (% share of region's exports to the world)					
Commodity group	2005	2006	2007	2008	2009
Animal & animal products	3.78	4.25	3.98	4.32	4.73
Vegetable products	17.52	14.87	16.04	15.95	13.92
Food stuff	14.95	26.41	17.33	16.46	17.20
Intra-regional imports (% share of region's imports from the world)					
Commodity group	2005	2006	2007	2008	2009
Animal & animal products	20.83	19.68	16.77	21.22	22.18
Vegetable products	11.67	10.98	10.82	7.86	6.67
Food stuff	11.30	33.64	35.73	37.29	15.61

Source: Author's computation using UN Comtrade database.

Agriculture trade

Intra-regional trade in South Asia is low when compared to other regional blocs such as the Association of Southeast Asian Nations (ASEAN) and the European Union. South Asia's intra-regional merchandise exports (imports) were about 5.6 percent (2.5 percent) of its total world merchandise exports (imports) in 2009. However, the share of intra-regional trade in agriculture goods is higher. In 2009, agriculture exports within South Asia were around 12.8 percent of the region's total world agriculture exports.⁴ Specifically, intra-regional exports of food stuffs—that is, meat products, sugar, cocoa, cereal products, vegetable products, beverages, and residual and waste from food industries—were 17.2 percent of South Asia's total food stuff exports to the world. Likewise, South Asia's intra-regional agriculture imports accounted for 8.5 percent of its total global agriculture imports. Notably, intra-regional imports of animal and animal products made up 22.2 percent of the region's total world imports of such products (Table 1).

As a share of the country's total agriculture trade with the world, Bhutan mostly exports to and imports from South Asia. The figures are also high for Afghanistan and Nepal. The other countries trade less with South Asian neighbours relative to their total trade with the world (Table 2). While

Afghanistan trades mostly with Pakistan, Bhutan and Nepal trade mostly with India. The low share of intra-regional agriculture trade for other countries suggests that either there is low complementarity in agriculture trade within the region or the market structure with regard to price, quality and volume is unattractive.

Overall, India and Sri Lanka have trade surplus in agriculture goods. Bhutan had surplus in 2008, but a deficit of about US\$5 million the following year. While agriculture trade deficit of Afghanistan, Bangladesh, the Maldives and Nepal is increasing, Pakistan saw a decrease in deficit in

Table 2

Intra-regional agriculture trade (% share of world trade), 2009

Country	Export	Import
Afghanistan	66.78	14.04
Bangladesh*	4.35	19.46
Bhutan	94.03	97.49
India	9.83	3.92
Maldives**	9.67	36.27
Nepal	79.20	37.76
Pakistan	18.71	9.58
Sri Lanka	7.99	21.74

*2007, **2008

Source: Author's computation using UN Comtrade database.

Table 3
Total agriculture trade balance
(million US\$)

Country	2008	2009
Afghanistan	-18.01	-30.94
Bangladesh*	-190.03	-306.00
Bhutan	16.19	-4.95
India	1086.60	340.00
Maldives**	-7.01	-8.94
Nepal***	-15.71	-27.00
Pakistan	-113.88	-54.85
Sri Lanka	19.13	41.43

*Figures for Bangladesh correspond to 2006 and 2007, ** Maldives 2007 and 2008, ***Nepal 2003 instead of 2008.

Source: Author's computation using UN Comtrade database (Chapters 1–23 considered as agriculture goods).

2009 when compared to the previous year (Table 3).

Food security

Food prices have been surging in all South Asian countries since 2007, not only impacting macroeconomic stability, but also pushing millions of people below the poverty line. Food prices have been rapidly increasing in most of the countries following a convergence in their growth rate in 2003 (Figure 1). In the recent period, food-price inflation in Pakistan, followed by Nepal, is the highest in South Asia. Apart from adversely affecting poverty reduction efforts in the region, rising food prices also slow down the progress being made in achieving the MDGs.

It is estimated that a 10 percentage increase in food prices will increase the number of poor people (millions) living below US\$1.25-a-day by 3.8, 0.01, 22.8, 6.7, 0.6, 3.5, and 0.2 in Bangladesh, Bhutan, rural India, urban India, Nepal, Pakistan, and Sri Lanka, respectively.⁶ The impact of higher food prices is severe because South Asian people, on average, spend more than half of their income on food consumption. Higher prices/price instability without a corresponding increase in income or wages erode

purchasing power, reduce savings and increase vulnerability. It is estimated that an average person in Bangladesh, Nepal, Pakistan and Sri Lanka spends, respectively, 56.05 percent, 57.88 percent, 46.99 percent and 63.55 percent of his/her total expenditure on food.⁷ With total South Asian population projected to reach 1.9 billion in 2025 and 2.3 billion in 2050, food insecurity will intensify if agriculture production does not keep pace with population growth.

Food insecurity and price instability affect hunger and malnutrition. Though the state of hunger in South Asia has improved when compared to the level in 1990, it is still high. According to Global Hunger Index 2010,⁸ the hunger situation in Bangladesh and India has improved from “extremely alarming” to “alarming”, and in Pakistan and Sri Lanka from “alarming” to “serious”. The state of hunger in Nepal, however, has remained the same: “alarming”. Overall, hunger in South Asia is “alarming” and worse than in Sub-Saharan Africa.

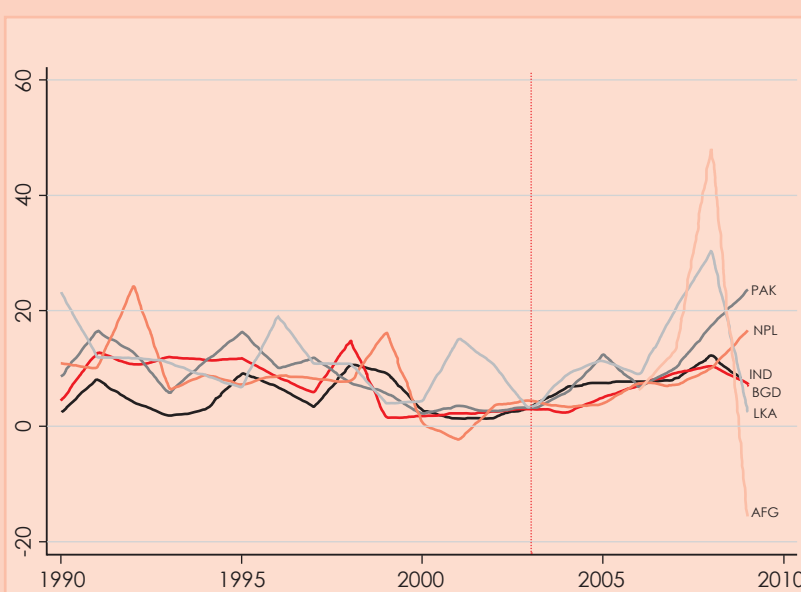
Undernourishment is also a major concern in the region. Almost 26

percent of the population in Bangladesh is undernourished. The figures (percentage of the population that is undernourished) for India, Nepal, Pakistan and Sri Lanka are 22, 16, 23, and 21 respectively. Similarly, a large proportion of children under five years are underweight. It is as high as 43.5 percent in India and as low as 21.1 percent in Sri Lanka. Ensuring reliable, adequate and nutritious food items is essential to address malnutrition in the region. Hunger and undernourishment have long-term economic implications as they reduce people's capacity to work efficiently and fight against diseases by undermining the immune system.

Regional cooperation

Realizing the urgency to address food insecurity through regional cooperation after the food crisis of 2007–2008, South Asian leaders, during the 15th Summit of the South Asian Association of Regional Cooperation (SAARC) held in Colombo, agreed to expedite the operationalization of the SAARC Food Bank, which is expected to serve as a regional food security reserve

Figure 1
Growth rates of food price index in South Asia (%)



Source: ADB. 2010. Key Indicators for Asia and the Pacific 2010. Manila: Asian Development Bank.

for SAARC member countries during normal food shortages and emergencies. The Food Bank's reserve of food grains has been raised from 241,580 metric tons (MT) to 486,000 MT.

But the SAARC Food Bank is yet to become fully functional. If properly designed and implemented, it could help relieve pressure on some countries facing urgent food shortages.

Increased agriculture productivity and production is crucial to having enough stock for trade in the region. Agriculture production has been consistently increasing in all countries but arable land has remained the same.

This means that productivity has risen, and needs to rise further to feed an increasing population. For instance, the Maldives has one of the highest cereal yields but the lowest arable land in South Asia (Table 4). Since its population is expected to increase by over 13 percent between 2011 and 2050 and rising sea level is expected to inundate large swathes of its land, it will find difficult to ensure food security, let alone generate surplus production for trade. In such circumstances, exports from countries such as India and Pakistan that have a relatively high level of production and area of arable land become crucial.

Table 4

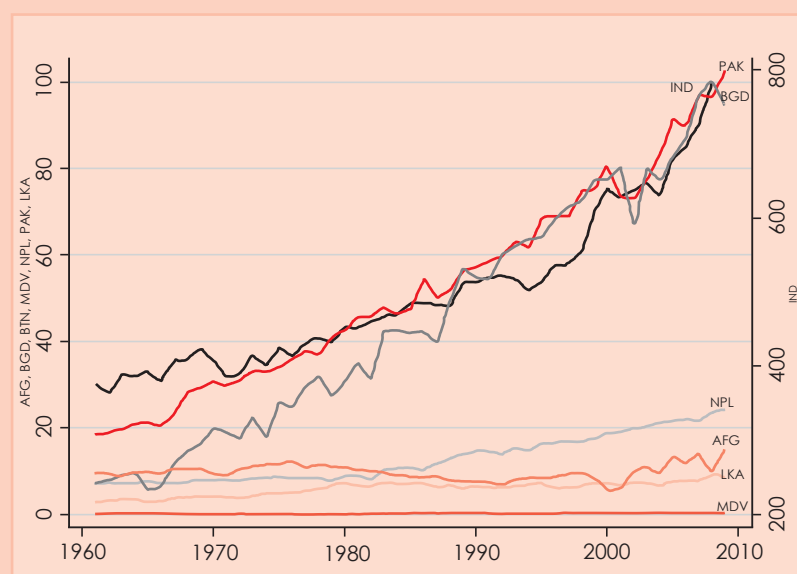
Arable land and cereal yield in South Asia

Country	Arable land (million hectares), 2007	Cereal yield (1,000 kg per hectare), 2008
Afghanistan	8.53	1.34
Bangladesh	7.97	3.97
Bhutan	0.13	1.95
India	158.65	2.65
Maldives	0.004	3.92
Nepal	2.36	2.36
Pakistan	21.50	2.67
Sri Lanka	0.97	3.66

Source: World Development Indicators, World Bank.

Figure 2

Total food production in South Asia (million MT)



* India on right y-axis and others on left y-axis

Source: Author's computation using FAOSTAT database (Total food production = Sum of total production of cereals, citrus fruit, coarse grain, fibre crops primary, fruit excl melons, jute & jute-like fibers, oilcake equivalent, oilcrops primary, pulses, roots and tubers, treenuts, and vegetables & melons).

India produces the lion's share of the total South Asian food production. In 2009, it produced 748.84 million of food, three times higher than the total production by other South Asian countries combined (Figure 2).

That said, since arable land is expected to be the same (or decline in the worst case scenario), it is imperative to increase agriculture yield by adopting new technologies and novel farming techniques, and using improved quality seeds.

India is the world's second biggest producer of wheat, sugar and rice and has a sizable surplus, which is beyond the limit set by the government, in domestic stock. Currently, the Indian government is ready to export surplus food grains, especially when grain prices are record high, but is waiting to assess the total domestic demand that will be mandated by the upcoming Food Bill.⁹ After the food crisis of 2007–2008, India had restricted exports of major food items. It is yet to relax those restrictions.

While it is politically justified to

restrict exports when there is domestic production deficit, following the same policy even when there is surplus is not a smart move and represents a wasted opportunity for alleviating regional food insecurity. It is estimated that restrictions on rice exports explained almost 40 percent of the increase in global rice price in 2007–2008.¹⁰

The Food and Agriculture Organization of the United Nations argues that agriculture trade liberalization acts as a catalyst for change and promotes conditions in which the food-insecure are able to raise their income, live healthier and be more productive. But not all will gain from liberalization. Those that are hurt and are increasingly vulnerable have to be taken care of by implementing appropriate safety net programmes such as food-for-work, school feeding and in-cash or in-kind transfers. For instance, Bangladesh extended its work-for-food programme in response to damages caused by natural disasters and rise in food prices.¹¹

Trade barriers and food crisis

Food security is a multidimensional issue and agriculture trade is one tool to address food shortages. Though intra-regional trade in agriculture goods is higher, in relative terms, than total intra-regional merchandise trade in South Asia, a host of barriers constrain such trade.

Some countries have not relaxed exports restrictions despite having a surplus of food grains. Furthermore, most countries are imposing high tariff, para-tariff and non-tariff barriers in agriculture trade.¹² Most countries protect most agriculture goods under the Agreement on South Asian Free Trade Area (SAFTA) by putting them on their sensitive lists. Tariffs on goods on the sensitive lists do not have to be cut as per SAFTA's Tariff Liberalization Programme. The most-favoured-nation (MFN) applied tariff on agriculture goods in South Asia is higher than in some other regions. It was 29 percent during 2006–2009, compared to just 9.93 percent in ASEAN. High trade barriers—both export restrictions and import barriers—are complicating efforts to mitigate food insecurity in the region.

Theoretically, agriculture trade liberalization leads to, *inter alia*, a reduction in the price of agriculture imports in the importing country and helps increase agriculture output by providing attractive price signals to farmers in the exporting country. However, as noted above, not all will be winners from liberalization. The losers will have to be taken care of by implementing appropriate social safety net programmes.

During the recent food crisis, Afghanistan increased food supply by using buffer food stock grains, targeted food aid to the most vulnerable population, and gave subsidies on agriculture inputs. Pakistan relaxed import tariff on sugar, released grains from its buffer stocks, and provided subsidies on food stuff sold through state-owned food depots. Bangladesh and India also followed similar policies, but imposed restrictions on rice and sugar exports. Nepal released

food stocks from government depots and subsidized food items at fair price shops. Sri Lanka reduced import tariff and implemented non-targeted subsidies.

Increasing production and productivity is key to addressing the availability of adequate food. Without surplus production and trade complementarity, it is hard to increase agriculture trade aimed at addressing food insecurity. Countries like India that have surplus food stocks should take the initiative to relax export restrictions at least in the region. Meanwhile, all countries should prioritize agriculture and focus on increasing production and productivity. Inadequate investment in agriculture, irrigation, rural infrastructure, technology, better storage and packaging facilities at the farm level, and marketing process, poor trade facilitation, and restrictions on access to ports and/or inter-country roads usage, among others, are the major hurdles that need to be addressed to increase agriculture trade and to ensure food security.¹³ This should be supplemented by reducing, to the most reasonable extent, all forms of trade restrictions that hamper the free flow of agriculture goods in the region.

Creating a policy environment where farmers are incentivized to be more productive and engaged in agriculture activities is also crucial for food security. For this, policies should be designed in such a way that farmers are encouraged to cooperate so that there are economies of scale even when there is fragmented small-scale land holdings. Furthermore, food-price stability is also an important aspect that needs to be adequately addressed to ensure food security in the region. Agriculture sector firms should be given enough incentives to produce goods that are vital to maintaining food security. Importantly, these policies have to consider the impact of climate change on agriculture production and trade as well. All of these will require greater regional coordination to reduce food security and trade policy inconsistencies. ■

Notes

- ¹ About 44 million people fell below the poverty line of US\$1.25 a day due to high food prices between June and December 2010, according to Ivanic, M., W. Martin, and H. Zaman. 2011. "Estimating the short-run poverty impacts of the 2010–2011 surge in food prices." World Bank Policy Research Working Paper 5633, Washington, D.C.
- ² Figures computed from United States Census's international population projection available at <http://www.census.gov/ipc/www/idb/region.php>
- ³ Karapinar, Baris. 2010. Introduction: Food crisis and the WTO. In Karapinar, Baris and Christian Haberli (eds.). *Food Crisis and the WTO*. Cambridge: Cambridge University Press. pp. 1–22
- ⁴ Author's computation using UN Comtrade database (HS 2002 classification). Agriculture products include Chapters 1–23. All data unless otherwise cited are direct data computed using UNCOMTRADE (HS 2002 classification).
- ⁵ UN Comtrade database (HS 2002 classification). Animal & animal products (Chapters 1–4); vegetable products (Chapters 6–15); and food stuff (Chapters 16–23).
- ⁶ Asian Development Bank. 2011. "Global food price inflation and developing Asia." Available at www.adb.org/documents/reports/global-food-price-inflation/food-price-inflation.pdf#page=30
- ⁷ Estimates by Economic Research Service, using the 1996 ICP data, by United States Department of Agriculture (USDA).
- ⁸ International Food Policy Research Institute. 2010. "Global Hunger Index 2010." www.ifpri.org/publication/2010-global-hunger-index-background-facts-and-key-findings
- ⁹ Mukherjee, Kritiivas. 2011. "Food rights bill holds key to India farm exports plan." <http://in.reuters.com/article/2011/05/14/idINIndia-56866620110514>
- ¹⁰ Martin, Will and Kym Anderson. 2010. "Trade distortions and food price surges." Paper presented at the World Bank-UC Berkeley Conference on Agriculture and Development- Revisited, Berkeley, 1–2 October 2010.
- ¹¹ Coady, David, Margaret E. Grosh and John Hoddinott. 2003. *Targeting of transfers in developing countries: Review of Lessons and Experience*. Washington, D.C.: The World Bank.
- ¹² See Samarasinghe, Parakrama and Manoj Thibbotuwawa. 2006. "Mapping and analysis of South Asian agricultural trade liberalization effort." ARTNeT Working Paper Series No. 26.
- ¹³ "Agricultural Trade and Poverty: Can trade work for the poor?" FAO Agriculture Series No. 36, 2005.

WTO Negotiations on Environmental Goods

South Asia's Interests

Fahmida Khatun



www.thegreenenergyinfo.com

South Asian countries (SACs) face multiple challenges in the areas of environment, ranging from air and water pollution to soil degradation and desertification to depreciation of forest and fish resources, loss of biodiversity and destruction of ecosystems, urbanization and congestion. They are also vulnerable to the risk of climate change which is feared to lead to glacial lake outbursts, sea level rise, droughts and floods, with severe impacts on the lives and livelihoods of a large number of people in the region.

Unless addressed with due impor-

tance, such environmental problems will pose threats to the achievement of the related targets set in the United Nations Millennium Development Goals. SACs can tackle many of their crucial environmental problems through increased access to environmental goods (EGs), which will also contribute to their economic growth and to improving their social indicators such as health. Access to EGs will give the countries an opportunity to access technology and know-how. This can also induce energy- and resource-efficiency in the economy.

Discussions on EGs at the WTO

The definition and coverage of EGs has been a contentious issue in negotiations at the World Trade Organization (WTO). Key issues that complicate defining EGs include, first, whether “environmental goods” should include products with multiple end-uses; second, the mechanisms of capturing goods by the harmonized system (HS); and third, how goods and services that correspond to local concerns can be identified as EGs in the global trade context.¹

Definitions by the Organisation for

Economic Co-operation and Development (OECD) and the Asia Pacific Economic Cooperation (APEC) were starting points in the discussion of EGs in the context of the Doha Round.² The OECD and the APEC developed two separate lists of environmental products: the former in the context of analytical work on the role of environmental goods and services (EGS) in environmental policy and industrial competitiveness, and the latter resulting from negotiations on trade liberalization among APEC countries.

WTO Members also proposed their own products in the context of the EG negotiations based on their perceived interests and comparative advantage. In 2007, the “Friends of EGs” submitted, as EGs, a list of 153 items under 12 broad categories.

Developed countries are advocating a “list-based” approach for identifying specific EGs whereas many developing countries are supporting alternative approaches, particularly the liberalization of EGs associated with a specific environmental project. Under the list-based approach, countries would identify specific EGs and then negotiate the elimination or reduction of bound tariffs and non-tariff barriers (NTBs) permanently on those goods on a most-favoured-nation basis. Suggestions have been made for

Most developing countries would be interested in getting EPPs covered by the definition of or approaches to EGs that will be finally adopted in the EG negotiations at the WTO.

a “development list” to be developed by developing and least-developed countries to identify EGs subject to lower tariff reductions based on the principle of less than full reciprocity. However, the list-based approach has been criticized on the ground that it may lead to the liberalization of goods that have both environmental and non-environmental end uses.

On the other hand, the project-based approach, spearheaded by India, would allow imports of goods and services at concessional terms for environmental projects approved by a designated national authority based on a set of criteria developed by the WTO Committee on Trade and Environment. This approach is said to recognize the diversity in environmental standards and articulate the concept of

common but differentiated responsibilities, integrating environmental and development concerns in the approach to the negotiations. The project-based approach has been criticized by developed countries, however, for failing to provide predictable, binding and permanent trade concessions, questioning its consistency with WTO rules.

A third alternative is an integrated approach requiring the Committee on Trade and Environment in Special Session (CTESS) to multilaterally pre-identify categories of environmental projects and EGs used under such projects which would benefit from tariff and NTB concessions. Yet another approach suggested is a “request/offer” approach whereby each country will identify products which, in its view, contribute to the environment and seek tariff concessions on those products, at the same time indicating the products in which it is prepared to undertake liberalization commitments as requested by other Members.

A number of suggestions have been made in the CTES for the purpose of identifying EGs. These include focusing on the product’s “end use” or “direct use” but concerns have been raised about the dual- or multiple-use of these products. On the other hand, it has been stressed that distinctions based on processes and production methods should not be used as the basis for the identification of EGs. Other considerations relate to the concept of environmentally preferred products (EPP), which, according to the United Nations Conference on Trade and Development (UNCTAD), are those goods the production and sale of which contribute significantly to the preservation of the environment.

Most developing countries’ export interests lie in EPPs. Thus, they would be interested in getting these products covered by the definition or approaches that will be finally adopted in the EG negotiations at the WTO. Such products include, for instance, natural fibres and colorants, non-timber forest products and renewable energy products, including ethanol and bio-diesel, etc.

Table 1
South Asia’s export and import of environmental goods (US\$ million)

Country	Export		Import	
	2001	2007	2001	2007
Afghanistan	0.00	1.71	4.76	156.15
Bangladesh	137.29	351.10	297.31	488.00
Bhutan	0.27	0.27	1.53	9.28
India	940.39	5,022.09	1,807.96	10,360.44
Maldives	0.10	0.00	24.06	68.76
Nepal	0.00	29.95	0.01	50.17
Pakistan*	40.13	88.65	523.69	1696.17
Sri Lanka	13.57	48.02	172.25	351.60
South Asia	1,131.74	5,541.78	2,831.57	13,180.57
World	323,041.99	783,206.37	333,793.60	753,796.24
% share of South Asia in world	0.35	0.71	0.85	1.75

*For Pakistan, data for 2003 is used instead of 2001.

Source: Author’s estimates based on UN Comtrade and Trade Map data.

Table 2
South Asia's EG trade according to broad product category, 2007 (US\$ million)

Product category	Export		Import	
	South Asia	World	South Asia	World
Air pollution control	546.72	75,596.15	1,889.88	74,586.29
Management of solid and hazardous waste and recycling systems	628.44	130,729.82	2,157.42	120,349.17
Clean up for remediation of soil and water	65.30	5,904.99	111.29	5,469.29
Renewable energy plant	1591.11	202,314.18	3,319.86	190,689.40
Heat and energy management	73.19	13,399.67	202.17	12,493.87
Waste water management and portable water treatment	1415.59	198,215.95	2,879.80	193,121.96
Environmentally preferable products, based on end use or disposal characteristics	385.83	547.50	110.38	436.53
Cleaner or more resource efficient technologies and products	11.99	8251.71	71.44	9,741.66
Natural risk management	37.62	7,320.41	176.77	6,172.38
Natural resources protection	29.46	861.25	10.47	654.34
Noise and vibration abatement	570.32	56,677.40	538.57	57,615.68
Environmental monitoring, analysis and assessment equipment	204.93	87,046.71	1,783.35	86,023.91

Source: Author's estimates based on UN Comtrade and Trade Map data.

South Asian countries' EG trade

Among SACs, in 2007, India's share in both exports and imports of EGs—as defined in the WTO "153 list" at HS 6-digit code—was the highest, at 91 percent and 79 percent respectively. Bangladesh, with 6 percent share in imports, stood second. In the case of exports, Pakistan's share was 12 percent, making it the second-largest exporter (Table 1). Overall, with 0.71 percent share in exports and 1.75 percent share in imports, South Asia's share in global EG trade is extremely limited compared to its share in global merchandise trade. Table 2 compares South Asia's EG trade with that of the world.

The top 10 EG exports, at 6-digit HS code, which comprise 46.06 percent of SACs' total EG exports are:

- Parts for diesel and semi-diesel engines
- Taps, cocks, valves and similar appliances
- Static converters
- Wind-powered generating equipment
- Photosensitive semiconductor

device, photovoltaic cells and light emit diodes

- Jute and other textile fibres, raw or retted
- Articles, iron or steel
- Towers and lattice masts, iron or steel
- Parts of machines and mechanical appliances having individual functions
- Sacks and bags (for packaging goods) of jute or of other textile fibers

In the case of imports, at 6-digit HS code, the top 10 EG imports comprising 34.35 percent of SACs' total EG imports include:

- Machines and mechanical appliances having individual functions
- Air or gas compressors, hoods
- Static converters
- Taps, cocks, valves and similar appliances
- Parts of electric motors, generators, generating sets and rotary converters
- Articles, iron or steel
- Measuring or checking instruments, appliances and machines

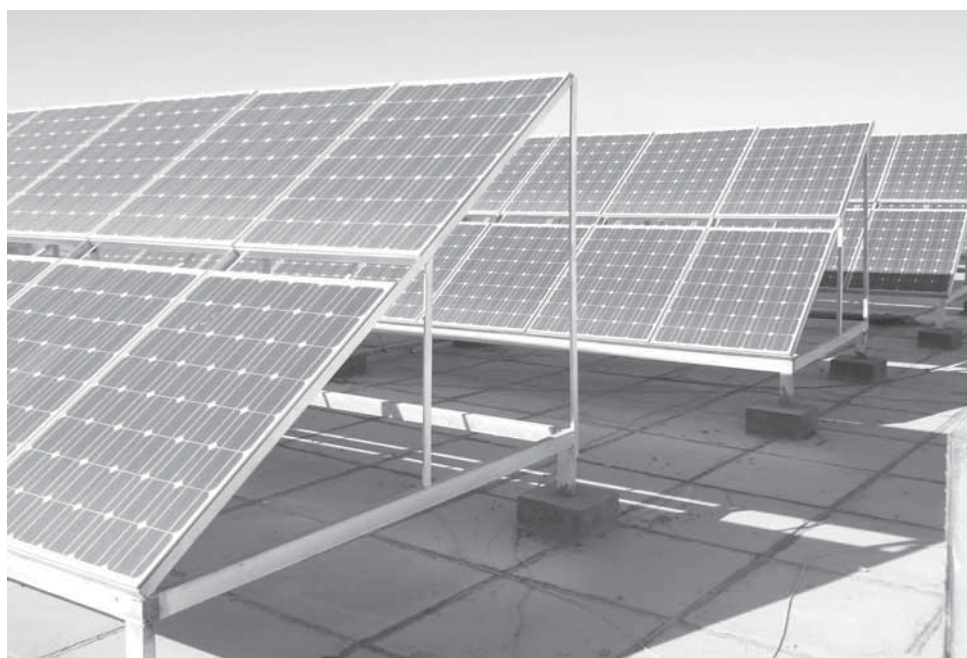
- Parts for diesel and semi-diesel engines
- Parts of machines and mechanical appliances having individual functions
- Gears and gearing, ball screws, gear boxes, speed changers/torque converters

Issues to consider and strategies for negotiations

List vs project approach

The list approach does not emphasize the need for technology transfer adequately. The project approach, on the other hand, stands to offer better opportunities to SACs in terms of market access since this approach is supposed to enable technology transfer. Since many firms in SACs are small and medium enterprises which lack financial and technological capability to comply with standard-related requirements set by the importers of developed countries, the project approach will help them improve their compliance requirements on technical and sanitary standards.

Use of processes and production methods to determine EPPs may turn into environmental protectionism at times.



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Inclusion of products of export interest to South Asia
SACs have an interest in EPPs which are agricultural and natural resource-based. In determining EPPs, processes and production methods (PPMs) are used in order to examine how products are grown, extracted, manufactured and provided in a sustainable manner in all or some stages of their life cycle. But the use of PPM to determine the environmental benefits of agriculture and natural resource-based products such as forestry and fisheries involves labelling and certification schemes which may turn into environmental protectionism at times.

Special and differential treatment to LDCs

It is likely that many of the EGs will fall under various preferential programmes offered to least-developed countries (LDCs) by developed countries. Therefore, if these products are listed as EGs, tariffs for these items will be reduced at a faster pace, which will erode LDCs' preferences in those markets and reduce their competitiveness. South Asian LDCs should demand special and differential treatment for improved market access

for their products which have less negative environmental impact and which are derived in an environment-friendly way.

Elimination of NTBs

Standards, certifications, and environmental regulations limit trade to a great extent. Products from developing countries and LDCs face difficulties in entering foreign markets due to a lack of appropriate standards for their products, which may be quite stringent. The lack of uniformity of environmental requirements and technical regulations in different national markets is known to affect the type of EGs that are used to meet environmental requirements, and thus act as NTBs. Identification, harmonization and elimination of NTBs for products identified as EGs are essential in order to facilitate trade in such goods.

Review of IPR regime and technology transfer

In order to solve the problems of patented climate-friendly technologies, flexibility in the Agreement on Trade-related Aspects of Intellectual Rights (TRIPS) of the WTO has been demanded by several countries, mostly

developing and least-developed ones. Article 66.2 of TRIPS, which mandates Members to take measures to encourage technology transfer, should be implemented for climate technologies. SACs should also be watchful of any attempts of dumping old technologies by developed countries in the name of technology transfer.

Technical and financial assistance

In order to take full advantage of EGS liberalization, technical and financial assistance is essential. Such assistance is needed not only for buying clean technologies but also for addressing any probable negative impact of such liberalization on South Asia. ■

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Notes

- ¹ Jha, Veena. 2008. "Environmental priorities and trade policy for environmental goods: A reality check." ICTSD Programme on Trade and Environment. Issue Paper No.7. September 2008.
- ² Organisation for Economic Co-operation and Development (OECD). 2003. COM/ENV/TD (2003) 10/FINAL, "Environmental Goods: A comparison of the APEC and OECD lists."

Let-down at UNLDC IV

Paras Kharel

The Fourth United Nations Conference on the Least Developed Countries (UNLDC IV), held in Istanbul from 9–13 May, approved a 10-year Istanbul Programme of Action (IPoA) that is high on rhetoric but devoid of quantified, time-bound targets and, in some cases, even represents a regression over past developed-country commitments.

The main objective of UNLDC IV was to review the implementation of the Brussels Programme of Action (BPOA) that was set for the decade 2001–2010, and obtain fresh commitments from development partners to assist the world's poorest countries, which currently number 48 after three LDCs managed to graduate from the status since the LDC category was first officially created.

The IPoA does not address the implementation gaps with regard to the BoPA. It appears that LDCs have made more commitments than their development partners.

The IPoA emphasizes the building of productive capacities of LDCs. "The stress on productive capacity is favoured by LDCs as a means to modernize and diversify economies, create jobs and engage sustainable means to eventually eradicate poverty," said UN Under-Secretary-General Cheick Sidi Diarra, the High Representative for the LDCs, Landlocked Developing Countries and Small Island Developing States.

While the need to build and



enhance the productive capacities of LDCs is well-recognized, financial resources are a critical impediment to achieving the same. But the IPoA fails to include a credible commitment by developed countries to increase aid to LDCs. Developed countries have committed to realizing the 0.15-0.2 percent of their Gross National Income (GNI) target for official development assistance (ODA) without credible guarantee that the commitment would be realized. Moreover, the target actually is an unfulfilled past promise, and, even if realized, will not represent an additionality in aid. Ahmet Davutoglu, the Turkish Minister of Foreign Affairs, and Chair of the Conference, remarked that "developed countries abstained from additional financial commitments in the Conference".

The host of UNLDC IV, Turkey, announced an annual assistance of US\$200 million to LDCs, starting in 2012 for technical cooperation projects and programmes as well as scholarships. In addition to the "International Science, Technology and Innovation Centre", Minister Davutoglu said Turkey was prepared to host an "Internation-

tional Agriculture Centre" dedicated to LDCs. He also declared that Turkey will allocate US\$5 million for the monitoring of the implementation of the IPoA and that it was ready to host a Mid-Term Review Conference of the IPoA in 2015.

The priority areas for action identified in the IPoA are: productive capacity; agriculture, food security and rural development; trade; commodities; human and social development; multiple crises and other emerging challenges (including climate change and environmental sustainability); mobilizing financial resources for development and capacity-building; and good governance at all levels. The sections below discuss the outcomes on trade and climate change issues.

Trade

LDCs' major, long-standing demand—complete duty-free and quota-free market access—was not met. An extremely weak formulation provides for the realization of "timely implementation of duty-free quota-free market access, on a lasting basis, for all least developed countries consistent with the Hong Kong Ministerial Declaration adopted by the World Trade Organization in 2005". This is a let-down in two respects: there is no deadline for implementation, and there is no commitment to go beyond the 97 percent coverage of the Hong Kong Declaration.

Development partners have com-

mitted to support LDCs' efforts in promoting sub-regional and regional co-operation, including export promotion and improving regional connectivity through trade-facilitating measures, such as joint projects on customs and border procedures, and insofar as possible transport infrastructure and linkages, telecommunications facilities and energy.

They have also committed to support LDCs' efforts to strengthen their human, institutional and regulatory capacities in trade policy and trade negotiations in areas such as market entry and access, tariffs, customs, competition, investment and technology, and regional integration; and provide technical and financial support to national and regional projects that are aimed at increasing the productivity, competitiveness and diversification of LDC economies, including through strengthening the capacity of their trade in goods and services and of LDCs' firms to integrate into international value chains.

Support is also committed in the form of financial and technical assistance aimed at the diversification of LDC economies, while providing financial and technical assistance through appropriate delivery mechanisms to meet their implementation obligations, including fulfilling Sanitary and Phytosanitary Agreement and Agreement on Technical Barriers to Trade requirements, and to assist them in managing their adjustment processes, including those necessary to face the results of most-favoured-nation multilateral trade liberalization.

Developed countries have committed to provide, in accordance with article 66.2 of the TRIPS Agreement, incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to LDCs in order to enable them to create a sound and viable technological base. The absence of a commitment to provide new and additional funding renders most of these commitments rhetorical, despite a pledge to enhance the share of assistance to LDCs for Aid for Trade.

Stringent rules of origin have diluted preferential market access opportunities for LDCs. The IPoA features a commitment to ensure that preferential rules of origin applicable to imports from LDCs are simple, transparent and predictable and contribute to facilitating market access. A similar commitment was made in the BPoA as well as in the Hong Kong Ministerial of the World Trade Organization (WTO) in 2005, but the problem persists.

Climate change

On climate change, LDCs are required to make onerous commitments, some going beyond their obligations under the United Nations Framework Convention on Climate Change (UNFCCC), while there is no new pledge by developed countries on financing or technology transfer. LDCs are required to mainstream and implement national adaptation programmes of action (NAPAs), medium and long-term national adaptation plans and nationally appropriate mitigation actions (NAMAs), and integrate these into national development plans.

Development partners commit to "provide adequate financial and technical assistance and support, as appropriate, to least developed countries to access appropriate, affordable and sustainable technologies needed for the implementation of NAPAs and NAMAs and the transfer of such technologies on mutually agreed terms." While IPoA speaks of replenishment and expediting of the disbursement of

funds for adaptation to LDCs under UNFCCC, including the Least Developed Countries Fund, the Adaptation Fund, and other funds disbursed through other global and bilateral programmes, no additional resources are pledged. This raises the spectre of diversion of funds for climate change-related assistance from other sectors.

The development partners also pledge to provide financial and technical assistance and facilitate technology transfer to LDCs to develop and implement national strategies for sustainable use, preservation and protection of the national environmental resources and the sustainable management of marine biodiversity and ecosystems in line with their broader sustainable development strategies.

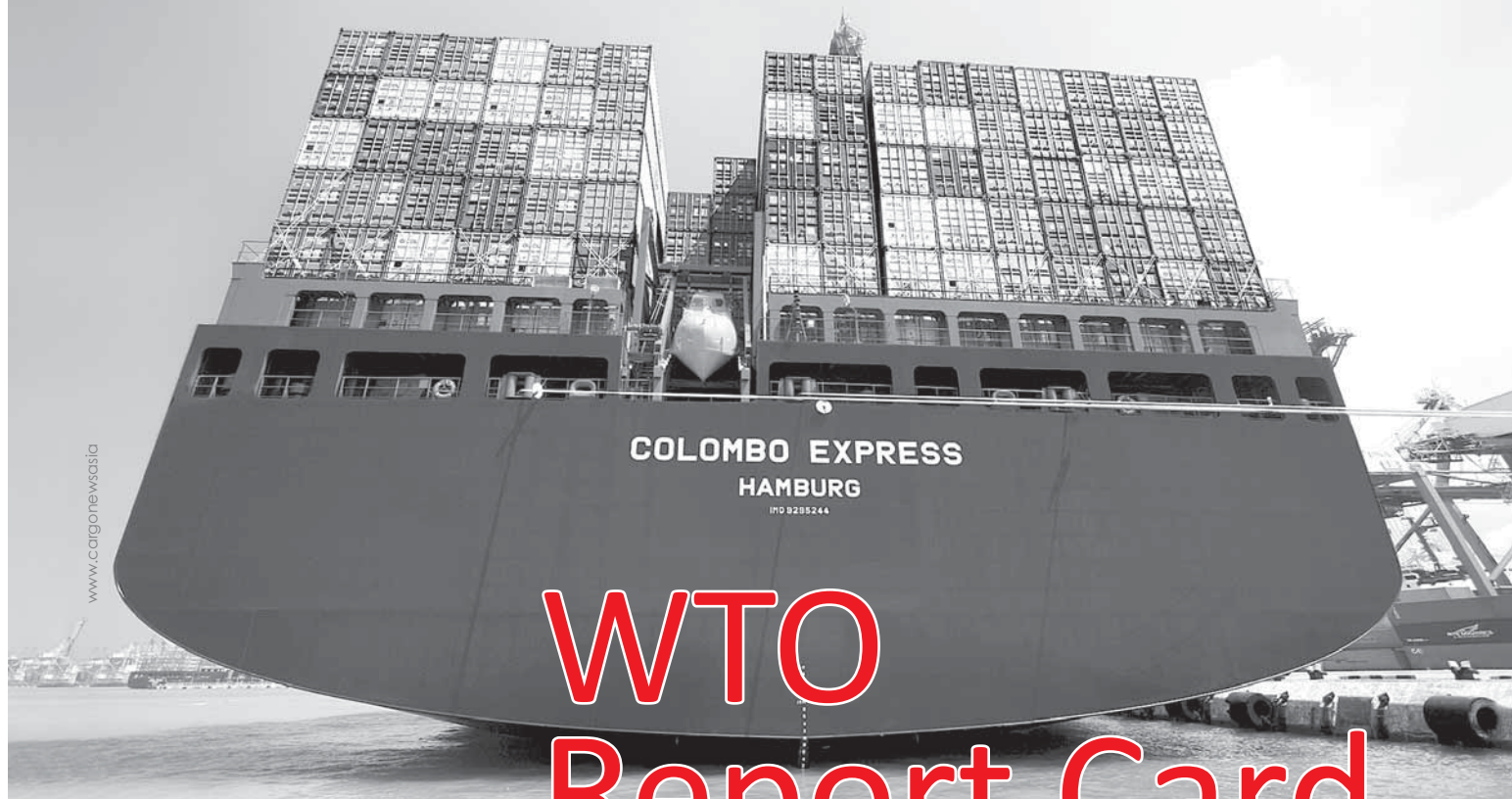
They also pledge to accelerate the legal and institutional arrangements for the establishment and full operationalization of the Green Climate Fund, as part of the implementation package included in the decisions adopted during the 16th Conference of the Parties to UNFCCC in Cancun, Mexico, in 2010. Other pledges include: implementing measures to promote and facilitate clean development mechanism projects in LDCs to enable them to harness benefits of mitigation of climate change for sustainable development; helping LDCs address the challenges of livelihood and food insecurity and health of the people affected by the adverse impact of climate change and respond to the needs of the people displaced as a result of extreme weather events, where appropriate, at national, regional and international levels; and supporting capacity enhancement of meteorological and hydrological services of LDCs.

But civil society organizations said that such pledges have been "undermined by the developed countries systematically having removed any targets, timetables and delivery mechanisms that may have been used to hold them to account".¹ ■

Note

¹ <http://ictsd.org/i/news/bridgesweekly/106915/>

The absence of a commitment to provide new and additional funding to the LDCs renders most of the commitments made by developed countries in Istanbul rhetorical.



WTO Report Card on Sri Lanka's Trade Policy

Saman Kelegama

Before the World Trade Organization (WTO) was formed, a Trade Policy Review Mechanism (TPRM) of member countries of the General Agreement on Tariffs and Trade (GATT) was introduced on a trial basis in 1989. It became a permanent feature once the WTO was established in 1995. Under the TPRM, trade policies are reviewed periodically, although the time may vary according to WTO schedules. The first review for Sri Lanka was completed in 1995 and the second in 2004. The third review Report was published in December 2010.

The 2010 Report first praises Sri Lanka for performing reasonably well despite major internal and external shocks after 2003. Examining the document, "Sri Lanka's Ten Year Horizon Development Framework 2006–2016" (TYHDF), the evaluation expresses satisfaction with the mainstreaming of trade policies into the overall economic development

strategy of Sri Lanka. That trade policy should dictate the development path of a country as advocated by ardent neo-liberal economists does not carry favour in the WTO review; this is indeed a positive feature.

The Report then acknowledges that Sri Lanka's trade policy continues to be aimed at achieving greater integration into the global economy via the WTO, regional trading agreements and bilateral trading agreements through an incentive regime geared to encouraging exports and investments, and a number of development programmes to improve the country's infrastructure.

The Report notes that Sri Lanka has been an active participant in the WTO Doha Development Agenda (DDA) and has contributed to proposals/debates on technical barriers to trade; geographical indications; labelling of textiles and clothing, footwear and travel goods; preference erosion;

and trade facilitation, among others. Since the last WTO review in 2004, Sri Lanka has not been involved in any disputes under the WTO rules.

Framework and objectives

After highlighting the positive developments in the trade policy regime, the Report expresses concerns in a number of areas. Exports have grown over the years but the performance is less impressive vis-à-vis competitors. For instance, in 1990, exports from both Vietnam and Sri Lanka amounted close to US\$2 billion, but by 2008, Vietnam's exports amounted to US\$61 billion while Sri Lanka's exports amounted to approximately US\$8 billion. Moreover, Sri Lankan exports were less diversified, product- and market-wise.

The Report, while identifying these features of the Sri Lankan export sector, closely observes that the non-United States and non-European markets,

in particular in Asia, are increasingly becoming important destinations for Sri Lankan exports (while these markets have been large sources of imports to Sri Lanka for many years). The Report cogently argues for consolidating Sri Lanka's links with Asian markets, in particular the growing markets of India and China.

The Report states that the trade reforms since the last review show a mixed picture with new border charges, which, on average, have increased trade protection. For instance, the average most-favoured-nation (MFN) tariff was 11.5 percent in 2010 compared to 9.8 percent in 2003.

The Report then goes on to say that trade policy has been guided to a large extent by revenue consideration. These points are debatable because the post-2004 economic policies are based on a mixed economy model where import substitution and small- and medium-industry promotion have received equal priority as export promotion. Thus, the rise in MFN tariffs is as per the TYHDF, although it may not be consistent with the spirit of the WTO. Moreover, it is not only revenue considerations but a concerted effort for additional protection that has driven tariffs upwards. The most widely used tariff rate of 25 percent was increased to 28 percent in August 2007 and again to 30 percent in June 2010 after the abolition of some nuisance taxes that were imposed on the border.

Binding tariff levels under the WTO gives more predictability to the trade regime. In Sri Lanka, only 36.4 percent of tariff lines are bound at rates ranging from 0 percent to 75 percent. In general, applied rates are lower than bound rates with an average bound tariff of 32.7 percent. The Report notes that applied rates in 103 Harmonized System (HS) tariff lines exceeded the bound rates. This is an area that needs policy attention.

On the positive side, the following are noted. The number of tariff bands has fallen from 11 in 2003 to 9 in 2009 and to 5 in late 2010. At present, the highest bands, 100 percent and

250 percent, are applied to a handful of products (mostly cigarettes and tobacco) and this is followed by the 30 percent band (mostly agriculture and food products, consumer goods, chemicals, and other intermediate goods manufactured locally), the 15 percent band (intermediate products), the 5 percent band (semi-processed raw materials), and the 0 percent band. Some 44.4 percent of tariff lines are in the 0 percent band, 23.1 percent in the 15 percent band and 21.3 percent in the 30 percent band. Zero-duty items have increased due to the elimination of the 2.5 percent tariff rate, which was replaced with zero duty.

The Report also refers to various add-on taxes at the border—Commodity Export Subsidy Scheme (CESS), Social Responsibility Levy (SRL), Ports and Airport Development Levy (PAL), Nation Building Tax (NBT), etc.—which have been highlighted in the past. For instance, in 2007, the overall customs revenue increased to close to 8 percent of gross domestic product (GDP) compared to import tariff revenue amounting to 2 percent of GDP due to these add-on taxes.¹

Some of the add-on taxes, such as the SRL, were removed in the November 2010 budget but more needs to be done to have a transparent and predictable border trade regime, and the Report goes on to say that frequent

resort to *ad hoc* import tax imposition and removal adds discretion and creates confusion among importers. Despite the complex import tax regime, the Report commends efforts made by the authorities to make available all import charges online.

Trade policies and practices by measures

Sri Lanka has benefitted somewhat from donor partners' contributions to the Aid for Trade (Aft) initiative to implement trade-related measures. Most Aft has been focused on trade facilitation, improving competitiveness and investment climate, and amounted to US\$1.77 billion between 2004 and 2008.

Sri Lanka has now implemented the WTO Customs Valuation Agreement (CVA); however, the Report expresses concern over domestic legislation permitting use of minimum values, for example, on reconditioned motor vehicles, which is a departure from CVA rules.

Non-automatic import licensing is required for 500 tariff lines although Sri Lanka's use of non-tariff barriers is relatively limited. All 103 trade-related technical regulations of Sri Lanka have been notified, including 18 sanitary and phytosanitary measures, to the WTO.

The Report notes that the Anti-



It is not only revenue considerations but a concerted effort for additional protection that has driven tariffs upwards in Sri Lanka, with average most-favoured-nation tariff increasing from 9.8 percent to 11.5 percent during 2003–2010.

Dumping Bill that was debated in Parliament in 2005 is yet to be ratified. Whether to implement the Anti-Dumping legislation or not could be debated but it was opposed in Parliament strangely by a political party representing the interest of the national economy, arguing on the misguided belief that anti-dumping legislation is pro-WTO and against the national interest! Ever since this opposition, the Bill has been kept in cold storage.

The Report shows that export taxes, almost abolished in 1992, now apply only to some mining/mineral items exported in raw form while an export CESS applies to a number of products for the purpose of research and development of those sectors. Since these CESS funds go to the Consolidated Fund, it is difficult to say how much of these funds actually go for the development of those sectors.

With regard to the Consumer Affairs Authority (CAA), the Report highlights a major anomaly that has been highlighted in previous writings on the subject, i.e., the CAA Act does not empower it to conduct investigations on the existence of monopolies or to examine mergers and acquisitions that have already taken place. Utilities that fall under the Public Utilities Commission and listed companies under the Securities and Exchange

Commission will only be subject to investigation for mergers and acquisition, but all other companies outside this domain will not be investigated. It is high time that legislation in this area is enacted for promoting a more competitive and consumer-friendly environment.

The Report makes a number of references to the trade-investment nexus in Sri Lanka (investment follows trade and more trade follows investment). With regard to the Board of Investment (BOI), the Report argues the case for streamlining all BOI incentives under the Inland Revenue Department—a recommendation which has resonance with the Presidential Taxation Commission and various reports of the International Monetary Fund (IMF). The Report emphasizes that since the war is over and the economy is showing high growth rates, the case for extra incentives for foreign direct investment (FDI) is not appropriate.

In order to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Sri Lanka enacted a new intellectual property rights (IPRs) legislation in 2003. This Act covers copyright and related rights, industrial designs, patents, marks and trade names, layout designs of integrated circuits, geographical indications, etc. The terms of copyright protection has been extended to life plus 70 years (from 50 years earlier). Despite this legislation, the Report says that counterfeiting and piracy are a problem due to weak enforcement. The Report recommends training officers, building public awareness, and stricter enforcement as the way forward.

Important concerns face Sri Lanka in formulating IPR policies in agriculture. The major issues include: the implications of IPRs for the price of seeds; the rise of bio-piracy; farmers' access to seeds; and the impact of IPR on biodiversity. Various countries in the South Asian region are currently attempting to evolve a twin strategy of granting both plant breeders' rights (a form of IPR for plant varieties) and farmers' rights (rights of farmers to

engage in and benefit from their agriculture practices). The Report does not make any reference to the Protection of New Plant Varieties (Breeders' Rights) Bill of 2001. This Bill has been discussed in a number of seminars but there does not seem to be any urgency with regard to debating the Bill and its speedy enactment. India has already enacted legislation in this area.

The Report makes strong reservations on procurement procedures. It notes that the government procurement, despite the abolition of the National Procurement Agency in 2008, continues to be used to promote domestic suppliers and products, which is contrary to WTO rules. Moreover, notification is yet to be done to the WTO with respect to State-Trading Enterprises under Article XVII of GATT 1994. In regard to the former, Sri Lanka has not violated any WTO rules as Sri Lanka is not a member of the WTO Plurilateral Agreement on Government Procurement, and is not planning to do so in the future. In order to strengthen domestic entrepreneurship, the government grants price preferences for locally manufactured goods to promote value additions to local raw materials and domestic bidders. The latter point is, of course, valid.

Trade policies by sector

The final section of the Report highlights the following with regard to agriculture, industry and services sectors. It shows that a consistent trade policy is absent for the agriculture sector. Tariff changes to encourage domestic agriculture production and at the same time to give a reasonable price to the consumer have been a difficult exercise, thus giving an *ad hoc* structure to agriculture tariffs.

While more protection to the farmer has been the preferred government policy, when supply responses are inadequate due to internal shocks and infrastructure inadequacies, the government has resorted to tariff reduction to keep food prices low. The Report recommends a more consistent trade policy for developing agriculture infrastructure and institutions such

as marketing chains, storage facilities, transportation, etc.

Rationalizing domestic support (e.g., fertilizer subsidy), improving agriculture infrastructure, implementing reforms in the land market, and implementing a more consistent trade policy will increase agriculture productivity, says the Report. However, Sri Lanka made a mistake in the mid-1990s by binding agriculture tariffs at a relatively low 50 percent (compared to other South Asian countries) which triggered many *ad hoc* tariff changes and lowered the productivity of the agriculture sector.

With regard to the manufacturing sector, the Report highlights that tariffs for manufactured products range from 0 percent to 30 percent. Processed goods receive higher protection than semi-processed goods, and raw materials are duty free. Average MFN tariff for manufactured products increased from 8 percent in 2003 to 9.2 percent in mid-2010 due to an increase of rates applied on all main industrial categories. The tariff structure basically reflected the government strategy of promoting value added in manufacturing and the domestic industry's high dependence on imports of raw materials and intermediate goods, although adjustments of tariffs in June 2010 adversely affected some import substitution industries. Only 26 percent of manufacturing tariff lines are bound at an average rate of 21.3 percent. Applied rates on 143 HS tariff headings exceeded the bound rates, and this matter needs to be addressed.

Incentives are the preferred policy instrument to promote manufacturing when exchange rate policy is restricted by debt management, cost escalation and other issues. However, the fiscal space for granting incentives is limited and the BOI incentives, as stated earlier, need streamlining. In this context, maintaining flexibility and stability of the exchange rate becomes a vital policy issue for the growth and sustenance of manufacturing.

With regard to services, the Report notes that it is the largest sector in Sri Lanka's GDP, but its exposure to

international trading has so far been limited. Sri Lanka has made commitments in three services sub-sectors, viz., tourism, telecommunication, and financial services. In its schedule of commitments in these sectors, horizontal limitations and conditions relating to commercial presence are described. Commercial presence with foreign equity in excess of about 40 percent is subject to case-by-case approval under the discretion of the BOI.

Sri Lanka considers services liberalization as an important tool to attract FDI. The Report notes that Sri Lanka's actual market access conditions are more liberal than those stipulated in its schedule of specific commitments under the WTO's General Agreement on Trade in Services. It also notes that under the DDA, Sri Lanka has considered the possibility of making further commitments in sectors such as tertiary education, retail trade, and professional services where the initial offer has already been submitted.

There is a detailed description of these three sectors with special reference to the regulatory structures governing them. In tourism and financial services, the regulatory structures have made rapid progress to withstand further liberalization of the sector. But in financial services, the large presence of the two state banks is seen as an impediment to private sector expansion, although this assertion is disputed by the government claiming that these banks' lending to the private sector has increased significantly.

The regulatory framework vis-à-vis telecom has some way to go to encourage more private sector participation, according to the Report. The Telecom Regulatory Commission's proposed Ten-Year Development Plan (2006–2016) identifies some of the problems in the sector: the lack of a seamless interconnection regime, the reluctance to share infrastructure facilities among operators, the lack of an effective surveillance mechanism to monitor compliance, and insufficient enforcement powers in current legislation. Since the government has identified information technology-en-

abled services (13 percent of services exports amounting to US\$250 million in 2009), in particular, business process outsourcing, as an area offering significant potential, it is all the more imperative to address the shortcomings in the telecom regulatory framework as early as possible.

In sum, the section on services highlights some of Sri Lanka's strengths and the need to expose the services sector to international trading to gain maximum opportunities from economies of scale.

Conclusion

Despite the slow progress of the DDA, the WTO creates a framework within which local decision-making can unleash important opportunities flowing from a rules-based international system. Strong signals to the market can be given by "locking-in" the trade policy regime (while giving due policy space) under these rules by trade policy makers. This will also enhance the credibility of the country in multilateral forums.

The Report is very comprehensive and gives a broad-brush scrutiny of the trading regime which is not normally found in economic reports produced on Sri Lanka. While welcoming the progress Sri Lanka has made in trade policy, the Report has highlighted the major shortcomings that needs the attention of policy makers, in particular, lack of notifications and going beyond bound tariff levels and not renegotiating these levels under Article 28 of the GATT. The contents of the Report will have to be carefully examined and addressed by the government of Sri Lanka. Given the diversity of issues raised in the Report, the government may also have to seriously consider establishing an integrated approach to trade policy formulation in the near future. ■

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Note

- ¹ See *The Island* (Business), 30 August 2010.

Agriculture reform programme: Concerns of LDCs and NFIDCs

The implementation of the decision taken at the WTO to address the food security concerns of LDCs and NFIDCs has focused only on short-term measures.

The final round of negotiations among the Members of the General Agreement on Tariffs and Trade (GATT), which established the World Trade Organization (WTO), was the Uruguay Round. A major sticking point in the negotiations was the wide difference, between the European Community on the one hand and the United States and major farm-exporting nations on the other, on how to reduce government support and protection to farmers. At the same time, this issue raised concerns among net food-importing developing countries (NFIDCs). They were worried that as structural surpluses in many developed countries declined and world market prices recovered from the artificially low levels that had prevailed as a result of dumping and extensive use of export subsidies, benefits of agriculture trade liberalization and reform could be diminished or outweighed in the short to medium term.

In response to these concerns, and as an integral part of the Uruguay Round outcome, Ministers at Marrakesh in April 1994 adopted the "Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries", which is also referred to as the NFIDC Decision. While recognizing that the implementation of the results of the Uruguay Round as a whole would benefit all participants, the NFIDC Decision also recognizes that during the reform programme

leading to greater liberalization of trade in agriculture, least-developed and net food-importing developing countries may experience negative effects. Specifically, problems may arise which pertain to the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. The NFIDC Decision accordingly established mechanisms which provide for:

- review of the level of food aid and the initiation of negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme;

- the adoption of guidelines on concessionality;
- financial and technical assistance under aid programmes to improve agriculture productivity and infrastructure; and
- differential treatment in the context of an agreement to be negotiated on agriculture export credits. The NFIDC Decision also takes into account the question of access to the resources of international financial institutions under existing facilities, or such facilities as may be established, in order to address short-term difficulties in financing normal levels of commercial imports.

Under Article 16.1 of the Agreement on Agriculture (AoA), developed-country Members of the WTO are required to take actions pro-

Box

LDCs and NFIDCs

According to a list established by the WTO Committee on Agriculture and revised latest on 22 March 2005, 74 developing countries are eligible as beneficiaries of the net food-importing developing countries (NFIDC) Decision. This list comprises the 48 least-developed countries (LDCs) plus the following developing-country WTO Members which notified their request to the WTO to be listed and have submitted relevant statistical data concerning their status as net-importers of basic foodstuffs during a representative period: Barbados, Botswana, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, Egypt, Gabon, Honduras, Jamaica, Jordan, Kenya, Mauritius, Mongolia, Morocco, Namibia, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela.

vided for within the framework of the NFIDC Decision. The role of the WTO Committee on Agriculture is to monitor, as appropriate, the follow-up to the NFIDC Decision. Accordingly, the Committee undertakes this exercise annually at its regular November meeting on the basis, *inter alia*, of notifications submitted by Members relating to actions taken within the framework of the Decision in areas such as food aid and technical and financial assistance under the aid programmes. International intergovernmental organizations represented in the Committee such as the Food and Agriculture Organization (FAO) of the United Nations, the United Nations World Food Programme, the International Grains Council/Food Aid Convention, the International Monetary Fund (IMF) and the World Bank also contribute to this monitoring exercise.

On 15 December 2000, the WTO General Council instructed the WTO Committee on Agriculture to examine problems that food-importing developing countries could face as a result of the AoA, and more specifically, to examine possible means of improving the effectiveness of the implementation of the NFIDC Decision. Three issues that were identified as having emerged from the discussions that followed were: a proposed food security fund, food aid, and technical and financial assistance for improving agriculture productivity and infrastructure.

In this context, on 25 April 2001, a group of 16 developing-country Members of the WTO submitted a proposal which called for, *inter alia*, the establishment of an Inter-Agency Revolving Fund with two components:

- The variable component, comprising existing and/or new financing facilities as appropriate, to ensure that adequate financing at concessional terms is made available to NFIDCs and LDCs in times of high world market prices.
- The fixed component, to provide technical and financial assistance to LDCs and NFIDCs for specific

projects linked to improving agriculture productivity and related infrastructure, and which needed to be over and above the regular bilateral and multilateral contribution of donors in this area.

Informal discussions were held subsequently among members of relevant international and intergovernmental organizations, including the World Bank, IMF, and FAO during which some developed countries said that they were willing to continue to discuss the issue, but that until then they were not convinced that a new fund was suitable. They argued that finance should continue to be handled in existing Bretton Woods institutions, and the WTO, as a rules-based organization, should not become involved in managing funds.

Supporting the call for proposal to establish a revolving fund, the United Nations Conference on Trade and Development (UNCTAD) emphasized the need to set up such a fund for the purpose of providing technical and financial assistance to LDCs and NFIDCs. The fund has not materialized, however. Emphasis has rather been placed on the food aid aspect.

The Food Aid Convention (FAC), which was first put in place in 1967, and was renewed a number of times thereafter, was opened for renegotiation in 1997 keeping in view the recommendations adopted by the Singapore Ministerial of the WTO in December 1996 in respect of LDCs and NFIDCs, and the Declaration on World Food Security and the Plan of Action adopted by the Rome World Food Summit in the same year. The renegotiation was completed in April 1999 and the new FAC was brought into force with effect from 1 July 1999.

One of the most important aspects of the FAC 1999 is its urge to donors to use their cash contributions for “triangular transactions” (purchasing food from developing countries for supply to a recipient country) or for “local purchases” (purchasing food in one part of a developing country for supply to a deficit area in the same

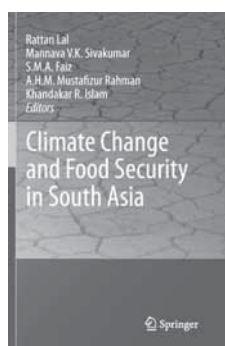
country) in order to promote local agriculture development, strengthen regional and local markets and enhance the longer-term food security of recipient countries.

In June 2004, FAC members undertook a renegotiation of the 1999 Convention “to strengthen its capacity to meet identified needs when food aid is the appropriate response”. However, the Committee decided that this would need to await the outcome of the trade-related food aid issues being addressed in the WTO Doha agriculture negotiations. Therefore, in the meantime, members agreed to extend the existing Convention, most recently with effect from 1 July 2009. They also arranged to discuss informally what might be the guiding objectives under a possible new convention and how the effectiveness of the current Convention could be improved.

The sharp rise in world food prices and ocean freight rates in 2007 and 2008 prompted several members to increase their funding for food aid operations, bearing in mind their minimum commitments under the FAC. Actual food aid operations by donors in 2007/08 amounted to 7.1 million tons (wheat equivalent), which increased to 7.5 million tons in 2008/09.

In sum, concerns regarding the possible negative effects of the agriculture reform programmes on LDCs and NFIDCs were taken into account during the Uruguay Round of multilateral trade negotiations, resulting in the adoption of a separate decision to address those concerns. The implementation of the decision, however, has not been satisfactory. More emphasis has been placed on meeting the short-term food security needs through food aid rather than providing adequate financial and technical assistance to improve agriculture productivity and infrastructure, which is essential for sustainable agriculture, and hence sustained food security. ■

Adapted from: www.wto.org, www.un.org, www.fao.org, www.foodaidconvention.org, New Straits Times, 09.11.90 (accessed from news.google.com)



Climate Change and Food Security in South Asia

Title: Climate Change and Food Security in South Asia

Editors: Rattan Lal, Mannava V.K. Sivakumar, S.M.A. Faiz, A.H.M. Mustafizur Rahman and Khandakar R. Islam

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The sudden increase in global food prices during 2007–2008 disproportionately hurt developing countries and pushed millions of people below the poverty line. One of the reasons cited for the increase in food prices in 2007–2008, and this year as well, is shifting climatic patterns that affect global agriculture production.

Against this backdrop, Rattan Lal and his colleagues compiled papers presented at an international symposium “Climate Change and Food Security in South Asia” that was held from 25–29 August 2008 in Dhaka and edited them to be included in a book titled the same as the symposium. A range of authors from different backgrounds, academic professions and experiences in policymaking have contributed their analyses to make the book a rich source of information on issues pertinent to climate change and food security in the subcontinent.

South Asia has diverse climate and terrains. About 75 percent of the poor and malnourished people live in rural areas and are dependent on subsistence and small-scale agriculture. Climate change is a major concern in this region because of alterations in temperature and precipitation, rise of sea level, melting of the Himalayan glaciers, and degradation of natural resources and the environment. These and other crosscutting issues such as the impact of climate change on water resources distribution, environment changes, soil degradation, food security, migration and adaptation options, and agriculture are explored in the book.

Rattan Lal explores the relationship between climate change and human wellbeing in South Asia. He argues that rising population and acceleration of economic development are abetting deforestation, land use conversion and biomass burning, fossil fuel combustion, and exploitation of natural resources. These human-induced changes in the environment and climate do not bode well for the residents of the region. He recommends climate change adaptation strategies that include a judicious use of land and widespread adoption of appropriate oil/water/crop/vegetation management practices.

Similarly, Mannava V.K. Sivakumar and Robert Stefanski explore the impact of increasing temperatures, precipitation variability and water resources, increased frequency of extreme events and natural disasters, decreasing crop, pasture and forest productivity, increasing crop pests and diseases, and rise of sea level.

While some authors discuss the impact of glaciers melting in the Himalayas and the ways to model them, others have explored the impact of climate change on water flows and storage changes using satellites, and geophysical causes of present-day sea-level rise.

The most interesting section is on the impact of climate change on food security—the central theme of the book. Ramasamy Selvaraju examines the state of world food security and the challenges of climate change and bioenergy. Climate change could influence the entire food supply chain

and all the four dimensions of food security—availability, accessibility, stability and utilization. Growing support for the production of biofuels such as ethanol and biodiesel from crops has added another dimension to the factors influencing food security.

M. Ad Spijkers looks at the implications of climate change for agriculture and food security in South Asia. He argues that despite increases in total food production, dietary energy consumption has not improved enough. He stresses location-specific technologies and good practices to be built upon an improved understanding of the links between climate change and food provision.

Nabansu Chattopadhyay discusses the trends of different weather parameters during the last few decades over the Indian region and the linkage of weather with the Indian agriculture sector. He argues that under changing climate, food security in India might come under threat as it will affect agricultural yield directly due to alterations in temperature and rainfall, changes in soil quality, and pests and diseases. It is essential to design proper mitigation and adaptation strategies because nearly 700 million rural people in India depend on climate-sensitive sectors (agriculture, forests and fisheries), and natural resources for their subsistence and livelihood.

The book is a good primer on the state of food security in South Asia, the impacts of climate change and the ways to adopt a range of feasible mitigation and adaptation frameworks at national and regional levels. ■

Standard setting on bioenergy



SWEDISH Standards Institute (SIS) and SAWTEE have initiated a collaboration with the Swedish International Development Cooperation Agency (SIDA) to build capacity of stakeholders in the setting of new international standard on bioenergy. The major aim is to involve a broad spectrum of stakeholders from select developing countries in South and Southeast Asia in the development of the new ISO 13065 standard—Sustainability Criteria for Bioenergy.

The project involves eight countries from South and Southeast Asia, namely, Bangladesh, Cambodia,

Indonesia, Laos, Nepal, Pakistan, Sri Lanka, and Viet Nam. One important purpose of the project is to attain an international standard on bioenergy that does not cause new trade barriers for developing countries but instead creates new trade opportunities in international markets.

As part of the project, a regional workshop on “Strengthening Institutional Capacity on Sustainability Criteria for Bioenergy” was held on 19–21 April 2011 in Kathmandu. More than 50 participants from the project countries participated in the workshop. ■

WTO Deputy DG speaks on South Asian trade issues

ON 14 February, SAWTEE organized an event titled “Emerging potentials of international trade for South Asia” in Kathmandu.

The guest speaker was Deputy Director General of the World Trade Organization (WTO), Dr. Harsha Vardhana Singh. The panelists included Dr. Yubaraj Khatriwada, Governor of Nepal Rastra Bank, Dr. Posh Raj Pandey, Executive Chairman, SAWTEE, and Mr. Ratnakar Adhikari, General Secretary, SAWTEE.

They highlighted issues pertinent to emerging potentials of international trade for South Asian least-developed countries (LDCs) and the supply-side constraints faced by them in boosting their export capacity and exports. They also argued that the international community should not only provide market access, but also help LDCs address their supply-side constraints. ■

Consultations on poverty in Sri Lanka

THE Institute of Policy Studies of Sri Lanka (IPS) organized two Consultative Meetings on “Promoting Agrarian Reforms in Sri Lanka” and “Budgetary Policies for Poverty Eradication in Sri Lanka” on 7 and 8 April 2011, respectively, in Colombo.

The two seminars were conducted by Prof. Rehman Sobhan, Chairman, Centre for Policy Dialogue, Dhaka. Dr. Saman Kelegama, Executive Director, IPS, and Prof. W.D. Lakshman, Chairman, IPS, chaired the two meetings, respectively.

The meetings in Sri Lanka were a part of the proposed work programme

by Prof. Rehman Sobhan on operationalizing policy recommendations originating from the study on “Challenging the Injustice of Poverty: Agendas for Inclusive Development in South Asia”.

The proposed work programme aims to identify specific policies, projects and programmes for poverty eradication in South Asia, which can be taken up as pilot projects or designed as full-fledged policy proposals/programmes in each South Asian country.

It also aims to identify potential agents to implement pilot programmes and policy proposals and to

discuss with policymakers, government operational agencies and non-governmental organizations about their willingness to initiate the pilot projects.

Two major objectives of the consultative meetings in Sri Lanka were to explore the scope for establishing a Commission/Committee on Agrarian Reforms and a high-powered civil society/government/academia-based Task Force to prepare an Annual Report on the state of poverty eradication and the outcome and coverage of various programmes and policies targeted to serve the excluded. ■

Civil society forum at UNLDC IV

CONSUMER Unity & Trust Society (CUTS) organized a panel discussion at the Civil Society Forum at the Fourth United Nations Conference on the Least-Developed Countries (UNLDC IV) in Istanbul in collaboration with the Commonwealth Secretariat. The theme was “From Istanbul to 2020: Vision for LDCs”.

Chairing the event held on 11 May, Cyrus Rustomjee, Director, Economic Affairs Division, the Commonwealth Secretariat, likened LDCs’ pursuit of meaningful integration into the global economy as running faster and faster without getting there—a situation which must change.

Speakers at the event included Emily Jones of Oxford Global Governance

Programme, who presented a comprehensive analysis of the implementation of the Brussels Programme of Action that had been adopted at the UNLDC III held in Brussels in 2001. Jones said the last decade saw some progress but with every step forward there was a step sideways as the international community did not deliver on all its promises to assist the LDCs.

This view was echoed by other speakers, including Victor Ogalo of CUTS Africa Centre, Nairobi and Rashid S. Kaukab of CUTS Geneva Resource Centre. According to Kaukab, the next decade will present many challenges as well as opportunities. LDCs’ vision for inclusive and sustainable development should

include national commitment and ownership, international partnerships, and inclusive and coordinated process at the national, regional and international levels. Ogalo presented the main recommendations of an African CSO Forum organized by CUTS in Arusha, Tanzania in November 2010 to provide African CSO inputs to the UNLDC IV.

Love Mtesa, former ambassador of Zambia to the WTO and Adviser CUTS Africa Resource Centre, Lusaka also spoke on the occasion. His was a message of hope and confidence. He asserted that LDCs can turn their disadvantages into opportunities with assistance from the international community. ■

Evaluating development effectiveness of Aid for Trade



SAWTEE and the International Centre for Trade and Sustainable Development (ICTSD) organized “Dissemination Meeting of the Research on Evaluating Development Effectiveness of Aid for Trade” in Kathmandu on 2 May 2011.

The event was organized to disseminate a draft report on the effectiveness of Aid for Trade in Nepal.

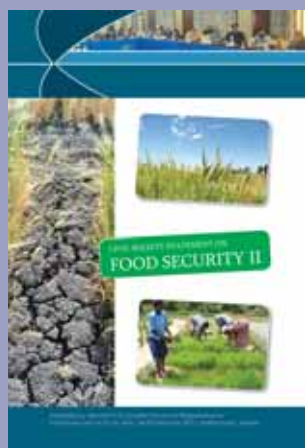
The study is part of a global project initiated by SAWTEE and ICTSD, in collaboration with several other organizations, in six countries in Africa, Asia and Latin America/Caribbean. After SAWTEE and ICTSD developed a methodological framework for conducting research in six countries, SAWTEE conducted the research in Nepal. ■

Launch of Trade, Climate Change and Food Security Programme

ON 23 February, SAWTEE organized an event to launch its programme on “Trade, Climate Change and Food Security in South Asia”. The programme aims to make trade and climate change negotiations and outcomes fair, inclusive, equitable and mutually supportive for ensuring food security in South Asia through research, advocacy, capacity building, networking and alliance building. Representatives from SAWTEE member institutions as well as a cross-section of stakeholders in the areas of trade, climate change and food security from the South Asia region participated in the event. The programme is supported by Oxfam Novib, the Netherlands. ■



Policy Brief: Responding to Climate Vulnerabilities through Carbon Trade
Author: Bishal Thapa
Publisher: SAWTEE



Civil Society Statement on Food Security II
Adopted in Kathmandu on
25 February 2011



Issue Paper: Productive Capacity Development for Structural Transformation of LDCs
Author: Dr. Mohammad A. Razzaque
Publisher: SAWTEE



South Asia Watch on Trade, Economics and Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

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