A dialogue on trade and development in South Asia

Vol. 7, No. 3-4, 2011

TRADE insight

CLIMATE FINANCE

SALVAGING THE DOHA ROUND THROUGH LDC PACKAGE

HIGH FOOD PRICES | GREEN ECONOMY IN SOUTH ASIA | TRADE IN LABOUR | FOOD SECURITY

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TRADE insight

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editors' note

Deliver on promises

TRADE ministers of World Trade Organization (WTO) Members are meeting at the Eighth Ministerial Conference of the global trade body on 15–17 December in Geneva. A decade has already elapsed since the launch of the Doha "Development" Round of WTO negotiations, but its deadlock continues. The Eighth Ministerial is not expected to break it.

Though the regular functions of the WTO, mainly enforcement of rules, are being carried out and, to some extent, WTO rules have helped contain a spiral towards mutually destructive protectionism in the wake of the global economic crisis as well as climate protectionism, significant progress is needed to deliver on multilateral promises. The Doha Round stalemate has created an air of disillusionment with the WTO process. Questions are being raised about the relevance of the historically important and the most dominant multilateral rule-making body.

Perhaps the most shameful aspect of the impasse is that the promise of duty-free and quota-free (DFQF) market access for all products originating in the least-developed countries (LDCs) remains unfulfilled. It is tragic that a small minority of vested interests in developed countries is preventing a DFQF deal for the LDCs, which account for less than 1 percent of global trade. Additionally, the standoff between developed and advanced developing countries on mutual market access negotiations, together with the "single undertaking" principle of trade talks, has worked against an early harvest for the LDCs.

By granting DFQF market access for all products originating in the LDCs, developed countries will be able to demonstrate their commitment to making the Doha Round a development round as originally envisioned. Advanced developing countries aspiring for global leadership should also do the same. In view of the supply-side constraints plaguing the LDCs, the offer of DFQF market access has to be backed by relaxed rules of origin for it to be meaningful immediately. The Aid for Trade initiative has the potential to help the LDCs alleviate their supply-side constraints but it has yet to deliver on its promises.

Liberalization of temporary entry of low-skilled labour by developed countries will provide huge gains to developing countries and the LDCs. Market opening in movement of natural persons under the General Agreement on Trade in Services remains confined to the high-skilled and linked to commercial presence. If developed countries are concerned about being flooded by cheap labour from the developing world, they must realize that the developing world too incur costs when liberalizing, say, its manufacturing sector. The costs associated with opening up movement of natural persons in the low-skilled category in developed countries will be more than offset by the welfare gains for the labour-exporting developing and least-developed countries. Developed countries will benefit too, through efficiency gains, among other things. Still, if they are not prepared to fully open up this category to all countries, they can start by opening it up for the LDCs, which constitute the world's poorest countries and which would hugely benefit from the gesture.

Substantial decisions in favour of the LDCs in the upcoming WTO Ministerial will help restore faith in the development dimension of the Doha Round. If developed countries and advanced developing countries cannot agree on and deliver a meaningful LDC package, irrespective of the status of other negotiation issues in the Round, they should shun all pretense of being concerned for the well-being of the world's poor and forfeit their claim to global leadership and partnership. ■

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2. Unnayan Shamannay, Dhaka

INDIA
1. Citizen consumer and civic Action Group (CAG), Chennai
2. Consumer Unity & Trust Society (CUTS), Jaipur
3. Development Research and Action Group (DRAG), New Delhi

NEPAL
1. Society for Legal and Environmental Analysis and Development Research (LEADERS), Kathmandu
2. Forum for Protection of Public Interest (Pro Public), Kathmandu

PAKISTAN
1. Journalists for Democracy and Human Rights (JDHR), Islamabad
2. Sustainable Development Policy Institute (SDPI), Islamabad

SRI LANKA
1. Institute of Policy Studies (IPS), Colombo
2. Law & Society Trust (LST), Colombo

South-South cooperation for LDCs

For the LDCs, the Southern economies have emerged as important markets at a time when the Northern markets are showing signs of weakness.

THE economies of the least-developed countries (LDCs) represent approximately 1 percent of the world´s total merchandise exports and their share of the world's total foreign direct investment (FDI) is around 2.5 percent. The LDCs represented one eighth of the total world population, but accounted for less than one hundredth of the total world output in 2009. Until now the major markets for the LDCs have been the Northern countries, especially the United States (US) and the European Union (EU). With the EU embroiled in a deep debt crisis and projections of a slowdown of the entire euro area, and the US facing persistently high unemployment and stagnant growth, the LDCs might see negative impacts on their export and growth. Against this backdrop, it is imperative for the LDCs to look at the Southern markets. The Southern economies have the potential to provide the LDCs with vast export markets, share development experience and technical knowhow, and increase development assistance.

A recent report titled *Least Developed Countries Report 2011: The Potential Role of South-South Cooperation for Inclusive and Sustainable Development*, published by the United Nations Conference on Trade and Development (UNCTAD), states that developing countries contributed to nearly half of the expansion in LDCs´ total merchandise exports and 60 percent of their imports over the past decade, and that the importance of Southern markets for the LDCs has been steadily on the rise. However, their exports to the South are dominated by primary commodities, which account for over 90 percent of the total exports. Meanwhile, manufactured goods represent approximately two thirds of LDC imports from Southern markets. Though Southern economies have provided alternative markets to the LDCs following the financial and economic turmoil in the Northern economies, this does not mean that the Southern markets are a panacea for the development of the exports sector of the LDCs. The Southern markets should not be looked as substitute to the Northern markets. Instead, they should be treated as a complement to North-South trade and cooperation.

Importantly, the LDCs will have to confront the challenge of over-dependence on exports of primary commodities to developing productive capacities so that goods with high value addition are produced and exported. It will shield them from sudden swings in commodity prices and help them sustain the growth of the exports sector. They have to focus on creating dynamic comparative advantage, and ensuring the availability of financial resources for long-term investment and for the development of new productive capacities. In this regard, South-South cooperation could be an important mechanism to complement the existing North-South cooperation. Like the Northern economies, the Southern economies could provide the LDCs with greater access to finance, capital and technology. The report states that between 2003 and 2010, FDI inflows to the LDCs grew at 20 percent per year and the share of investment projects from Southern investors increased from 25 percent to 40 percent. Furthermore, labour migration for work in developing and emerging economies might have a significant impact on economic growth and development in remittance-dependent economies. It is estimated that nearly two thirds of the US$26 billion of remittance inflows to the LDCs in 2010 originated in Southern economies.

For the LDCs, the Southern economies have emerged as important markets at a time when the Northern markets are showing signs of weakness. Treating them as complements to the existing North-South cooperation on trade and development issues is the right way to move forward. South-South cooperation could be strengthened in trade, development cooperation and assistance, technology transfer, climate change, and investment. The success of economies such as China, India and Brazil, among other countries, has opened up avenues for cooperation and, importantly, learning in promoting vibrant small- and medium-sized enterprises, addressing rural poverty by launching innovative and targeted schemes, and building broader consensus on achieving sustainable growth and environment sustainability. ■

Slow progress in last climate talks before Durban

blogs.dw-akademie.de

SLOW progress on trade issues and continued divisions over the future of the Kyoto Protocol during the 1–7 October United Nations meeting of climate negotiators in Panama City do not augur well for the possibility of a substantial agreement in 17th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) this December in Durban, South Africa.

Negotiations took place in Panama under the Ad-hoc Working Groups for Long-term Cooperative Action (AWG-LCA) and for the Kyoto Protocol (AWG-KP). The AWG-KP discussions focused primarily on the second commitment period under the Kyoto Protocol, as the first commitment period expires at the end of 2012. While the decision countries will take in Durban as to the future of the Protocol still remains uncertain, negotiations nevertheless continued to advance on details of a possible second commitment period.

The African Group, the Least Developed Countries and the ALBA (Bolivarian Alliance for the Peoples of Americas) group of countries launched an alliance in Panama City on the side-lines of the climate talks to "save the climate regime and ensure success in Durban".

The Statement of Common Position adopted by the three groups stresses, among other things, that the negotiations must produce two outcomes in Durban in line with the Bali Roadmap—an agreed outcome to implement the Convention and a second, subsequent period for the Kyoto Protocol.

Developing countries are concerned over the lack of progress in Panama especially over the issue of finance. The delivery of fast-start financing of US$30 billion for the period 2010-2012 pledged by developed countries has been excruciatingly slow. The three groups see the US$100 billion per year to be mobilized by 2020 as part of long-term finance as agreed in Cancun as just the floor, with more needed, including for adaptation.

In the final plenary of AWG-KP on 7 October, developing countries made strong statements on the importance of adopting the second commitment period of the Kyoto Protocol in Durban, through an amendment to its Annex B. On the other hand, developed countries stressed a new climate change framework and the continuity of the market mechanisms. Developing countries have also questioned why the Protocol's market mechanisms should continue post 2012, in the absence of a second commitment period starting in 2013.

Meanwhile, the discussions on so-called "response measures"—national policies or programmes aimed at reducing carbon emissions—continued under various negotiation tracks but none with any real substantive progress *(Adapted from Bridges Weekly Trade News Digest Vol. 15, No. 34; Third World Network Panama News Updates).* ■

UN chief urges leaders to finalize climate fund

UNITED Nations Secretary-General Ban Ki-moon has urged world leaders to finalize negotiations on financing the multibillion-dollar fund to fight the effects of climate change. Addressing the opening session of a climate meeting in Dhaka, he said that the world should make a concerted effort to contribute to the fund. He also asked governments to find ways to immediately mobilize resources as per their pledges.

The meeting was participated by representatives of about 30 nations that are members of the Climate Vulnerable Forum to formulate a united stand on funding for schemes to limit the damage from global warming. Ban asked the members of the Forum to take a strong and united position at the Durban conference. "In this time of global economic uncertainty, let your commitment to green growth be an inspiration to more developed countries — the major emitters," he said *(The Associated Press, 13.11.11).* ■

www.environmentmagazine.org

Bangladesh urges LDC unity in WTO

BANGLADESH has urged trade ministers of 31 least-developed countries (LDCs) to get united on LDC-related issues in the upcoming World Trade Organization (WTO) Ministerial Conference, scheduled to be held in Geneva, Switzerland from 15 to 17 December.

Commerce Minister Faruk Khan recently wrote official letters to all trade ministers of 31 LDCs who are members of WTO to this effect. Currently, the number of LDCs in the world is 48. Faruk highlighted three major LDC-related issues in his letter: duty-free and quota-free market access for products originating from the LDCs with simplified rules of origin, lifting subsidy on cotton and movement of natural persons under the Mode 4 of the General Agreement on Trade in Services (GATS).

"I would, therefore, like to request for your continued support to help build and sustain broad-based political commitment in support of delivering on the LDC-specific priorities at MC8 (Eighth Ministerial Conference)," reads the letter.

The letter urged the LDCs to impress upon those partners who are still not ready or willing to consider the possibility of such an outcome that the priority issues identified are nothing new and are expected to result in the translation of earlier commitments into concrete deliverables.

The decision on duty-free and quota-free market access for products originating from the LDCs was taken at the Hong Kong Ministerial Conference in 2005, but is yet to be implemented.

Bangladesh's commerce ministry officials said that they support the move of African LDCs for lifting subsidy from cotton by developed countries, including the United States, as the African LDCs gave assurances of extending their support for duty-free and quota-free market access *(The Financial Express, 24.11.11, www.thefinancialexpress-bd.com)*. ■

WTO Ministerial to discuss food security

TRADE ministers from World Trade Organization (WTO) members are scheduled to gather in Geneva in December to discuss measures to ensure food security amid a drop in crop production due to natural disasters in many countries.

The 153 ministers will also discuss exchange-rate stability and related issues, anti-protectionism measures amid an expected sluggish global economy next year, and concerns over the Doha Round of trade talks.

Srirat Rastapana, director-general of the Trade Negotiations Department, said the talks on food security will be the major item on the agenda for trade ministers this year as concerns mount over skyrocketing food prices, mostly caused by natural disasters in food-producing countries this year.

The WTO's Eighth Ministerial Conference, scheduled to take place in Geneva from December 15–17, will also discuss measures to strengthen the WTO system, as member states appear to have all but accepted that hopes are slim of concluding a multilateral agreement from the so-called Doha Round of talks in the next few years. Some countries have urged the WTO to launch a new platform for negotiations, including having a plurilateral agreement among a majority of countries, rather than wait for consensus agreement from all member states, or seeking an "early harvest" agreement to proceed on some issues.

Discussions will also continue on issues such as temporary waiver of customs taxes for e-commerce transactions *(The Nation, 07.11.11)*. ■

WTO to study relationship between trade and exchange rates

THE World Trade Organization (WTO) will discuss the relationship between trade and exchange rates and plans to hold a meeting on the topic in March, said Roberto Azevedo, Brazil's ambassador to the WTO.

The trade arbiter's 153 members, including China, agreed to examine whether trade rules can be used when a currency is artificially cheap, causing global imbalances, Azevedo said. "What we're looking for, in temporary circumstances, is the effect or the impact that certain currency misalignments may have on particular segments of one country's economy," he said. Members are planning to have an agreement on what the problem is, whether this kind of problem needs some kind of remedy, and whether there are remedies already in the WTO agreements.


english.cri.cn

Brazil had proposed to the WTO in September that it allow members to protect their industries from trade imbalances prompted by currency fluctuations. Brazil had said that rules covering anti-dumping and safeguard mechanisms, as well as retaliation rights, must be updated to deal with "steep fluctuations in exchange rates".

According to Ambassador Azevedo, WTO members agreed that the trade arbiter is not the forum to debate, discuss, investigate and analyze the reasons for a particular currency misalignment. But given that a particular alignment does exist, it is the WTO's competence to look at the impact and decide what to do about it, in terms of trade *(www.businessweek.com).* ■

Draft decisions on IPRs

WORLD Trade Organization (WTO) members meeting as the TRIPS Council have reached consensus agreement on two draft decisions for their ministers to adopt in the 15-17 December 2011 Geneva Ministerial Conference.

The first draft decision is to extend the mid-2013 deadline for the least-developed countries (LDCs) to implement intellectual property protection under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The second one is to continue to refrain from bringing "non-violation" cases to the WTO dispute settlement system for another two years (until 2013). WTO agreements allow countries to bring cases against each other if one feels that another government's action or a specific situation has deprived it of an expected benefit, even if no agreement has been violated.

The LDCs' original 2005 deadline for protecting intellectual property under the TRIPS Agreement was extended in that year until 1 July 2013. The deadline does not apply to pharmaceutical patents. The 2001 Doha Declaration on TRIPS and Public Health extended the period for the LDCs to comply with provisions on pharmaceuticals to 2016. Opinions differ among WTO members on whether non-violation cases are feasible in intellectual property. The TRIPS Agreement contains a temporary restraint on bringing non-violation complaints. This has been extended several times, more recently from one Ministerial Conference to the next *(www.wto.org).* ■

Article 13.1(b) of the Safeguards Agreement invoked

COLOMBIA and India asked the Safeguards Committee in separate cases, on 27 October 2011, to find whether or not the procedural requirements of the Safeguards Agreement have been complied with in connection with the safeguard measures taken by Ecuador on glass windshields and by Turkey on cotton yarn, respectively.

This is the first time Article 13.1(b) of the Safeguards Agreement has been invoked by members. This provision provides that one of the functions of the Safeguards Committee is "to find, upon the request of an affected Member, whether or not the procedural requirements of this Agreement have been complied with in connection with a safeguard measure, and report its findings to the Council for Trade in Goods." Members expressed views on procedure and substance, and the Chair informed members that she would convene informal consultations in the near future to discuss these two requests *(www.wto.org).* ■

Pakistan grants India MFN status

FEDERAL cabinet of Pakistan on 2 November approved to grant the status of most-favored-nation (MFN) to India and agreed to boost the bilateral trade volume from US$2.5 billion to US$5 billion. The move would help to expand bilateral trade relations as restrictions on imports from India into Pakistan would loosen. At present, Islamabad allows imports of only 1,946 items from India, whereas India does not allow trade of 850 items with Pakistan. It is also envisaged that visa policies between the two countries would be made lenient and both sides would also remove non-tariff barriers and all other restrictive practices.

India granted Pakistan MFN status in 1996, but Pakistan did not grant the same status to India. Despite the MFN status, Pakistan's cement, textiles and agricultural industries still have no access to India's market.

Chairperson of Pakistan Ready-made Garments Manufacturers & Exporters Association welcomed the decision, saying that granting MFN to India is an economic issue by virtue of which Pakistan can gain a foothold into one of the fastest growing markets in the world *(http://news.xinhuanet.com, 02.11.11).* ■

India cuts sensitive list for South Asian LDCs

IN a major trade liberalization effort in South Asia, India has drastically slashed the sensitive list for the least-developed countries under the Agreement on South Asian Free Trade Area from 480 tariff lines to just 25 under which zero basic customs duty will be given for all the removed items.

Indian Prime Minister Manmohan Singh made this declaration to a thunderous applause from the heads of government and state at the inauguration of the 17th Summit of the eight-nation South Asian Association for Regional Cooperation on 10 November. In his speech, Singh also said that he recognized that non-tariff barriers were an area of concern and India was committed to the idea of free and balanced growth of trade in South Asia *(http://www.indianexpress.com, 10.11.11).* ■

SAARC

17th SAARC Summit concludes

THE 17th SAARC Summit, held in Addu Atoll, the Maldives on 10–11 November, concluded with the adoption of a 20-point Addu Declaration to forge effective cooperation among the member states in a host of areas, including trade, finance and investment, tourism, connectivity, climate change, energy and food security. The theme of the Summit was "Building Bridges".

The Declaration was adopted by the heads of government or states of all eight member states, namely Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. The next SAARC Summit is to be held in Nepal *(See related article on pages 46–48).* ■

SAARC business conclave issues 9-point declaration

THE fourth SAARC Business Leaders Conclave (SBLC) concluded in Kathmandu on 22 September, issuing a nine-point Kathmandu Declaration.

The conclave that was attended by the private sector, experts and political leaders from eight member countries of the South Asian Association for Regional Cooperation (SAARC) unanimously agreed to urge the governments to engage seriously in regional connectivity and requested them to take appropriate urgent measures to implement the action plan envisioned under the doctrine "2010-2020 as decade of Regional Connectivity".

The three-day conclave stressed the harmonization of customs procedures and mutual recognition of standards and certifications, finalizing and implementing regional motor vehicle transport agreement and common SAARC energy policy, including trans-border transmission and energy trade to foster greater regional cooperation. The business community of the region also recommended signing of regional investment treaty and upgrading the Agreement on South Asian Free Trade Area (SAFTA) into a comprehensive economic partnership agreement for the region.

The meeting also recognized water, energy, climate change, and food security as priority concerns and pledged adoption of necessary collective measures to address these challenges. It also vowed urgent implementation of regional environment treaty, activation of SAARC Food Bank and proposed setting up of the SAARC Disaster Management Institute to minimize the impact of natural calamities and climate changes *(www.ekantipur.com, 22.09.11).* ■

Mosanto focus of controversy in Nepal

THE United States-based multinational agriculture biotechnology company, Monsanto, is at the center of a controversy in Nepal over its involvement in developing hybrid maize in partnership with Nepal's Ministry of Agriculture and Cooperatives (MoAC). The controversy was triggered after a United States Agency for International Development (USAID) statement on 13 September stated that the MoAC, USAID and Monsanto "have partnered to promote hybrid maize seeds among 20,000 farmers of Chitwan, Nawalparasi and Kavre districts and provide training to them." The USAID statement said Nepal needs assistance in maize production to help farmers produce high corn yields through the introduction of hybrid seeds.

A number of articles critical of the plan have been published in different media outlets. A Facebook campaign has also been launched protesting the introduction of hybrid maize to Nepal. Anti-Monsanto campaigners on the site say that the introduction of Monsanto seeds will affect farmers in Nepal and irreversibly damage their conventional farms, organic farms and heirloom seeds, not to mention cause soil degradation and water pollution. Monsanto is the world's leading producer of genetically modified organisms (GMOs)—producing 90 percent of the world's genetically modified seeds.

As the issue has become increasingly controversial, Nepali officials have begun distancing themselves from the plan. "We have no idea why USAID issued the statement saying that the Ministry of Agriculture and Cooperatives was partnering with Monsanto. No agreement has been signed," said Hari Dahal, joint secretary at the MoAC. In the wake of the furore, in its Facebook page, the USAID said that no decisions had been made on the matter although it had discussed "options" with the Nepal government *(www.allheadlinenews.com, 14.11.11; www.thehimalayantimes.com, 19.11.11).* ■

"Boomerang" aid enriches donors: Study

DEVELOPMENT aid is ineffective mostly because it is tied to contracts worth billions of dollars awarded to firms in developed countries in a phenomenon called boomerang aid, a new study says. The study by the European Network on Debt and Development (Eurodad) shows that more than two-thirds of all aid contracts are bagged by companies in the developed countries.

The new study was released ahead of the Fourth High Level Forum in Busan, South Korea, that will bring together the world's governments and stakeholders in November to consider how to make aid more effective. Eurodad examined case studies in Namibia, Ghana, Uganda, Bangladesh, Nicaragua and Bolivia to arrive at its conclusions, one of which links aid effectiveness with procurement, or the purchase of goods and services in implementing aid. Few poor countries have managed to become independent from international aid. This is partly due to donors' procurement practices, the report states.

In 2001, OECD countries signed the first agreements to untie aid. Notwithstanding the promises made 10 years ago, 20 percent of all bilateral aid is currently still tied, says the Eurodad study. Furthermore, most untied contracts still go to firms from rich countries.

The study shows that half of the contract value in World Bank-funded projects in the last decade went to firms from donor countries, with the share increasing with the size of the contract *(http://ipsnews.net).* ■

in the news

Food prices set to rise further

High and volatile food prices are identified as the major contributing factors in food insecurity at the global level.

FOOD price volatility featuring high prices is likely to continue and probably increase next year, making poor farmers even more vulnerable to poverty and food insecurity, the 2011 global report on food insecurity released by the United Nations' three Rome-based food agencies predicts.

Small, import-dependent countries, particularly in Africa, are especially at risk. "Many of them still face severe problems following the world food and economic crises of 2006-2008," the UN Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) said in a preface to The State of Food Insecurity in the World 2011.

tribalenergies.com

"The main reason for increased price volatility is that supply cannot catch up with demand," said FAO senior economist George Rapsomanikis. There is a steady increase in demand, mainly due to increase in the population, and also a change in the diet of population in emerging economies who are gradually changing their diets, including more meat and more grain. On the other hand, the global stock levels are becoming lower than they used to be 10 years ago and if there is an external shock in the market, this is going to generate volatility, said Rapsomanikis.

High and volatile food prices are identified as major contributing factors in food insecurity at the global level. Price volatility makes both smallholder farmers and poor consumers increasingly vulnerable to poverty while short-term price changes can have long-term impacts on development, the report says.

But price swings affect countries, populations and households very differently. According to the report, the most exposed are the poor and the weak, particularly in Africa, where the number of undernourished increased by 8 percent between 2007 and 2008. Countries that import food are going to be the most vulnerable.

The report also finds that further growth in biofuels will place additional demands on the food system. Food price volatility may increase over the next decade due to stronger linkages between agricultural and energy markets.

The report also stresses that investment in agriculture remains critical to sustainable, long-term food security and asks governments to facilitate and increase investments. Key areas for directing such investments, the report says, should be cost-effective irrigation, improved land-management practices and better seeds developed through agricultural research.

According to the FAO, part of these investments can come from official development assistance, but that is not going to be enough, because an investment gap remains, pointing to the need for private investment. Smallholders are facing so many constraints that it is hard to see them as investors. Many smallholder farmers are not integrated in the market, they do not have access to output market and even to inputs, to technology, to financing and credit. This is where governments and the private sector could help—through public-private partnerships that provide transportation infrastructure to farmers who are in remote areas, the report suggests.

FAO's best estimate of the number of hungry people for 2010 remains at 925 million. For the 2006-2008 period FAO calculates that the number of hungry were 850 million *(http://ipsnews.net, 10.10.11).* ■

Trade issues in Durban

www.ng.mil

Recent years of negotiations have seen a steady rise in discussions on the potential role of trade measures on the impacts of and responses to climate change.

One word can sum up the outlook for the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in Durban this year: uncertainty. But that may not be all bad. Last year's meeting in Cancun, Mexico showed us that sometimes low expectations may be the best way to get results at climate negotiations. Jump back a year further to 2009, when many observers said that parties meeting in Copenhagen, Denmark, were poised to deliver a new binding treaty for climate change cooperation.

Instead, great expectations resulted in a mighty flop.

Disappointment in Copenhagen cost many global leaders a good deal of political capital leaving them unwilling to make such a gamble the following year. But whether pre-COP doldrums prove to be a magic formula for lifting the fog at UNFCCC COPs remains to be seen.

Future of Kyoto up in the air

By all accounts, the headliner at this year's COP is the Kyoto Protocol. Signed in 1997, the Protocol's first and, to date, only period of implementation—"commitment period" in climate parlance—began in 2008 and will end in 2012. The Protocol envisages a second commitment period, and countries have spent over a decade negotiating the finer details of what the future of the Protocol would be. An array of influencing elements has derailed progress on the next term's negotiations, and only a handful of redeeming qualities may keep the agreement alive.

One glaring shortcoming of Kyoto is the failure of the United States (US) to ratify, despite having negotiated and signed the agreement alongside all other signatories. The US is the largest historical emitter and held the record for highest annual emissions until 2009, when it was surpassed by China. Its absence from the game is a major imbalance in the equity of the multilateral climate system, to say the least. But more importantly, considering the US' contribution to the problem, its absence from full participation in Kyoto or any other multilateral climate agreement, for that matter, will ensure that the problem remains inadequately addressed. Solving the global problem, according to scientists and economists, requires the participation of all major players. The US has adamantly and clearly refused to join the Kyoto Protocol, and therefore the new round of negotiations launched at Bali in 2007 were intended, in part, as an "on-ramp" for its participation.

In addition, the new round, known as the negotiation on Long-term Cooperative Action (LCA) was a way to substantially increase the role of other big players: the major economies among the developing countries, which have no commitments under the Protocol, are now at the top of the list of carbon emitters. However, the LCA process has sent Kyoto into a tail spin, because many developed countries would now like to shelve the old agreement and replace it with something based on new rules and principles. The developing countries, negotiating primarily as the G77 and China, hold tight to the overarching framework of the UNFCCC and insist on a new commitment period for Kyoto. One reason is because Kyoto is premised on principles and rules that developing countries consider to be fair and equitable, such as developed countries taking the lead in carbon emissions reductions and the respect for the former's overriding development concerns. The sum of these two components specifically translates in the Convention to financial and economic support for developing countries' climate change mitigation and adaptation activities. For developing countries, the LCA would be a complementary agreement to the Kyoto Protocol, not a replacement.

That said, Japan and Russia have indicated that they do not intend to sign on to a second period for Kyoto. However, a special voting rule and a handful of tools created within the Protocol may still lead to the survival of the agreement. These tools include the "flexibility mechanisms" such as the Clean Development Mechanism, Joint Implementation, and the Emissions Trading Schemes that were created to help developed countries to meet their mitigation commitments; perhaps more importantly, these tools are the primary platform upon which the current global carbon market is based. An end to the Protocol could, in theory, topple the multi-billion dollar market. But a little-talked-about voting rule—which provides that in the absence of full agreement a three quarter majority vote could suffice to trigger a second commitment period—may just prove to be enough to hold Kyoto together for now.

The fact of the matter is that, while the LCA has generated a number of key agreements on certain aspects of its mandate, it has not concluded talks on emissions reductions, which is at the heart of solving the climate problem. Until it does, the Kyoto Protocol is the only concrete agreement on emissions reductions.

> Negotiations on "response measures" are primarily associated with the possible harm to oil-producing economies.

Trade issues loom large

Recent years of negotiation have seen a steady rise in discussions on the potential role of trade measures on the impacts of and responses to climate change. In particular, Durban will host the second part of a special "forum" on the impacts of domestic measures taken to combat climate change upon other countries. "Response measures," as they are known in the negotiations, have been discussed in different ways for years, but have primarily been associated with the possible harm to oil-producing economies that may arise from a potential global decrease in oil consumption. A rise in domestic protectionist measures and debates on designing policies and measures with global trade implications have pushed the issue closer to the top of the negotiating agenda for several countries.

The response measures forum began in Bonn at the mid-year negotiation sessions in June and is scheduled to conclude in Durban. Its mandate is to put together a work programme to address the issue and consider the possible establishment of a permanent forum. Considering the fact that no venue currently exists for countries to present information, exchange views, and consider solutions to potential challenges that result from the implementation of burgeoning climate measures, the proposition of a permanent forum is a particularly interesting prospect.

The World Trade Organization (WTO) has its dispute settlement body to consider instances where such measures might violate trade rules. But affected countries can only exercise this option after the measure has been adopted, rather than provide a potential instance for conflict avoidance. In addition, the WTO only addresses the violation of international trade rules and would not consider the broad spectrum of potential consequences to economic development, impacts to the environment, including evaluation of the actual mitigation benefits, or impacts on society. These sustainable development dimensions are protected under the UNFCCC, and such a forum would provide a concrete process for reducing negative and maximising positive impacts. The response measure forum takes place under the auspices of the Subsidiary Body for Implementation, one of the two principle negotiating bodies of the Convention.

Trade concerns grip LCA track

Meanwhile, under the Ad-hoc Working Group on Long-term Cooperative Action, several trade-related discussions continue. The first is related to the question of competitiveness, where some countries fear that action to reduce climate emissions will negatively impact their companies' and industrial sectors' competitiveness in international markets. In essence, many developed countries say they will be at a disadvantage if some countries with competing industries are required to do less than others to mitigate emissions at a global level. For their part, developing countries have concerns about the potential use of trade measures by developed countries attempting to "level the playing field." Poor countries argue that such measures could impact their economic and sustainable development. To preempt the use of such measures, they

> Developing countries are concerned about the potential use of trade measures by developed countries attempting to "level the playing field".

are insisting that language prohibiting the use of unilateral measures to address climate change be included in the new agreement. Similar language is included in a draft text on response measures under the LCA. These discussions are taking place under a sub-category known as the "shared vision," where parties also discuss the composite emission cuts for the world and how the total agreement balances out.

In a separate sub-group on "sectoral approaches" to mitigation, the topics of agriculture and bunker fuels (dirty fuel used in shipping and aviation) are back on the table in a similar form to what was considered and then dropped in Cancun. The trade implications remain an obvious concern under both of these topics and are reflected in references in the draft texts. The agriculture text proposes the creation of a work programme on both mitigation and adaptation in the agriculture sector. Meanwhile, the bunkers discussion is oriented more towards whether to advance discussions on climate change issues related to global transport under the UNFCCC, rather than under the International Maritime Organization and International Civil Aviation Organization, as is currently the case.

Finally, while the role of intellectual property rights in the deployment and transfer of technologies for climate change remains a concern for many countries, the issue is far from resolved. There is little indication from inter-sessional negotiations or meetings that Durban is poised to make any decisions on this topic, which is among the most contentious subjects under the technology negotiations. It may, nevertheless, get some traction.

Potential advances

While the Kyoto issue will be hogging the spotlight in Durban, there will still be many other decisions taken in an array of negotiating branches. For example, forward movement is expected as the Green Climate Fund is operationalized and as it gears up for disbursement. With this issue resolved, the new Technology Mechanism will then have access to financing for its work on assessments, capacity building, and other substantive topics. Progress is also expected on the adaptation front, with the new strategy agreed to in Cancun taking greater shape. This strategy is also poised to receive financing for initiatives such as National Adaptation Plans.

Discussions on mitigation in the search for a new agreement are unlikely to produce any major results. However, some progress could take place on the measuring, reporting, and verification of national actions, as well as on International Consultation and Analysis—the two developing issues that would constitute some form of compliance for a future regime. Currently, movement on both these topics is slow, almost to the point of being imperceptible—a fact that is frustrating to many countries and observers in light of the conspicuous gravity of the global climate situation.

Whether success in Cancun was reaped by the low expectations, the brilliant diplomacy by the COP president, or, simply, the tranquil atmosphere brought on by warm breezes and palm trees, then Durban is as prepared as any host could be. If one can take anything from the Cancun experience, it is not to be swayed by early reports of a deadlock. These two weeks set aside for tedious negotiations can easily change at any time, for either better or worse; the real answer will only be found after the dust settles on 10 December. ■

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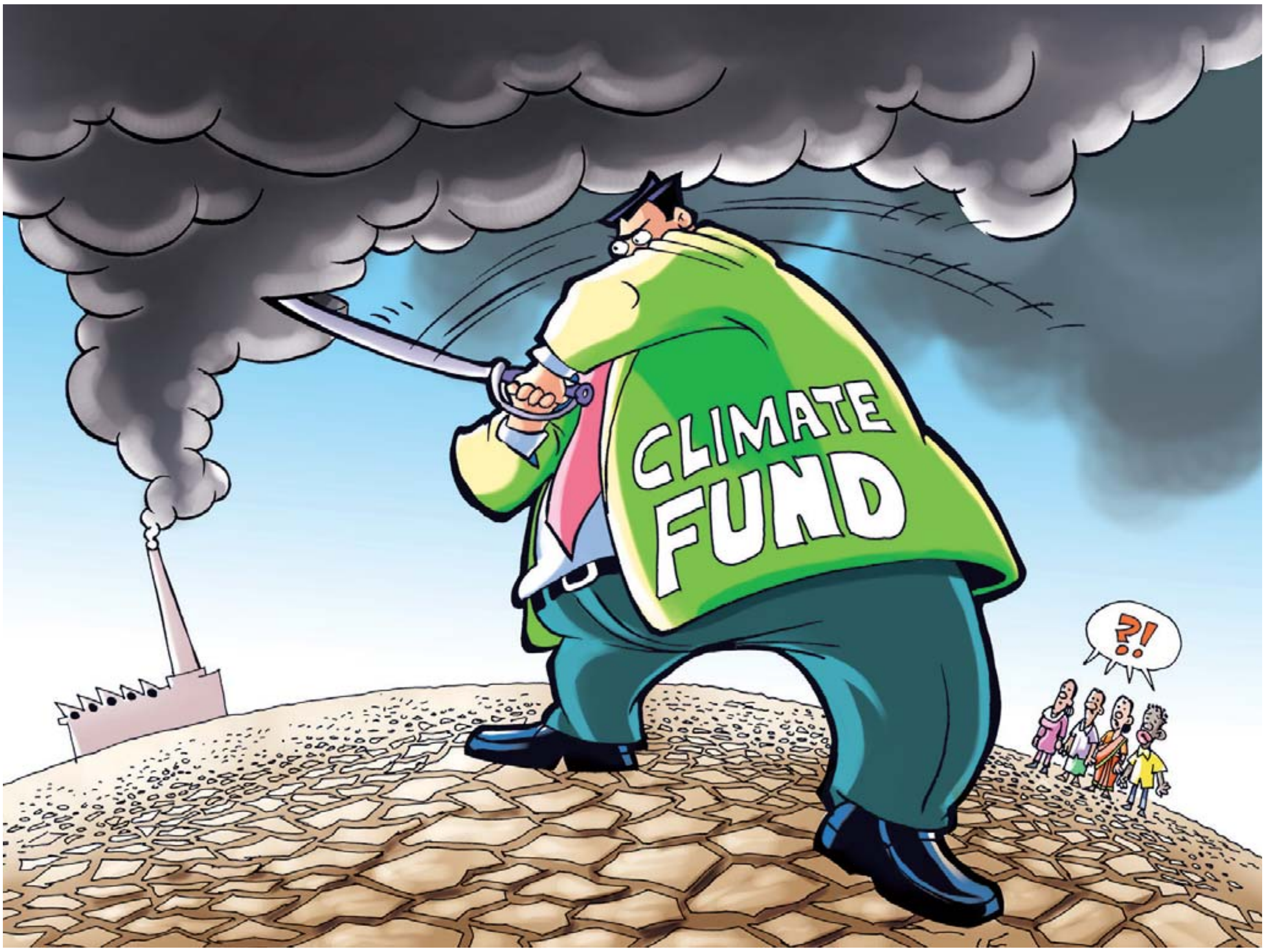
Climate Finance
Developing Countries' Perspective

Isabella Massa

Climate change is having devastating effects on the environment: Rising temperatures are causing the extinction of many habitats and species; changes in rainfall patterns are leading to severe water shortages and flooding; rising sea levels are increasing the risks of wave damage to coastlines; and melting glaciers are causing flooding and soil erosion. All these are having severe socio-economic impacts around the world, particularly in developing countries. On average, about 350,000 people die each year because of climate change-related malnutrition and diseases, and over 99 percent of such mortality cases occur in developing countries.[1] Moreover, US$150 bil-



lion are lost each year due to climate change-related impacts, of which US$65 billion are borne by developing countries.[2]

Although developing countries have little or no responsibility for climate change, they are the ones most affected by and most vulnerable to its impacts because of their geography, high dependence on climate-sensitive resources, low adaptive capacity, high poverty rates, and vulnerable social, institutional and physical infrastructure.[3] This implies that poor countries need huge investments to counteract the effects of climate change, in particular, to minimize the consequences of actual and expected changes in the climate (*adaptation*) as well as to tackle the causes of climate change such as reducing greenhouse gas emissions (*mitigation*). The international community, especially the developed world, has pledged to help developing countries to cope with climate change by providing the necessary financial support. Nevertheless, the resources committed so far cover just 5 percent of the needs of developing countries,[4] and that too does not always reach the most vulnerable.

A number of key factors have prevented international efforts from addressing the growing climate finance gap. First, developed and developing countries have failed to reach a consensus on the definition of additionality of climate finance. Second, fragmentation of climate finance and lack of coordination among donors have reduced developing countries' accessibility to the much needed funds. Finally, the allocated amounts of climate finance have favoured mitigation projects at the expense of adaptation investments.

Box
Definitions of "new and additional" funds

1. *Funds above the official development assistance (ODA) target of 0.7 percent of developed countries' gross national income (GNI)*: This is by far the preferred definition of developing countries. It is transparent and objective, but unlikely to be adopted since most donor countries are struggling to reach the 0.7 percent ODA target. Moreover, those countries which already exceed the 0.7 percent threshold may be tempted to divert aid commitments from traditional development needs.
2. *Additional funds as defined unilaterally by each donor country:* Developed countries are in favour of this approach, which is rejected by developing countries since it lacks transparency, prevents cross-country comparisons, and may allow diversion of ODA.
3. *Only funds disbursed through new United Nations channel such as the Adaptation Fund or the Copenhagen Green Climate Fund:* Although this definition is clear, it has the drawback of limiting the number of channels through which climate finance may be disbursed.
4. *Funds which do not count as ODA:* This approach allows distinguishing clearly between development assistance and climate finance, but is rejected by most developed countries since they tend to use climate finance to reach their ODA targets.
5. *Funds above current climate finance (i.e. existing climate funds and those pledged before Copenhagen):* Although this definition may be favoured by donor countries, it makes it difficult to distinguish between old and new finance, leaving again the door open for ODA diversion and lack of transparency.
6. *Funds above current development assistance:* According to this definition, any increase from current ODA levels may count as new and additional climate finance. This approach is clearly not acceptable for developing countries since it is difficult to assess and allows for ODA diversion.
7. *Funds above updated projections of development assistance:* Unlike the previous one, this definition takes into account the economic cycles in donor countries. This implies that during periods of recession, climate finance may fall, while during economic booms, donor countries' obligations may increase. This approach may add uncertainties to developing countries since the climate funds would be totally dependent on donor countries' economic performance.
8. *Funds provided through new sources only, such as international air transport levies, levies on carbon trading or carbon taxes:* This definition guarantees newness and additionality of climate finance, but it limits the channels through which climate funds may be provided. The characterization of new sources may also be arbitrary.

The issue of additionality

In order to meet the climate mitigation and adaptation needs of developing countries, the Copenhagen/Cancun agreements promised to provide poor countries with "new and additional" resources of US$30 billion over the period 2010-2012, and to mobilize US$100 billion per year by 2020. While the target numbers have been secured, the definition of what should count as "new and additional" remains unresolved. So far, eight possible options for defining the meaning of "new and additional" have been put forward (Box), but only a few of them are acceptable to developing countries. Hence, no consensus has yet been reached.

A number of criteria may be used to assess the above definitions.[5] According to these criteria, the best definition of "new and additional" resources should ensure that funds directed to climate change i) do not divert ODA from traditional development needs; ii) are separate from funds that have been already promised for supporting developing countries' climate or development actions; iii) are environmentally effective; iv) shift the burden away from developing countries which are less responsible for climate change and least capable to adapt; and v) are institutionally feasible in the sense that they are politically acceptable for both developing- and developed-country governments, are feasible given the budget constraints in developed economies, can be easily assessed (transparency), and do not interfere with the development assistance regime. Hence, it appears that the most appropriate definition is the one describing "new and additional" resources as climate funds provided through new sources only. This definition guarantees additionality, novelty, and acceptability by parties, as well as transparency and consistency with the development assistance regime. Moreover, it is in line with the international agreement that alternative sources of finance are needed to mitigate climate change and help developing countries adapt to climate change impacts.

Fragmentation and lack of coordination

Over the last few years, there has been a proliferation of funds and funding initiatives to support developing countries to cope with climate change. These include both bilateral and multilateral initiatives, as well as private sector initiatives. On the one hand, developed-country governments—especially Japan, Germany and Australia—have channelled a considerable amount of funds to climate change projects through bilateral initiatives such as the Hatoyama Initiative, International Climate Initiative (ICI), and International Carbon Initiative. On the other hand, among multilateral actors, the World Bank has been particularly active through the Climate Investment Funds (CIFs), the Kyoto Protocol Adaptation Fund and the Global Environmental Facility (GEF), which is the largest source of multilateral climate-related funding. Multilateral Development Banks have also increased their involvement in environmental activities in recent years by providing funding (especially to the private sector) through loans, equity, concessional financing and to a less extent, grants. In addition to this, the Clean Development Mechanism (CDM) has emerged as the main vehicle for the private sector to invest in carbon mitigation in developing countries.

Such an increasing number of international climate funding mechanisms (currently over 20) has made it difficult for developing countries to access climate-related funds. Indeed, climate finance fragmentation, compounded with deficient coordination among donors, has created a confusing environment and increased transaction costs for recipient developing countries. Moreover, it has complicated accounting, transparency and delivery of funds, thus leading to duplication of efforts and inefficiencies in funds allocation. The creation of a comprehensive "Measuring, Reporting and Verification" (MRV) system is therefore important to overcome these issues as well as to ensure the additionality of climate finance and allocation of funds to countries most in need. According to the MRV process, the amount of climate finance flows from developed to developing countries should be first monitored and measured. The data should be then reported to the international community and finally verified by a central entity to ensure that commitments are fulfilled.

In order to simplify the complex network of multilateral and bilateral funding mechanisms that currently provide climate change assistance to developing countries, the Cancun Agreements have proposed the establishment of the Green Climate Fund (GCF). This is a new body meant to complement, or perhaps replace, many of the existing multilateral dedicated climate funds such as the GEF or the Adaptation Fund, and to become the official mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to deliver large-scale financial resources to poor countries for climate change adaptation and mitigation. Even though the agreement to create such a fund is considered a success, especially by developing countries, which envisage the opportunity to create a more legitimate institution able to provide the necessary climate support, new issues are emerging. In particular, it is becoming difficult to reconcile the role of the GCF with that of the other existing funds, particularly with the GEF, which is the longest-serving body dealing with climate finance but risks being overshadowed or even replaced. To overcome this and other issues related to the improvement of coherence and coordination in the delivery of climate financing, a Standing Committee has been established, but its roles and responsibilities are still controversial.

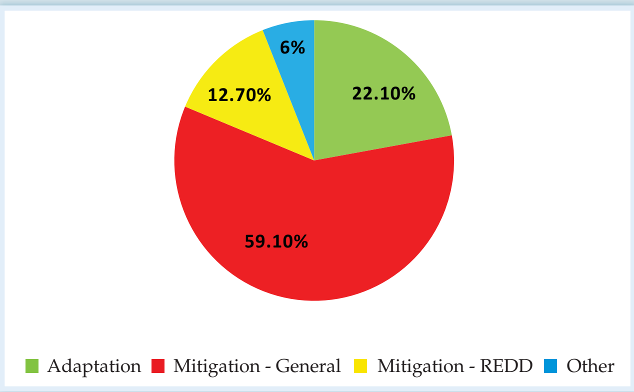
Balancing mitigation and adaptation

The Copenhagen/Cancun Accords pledged to achieve a "balanced allocation between adaptation and mitigation". Nevertheless, current allocations are far from being balanced. Adaptation accounts for just 22 percent of total disbursed climate finance, while mitigation allocations are about 72 percent (Figure). The fact that climate finance is skewed towards mitigation leaves developing countries dangerously exposed to major impacts and threats of climate change.

If adequate funding for adaptation is not provided, climate-related disasters in poor countries will continue to translate into increased hunger and diseases such as malaria and diarrhoea, more deaths, loss of income and livelihoods, and reduced well-being.

Several estimates have been recently provided on financial needs for adaptation. The Secretariat of the UNFCCC has estimated that by 2030, developing countries will need US$28 billion to US$67 billion to adapt to climate change. Other estimates are even higher. Nevertheless, funding gaps remain huge in all developing regions. For example, within Asia and the

Figure
Disbursed climate funding by theme



Source: Adapted from Climate Funds Update Graphs and Statistics, accessed in November 2011.

Pacific, the least-developed countries alone would need US$15 billion over the next decade but until now only US$66 million have been channelled to the region.

Furthermore, no climate finance has been allocated to developing countries to adapt to increasing extreme weather-related events such as drought or flooding which cause death and destruction every year; and funds allocated to climate-related human health concerns such as malnutrition, diarrhoea and malaria are still scarce. Moreover, only limited resources have been provided so far by developed countries to improve adaptation technologies in most vulnerable countries, even though a potentially important Technology Mechanism has been recently introduced with the aim of responding to developing countries' adaptation technology needs.

Adaptation funds have been disbursed mainly through five multilateral financial mechanisms: the Least Developed Countries Fund, the Special Climate Change Fund, Strategic Priority on Adaptation, Pilot Programme for Climate Resilience, and the Adaptation Fund. However, given the significant existing financing gap, new sources for adaptation should be identified. New instruments may include public carbon market revenues, financial transaction taxes and revenues from taxation of international transports. More importantly, the private sector should be encouraged to play a bigger role in enhancing funds for adaptation.

Way forward

As highlighted above, developed and developing countries are at the crossroads facing two big challenges. On the one hand, increased transaction costs, excessive fragmentation of climate funding mechanisms, unbalanced allocation between mitigation and adaptation activities, and above all, donor countries' non-compliance with existing agreements are limiting poor countries' access to the much-needed climate funds. On the other hand, adverse climate-related events are on the rise with severe socio-economic consequences in developing countries.

The world cannot wait any longer to deal with climate change. The issues are clear and should be solved once and for all at the imminent meeting of the Conference of the Parties to the UNFCCC in Durban. Donor countries should speed up disbursement of climate finance amounts promised to developing countries to cope with climate change impacts. The ambiguous definition of "new and additional" climate resources should not be used any longer by donor countries to subtract from their commitments and responsibilities. Whatever agreement is reached, a clear distinction should be made between traditional development assistance and climate change support.

Regarding the large number of existing climate funding mechanisms, efforts should focus on joining forces and pooling funds under one single umbrella. In doing this, the structure and governance of the Green Climate Fund should be agreed with the objective of ensuring flexibility to address quickly climate change issues, and inspiring confidence in both developed and developing countries. This can only be achieved through improved transparency, accountability and the provision of adequate rules that allow the enforcement and monitoring of agreements reached between donor and recipient countries. The role and functions of the Standing Committee should also be clarified.

Finally, more funds should be allocated to adaptation activities especially in the most vulnerable poor countries. Climate finance for emergency relief to extreme weather-related events should be provided, and funds to respond to climate-related human health concerns should be strengthened. Support for the development of adaptation technologies in developing economies should also be ensured. ■

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Notes

1 http://daraint.org/wp-content/uploads/2010/12/CVM_Complete-1-August-2011.pdf

2 *ibid.*

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A Regional Outlook for Climate Finance in South Asia

Climate finance opens new windows of opportunities for South Asian countries not only for adaptation, but also for green growth through the use of new climate-friendly technologies.

Fahmida Khatun

It is now well recognized that the impacts of climate change will impose significant economic costs on affected countries. The cost of inaction will be enormous compared to the cost of mitigation and adaptation. Though there is controversy about cost estimates due to uncertainties on the magnitude of the problem, most studies indicate that the economic cost of climate change is very high. According to the Stern Review (2006), the cost of inaction is 5 percent of global gross domestic product (GDP) each year. The upper level of estimate is

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20 percent of GDP or even more. It is estimated that with 5°C–6°C warming by the end of the century, poor countries will face costs in excess of 10 percent of GDP. William Nordhaus has estimated that due to 3°C increase in temperature and precipitation, there will be a cost equivalent to 3 percent of global GDP.

It is important to note that some of the damages due to climate change are either irreversible or only partly reversible. For example, the extinction of species, loss of ice sheets and loss of unique cultures cannot be reversed. Some of the impacts—such as on agriculture production, infrastructure, water resources, energy, health and migration—are partly reversible if adaptation policies are undertaken.

However, the cost of adaptation to climate change can be very large. Furthermore, the costs will multiply a few hundred times due to delayed measures. According to different estimates, the cost of adaptation will be in the range of US$3 billion to US$400 billion per year within a span of 20 years to 30 years, depending on the assumptions of impact and the time horizon of undertaking adaptation measures (Table 1). Similarly, the cost of mitigation varies from US$1 billion to US$400 billion per year depending on the assumptions and time span of mitigation measures (Table 2).

Mitigation measures are required to cut or minimize the green house gas (GHG) emissions that cause global warming. In South Asia, none of the countries are significant emitters of GHG except India. Hence, most South Asian countries need to develop adaptation policies and they need resources for that. India has to take both mitigation and adaptation measures. Estimates show that the total annual cost for climate change adaptation in South Asia ranges from US$10 billion to about US$18 billion depending on the wettest or driest weather and the time horizon for adaptation. In this context, how resources will be mobilized to bear these huge costs is a valid question.

There are two broad mechanisms of climate change finance: i) direct contributions from developed-country governments, and ii) market mechanisms. The first mechanism is preferred by developing countries while the second mechanism is preferred by developed countries.

Table 1
Cost of adaptation (US$ billion per annum)

	2010–12	2010–15	2010–20	2020	2030	Assumptions
European Commission (2009)	3–4	NA	NA	13–30	NA	In 2005 prices (US$1.25 to €1 exchange rate), total net additional ("incremental") costs, assuming successful agreement—30% reduction for developed countries by 2020 compared to 1990, and Nationally Appropriate Mitigation Actions by developing countries.
World Bank (2006)	NA	9–41	NA	NA	NA	450 parts per million (ppm) stabilization; information gathered from secondary data.
Stern Review (2006)	NA	4–37	NA	NA	NA	450 ppm stabilization.
UNDP HDR (2007)	NA	83–105	NA	NA	NA	450 ppm stabilization; information gathered from secondary data.
UNFCCC (2007)	NA	NA	NA	NA	28–67	
World Bank EACC (2010)	NA	NA	NA	NA	70–100	In 2005 prices, average annual costs between 2010–2050. Additional public sector (budgetary) costs imposed by climate change, not costs incurred by private agents.
Project Catalyst (2009)	NA	NA	13–25	NA	NA	Assumes 450 stabilization, US$1.25 to €1 exchange rate.
G77+China (2009)	NA	NA	NA	200–400	NA	Estimate includes both adaptation and mitigation. Proposed at 0.5% to 1% of GNP
African Group (2009)	NA	NA	NA	>67	NA	Estimate based on the Program for Adaptation Action under the Ad Hoc Working Group on Long-term Cooperative Action.
Oxfam (2007)	>50	NA	NA	NA	NA	Based on World Bank (2006), plus extrapolation of costs from NAPAs and NGO projects

Source: www.climatefundupdate.org

Direct contributions can be bilateral or multilateral. Of the multilaterals, the United Nations Framework Convention on Climate Change (UNFCCC), the World Bank, the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD), the European Commission (EC), the United Nations Development Programme (UNDP), among others, are important sources of climate funds. In the 16th session of the Conference of the Parties (COP16) of the UNFCCC held in Cancun, Mexico in December 2010, a decision was taken to establish a Green Climate Fund (GCF) under the UNFCCC. The objective, governing structure, sources and uses of funds, working methods and functions of the GCF are currently being debated and discussed with a view to finalizing the modalities of GCF during the run-up to the COP17 to be held in December in Durban.

There are several concerns related to climate funds. A major concern is whether these funds will be new and additional and whether these will be accessible to developing and least-developed countries easily. There are also concerns regarding whether these funds will benefit the recipient countries or the donor countries. In many cases, funds are not for country-driven projects. Also, most of the South Asian countries do not have the opportunity to actively participate in the preparatory phases of climate funds. Another concern is related to the size of funds and their actual disbursements. It is observed that there is a huge gap between the pledged and disbursed amounts. Data show that as of April 2011, the share of disbursed amounts as a percentage of total pledges are only 6.79 percent. A disaggregation of climate funds also indicates that the allocation for adaptation is far too less than for mitigation. While there are not much commitments from developed countries in cutting down GHG emissions, the allocation pattern of climate funds is a reflection of bias towards these countries.

Climate finance and South Asia

So far, India and Bangladesh are the two largest recipients of climate finance in South Asia (Figure). However, the amount that these two largest recipients have received is also far short of their actual needs. Therefore, while South Asian countries should strive at the individual level to secure more funds to deal with climate change, despite their differing interests in terms of dealing with issues of climate change, they should also act collectively as a regional group.

Collectively, South Asian countries should push for the full and effective implementation of the commitments made with regard to climate finance. They should raise a collective voice to pressurize developed countries for the release of climate funds they have pledged. Apart from multilateral

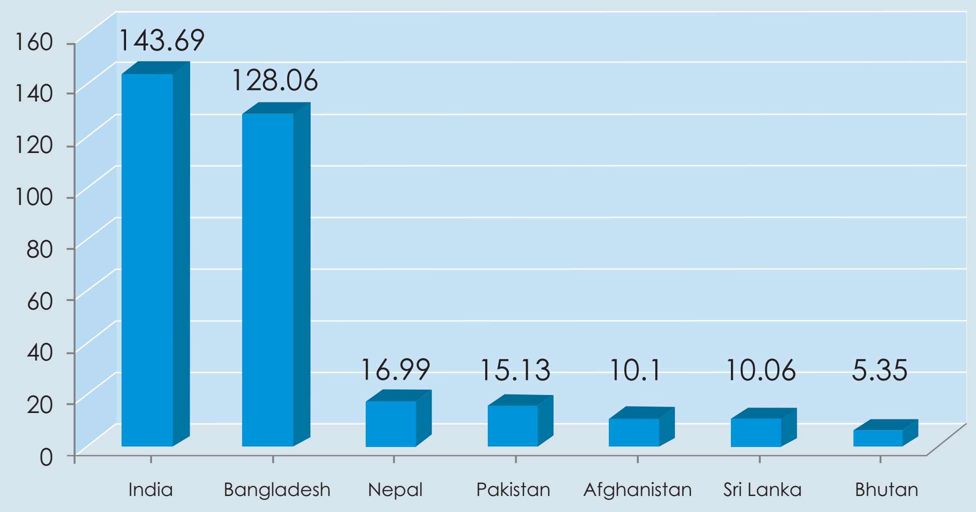
Table 2

Cost of mitigation (US$ billion per annum)

	2010–12	2010–15	2010–20	2020	2030	Assumptions
European Commission (2009)	1.25	NA	NA	118	NA	In 2005 prices (US$1.25 to €1 exchange rate), total net additional ("incremental") costs, assuming successful agreement—30% reduction for developed countries by 2020 compared to 1990, and Nationally Appropriate Mitigation Actions by developing countries.
McKinsey & Co. (2009)	NA	NA	81–113	NA	NA	Using US$1.25 to €1 exchange rate, includes technology research and development.
Pacific Northwest National Lab (2008)	NA	NA	NA	NA	139	Taken from World Bank WDR (2009).
UNFCCC (2007)	NA	NA	NA	NA	92–97	In 2005 US dollars.
Project Catalyst (2009)	NA	NA	69–100	NA	NA	450 ppm stabilization, US$1.25 to €1 exchange rate.
G77 + China (2009)	NA	NA	NA	200–400	NA	Estimate includes both adaptation and mitigation. Proposed at 0.5% to 1% of GNP
African Group (2009)	NA	NA	NA	200	NA	0.5% of GDP of Annex II Parties
Oxfam	NA	NA	NA	100	NA	Costs necessary to reach 40% below 1990 emission levels by 2020

Source: www.climatefundupdate.org

Figure
Climate finance in South Asia (US$ million)



Source: www.climatefundupdate.org

funds, South Asia should seek funds from bilateral sources as the process of accessing such funds is relatively easier.

South Asia is a potential carbon market because of its low emissions. Hence, South Asian countries should develop new projects under the Clean Development Mechanism (CDM). There is, however, a need for capacity building to develop projects under the CDM, which can be carried out jointly. They should also share new knowledge and innovative technologies among themselves.

Climate finance opens new windows of opportunities for both developing and least-developed countries of South Asia. It creates opportunities not only for adaptation, but also for green growth through the use of new climate-friendly technologies. However, South Asian countries have to be mindful of the newly hyped concept of "green economy" by developed countries since it may be used as trade protectionism or for imposing conditionalities to provide aid and for debt relief.

The green economy initiative, if followed without taking into consideration concerns related to equity and justice in poor countries, will jeopardize the long-term sustainable development of these countries. There are particular concerns in view of the apprehension of dumping obsolete and old technologies by developed countries in poor countries in the name of helping them adopt a green growth strategy.

Transfer and diffusion of environmentally sound technologies is a key element of any effective international response to the global climate change challenge and one of the pillars of the UNFCCC. In the case of technology transfer, the main issues on the table are technology financing, research and development, intellectual property rights and institutional arrangements. Technology transfer under Article 66.2 of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization has been a long-standing demand of least-developed countries (LDCs).

South Asian LDCs may articulate this demand jointly. They can also demand an LDC fund under the UNFCCC for joint projects. In addition to external sources, national initiatives to develop dedicated climate funds will reflect the commitment of countries to tackle the problem. Bangladesh and India have already created climate funds while Sri Lanka is in the process to develop such a fund. Other countries in the region can emulate this practice to address their climate-related problems.

Finally, accountability and governance of climate funds at the national level are critically important. Experience tells us that the issue is not only how to mobilize resources but also how to utilize them efficiently in a transparent and accountable manner. The issue is also about the adequacy, predictability, timeliness, harmonization and appropriateness of the funds. To this end, governance of climate funds is necessary also at the international level as much as it is needed at the national level. ■

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Towards a green economy in South Asia

Rehan Ali

South Asia is environmentally a fragile region. Its mountains, rivers, seas, forests and biodiversity are susceptible to the emerging challenges of climate change. Be it the deltas of Bangladesh, the mountains of Nepal, Afghanistan and Bhutan, the planes of India and Pakistan, or the islands of the Maldives, the region has an economy linked with natural capital. South Asia is a poverty-stricken, food insecure and conflict-prone region, and climate change is going to add to the already such precarious situation.

The International Food Policy Research Institute (IFPRI) estimates that the aggregate effect of climate change, including the effect on dryland production systems, is likely to be a significant reduction in total agriculture productivity. The greatest adverse impacts of climate change on people are expected in South Asia. In the next 40 years, child malnutrition is expected to increase by 20 percent as a direct result of climate change.

When the economy is predominantly agriculture- and livestock-driven, the industrial capability is also linked with the agriculture sector. While the major source of income generation is fragile, the rest of the economy and social well-being can be seriously damaged with any changes in climatic conditions. Once the economy and social well-being are destabilized, there are chances that conflict starts resurfacing in this part of the world.

The major sources of conflict can be around water, which needs to be used in a sustainable way. In many cases, subsidies encourage the exploitation of water at unsustainable rates. In India's Punjab province, for example, electricity for groundwater pumping is supplied to farmers either at a heavily subsidized price or for free. Experience is now showing that these subsidies encourage farmers to pump much more water than otherwise would be the case and, as a result, water levels in 18 of Punjab's 20 groundwater districts are falling rapidly. Officials are aware of the adverse effects of subsidizing electricity to this extent but have been unable to find a politically acceptable way to phase them out.[1]

South Asia is a region where loss of species to desertification and land degradation is one of the greatest. As a report by the United Nations Environment Programme (UNEP), Towards Green Economy: Pathways to Sustainable Development and Poverty, argues, economic and social well-being is only possible if the environmental and social pillars of sustainable development are given equal footing with the economic one, such that the often invisible engines of sustainability,

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from forests to freshwaters, are also given equal, if not greater, weight in development and economic planning.

It appears that South Asia needs to focus on developing a green policy and investment circle around agriculture, fisheries, water and forests. Also, the modernization process needs investments in clean and renewable energy, waste management, efficient buildings and transport while bringing special focus on cities. Recycling activity is also labour intensive. For example, in Dhaka, a project for generating compost from organic waste helped create 400 new jobs in collection activities and 800 new jobs in the process of composting.[2]

A green economy is one that results in improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities. A green economy is an economy or economic development model based on sustainable development and knowledge of ecological economics.[3] As UNEP has already proven, it must be recognized that in a number of important sectors, such as agriculture, buildings, forestry and transport, a green economy delivers more jobs in the short, medium and long term than under a business-as-usual scenario.

A green economy demands that growth in income not be taken as an end in itself. Growth must come from a concomitant reduction in carbon emissions and pollution. Such an economy must be able to prevent loss of biodiversity and ecosystems while increasing energy and resource efficiency. It requires well-designed investments. It needs investments which catalyze public and private action to rebuild natural capital. It requires social actions which translate into livelihoods and food security, especially of the poor and marginalized segments of society.

South Asia shoulders a global ecological crisis, including climate change and species extinction.[4] The melting of the Himalayan glaciers, the intensification of droughts, floods and cyclones, and rising sea levels aggravate the already-serious ecological stresses in the region. The South Asia Women's Network (SWAN), highlighting that the women of South Asia bear the highest burden of climate change, biodiversity erosion and unsustainable forms of urbanization, advocates a move towards a green economy: "A Green Economy should replace the current economic order, which is based on inequity, environmental destruction and greed, which has resulted in keeping nearly half the world's population in poverty, and has brought the planet to the point of a severe environmental catastrophe through climate change."[5]

> How to manage a smooth and fair transition from a brown economy to a green one at the national level in South Asia is a critical question that needs to be explored in detail.

In South Asia, India can lead the move towards a green economy.[6] While its economy is growing at a fast pace of around eight percent, it is estimated that by 2100 growth can drop to negative nine percent if climate change is not managed. Therefore, it is imperative to create a low-carbon economy. If India capitalizes on the potential of its green economy, not only would it promote a more sustainable and cleaner environment, but the Indian economy would also see the generation of hundreds and thousands of downstream jobs. India has the world's third largest pool of scientists and engineers and the past few years have seen a rise in green innovation, and increasing amounts of venture capital are flowing into this area.

Green Economy India, an initiative which brings together information around green jobs and investments, says that shifting to a greener economy can create job opportunities in all sectors. It argues that the growth of global carbon markets will mean increased demand for carbon financial consultants, analysts, financiers, carbon accountants and business risk analysts, among others. A rise in green buildings and energy efficiency is increasing the demand for architects, engineers, technicians, plumbers and construction workers. A shift towards renewable energy results in increased employment per kilowatt hour of energy produced when compared to fossil fuel energy, not only in large commercial plants but also in rural villages, allowing for decentralized renewable energy systems.

Focusing on climate change and building a strong green economy, the Maldives announced its plans to become the world's first carbon-neutral country in 10 years. Oil-fired power stations are to be replaced with solar, wind and biomass plants; waste will be turned into clean electricity through pyrolysis technology; and a new generation of boats will slash marine transport pollution. By 2020, the use of fossil fuels will be virtually eliminated in the Maldivian archipelago.[7]

Afghanistan is in need of new infrastructure and clean sources of growth. This has created a unique but narrow window of opportunity to rebuild the country using the growing body of best practices in sustainable technologies. It is urgent that the Afghan reconstruction creates a robust infrastructure that delivers profitable and stable businesses, while rebuilding the entire economy. Afghanistan must rebuild everything, providing housing, energy, food, water, sanitation, transportation, healthcare and security. Existing Afghan industrial systems tend to be highly inefficient. There is a need to implement best practices in energy- and resource-efficient technologies, and sustainable business practices. It is important to deliver safe, robust infrastructure that provides renewable energy, safe water, sanitation, housing and other basic needs to communities and industries, while reducing pollution from transportation and production.[8]

Rio+20 United Nations Conference on Sustainable Development, scheduled for June 2012, offers an opportunity to scale up and embed green economy perspectives in South Asia. A far more intelligent management of the natural and human capital in South Asia can shape the wealth creation and direction of the world. Moving towards a green economy has the potential to achieve sustainable development and eradicate poverty on an unprecedented scale, with speed and effectiveness. It requires putting more burden on our moral resources than natural resources. We have to rethink our approach to the economy and reshape it.

It is possible that green investments will promote new sectors and technologies that will be the main sources of economic development and growth in the future: renewable energy technologies, resource- and energy-efficient buildings and equipment, low-carbon public transport systems, infrastructure for fuel-efficient and clean energy vehicles, and waste management and recycling facilities. UNEP argues that complementary investments are required in human capital, including greening-related knowledge, management and technical skills to ensure a smooth transition to a more sustainable development pathway.

It must be noted that under the South Asian Association for Regional Cooperation (SAARC), analysis of enabling conditions is required, which can help mobilize investment to green the South Asian economy. The synergistic relationships between investing in low-carbon, resource-efficient technology and socially inclusive economic growth need to be explored.

A critical question that has to be explored in detail is: How to manage a smooth and fair transition from a brown economy to a green one at the national level? One possible way is to focus on capacity building, training and educational efforts. UNEP in 2008 argued that in Nepal, for instance, incentives for private sector participation in capacity building events and the implementation of sustainable action plans have helped to increase their access to international sustainable tourism markets, improved project performance and stimulated interest among other companies in Nepal in sustainable tourism business practices, creating synergies throughout the industry.

In countries like India and Pakistan, the rigidities of the infrastructure and industrial base can pose serious challenges. While new technologies can bring growth, unnecessary trade protectionism can be costly. Pakistan has decided to accord most-favoured-nation status to India. This opportunity must be utilized for technology and knowledge transfer for the greater good of the region.

In addition, practical solutions are needed to manage emerging conflicts. South Asian countries must agree to steps by which progress towards a green economy can be measured. Some possible indicators are improvement in climate-smart infrastructure and increased investment for clean energy production, and the extent of policy changes in the direction of a green economy. ■

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Notes

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Trade in labour and WTO

For developing countries and the LDCs to benefit from the multilateral trading system, liberalization of Mode 4 is critical.

Niraj Shrestha

International migration has become a global phenomenon. Reductions in the cost of travel and increased volume of trade in services have given rise to cross-border migration of people. The need for semi-skilled and less-skilled workers in developed countries has been largely met by large-scale emigration of such workers from developing countries and the least-developed countries (LDCs). The destination countries have benefited by meeting the demand for such workforce while the countries of origin have largely benefited from an increasing inflow of remittance. To a large extent, this has created a win-win situation for both receiving and sending countries.

Remittances, for many developing countries, constitute a large source of foreign exchange earnings, sometimes even exceeding export revenues, development aid, or other private capital flows. According to the World Bank,[1] in 2010, worldwide remittance flows were estimated to have exceeded US$440 billion, of which, developing countries received US$325 billion, an increase of 6 percent from the 2009 level. This figure, however, excludes flows through informal channels, which are believed to be significant. Recorded remittances in 2009 were nearly three times the amount of official aid and almost as large as foreign direct investment flows to developing countries.

The economic and human development benefits, to developing countries and the LDCs in particular, arising from migration have caught the attention of policy makers at the national and international levels. However, compared to the progress made in liberalization of goods and services in the World Trade Organization (WTO), movement of people across borders remains severely restricted worldwide. National security and sovereignty issues restrict immigration. Concerns about the impact of migrants on domestic labour markets and the wages of nationals, among other things, have led to tight entry criteria. Even for temporary migration, there are several restrictive immigration and administrative procedures. Despite the advantages of labour migration and the subsequent benefits arising from remittances, a multilateral framework agreement on regulating global migration flows remains elusive.

GATS and Mode 4

Before the WTO's General Agreement on Trade in Services (GATS) came into effect, trade in services, including labour services, remained outside the scope of a multilateral framework. The GATS includes, among others, provisions relating to the "temporary movement of natural persons" as service providers, also known as Mode 4. It involves service suppliers of a Member, and natural persons of a Member who are employed by a service supplier of a Member, in respect of the supply of a service. The scope of GATS Mode 4 is limited to cross-border movement of service, and on a temporary basis. The GATS explicitly

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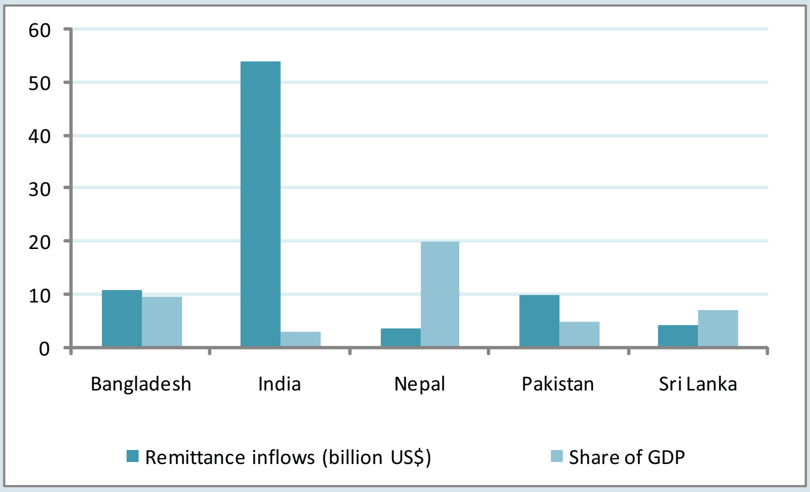
Figure
Remittance inflows in 2010



Source: World Development Indicators.

states that it shall not apply to measures affecting natural persons seeking access to the employment market and measures regarding citizenship, residence or employment on a permanent basis.

Developments in Mode 4 liberalization

Mode 4 remains the least liberalized mode of services supply in the GATS. Commitments of WTO Members are limited to the horizontal section—across all sectors—and related to only movements of professionals and skilled workers linked with Mode 3 (commercial presence). Though Mode 4 provisions are not restricted in applicability to any particular profession or skill level, commitments have been worded narrowly so as to exclude any semi-skilled or less-skilled workers, and are often subject to restrictions such as economic needs tests or licensing requirements.

Several developing countries and the LDCs have made requests on liberalization of Mode 4. According to Winters[2], the most comprehensive developing-country proposal on Mode 4 was submitted by India. The proposal provides concrete suggestions for areas of further liberalization in Mode 4 as well as detailed administrative procedures relating to Mode 4 visas and work permits and the recognition of qualifications. It is motivated by the view that there is a huge imbalance between current commitments on Mode 3 and those on Mode 4. Developing-country demands fall primarily into three major areas: eliminating or reducing economic needs tests that can limit the entry of migrant workers, expediting the recognition of an individual's credentials, and making visa and work permit issuance easier and faster.

Similarly, the LDC group has also made a request on liberalization of Mode 4. The intention of this request is to implement Paragraph 9 of the LDC Modalities, which calls on the LDCs to identify sectors and modes of export interest to them. In the request on Mode 4, the LDCs have identified key sectors for liberalization: professional services, computer-related services, research and development services, real estate services, communication services, education services, financial services, health and related social services, tourism and travel-related services, recreational, cultural and sporting services, and transport services. The LDC request clearly targets the inclusion of categories beyond highly skilled service providers. The request does this by seeking increased market access and broadening the scope of service providers, whose competencies and qualifications may meet the standard for independent professionals, business visitors, and contractual service suppliers and others, including installers, servicers, graduate trainees, artists, sportspersons or fashion models. The LDCs have urged developed countries to yield on qualifications and also consider diplomas or demonstrated experience, presenting these as substitutable options.

Although GATS has made a beginning to provide a multilateral framework for temporary movement of workers, the initiatives have yielded little optimistic result so far. Some progress on liberalization of temporary movement of semi-skilled and less-skilled workers has been seen only in bilateral and regional agreements.

Case for liberalization of Mode 4

For developing countries and the LDCs to benefit from the multilateral trading system, liberalization of Mode 4 is critical. Studies have predicted welfare gains under liberalized Mode 4, exceeding, at times, those that could be obtained from liberalization in traditional areas of trade. These gains would be shared between developing countries (in the form of remittances), and developed ones (through fees for licences, certification of qualifications, labour costs, living costs, insurance costs in host country, etc.). A study has predicted potential gains of over US$300 billion per year from increased labour mobility across the globe.[3]

For developing countries and the LDCs, the main interest pertaining to liberalization of Mode 4 is the inclusion of semi-skilled and less-skilled workers. This is because remittances sent by such workers have played a significant role in socio-economic development in many receiving countries. Remittances have a strong backward linkage, particularly in rural areas. They have helped increase per capita consumption, including of low-income groups, increase investment in health and education, and reduce poverty.

Remittances have also added stability to the economy, especially external sector stability as foreign exchange earnings from remittances have helped offset huge trade deficits in countries like Nepal and Sri Lanka. Temporary migrants are more inclined to send remittances as compared to skilled migrants, who may have a tendency to migrate permanently with their families, thereby reducing the possibility of remittances inflows. Although there are costs of migration, the benefits of remittances can still offset the costs, if well managed.

Another justification for liberalization of Mode 4 is the growing demand for semi-skilled workers in developed countries. Differences in education levels and demographics have created more skilled workers in developed countries, while education is still a privilege in the developing world. Demand for semi-skilled workers in services sectors such as health care (carers, nurses, para-medics), hotels and restaurants (cleaners, waiters, waitresses, cooks), construction, and services related to agriculture in developed countries can be met by semi-skilled and less-skilled workers from developing countries.

For developing countries, the advantage of Mode 4 also lies in transfer/circulation of skills. Being temporary in nature, the migrant workers ultimately return home with enhanced skill and knowledge. They can contribute to socio-economic development by increasing the productivity with their new-found skills and experiences. This also plays an equally important part in curbing permanent migration, thereby reducing brain-drain and increasing brain-gain instead.

A well-managed and liberal Mode 4 thus can be an effective means in helping developing countries to develop economically and help meet the demand for such human resources in the developed countries.

Mode 4 and South Asia

South Asia is one of the major sources of labour migrants in the world. The region has been exporting its abundant labour (mostly semi-skilled and less-skilled) to different countries, but mainly the Gulf countries. The World Bank estimates that in 2010, about 26.7 million people of the region (1.6 percent of the total population) were working abroad.

The region is also one of the largest recipients of remittances, with India (US$55 billion) being the topmost recipient in the world. Bangladesh (US$11.1 billion), Pakistan (US$9.4 billion), Sri Lanka (US$3.6 billion) and Nepal (US$3.5 billion) have also been receiving sizable remittances. Nepal is among the largest recipient of remittances worldwide as a percentage of gross domestic product (23 percent).

Mode 4 is of common interest in South Asia. This is particularly so because South Asia has comparative advantage in the provision of services through the movement of their natural persons. The possibility of market access in developed countries, beyond current migration destinations, can immensely benefit the region.

Way forward

In order for Mode 4 commitments to be meaningful, WTO Members, particularly developed countries, need to take a more flexible approach in providing opportunities to workers of all skill levels to gain market access. They also need to take into consideration, among other things, the developmental impact of remittances and their own requirement for semi-skilled human resources. The temporariness of Mode 4 serves as an advantage in this regard. Mode 4 is not only about migration; it is about trade in services. Hence, domestic regulation in receiving countries should not act as unnecessary barriers to trade.

A few issues that require consideration from developed countries are: considering the gap in education and skill levels, a flexible approach towards education and skill assessments; removal of economic needs tests; clarity in the GATS definitions relating to periods for service contracts; and transparency, one of the main principles of the WTO, in access to information relating to Mode 4 opportunities, wages, benefits, and related matters. A separate visa (GATS visa), proposed by developing countries, is an option. Such visa can also aid researchers to identify the flows of temporary migration, and areas of concentration and not get jumbled in the bigger picture of migration alone.

The countries sending natural persons have their own obligations. They need good policy to regulate migration; ensure that the workers receive trainings and are briefed about all the necessary aspects prior to departure, including protection from being cheated by agents; and ensure safety and social security benefits of their citizens working aboard temporarily. They also need to ensure that remittances are received through formal channels and are spent in productive sectors. They also need to design and implement programmes that ensure the return of migrants, reintegration in their society and create opportunities for them to utilize their knowledge and skills to increase the productivity of the overall economy.

For South Asia, in particular, a common understanding of the issues in the region is a priority. The South Asian Association for Regional Cooperation (SAARC) could play a proactive role in addressing common issues of migration and remittances. It could also voice common South Asian concerns at multilateral forums. ■

Notes

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Staking development in the Doha Round

Pradeep S Mehta, Bipul Chatterjee and Joseph George

The Doha Development Round (DDR) of multilateral trade negotiations hosted by the World Trade Organization (WTO) started in the immediate wake of the adoption of the United Nations Millennium Development Goals (MDGs) by the world leaders who recognized that it is their responsibility to lay the foundations of a more peaceful, prosperous and just world. They pledged greater cooperation to address global economic challenges, of which trade is a key element of Goal 8 (Global Partnership for Development) of MDGs. Thus, the conclusion of the DDR could be considered as part of delivering on the MDGs.

The pro-development approach adopted in the DDR was meant to address the perceived skewed nature of the multilateral trading system that enabled developed countries to garner most of the gains from international trade. For most developing countries, it was crucial to secure a bigger "share of growth in the world trade commensurate with their level of development" as promised in the Doha Ministerial Declaration. Further, the DDR outcome should contribute positively towards fulfilling their aspirations on rural development and food security. The issues that developing countries brought on the agenda in this regard included special and differential treatment (S&DT), technical assistance and capacity building (TACB), better market access for developing-country exports to developed-country markets, and balanced rules that provide policy space to developing countries.

Given this larger role of the DDR and immense expectations raised around it, the urgency of its conclusion is now more than ever, in the wake of the setbacks to MDGs due to the recent global economic downturn. However, set against the background of complex real politik underlying the negotiations and the vast number of issues to be covered, the Round has been regrettably prolonged with no immediate end date in sight. Though important advances have been made in several areas, a final agreement remains elusive for want of a consensus on a number of topics on which the divide is largely between developed and advanced developing countries.

The outstanding promises

At the outset, the DDR promised due consideration of the special developmental needs of the disadvantaged WTO Members and delivery on "development" through the application of the principle of less-than-full reciprocity, whereby developing countries are allowed to offer lesser/fewer commitments and concessions. Also, it mandated the review and strengthening of a number of S&DT provisions along with TACB programmes for developing countries, particularly the least-developed countries (LDCs).

But as the DDR started, the focus immediately shifted to controversial market access issues in agriculture and industrial goods. In the agriculture negotiations, trade-distorting farm subsidies in developed countries, predominantly in the European Union (EU) and the United States (US), are at the epicentre of standoffs. While developed countries have been defensive on this issue, they have taken offensive positions in the area of industrial goods, demanding larger tariff cuts generally and steeper cuts on specific industrial sectors/products from advanced developing countries like China, India and Brazil. Hence, many believe that a successful conclusion of the DDR primarily hinges on the resolution of the outstanding issues in the negotiations on agriculture and industrial goods.

> The urgency of concluding the Doha Round is now more than ever in the wake of the setbacks to MDGs due to the recent global economic downturn.

Developing countries are concerned that with a change in focus from development issues to market access, the DDR may not be able to deliver on its initial promises. They refuse to set aside talks on special rights and privileges due to them, particularly the LDC Members. However, given the "single undertaking" principle on which the DDR negotiations are being conducted, impasse in the talks can now be resolved not only by conceding to each other's aggressive interests in agriculture and industrial goods negotiations by developing- and developed-country groups respectively, but also by inclusion of all the promised development-sensitive measures applicable to disadvantaged Members in the final package.

A positive take-away from the experiences so far is that even modest results from the Round would raise world development prospects by far. Under the most expected scenario, the Round will conclude with tariff cuts on industrial goods based on the accepted modalities, supplemented by deeper tariff cuts on sectors/products of priority interest to the proponents of "sectorals" such as chemicals and electronics/electrical goods. This scenario also would entail stricter disciplines on agricultural subsidies, with deeper cuts on already agreed overall trade-distorting subsidies (OTDS) as well as inclusion of more trade-distorting subsidies under OTDS.

In addition, to make any Doha deal work, countries have to come up with concrete commitments to liberalize trade in services. To date, these negotiations have not yielded offers that would enhance market access and requires a substantial acceleration of the request/offer negotiations in services. Movement of natural persons remains heavily regulated, and proposals for negotiation of the issue in the context of the Round have found resistance from developed countries. Deeper commitments on market access in this area could yield substantial gains for developing countries.

In the case of the conclusion of the Round with not-so-superlative outcomes, the development aspirations of the vast majority of WTO Members from the lower rungs of the economic ladder may critically depend on how the details of the final deal turn out with respect to three broad aspects: i) extent and coverage of removal of agriculture subsidies, cotton in particular, given its positive implications for enhanced market access and negative implications for net-food-importing countries in terms of food inflation; ii) extent and coverage of S&DT provisions, along with the Aid for Trade initiative, the Generalized System of Preferences (GSP) and TACB programmes, particularly allocations to which the LDCs would be eligible; and iii) the overall package for the LDCs and Small and Vulnerable Economies, and remedial measures in response to preference erosion faced by poor countries.

As regards the first aspect, a dilemma facing the predominantly agro-based developing economies is the possible impact of subsidy cuts on internal price stability. While the expected increase in world market prices may enhance the price competitiveness of certain agro-exports from such countries, they may need to continue protecting domestic producers. Many vulnerable agro-based countries being net importers of food, the comfort of subsidized imports may get eroded, leading to a rise in their import bills. However, a phased elimination of cotton subsidies by the US and the EU

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with a short implementation period should be high on the agenda for the benefit of many LDCs. For instance, the elimination of annual cotton subsidies to the tune of US$3 billion is believed to enable West African LDCs to gain 5–12 percent of the value of their cotton exports.

Another sensitive agenda for developing countries is to seek ways and means to address preference erosion for their products in developed-country markets following most-favoured-nation (MFN) tariff cuts. The focus in this direction is currently on deepening the GSP schemes for the LDCs over the MFN reduction rates so as to check preference erosion, as well as on capacity building programmes and relaxations in rules of origin clauses to enhance the utilization of preference schemes. Most currently eligible countries have severe problems in expanding their exports to markets that already exist. Therefore, additional thrust must be placed on enhancing market access through improved rules of origin, support to deal with non-tariff barriers (NTBs), and aid for trade.

Other key demands that need to be pursued to ensure minimum assured development benefits are: i) additional flexibilities for trade in industrial goods envisaged under paragraph 8 (non-agriculture market access) of the July 2004 Package over and above the flexibilities that would be granted through lower tariff cuts and longer implementation period; ii) early harvest and full utilization of the TACB programmes envisaged under the proposed Agreement on Trade Facilitation (this would also partly address the implementation issues that would arise once the Round is concluded); iii) fast tracking of the implementation of the Task Force on Aid for Trade recommendations through the provision of additional, non-conditional, predictable, sustainable and effective aid; iv) implementation of full duty-free and quota-free market access to products originating from all the LDCs, including arrangements for the early harvest of this commitment; v) review of Article 27.3 b (patentability of plant and animal varieties) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) that should result in providing rightful protection of genetic resources and traditional knowledge, and effective implementation of the Declaration on TRIPS and Public Health that will help ensure affordable access to generic drugs in countries with limited or no pharmaceutical manufacturing capacities.

In the area of services negotiations, the expectations are centered on the implementation of LDC modalities and substantial improvement in offers from developed countries and advanced developing countries on market access to services exports from the LDCs through Mode 4, specifically the easing of barriers for the entry of unskilled labour. These outcomes, along with the general market access opportunities that are expected and accompanied by the already agreed safeguards and flexibilities, would help to extract a huge cut from the Round as far as pro-development expectations are concerned.

Besides these areas, common concerns raised in the past need further pursuance, regarding the removal of various existing NTBs (such as restrictive import policy, environmental standards, eco-labelling, laboratory test for dyes, unrealistic certification measures, export subsidies, technical barriers to services trade, anti-dumping and countervailing measures) in the major export markets. Though in varying degrees, supply-side constraints are common to all developing countries and solutions shall be sought for adequate financial resources and technology transfer to address low capacity to meet product quality standards and infrastructural bottlenecks. These demands will have to be realized in part outside the ambit of the DDR. Nevertheless, it cannot be ignored that unilateral policy reforms by WTO Members is also essential. Measures in this regard include usage of aid projects for trade-related capacity building, and intra-regional customs cooperation for smooth transit facilities. Given that huge expenditure would be required to expedite the process, supplementary support must be sought from relevant multilateral agencies for trade-related infrastructure (e.g., transport, energy, logistics), financial and capital market development, as well as other areas in order to reduce transaction costs. Promoting improvements in infrastructure and the business environment would open up opportunities for the private sector, both in terms of trade and of investment and thereby enable developing countries to take advantage of the DDR outcomes. Therefore the "delivery on development" of the DDR should be evaluated in the context of both the favourable outcomes of the Round and unilateral support measures initiated by Members.

Time to harvest with focus

The critical test facing the DDR is to resolve the broad differences between nations on both sides of the economic divide and reach a consensus at the soonest as the Round cannot afford further indefinite delays. This is especially so as, with the passage of time, ground realities change, making it increasingly difficult for the negotiating process to keep up with the pace of changes in the external environment that surrounds the WTO system. In addition, since the DDR has been working with a fixed agenda set in 2001 and slightly modified in the July 2004 Framework, the more the Round prolongs, the more it affects the WTO's capability to address its ever growing obligation to deal with new and emerging issues.

It is important to address two broad challenges facing the DDR. First, in order to expedite the negotiations, it is crucial that major players, especially the US, take leadership by relaxing their rigid positions adopted in the past on key issues. Internal political differences have been constraining several major players from delivering on their responsibilities towards constructive participation in the Round. This creates a tricky situation for the multilateral trading system as it has limited control over domestic political issues but should not be held hostage to such issues. Second, new developments in the world economy have notably affected the course of the negotiations directly and indirectly. A case in point is the impact of the recent global economic crisis on the progress of the DDR.

> Major players should resolve their internal political differences that have been constraining their participation in the Doha Round.

Domestic political economy concerns and the pressures for protectionism in the aftermath of the crisis slowed down the DDR talks. There still exists a threat of an economic downturn in major developed countries along with signs of food and fuel supply shocks at the global level which may again hold back the progress of the DDR. These are also exogenous factors over which the WTO has limited control and Members should be conscious so as not to allow such obstacles to cause more delays.

In order to overcome these challenges, a concerted effort must be made to put pressure on major players to resolve their internal political differences that have been constraining their participation in the Round. Such an effort can be made only in coordination with other global development institutions and international coalitions/bodies, since the exogenous factors that may affect the negotiations can be hardly predicted with precision and acted upon by the WTO alone. Very strong grounds for strengthening this coordination already exist and this must be achieved by reasserting the strong links of the DDR with the achievement of the MDGs, especially the vision about global partnership for development.

An example to substantiate this point may be drawn from a recent experience. When the financial crisis erupted in late 2008, the G20 mobilized the international community's response to the crisis. While the primary focus was on mutual support and coordination of response actions among its members, the G20 also arranged for significantly increased international assistance to developing and transition economies. This was achieved, in particular, through expanded lending by the multilateral development banks and the International Monetary Fund, which also eased the terms under which resources were provided to low-income countries, including cancellation of interest payments due through 2011. This helped to a large extent in easing the pressure on countries to resort to protectionism and consequently reinstated confidence in trade liberalization and multilateral trade negotiations.

Based on this experience and with a view to avoid dilution of focus on the ongoing negotiations, the WTO should continue to document and publicize trade-distorting protectionist measures adopted worldwide and thereby put pressure on its Members to prevent them from adopting defensive trade policies. In this regard, the fact that G20 members committed themselves to resisting protectionist policies and requested the main international trade agencies to monitor country activities is another evidence for the argument that the WTO negotiation process may benefit immensely by banking on global coalitions with common goals. ■

The authors are associated with CUTS International, Jaipur. *This article is based on "Doha Development Round: Prospective outcomes and African perspectives" by the authors, forthcoming in Rorden Wilkinson and James Scott (eds.), Trade, Poverty, Development: Getting beyond the Doha deadlock, Routledge.*

SALVAGING THE DOHA ROUND THROUGH LDC PACKAGE

Steffen Grammling

The World Trade Organization (WTO) is at a critical and decisive crossroads ahead of its upcoming Eighth Ministerial Conference (MC8). On its 10th anniversary, the Doha Round of negotiation is paralyzed and there is no indication that this will change anytime soon. The apparent indifference among some major WTO Members and their constituencies towards this situation is even more remarkable. In the light of tremendous challenges, such as the debt crisis in the Euro zone, the global financial insecurity and the implications of climate change, the Doha Round has gradually disappeared from the political agenda. However, the persistent stalemate is also a manifestation of a growing fatigue towards further multilateral trade liberalization among major players and another proof of the difficulty to broker meaningful agreements at the international level in general, i.e., a fundamental crisis of global governance.

Against this background, trade

ministers face the demanding task of recalibrating the political compass for the Doha Round, the WTO and the multilateral trading system. To prevent further damage to the WTO´s credibility, effectiveness and relevance, they will need to confront reality and provide political guidance on the following three questions: How to continue with the Doha Round that has been in limbo for more than three years? How to improve and strengthen the functioning of the regular work areas of the WTO? How to deal with urgent global issues that require attention and action by the WTO, but are not part of the Doha Development Agenda?

What future for the Doha Round?

The Doha Round has been *de facto* dead since the dramatically failed "Mini-Ministerial" in July 2008. Although political leaders reaffirmed their strong commitment to concluding the Doha Round on several occasions, including G20 Summits, negotiation positions remained unchanged.

In November 2010, the governments of Germany, Great Britain, Indonesia and Turkey started a new attempt and appointed a High-Level Expert Group, chaired by Jagdish Bhagwati and Peter Sutherland. The objective was to provide another impetus for the conclusion of the Doha Round. The Interim report urged political leaders to "set themselves a deadline within 2011 by which the Round must be completed or declared a failure."[1] Unfortunately, the warning went unheard and at their last summit on 4 November in Cannes, G20 members could only acknowledge the need "to pursue in 2012 fresh, credible approaches to furthering negotiations."[2] This illustrates the trilemma of the inability to break the deadlock in the negotiations, the lack of consensus on any other procedure, and the political impossibility of suspending or abandoning them even completely, as was called for by some trade scholars.

Pascal Lamy, Director-General of the WTO, had already offered new options on how to proceed with the protracted negotiations. The most interesting approach was to find agreement on a number of issues that are particularly relevant for the least-developed countries (LDCs)—the group of poorest countries that still make up for less than 1 percent of world trade—and to approve the same as an "early harvest" at MC8. This would have included duty-free and quota-free (DFQF) market access for the LDCs, an ambitious reduction of trade-distorting cotton subsidies, and an LDC services waiver, but also additional "plus" topics, such as trade facilitation and export subsidies. However, no consensus could be found on such an "LDC-plus" package, which, on 26 July 2011, led Lamy to the frustrating conclusion: "What we are seeing today is the paralysis in the negotiating function of the WTO."

> Development concerns should remain a central element in all negotiating areas under the Doha Round.

What could be the way out of this impasse? First of all, it is necessary to acknowledge the political blockage among the most important players, first and foremost the United States (US), China, Brazil, India and the European Union (EU). Whether this stalemate can be solved depends on changes in the balance of power between major domestic pressure groups that would lead to adapted negotiating positions; on possible shifts in the negotiation dynamics at the WTO, for example, induced by Russia's forthcoming membership; or on a major political earthquake with global shock waves that would demonstrate the urgency of multilateral cooperation.

Meanwhile, Lamy's call for pragmatism should be followed by implementing the results of negotiating areas that are already far advanced on a provisional basis until an agreement on the entire Doha Round could be found, i.e., to operationalize paragraph 47 of the Doha Ministerial Declaration. The approval of a non-reciprocal "LDC package" without the additional "plus" elements could be a starting point. Nevertheless, to make it meaningful, it should include the elimination of all tariffs on LDC exports and revised rules of origin. It should offer increasing export possibilities for LDCs. Other areas on which consensus might be reached, like trade facilitation, could follow.

Such a step-by-step approach would restore the credibility of the WTO's negotiating and rule-making functions, but makes it even more important to respect the agreed principles of transparency, inclusiveness and bottom-up approach. Moreover, while fast-tracking specific development issues, it should not be forgotten that in all other negotiating areas also, development concerns should remain a central element.

WTO's regular functions: The positive side of the coin

Unlike the Doha Round, the WTO has fulfilled its regular functions quite successfully. These include the implementation of trade agreements and trade monitoring; the dispute settlement mechanism; building trade capacity; and WTO accessions. The WTO's effective functioning in these areas currently constitutes the major value of the multilateral trading system.

In 2009, for instance, the WTO Secretariat started, as a reaction to the financial crisis, a monitoring exercise to track trade-related protectionist measures taken by WTO Members. Despite some initial concerns, Members finally accepted that the results would be published in a report. Since then, the WTO Secretariat has produced such reports on a regular basis and they have proven a useful instrument to increase transparency and thereby prevent excessive trade-restrictive measures. The G20 even asked the WTO to produce, jointly with the Organisation for Economic Co-operation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD), periodic reports on G20 members' trade and investment measures. A recent report identified an increase of trade-protectionist measures, particularly the imposition of new export restrictions, and called for enhanced vigilance.

Another example is the Transparency Mechanism on Regional Trade Agreements (RTAs) that was already put in force in 2006 on a provisional basis as an "early harvest" of the Doha Round. It seeks to improve the transparency and monitoring of RTAs by requiring their timely announcement and notification. Furthermore, the mechanism provides for a factual presentation and discussion of their elements, which thereby allows, indirectly, for an assessment of compliance with the legal foundations, i.e., Article XXIV of the General Agreement on Tariffs and Trade (GATT), Article V of the General Agreement on Trade in Services (GATS) and the Enabling Clause.

WTO accessions are a much more controversial area. There are no clear rules on how they should be pursued except for the fact that the accession process for the LDCs should be particularly facilitated and accelerated. Most accessions have been criticized for being too lengthy, excessively demanding, burdensome, power-dominated or even politicized.[3] While no accessions have been completed since 2008, some progress could be achieved soon. In October, the WTO General Council approved the accession of Vanuatu, an LDC which is expected to become the WTO's 154th Member in early 2012. The accession package of another LDC, Samoa, was also finalized and is expected to be approved at MC8. The most significant progress, however, was the completion of the negotiations on Russia's WTO accession conditions that are also pending for adoption at MC8. Russia is the last emerging economy outside the WTO and it remains to be seen how its membership will alter power dynamics in the WTO. Given that all three accession processes took 13 to 18 years and were not less burdensome than earlier ones, the need to improve the process persists. At MC7, a working session on the accession process was held, but no concrete measures were agreed upon. The LDC Group is expected to table a proposal for a ministerial decision at MC8 on how to further concretize the guidelines for the accession of the LDCs that were already approved by the WTO General Council back in 2002. The proposal will reportedly include benchmarks for market access requirements in the area of goods and services, as well as increased flexibility in transitional periods.

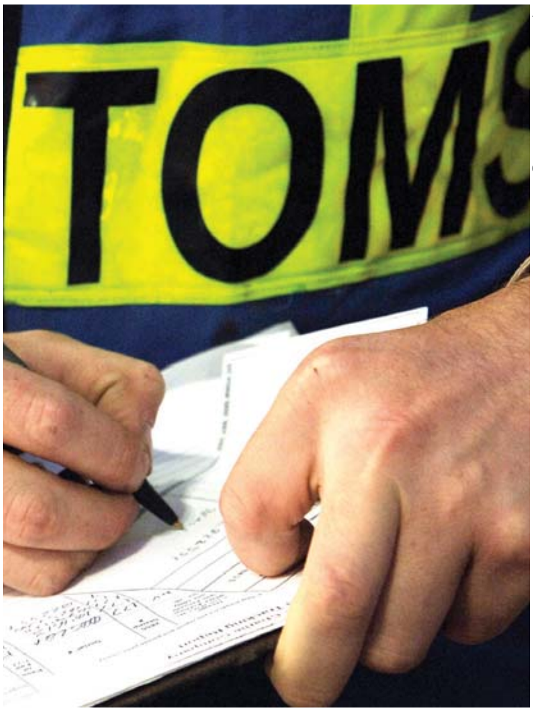
Post-Doha agenda: No less challenging

Since the Doha Round was launched in 2001, the world has changed significantly. New issues have emerged or gained importance, such as climate change, food and energy security, financial speculation and exchange rate management, and non-tariff barriers, particularly international standards. Many of these areas are principally dealt with at other forums, but have significant trade-related components. Thus, the "post-Doha agenda" has been growing steadily and has already become almost as complex as the Doha Round itself.

One of the most important future challenges is tackling climate change through a transition to a low-carbon economy. While the main negotiation forum is the United Nations Framework Convention on Climate Change (UNFCCC), there are several trade-related aspects that fall under the competency of the WTO. The Doha Round already involves negotiations on the reduction or elimination of tariff and non-tariff barriers to environmental goods and services, which got stuck on the operational definition of such goods and services. However, this is just one element in the transition to a green economy. Global trade patterns would shift much more fundamentally if the real costs of production and

transportation of goods according to their carbon footprint were factored in.

A related issue is the growing importance of standards. Trade has become significantly influenced by international production networks and global value chains, which are in turn governed by international standards. The WTO limits itself to providing general rules for product standards, as specified in the Agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Measures. Yet, the existing universe of standards has evolved much further and includes private "voluntary" standards that deal with all elements of sustainable development, i.e., its social, economic and environmental dimensions. Many private standards have already become *de facto* compulsory due to the demands of global retail companies and of ethically enlightened consumers. While compliance with such standards offers new export possibilities, particularly for small and medium-sized enterprises in developing countries, their implementation, certification and verification have turned out to be very costly. The WTO's role in regulating private



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"voluntary" standards is contentious, but it has certainly the competency to prevent them from becoming new obstacles to trade. Thus, a broader debate on this phenomenon seems overdue.

Exchange rate is another controversial area and is equally influential for international trade. The long-standing dispute between the US and China about the latter's exchange rate regime and supposedly undervalued currency is the most prominent example. G20 members committed themselves at the Cannes Summit to "move more rapidly toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments and refrain from competitive devaluation of currencies".[4] They also called for a more effective surveillance by the International Monetary Fund of the financial sector and fiscal, monetary and exchange rate policies. Here again, the role of the WTO is debatable, especially given the difficulty to objectively assess whether, when and how much an exchange rate is overvalued or undervalued. Nevertheless, such a discussion should not be considered taboo at the WTO, since an undervalued currency has similar effects as an export subsidy.

Way forward

The Doha Round is in a severe crisis and there is the real danger that the prevailing insecurity and perplexity will increasingly impair the WTO and the multilateral trading system. At MC8, trade ministers should prevent this from happening by solving the dilemma, which the Doha Round has been in for too long.

Three options could be considered. First, the Doha Round will be declared officially dead. This is extremely unlikely to happen, since no Member wants to become the scapegoat for a definitive failure with unpredictable consequences. It would make it very difficult to start any new negotiation in the near future at the WTO. All energy would be spent on advancing talks on preferential trading agreements. Second, the negotiations will be suspended indefinitely, as they already were in July 2006. This would allow all Members to seriously reconsider their political priorities, but could also move the Round into a long period of hibernation. Nevertheless, this could also clear the way for the third option: it will be decided to follow a pragmatic step-by-step approach, i.e., implementing agreements in areas that are already far advanced on a provisional basis. This option would send the positive signal that the WTO's negotiating and rule-making functions are still working. A meaningful "LDC package" could be the first step and would transmit the symbolic message that the potential benefits for the LDCs are not being sacrificed for the simple reason that no overall Doha Round agreement can be found.

Moreover, a decision will be needed on how to improve and strengthen the WTO's regular functions. In this regard, the role of the WTO Secretariat should be reinforced to prevent political blockage in existing committees and working groups. Finally, Ministers need to agree on how to tackle issues of the "post-Doha agenda". Most of these areas are basically about providing rules that allow trade-related measures to facilitate broader objectives, such as climate change, or prevent trade-distorting policies, such as persistently undervalued exchange rates. Discussions could already be started in regular committees, regardless of the destiny of the Doha Round.

WTO Members can no longer afford to shy away from these fundamental decisions. It would be detrimental if they again paid meaningless lip service to their commitment to concluding the Doha Round without any credible proposal on the way forward. At stake is nothing less than WTO's effectiveness as a rule-making organization, its legitimacy by delivering for its whole membership and particularly the LDCs, and its relevance as an organization that takes responsibility for the global challenges of the 21st century.

It is the responsibility of all WTO Members, but primarily the major players, to show political leadership and provide political guidance. This requires a shared vision of how the multilateral trading system of the future should look like, as well as a spirit of realism, pragmatism and compromise. Trade ministers already missed too many opportunities, most notably in the "Mini-Ministerial" of 2008. Hopefully they will take advantage of the upcoming MC8 to set the right course for the coming years. ■

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Notes

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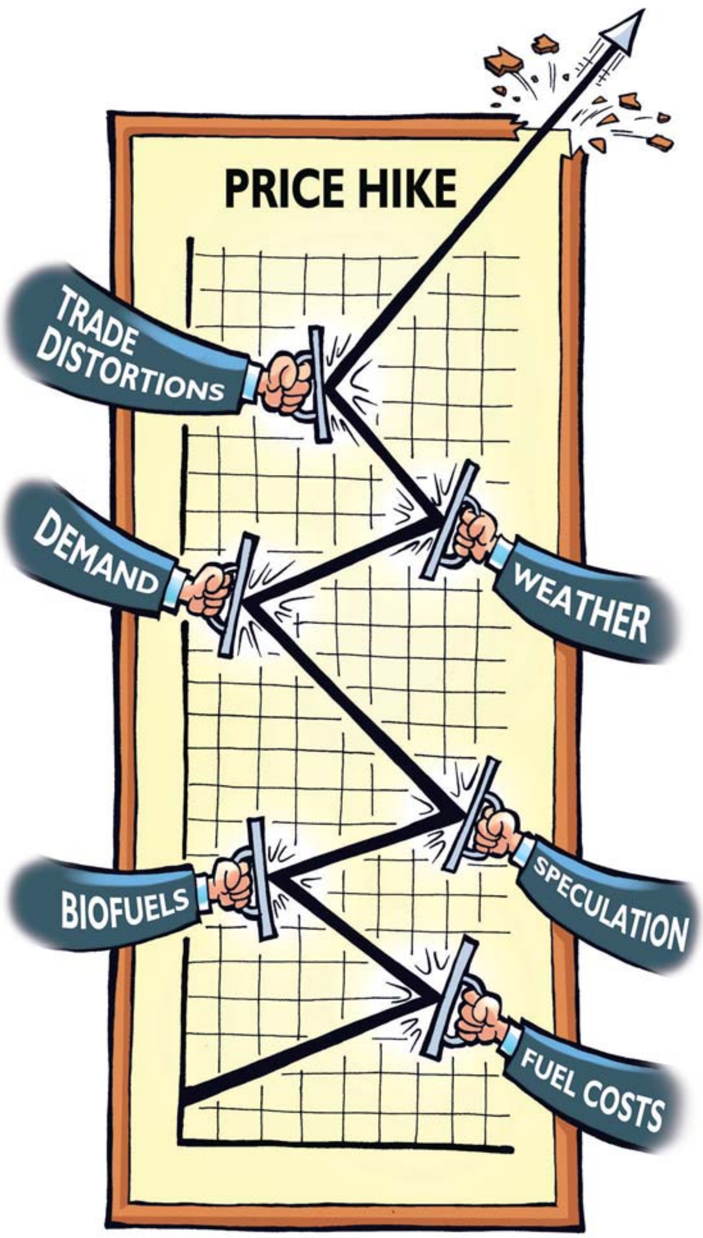
High food prices in South Asia
Causes and solutions



South Asian countries need to adopt multiple options—from emergency measures to reforming the agriculture sector—to address the impact of high food prices.

Chandan Sapkota

When food prices spiked in mid-2008, the level was cited as being the highest threshold reached in recent memory. Unfortunately, this year's prices have even surpassed the limit reached in mid-2008. The Food and Agriculture Organization's (FAO) Food Price Index (FPI) averaged 216 points in October 2011, much higher than the threshold reached in 2008, but a moderation from the level reached during the middle of this year. A recent report by the high-level panel of experts on food security and nutrition states that agriculture price volatility in the past five years has been higher than in the previous two decades, but lower than it was in the 1970s.[1]

The rise in world food prices this year is attributed to extreme weather events in major food producing countries and restrictions on grain trade, leading to higher food prices. For instance, Russia, the United States (US), China and Central Asia were battered by drought. India and Russia imposed embargo on grain exports, the US and the European Union (EU) saw unfavourable weather conditions and Pakistan and Australia had heavy rains and floods—all putting pressure on food supply and then food prices. The weakening of the US dollar, surge in oil prices, unfavourable weather events, commodity market fluctuations, and restrictive trade policies might further exert upward pressure on global food supply and prices.

The FAO predicts that high and volatile prices are likely to persist this year and in the coming years too, primarily because of the uncertainties surrounding output in major food-producing countries and a sharp run-down on inventories.[2] This comes about even after forecast of an increase in food production this year and in the future as well. For instance, cereal production this year is expected to be 3 percent higher than in 2010 but price is not expected to come down.[3] Cereal price is expected to remain high particularly in import-dependent developing countries. However, the rise in food prices is not homogenous in all countries. Buoyed by high domestic production and market restrictions, some countries might see lower local prices while others might experience ever-rising prices. But food prices will remain high in food-deficit low-income countries.

After the decline in food prices following a spike in 2008, food prices have been surging again in all South Asian countries since last year. This is not only impacting macroeconomic stability, particularly through increasing food import bill, widening trade deficit, and increasing general prices, but also pushing millions of people below the poverty line. Food prices have been rapidly increasing in most of the countries following a convergence of food-price inflation rates in 2003. In the recent period, food price inflation in Pakistan, followed by Nepal, is the highest in South Asia.

Causes

Food prices in South Asia are not immune to the changes in prices at the global level. The prices reflect both global and domestic trends in output, supply-side constraints, and trade and exchange rate policies. The rapid rise in food prices in South Asia is following the global rise in food prices. Some of the major factors that have been pushing up food prices are discussed below.

Weather-related shocks

In South Asia, the flooding in Pakistan in 2010 submerged a large swath of land (almost one fifth of total land area) and destroyed crops. This year too, Pakistan is seeing heavy flooding and has about 4.2 million acres of land submerged in water since late August. Similarly, Bangladesh was battered by cyclone and heavy rains, which affected food production. Afghanistan is facing long precipitation deficit and localized floods. These events have triggered negative supply shocks in South Asia. Globally, weather-related events have affected output in Russia, Canada, the US, Australia, China, Argentina and Kazakhstan, among other major food producers. All of these have amplified supply shocks and pushed up prices.

Demand shocks

Though total production has increased in most cases, it has not kept pace with population growth, leading to excess demand for food items. The world population is expected to reach nine billion in 2050. The South Asian population is projected to reach 1.9 billion in 2025 and 2.3 billion in 2050. This will further increase prices if production does not match population growth. Moreover, the added demand for food from the emerging middle class in developing countries will put more pressure on food prices as they consume more meat and fish products, which require even more basic food items to produce.[4] The World Bank estimates that the demand for food will rise by 50 percent by 2030, thanks to rising population, rising affluence, and a shift in dietary consumption by the middle class.

> Rising food prices are not only impacting macroeconomic stability but also pushing millions of people below the poverty line.

Increased demand for biofuels

Biofuel demand was widely seen as one of the factors behind the soaring food prices in 2007–2008 and it continues to be seen as a major factor behind the current high food price spree. In 2010, the production of corn-based ethanol absorbed about 15 percent of global corn production.[5] The increase in biofuel demand in the US and the EU created a demand shock and pushed up food prices, which were also reflected in food prices in South Asia.

Trade distortions

Export restrictions have heightened anxiety among net food-importing countries, leading to a situation where everyone is pre-emptively purchasing food from the international market and stocking it up. This led to a sudden increase in demand, created hysteria, and pushed up food prices. Moreover, depletion of inventory added fuel to fire and sent food prices up in the interim period, i.e., until the inventories were replenished. Protectionist trade policies were observed recently when food prices skyrocketed. World Bank economists have estimated that restrictions on rice exports explained almost 40 percent of the increase in global rice price in 2007–2008.

Speculation

Though speculation of food commodities itself is not a direct cause of high food prices, excessive speculation may have magnified the impact of real food

demand and price shocks. It might have had a second-round effect, aggravating the volatility of food prices, after the first round of production and price shocks.

There is still no clear evidence if speculation in the futures market triggered higher food prices.[6] However, a study by World Development Movement (WDM) squarely blames the financial markets for excessive speculation and "distorting and undermining the effective functioning of agricultural markets".[7]

The WDM report argues that financial speculators now account for more than 60 percent of some agricultural futures and options markets. It was 12 percent a decade and a half ago. Farmers and those having direct commercial interests hold just 40 percent of the market, leading to a situation where agricultural markets are not responding to the underlying fundamentals of demand for and supply of food commodities. The incentives for real producers of food are waning. The report also notes that total assets of financial speculators have increased to US$126 billion this year from US$65 billion in 2006.

Fuel costs

Increase in fuel costs due to conflict in the Middle East and North Africa increased transportation costs of food grains, leading to higher prices in the product market.

Solutions

Given the structural change in demand for food items (such as dietary shift to more meat-based products and crop-based biofuels) in several emerging and developed countries, the existing high prices might remain sticky at high levels unless the increase in demand is matched by structural increase in supply. Unfortunately, this seems unlikely at least in the short run.[8] Hence, South Asian countries need to look for multiple options—from emergency measures to reforming the agriculture sector to increasing agriculture production and productivity—to address the impact of high food prices. Productivity growth (crop produced per hectare) has to outstrip demand growth in the long run and supply growth has to respond to higher prices—both of which will help ease pressure on food markets. Since the world's population is growing at just over 1 percent a year, staple yields will have to rise by at least 1.5 percent a year (to also allow for an increase in demand for animal feeds).[9] Meanwhile, the accessibility of food items in remote and food deficit places will also have to be improved. At times, even when there is surplus at national level, some areas within a country might face short supply of food, leading to higher prices. For instance, even though Nepal is expected to have food surplus in fiscal year 2011/12, the World Food Programme argues that there are still 1.3 million people facing food deficit due to lack of accessibility. Without accessibility, particularly good distribution system, people will not be able to purchase food even if they are monetarily capable to do so, leading to widespread hunger in remote areas. Nobel laureate Amartya Sen argues that lack of adequate food distribution system is one of the reasons why we see famine even when total food production is higher during famine years when compared to non-famine years.[10]

To address the impact of higher food prices, various country-specific short-run and long-run measures could be undertaken at both national and regional levels. The exact nature of intervention measures should depend on the severity of food crisis, food accessibility and food availability. During crises, recovery (price, production and supply stabilization) should be the first priority. It should be followed by reform of the entire agriculture sector and distribution systems, keeping in mind the changing global, national and local food and market dynamics.

National level

At the national level, the first priority should always be recovery, which can be attained by implementing a range of interventions such as emergency food aid, well-targeted safety nets, subsidized food, and effective market supervision to reduce speculation and artificial rise in prices. When countries face a sudden rise in food prices, they should release supplies from national stock to address either a surge in demand or a shortfall in supply. If this is not adequate, countries should import food from abroad or seek immediate food assistance in case of an emergency. The emergency release of supplies from small and strategically located food reserves helps to tame local rise in food prices. Furthermore, reducing tariffs on food imports could also help bring down domestic food prices, especially in net food-importing countries. Duty-free import policy for rice, wheat, pulses, edible oils, and raw sugar has already been implemented by a number of South Asian countries. Meanwhile, stocking up reserves when the market is seeing high food prices is not a smart move as it will further fuel an increase in prices. The countries should also monitor price fluctuations in local markets because, in some cases, rise in food prices has little to do with production and market fundamentals and more to do with market imperfections arising from the disconnect between farms and markets.[11]

In the long term, agriculture reform aimed at increasing production and productivity should be the priority. This will help address the structural issues plaguing the agriculture sector. While building up national food buffer stocks is counterproductive when food prices are high, it is necessary to keep buffer stocks at normal times. Additionally, the agriculture sector should get adequate attention and investment from both public and private sectors. While private investment in agriculture sector is understandably low due to a high degree of uncertainty, it is surprising that public expenditure is also decreasing. The governments should invest more in building infrastructures such as road and irrigation to link farms with markets and to supply farms with adequate water, respectively.

> Food prices in South Asia reflect both global and domestic trends in output, supply-side constraints, and trade and exchange rate policies.

Regional level

At the regional level, the first priority should also be recovery and then reform. An important step towards recovery from high food prices in the region is to have easily accessible regional food reserves. In this regard, although the SAARC Food Bank's reserve of food grains has been raised from 241,580 metric tonnes (MT) to 486,000 MT, it is yet to become fully functional. If properly designed and implemented, it could help relieve pressure on some countries facing urgent food shortages. The region should have enough food in stock to avert speculative price spikes. Having a minimum level of regional and world stocks is a sufficient condition to avert price spikes.[12]

Regarding trade policy, none of the countries should impose embargo on food exports or slap high exports tariff on trade within South Asia. SAARC members should also trim their respective sensitive lists under the Agreement on South Asian Free Trade Area so that at least the major agriculture goods that are consumed in high proportion in the region are traded freely at low costs. Average applied tariff on agriculture goods is still higher than that on other goods in the region.

Trade policy coordination aimed at reducing food price volatility should be enhanced. The region should push for building new infrastructure that would help increase agriculture production and productivity, and also reduce the cost of doing business both within and across borders. Collaboration on agriculture research and development will also be immensely helpful. ■

Notes

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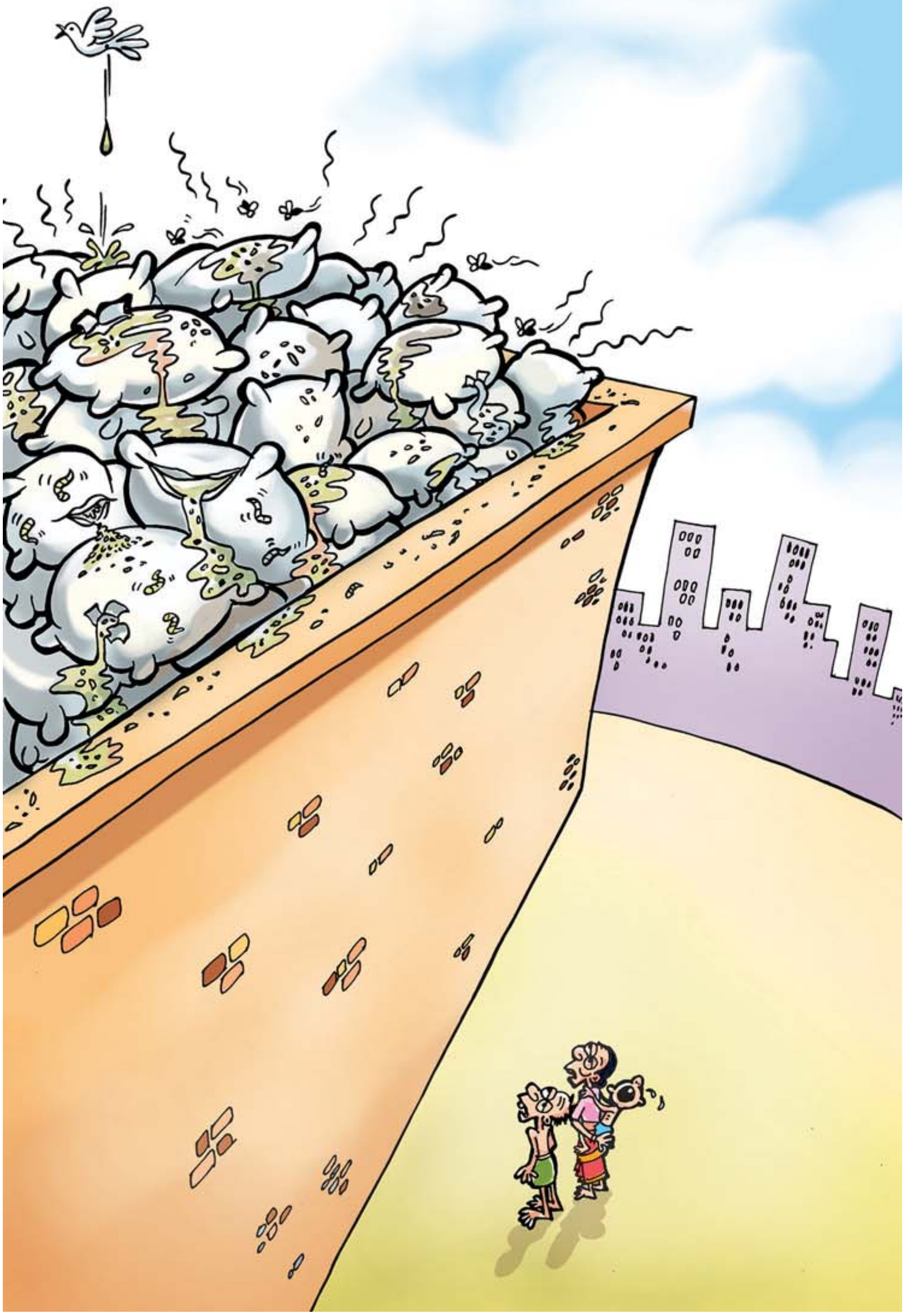
Food inaccessibility in India an (un)common suffering

Biraj Swain

Food inflation is considered as one of the most regressive forms of taxation. It affects the common person, and hurts poor consumers more than those in higher income groups. It is a cause of great concern, especially for developing countries where a large section of the population is a net buyer of food. Of late, high inflationary pressure, particularly double-digit food inflation since October 2008, is playing spoilsport in an otherwise robustly growing economy of India. If it continues unabated, it will aggravate the already conspicuous food and nutritional insecurity in the country. The fact that people in the lowest income quartile spend nearly 65 percent of their total expenditure on food commodities adds gravity to the situation.[1]



India ranked 66th in the 2011 Global Hunger Index published by the International Food Policy Research Institute, up marginally from 67th in 2010. An *Economic Survey* re-analysis by the Government of India reveals that per capita per day grain consumption in India declined from 440 grams in 1957/58 to 436 grams in 2004/05. Pulses consumption per capita per day, which was 70 grams in 1957/58, halved to 35 grams in 2008, after 50 years of independence.[2] Considering that pulses are the most important source of proteins to poor Indians, this reduction has had a direct impact on the protein energy malnutrition that India is cursed with—the national average is 46 percent as per the United Nations Children's Fund (UNICEF) while Madhya Pradesh, the central Indian state, has a malnutrition prevalence of 60 percent as per the National Family Health Survey. That pervasive hunger in India has become worse is evident from these numbers.

It is little wonder, then, that India has a high poverty incidence. According to the *Human Development Report 2011* of the United Nations Development Programme, based on the Multidimensional Poverty Index, more than half of India's 1.21 billion population is poor.[3]

The country has experienced one of the most sustained periods of food price hikes since the early 1970s, when it was associated with massive socio-political unrest. The lack of food security has already been a major failure of the development process, especially during the recent period of rapid growth. In the past two years, wholesale prices of food have risen by nearly 40 percent,[4] and retail prices have gone up even faster. This has been much faster than the non-food inflation rates. In the past year, inflation has moved across food items, with wheat, sugar, edible oils and vegetables experiencing price spikes at different times.

Moreover, the fact that food inflation in India is calculated on the Wholesale Price Index (WPI) instead of the Consumer Price Index (CPI) as it is done globally means an underestimation of the figure since the "food and fuel" weightage in the CPI is 46 percent compared to 24.3 percent in the WPI. Welfare economists have criticized this statistical jugglery and numerical hocus-pocus. Among the BRIC nations (Brazil, Russia, India and China) and other emerging economies (Indonesia and Mexico), food inflation, using the CPI, was the highest in India in 2010.[5]

Inadequate policy response

Top policy makers in the country have been shockingly inadequate in their response, reacting first with disbelief, followed by a frequently repeated but thus far unsubstantiated conviction that prices would come down very soon. Then the massive increase in the price of essential commodities was welcomed as a sign of greater material prosperity in the country and the success of "pro-poor" schemes of the government reflected in increased demand for food. Demand for food has been growing much slower than could be anticipated by both income and population growth. Much of it has to do with the distribution of growth, which has disproportionately denied benefits to the poor who would naturally consume more food. But even so, it is really the conditions of supply—reflecting the continuing policy neglect of agriculture as well as the nature of distribution and the pressures on the market from speculative activity—that have driven up food prices.

This recognition may be why the official arguments have changed somewhat recently. Most recently, the officially stated position has been to blame inadequate existing distribution chains—focusing on their inefficiency—rather than any speculative pressure that could also affect supply. But if the traditional supply chains in food items are so faulty and deficient, why did they not create such massive food-price spikes earlier? Why was food inflation relatively low in the period until 2006, despite equally rapid economic growth and the same system of distribution that is now being faulted?

> Food insecurity has already been a major failure of the development process, especially during the recent period of rapid growth.

Greater openness has played a big role in exposing Indian food markets to global price volatility that has been increasingly driven by speculative financial activity in commodity futures. But this is only part of the story. Food prices in India certainly increased when global prices rose. But even when global food prices were falling, in the period from June to December 2008, there was continued food inflation in India. And the recent increase in food price in India is more home grown, reflecting the failure of domestic food management, in which temporary shortages have translated into major price spikes.

The standard government response to this persistent food inflation has been increasing interest rates, somehow hoping that the same would tighten the monetary markets which in turn would result in food prices moderating. This response is solely based on the assumption that food inflation is based on demand spikes without factoring in supply-side blockages. The innumerable fuel-price hikes since the de-control of petroleum products are also fuelling food inflation. There have been 13 hikes in petrol prices over the last 18 months or 11 hikes in the last one year, which also contributed to food inflation.

Action is yet to be initiated on speculative activities like regulating/curbing trade in commodities futures and taking stringent actions against hoarding. While the government has set up a quasi-judicial body for regulation of warehouses—Ware Housing Regulation and Development Authority of India, a para-statal body with all the quasi-judicial powers of a regulator—it is yet to function optimally and its penalty and vigilance powers, necessary for coming down on hoarders, are still very limited.

Public distribution system

The public distribution system (PDS) is the central plank of the government's efforts to ensure food security. It performs the important function of making essential food supplies and domestic fuel available to poorer households at a lower (administered) price than the market price. It used to be universal till 1991 when, along with the liberalization of the economy, targeting was introduced. The unit of targeting is the family/household.

On the back of the People's Union of Civil Liberties, Rajasthan Vs Union of India case, 2001 in the federal Supreme Court, the programme has undergone major changes and reforms in many states. In a series of progressive federal Supreme Court interim orders, the programme has been getting directions for further changes, including a comprehensive audit on its leakages. The current spree of rotting grains and inadequate warehousing facility in the country has caught the Court's attention with a series of orders for distributing the grains free among people. Tamil Nadu, with an almost universalized PDS, and Chhattisgarh, with a series of process re-engineering, have the best-run PDS in the country. The other states which are catching up are Himachal Pradesh, Orrisa, Andhra Pradesh and Kerala.

The states are the theatre for action for PDS reforms in India. While there is inadequate evidence if anti-poverty programmes win elections, there is enough evidence that food security has been an election winner. Tamil Nadu has continued to be a near universalized PDS state because, irrespective of the party in power, the welfarist nature of the PDS programme and its coverage have never been tinkered with.

There have been series of calls and initiatives to comprehensively reform this central response of the government to food insecurity. But the recent moves to make the programme minimalist, universalize it only in the poorest 150 out of the 630 districts, and not include edible oils and pulses into the package have raised more concerns than hope.


1.bp.blogspot.com

The PDS in India is intrinsically connected to farmers' support. And procurement of grains through minimum support price has served as a guarantee for farmers producing food grains to be sure of their produce being procured by the government. If the PDS is minimized or wound up, it will directly hit food grain-producing farmers. This will fuel price volatility even more.

Reforms and policy options

Reforming PDS

The economists' fear that a universalized PDS will be very resource-intensive and hence unaffordable does not hold much truth. As with any universal programme, accessing it becomes self-targeted and doing away with all the gate-keeping criteria of a targeted programme curbs corruption and leakages, and consequently makes the programme more economically efficient. Even in Tamil Nadu, less than 60 percent of the population obtain their household grains from PDS' fair-price shops. The well-off families are opting out of the system. There is enough intelligence to calculate the exact demand for food and fuel from the PDS and ensure commensurate supply.

> Top policy makers in the country have been shockingly inadequate in their response to rising food prices.

Expanding the PDS beyond rice, wheat, levy sugar and kerosene oil to include pulses and coarse grains would go a long way towards improving the nutritional standards of the citizenry, supporting small farmers and, most importantly, reining in food inflation.

Injecting accountability and citizen's vigilance

The federal Supreme Court has already passed orders expressing distress that the most important food security programme has irrational costing, minimal monitoring and leakages at every stage. The fact that fair-price shops' licence (the last mile of delivery for the PDS) is a traditional form of clientelism is evidence of the deeply entrenched nature of corruption and pilferage in the programme. Hence, it is necessary that the reform process of the PDS is supported by appropriate monitoring, vigilance and citizens' engagement in the programme's delivery and oversight. Only then would the reforms make any headway.

Augmenting supply

Supply-side constraints and structural deficiencies are increasing. Corrective measures involve concerted efforts over an extended period of time. As a short-term measure, however, supply shortages can be overcome by drawing upon stocks (for the commodities applicable) and also allowing imports by lowering duties or reducing them to zero, if necessary, particularly in the case of fruits and vegetables. However, export or import decisions should be preceded by some planning based on clear commercial intelligence on the supply-demand situation.

Setting up a commercial intelligence agency[6]

Often, the inability to pre-assess market conditions due to lack of accurate information and timely dissemination of information at various levels aggravates inflationary pressures. The incongruity between various national-level databases often poses a problem in assessing the real situation with respect to agriculture production, as observed in the case of onions, cotton and sugar, among others. Compatibility of the databases must be ensured to be able to take stock of the supply situation and hence address the issue of availability and its impact on prices realistically.

There is a need to establish a commercial intelligence agency that maintains records of production, stocks and trade, and also tracks prices, and can generate advance signals to help tame abnormal flaring up of prices. It will be important to identify triggers which set off automatically to control the situation, whenever market prices cross the targeted price band. The role of futures markets in carrying price signals needs to be revisited and claims of such markets adding to inflation woes need to be empirically tested. There is a need for greater synergy between various agencies and departments dealing with production, stocking and trade.

> Rotting grains and inadequate warehousing facility have led the Court to issue a series of orders for distributing the grains free among people.

Reforming other core programmes

The Integrated Child Development Scheme meant for pregnant and lactating mothers and children up to six years of age needs to be strengthened to effectively reach women and children. The Mahatma Gandhi National Rural Employment Guarantee Scheme, the social protection programme with embedded self-targeting, has been the result of tortuous struggles of the poor and the working class.

Yet it has not taken off the ground with the scale and effectiveness that was imagined of a rights-based justiciable programme. More public scrutiny and participation are required in making this movement a success. As it is a food-for-work programme re-invented with the sub-text of rights, it needs to succeed in its maximalist *avatar* for the nation and the citizens as a whole.

Hope floats

While the picture might not be as bright and hopeful as champions of food security would want it to be, the truth is, there are a million mutinies happening all across the country which are fuelling public pressure around food security issues. States are reforming the PDS and winning elections on the back of the same. There is *suo-motu* reportage and outrage over rotting of food grains in a country of starving millions by the mainstream media. The last affidavit by the Planning Commission on drawing the Indian Poverty Line at Indian Rupees 32 per capita per day in urban India and Indian Rupees 27 per capita per day in rural India has come in for trenchant criticism from all quarters, including liberal economists.

The federal Supreme Court is taking a keen interest in issues of food access, starvation deaths, and supply blockages. The agrarian crisis in India is drawing the attention of policy makers, practitioners and researchers alike with a focus on tapping the potential of Eastern India and rain-fed agriculture.

For all the realities listed above and more, the Indian public, civil society and public-spirited bureaucrats and technocrats are gaining momentum. Calibrating the million mutinies for an apt policy, programme and movement is the way forward. ■

The author is National Campaign Manager, Oxfam India. Views are personal.

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The failure of the UN meeting on non-communicable diseases

Indrani Thuraisingham

No targets. No commitments. No rules. These were the reasons why the United Nations Political Declaration of the High-level Meeting on the Prevention and Control of Non-communicable Diseases at the General Assembly in September 2011 was disappointing for consumer campaigners and organizations.

There were no time-bound goals or targets to eliminate industrially produced transfat in food and to discourage the production and marketing of unhealthy food. Through traditional media, and increasingly new media, food companies have been using a broad range of marketing practices to directly target children. The vast majority of these food are snacks, soft drinks, junk food, confectionary and sugared breakfast cereals—products that are energy-dense, nutrient-poor and high in fat, sugar and/or salt.

Neither was there a clear commitment to implement preventive rules to manage the potential conflicts of interest that arise when interacting with the private sector. In fact, though the Consumers International (CI) was invited to speak as a representative of civil society, it was an irony to see representatives of the pharmaceutical industry and the food and drink industry also speaking as civil society! The World Health Organization (WHO) failed to clearly define the role of the private sector in the prevention and control of non-communicable diseases (NCDS). This essentially also means that the WHO needs to clearly recognize the differences between business-interest non-government

Box
The case of obesity in Asia: Critical issues

The growing prevalence of childhood overweight and obesity is affecting 10 percent of the world's children, and their number is growing every year. An estimated 17.6 million children under the age of 5 are overweight worldwide. Particularly in Asia, the rising prevalence of obesity is largely due to rapid urbanization along with an increase in energy intake due to increased purchasing power and consumption of high-fat, energy-dense fast food. Obesity is associated with increased risks of the metabolic syndrome, type II diabetes, hypertension, polycystic ovarian syndrome, and coronary heart disease. India has the highest number of people with diabetes in the world, followed by China. Wide differences exist in the prevalence of obesity in the region. Some countries like Vietnam and Indonesia are in the early stages of development while others like Japan, Singapore, Malaysia, and Hong Kong are at more advanced stages. Obesity is considered a serious medical condition and a menacing threat to the physical, emotional and social development of an entire generation.

Studies of the International Obesity Task Force suggest that childhood obesity is also a reflection of the disruption of traditional societal care, when the natural desire of parents to ensure a healthy upbringing for their children is increasingly overwhelmed by environmental pressure. Due to a constrained living environment and ready availability of food, children are constantly consuming a diet of processed and ready-made food. Coupled with the lack of physical activity from sedentary lifestyles and limitations on outdoor activities, the situation is evolving into an alarming cycle wherein children are spending more time indoors with computers and television—both highly influential marketing mediums widely used by food corporations. Many studies prove that television-viewing habits of parents highly influence children's habits.

CI's work on marketing of unhealthy food to children has resulted in the passing of Resolution 60.23 at the World Health Assembly in May 2010 under the WHO and this is expected to promote "responsible marketing" of food and non-alcoholic beverages to children. CI member organizations are currently working on three work programmes.

Improving nutrition for school children

School children account for 20–30 percent of the total population of most countries. However, many children suffer from nutritional deficiency and growth retardation because of poverty and food insecurity. To alleviate the situation, many governments are implementing school-feeding programmes that provide children with at least one nutritionally adequate meal organizations and public-interest non-government organizations.

CI, along with hundreds of other like-minded organizations, has signed up to a statement of concern by the Conflicts of Interest Coalition. The statement calls for the establishment of a code of conduct to govern civil society engagement in which the process of policy development is protected from the influence of the for-profit sector, as it is a part of the problem in relation to tobacco, alcohol and marketing of food to children that lead to the rise in obesity and diseases such as type II diabetes, heart disease, respiratory problems and cancers (known as NCDs).

It is important to note that the overall annual death toll from NCDs alone is estimated at 36 million worldwide, and if unaddressed, fatalities from such diseases are predicted to increase by 17 percent between 2008 and 2018.

Role of consumer movement

The consumer movement makes up one of the fundamental emerging forces of civil society. Through the promotion and defense of consumer rights, its members, as part of civil society, fight along with other social organizations for the construction of a more fair and just society.

While the consumer movement in Western countries is primarily concerned with issues of price and quality of goods and services, the consumer movement in the developing world gives more priority to basic development issues such as access to basic goods and services. Therefore, the developing country consumer movement tries to influence broader economic and social policy making and its implementation. The activities of these consumer organizations have a strong poverty focus; the problems faced by consumers with regard to food, health or the environment can only be dealt with if the causes of poverty are tackled and the broader development dimension taken into account. ■

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pcmlifestyle.com

a day. This in turn leads to higher attention span, better concentration and improved performance. This motivates parents to send their children to school, encouraging enrolment and reducing absenteeism and dropout rates.

Tackling obesity through nutrition labelling

While many consumers care about their diet and want to make healthy choices, they are confused about the nutritional information on food labels. This is because much of food labelling is voluntary, and there can be inconsistencies in how companies communicate nutritional information. On the other hand, poor consumers are struggling to fulfil their food needs, at the lowest price, but their choices are limited by the prevalence of low-cost, low-nutrition fast food. Nevertheless, nutrition labelling persists as a major policy response to obesity and in essence, labelling is central to the consumers' right to know.

Traditionally, the issue of nutrition labelling has been a concern for Western consumers, who mainly shop in supermarkets. However, as the Food and Agriculture Organization of the United Nations statistics suggest, consumers in developing countries, particularly in Asia and Latin America, are also increasingly beginning to shop in supermarkets.

The complex nature of the worldwide obesity pandemic, coupled with the globalization of trade in food products, means there is a need to create a unified approach to this public health problem.

Responsible marketing of food to children

Food and beverage manufacturers, food retailers, food-service providers, industry trade associations, entertainment and media organizations represent some of the most powerful actors in the global food system. They have unrivalled capacity to influence consumer diets through: nutritional composition of processed food and non-alcoholic beverages; marketing of food and non-alcoholic beverages (particularly to children and adolescents); nutrition labelling and health claims; and commercial activities influencing food environments. Of all the messages that reach consumers about nutrition, marketing by food companies is the most pervasive. Food companies spend billions on promoting their products in increasingly sophisticated ways. Studies have shown that the majority of food promotion that reaches our most vulnerable consumers is for food high in fat, saturated fat, salt or sugar.

Some reflections on 17th SAARC Summit

Mustafizur Rahman and Syed Saifuddin Hossain

The 17th South Asian Association for Regional Cooperation (SAARC) Summit held on 10–11 November 2011 in Addu Atoll in the Maldives has come up with a 20-point Declaration articulating the aspirations of the SAARC countries. Four agreements were signed in Addu to promote regional economic cooperation in a number of important areas. The Summit was also an opportunity to discuss bilateral issues, and there are some positive movements in this regard as well.

It is important to recall here that the foundation of SAARC as an organizational entity was premised on the notion of regional integration in South Asia through concrete initiatives and targeted actions. The urgency of making South Asian cooperation work for the common good of the peoples and economies of the region, at this particular juncture, is also reinforced by the fact that globally, South-South cooperation has been gaining increasing traction and growing momentum. This year's Least Developed Countries (LDCs) Report, an annual publication of the United Nations Conference on Trade and Development (UNCTAD), is titled the *Least Developed Countries Report 2011: The Potential Role of South-South Cooperation for Inclusive and Sustainable Development*. The issue of South-South cooperation is gaining strength and currency also in view of the ongoing euro-zone crisis and the evolving depressed economic scenario in the developed world. In the context of the aforesaid development, it is not surprising that this year's SAARC Summit and its outcome attracted added attention.

While establishing SAARC, it was envisaged that it would serve as a vehicle to promote regional integration by, *inter alia*, promoting intra-regional trade in commodities, services and energy; addressing non-tariff barriers (NTBs); fostering investment; helping to mitigate adverse climate change impacts; promoting seamless connectivity; and facilitating greater movement of people within the region. It was also hoped that SAARC members would gain significantly by leveraging the advantages accruing from regional cooperation towards accelerated growth and structural changes in their domestic economies.

To what extent has the 17th SAARC Summit been able to move the vision and agendas of South Asian cooperation and integration forward is a question that deserves serious reflection in light of the outcomes that emerged from the recently held SAARC Summit.

The Addu Declaration: An Early Assessment

The theme of the 17th SAARC Summit was "Building Bridges", reflecting the spirit of connectivity and closeness and embracing all potential areas of regional cooperation. Four agreements covering a number of important areas were signed during the Summit. They were: i) SAARC Agreement on Rapid Response to Natural Disasters; ii) SAARC Agreement on Multilateral Arrangements on Recognition of Conformity and Assessment; iii) SAARC Agreement on Implementation of Regional Standards; and iv) SAARC Seed Bank Agreement. At the inaugural session of the Summit, President Mohamed Nasheed of the Maldives had urged the SAARC leaders to make progress particularly in three core areas of cooperation related to trade, transport and economic integration; security issues including food security and climate change; and good governance. He also urged for significant reduction in the "sensitive lists" under the Agreement on South Asian Free Trade Area (SAFTA) in order to foster intra-regional trade.

Food security

The Agreement on Establishing the SAARC Food Bank was first signed in 2007. But operationalization of the Bank is proving rather difficult. As a result, countries have not been able to access food from the Bank even at times of need. For example, during the food crisis of 2007–08, Bangladesh, which was facing acute food shortages, was not able to take advantage of the Bank. The 17th SAARC Summit has provided a glimmer of hope, however, as the Addu Declaration, in Paragraph 9, commits to resolve the operational issues related to the Food Bank before the next Session of the Council of Ministers in 2012. If implemented, this would contribute immensely in addressing food insecurity in the region.

Another important development concerning food insecurity was the signing of the SAARC Seed Bank Agreement, which is expected to enhance collaboration among SAARC countries in the sharing of seeds and promoting collaboration in the development of high-yield varieties of seeds. Effective management of both the SAARC Seed Bank and the SAARC Food Bank will have to be ensured for member countries to reap maximum possible benefits from these potentially highly rewarding initiatives.

Addressing climate change issues is particularly important from the perspective of ensuring long-term food security. Although the Addu Declaration has committed to ensure the timely implementation of the Thimphu Statement on Climate Change, there are no time-bound initiatives.

People-to-people connectivity

The Addu Declaration has come up with some specific and targeted measures to promote people-to-people connectivity, particularly relating to travel and tourism. The Declaration states that a SAARC Travel and Tourism Fair will be held in the Maldives in 2012 with a view to promoting the region globally as "Destination South Asia".

The SAARC Agreement on Trade in Services (SATIS) is likely to create potential opportunities to enhance trade in various services sectors, including the tourism sector. However, member countries should design their requests and offers lists, on the basis of which further negotiations under SATIS will proceed for its implementation, in a manner that promotes tourism from within the region and beyond. Particular attention needs to be given to promote connectivity, including air connectivity, and simplifying visa procedures for facilitating the movement of people.

> The signing of the SAARC Seed Bank Agreement is expected to enhance regional collaboration on development and exchange of seeds.

Physical connectivity

In line with the theme of the Summit, the issue of transport connectivity received the utmost attention. A number of paragraphs in the 20-point Declaration, particularly Paragraphs 4 and 5, are related to promoting regional connectivity. Specifically, the Summit called for conducting a demonstration run of a container train from Bangladesh to Nepal via India soon. Similarly, a Regional Railways Agreement is expected to be concluded before the next Session of the Council of Ministers in 2012.The Addu Declaration has also directed the SAARC Secretary General to conclude preparatory works related to the Indian Ocean Cargo and Passenger Ferry Service by the end of 2011.

These are indeed welcome initiatives. However, despite repeated attempts, a consensus is yet to be reached on a regional transit agreement encompassing the entire SAARC region. Seamless trade and transit connectivity in South Asia will also allow member countries to link up with markets of Southeast, East and Central Asia, and will promote South-South trade, investment and people-to-people connectivity.

Trade and investment

The Addu Declaration came up with only a general statement with regard to making SAFTA effective and in addressing the issue of NTBs. However, in a welcome and pleasantly surprising development, the Indian Prime Minister announced India's new initiative to reduce its sensitive list under SAFTA from 480 to 25 for the region's least-developed countries (LDCs). Hopefully, this new initiative will create new opportunities for South Asian LDCs to enhance their trade with India.

Another welcome development was Pakistan's announcement that it would grant most-favoured-nation

(MFN) status to India. Pakistan also indicated that it will subsequently provide duty-free access to India for virtually all items.

Addressing NTBs is key to fostering greater intra-regional trade in South Asia, and harmonization of standards is an important element in this regard. The signing of two agreements in Addu concerning mutual recognition of quality and standards and conformity assessment is a welcome development.

Regarding investment, the SAARC Investment Treaty was to be signed at the 13th SAARC Summit in 2005. However, it could not be materialized due to lack of consensus among member countries. The issue did not receive much importance at the 17th SAARC Summit too as the Declaration simply states that members would "direct the SAARC Finance Ministers to chart a proposal that would allow for greater flow of financial capital and intra-regional long-term investment".

Institutional strengthening

The issue of raising the efficacy and effectiveness of SAARC as an institution has been an ongoing agenda from the very beginning of its establishment. Although some efforts have been made in that regard, it is becoming increasingly apparent that much more needs to be done for the institutional strengthening of SAARC.

The Addu Declaration, however, does not contain any concrete recommendation or commitment to this end. Paragraph 17 of the Declaration makes a general statement by asking member states "to strengthen SAARC mechanism, including the Secretariat and Regional Centres, through an inter-governmental process". No operational modalities or time-bound mandates have been proposed for such strengthening.

As in the case of the Association of Southeast Asian Nations (ASEAN), where the Secretary General is appointed with the rank and status of a Minister, the Maldives proposed at the 17th SAARC Summit to upgrade the post of the SAARC Secretary General to that of a Ministerial rank. But the proposal failed to receive support from some of the members. It should be noted, however, that despite the ASEAN Secretary General's rank and status of a Minister, s/he does not have the power to penalize members failing to comply with ASEAN directives and measures; nor does s/he have the power to provide incentives to members with better track record. Therefore, even if the proposal by the Maldives received support of other members at some point of time in the future, delegation of effective power, along with required operational mandates, will have to be adequately ensured to appropriately strengthen the SAARC as an institution and the SAARC Secretariat as the principal organ of delivery.

China and observer countries

An increasing number of countries seeking observer status in SAARC needs to be seen as a sign of the growing importance and relevance of this regional grouping. Eight countries and the European Union (EU) had sent their delegates to the Maldives this year as observers. It is a welcome move that at the 17th SAARC Summit members committed to "undertake a comprehensive review of all matters relating to SAARC's engagement with Observers, including the question of dialogue partnership, before the next Session of the Council of Ministers in 2012".

Conclusion

The 21st century is being called the Asian Century. In view of the expected Asian dynamism and the emerging regional and global opportunities, SAARC's future as a regional grouping needs closer examination. While individual SAARC members need to undertake the necessary initiatives towards structural changes in their respective economies, much will depend on whether they are also actually able to leverage the benefits originating from regional cooperation and take advantage of the synergy emanating from collaborative initiatives in the areas of trade and investment, connectivity, climate change, poverty alleviation and people-to-people contacts.

SAARC's lessons from the past will need to be transformed and translated into strengths for the future. As the above discussion bears out, this will require concrete actions in several areas. Indeed, regional cooperation must be seen as a key strategy towards strengthened global integration of SAARC members. The SAARC Secretariat will need to be significantly strengthened if such ambitions are to be realized on the ground.

The "Vision Statement", prepared by the Group of Eminent Persons (GEP), which was constituted as per the decision of the 9th SAARC Summit held in the Maldives in 1997, had provided a Roadmap for South Asian integration. The Roadmap had envisioned a journey that would take South Asia through a path of graduation from a preferential trading arrangement to a free trade area to a customs union to a common market and then to an economic union by 2020.

By any measure, the GEP vision is rather ambitious and the timeline has been missed already. However, SAARC members and leaders ought to accelerate the current pace of collaboration through concrete steps so that not only India, but also the other SAARC countries emerge as drivers and beneficiaries of the Asian Century. If South Asia is to be an integral part of the Asian Journey in the Asian Century, much more will need to be done beyond Declarations, however well meaning these are. ■

Despite repeated attempts, a consensus is yet to be reached on a regional transit agreement.

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Technology transfer for development

A robust monitoring mechanism is required for the implementation of Article 66.2 of the TRIPS Agreement, but the least-developed countries must also clearly articulate their technology needs.


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It was with reluctance that developing and least-developed countries agreed to bring intellectual property rights (IPRs) under the ambit of multilateral trade rules during the Uruguay Round of trade negotiations that led to the establishment of the World Trade Organization (WTO) in 1995. They accepted it as a price for having developed countries agree to expose their highly protected agriculture sector to multilateral disciplines and also further open up their industrial sector to exports from the developing world.

Also part of the bargain was transfer of technology from developed countries to developing and least-developed countries. This is broadly reflected in Article 7 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which states: "The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations."

The least-developed countries (LDCs) being among the most vulnerable group of countries and technologically among the weakest, there are special provisions for them with regard to technology transfer. Special consideration is provided for the LDCs in the preamble to TRIPS: "*Recognizing* also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base". Moreover, Article 66.2 of TRIPS states: "Developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base".

Another provision in TRIPS relevant to technology transfer is in Article 8. Some other WTO agreements also have articles relevant to technology transfer: Article 9 of the Agreement on the Application of Sanitary and Phytosanitary Measures; Article 11 of the Agreement on Technical Barriers to Trade; Articles IV and XIX of the

General Agreement on Trade and Services; and Article 8.2 of the Agreement on Subsidies and Countervailing Measures. The Working Group on Transfer of Technology was established at the WTO Ministerial Conference in Doha in 2001. It aims to examine the relationship between trade and the transfer of technology from developed to developing countries, and ways to increase the flow of technology to developing countries.

The issue of technology transfer is not confined to the WTO. The obligations for technology transfer on developed countries are also present in the United Nations Framework Convention on Climate Change (UNFCCC). The provisions on technology transfer in the UNFCCC are more clearly worded and comprehensive than in the WTO. Article 4.5 of UNFCCC states: "The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties. Other Parties and organizations in a position to do so may also assist in facilitating the transfer of such technologies."

The rationale for including technology transfer provision, including through financing, in the UNFCCC is that developing and least-developed countries are not historically responsible for climate change but are bearing the brunt of its effects and do not have the requisite technological capacity for climate change adaptation and mitigation. While the obligations under the WTO should be strictly adhered to by its Members, thanks to the dispute settlement mechanism, the UNFCCC lacks a strong mechanism for its enforcement. It is in this respect that WTO rules may have profound implications for UNFCCC outcomes.

Only a third of developed-country programmes and policies under Article 66.2 are specifically targeted at the LDCs.

Under Article 66.2 of TRIPS, developed-country Member governments are not obligated to carry out technology transfer themselves, but rather are to provide incentives to their "enterprises and institutions" to encourage technology flows to LDC Members.[1] Because of the unsatisfactory implementation of the Article, it was agreed in the WTO Ministerial Conference in Doha in 2001 that the TRIPS Council would institute a mechanism for the monitoring and full implementation of the obligations under the Article.

In February 2003, the Council decided that developed Members must submit full reports on activities undertaken to meet the obligations once every three years, and annual updates in the intervening years. The LDCs have been demanding the creation of the Article 66.2 monitoring mechanism as directed by the Doha Ministerial, but no such mechanism has been formed. Only a reporting mechanism is in place.

An analysis of the country submissions to the TRIPS Council during 1999–2010 shows that many of the policies and programmes reported either barely targeted or did not at all target LDCs.[2] Overall, only 33 percent of the programmes or policies were found to be targeted specifically at LDC Members.

Even when a broad definition of technology transfer was adopted, Moon (2008 and 2011) found that many of the programmes or policies reported by developed countries were either not technical in nature or did not include a technology transfer component.[3] Some of such programmes were "good governance" programmes, trade agreements, support for building a conducive business environment, and general budgetary support for regional or multilateral institutions. Bangladesh has argued that technical assistance under TRIPS Article 67 and the obligations to encourage technology transfer under Article 66.2 should be distinguished.[4] Considering all the 384 programmes listed by the reporting developed countries, only 11 percent met the criteria of targeting an LDC Member with a programme or policy that encourages technology transfer.[5]

There is, therefore, a pressing need for a robust monitoring mechanism for the implementation of Article 66.2, whereby developed countries are held accountable on their commitments. WTO Members need also to address the problem posed by the lack of a standard definition of technology transfer. On their part, LDCs must do their homework on the type of technology they need and prioritize areas for technology transfer, and assess the impact of such transfer. Implementation of Article 66.2 will be a crucial test of developed-country commitment to stimulate technology transfer to the developing world. Furthermore, success in this regard could also significantly contribute to climate-related technology transfer under the UNFCCC. ■

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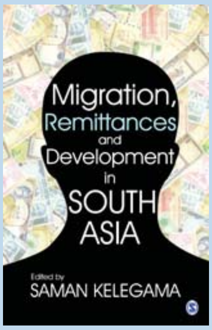

Migration and development

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Yurendra Basnett

Labour migration has emerged as an important developmental issue. And nowhere could the magnitude of its importance be greater than in South Asia. For example, India has the second largest diaspora in the world—about 25 million. Remittance in Nepal, money migrants send home, is more than 21 percent of the country's gross domestic product. The Maldives is a largely migrant-receiving economy, where migrants account for a quarter of the national labour force.

People move primarily in search of options for improving the well-being of their households. And in doing so they set in motion development. They send money home, gain new skills, and acquire knowledge of new culture. But they also leave behind families, face difficult conditions, and negotiate uncertainties. The study of the interrelationship between labour migration, remittance and development in South Asia remains underexplored. Why and how do people migrate? What are their motivations? What kinds of work do they do? What are the implications for those left behind, both for the households and the country? And so forth.

The book *Migration, Remittances and Development in South Asia*, edited by Saman Kelegama, is a timely and seminal contribution to the literature on labour migration and development in the region. It contains eight country studies, each authored by formidable thinkers on the topic. There is a chapter that discusses labour migration, remittance and development from a regional perspective. The book concludes by making a case as well as providing guidelines for the establishment of a South Asia Migration Commission.

The book addresses three key issues, among others. First, the country case studies provide detailed surveys of labour migration, remittance and development issues analysed at national levels. These could help policy makers and those interested in labour migration issues in the region formulate a better and sharper picture on labour migration, remittance and their inter-linkages to development in each of the eight South Asian countries. Second, the book provides a comparative, political economy discussion on policies surrounding labour migration, remittance and development in South Asia. It not only caricatures the *status quo* and its limitations, but also highlights opportunities and space for policy reform. For instance, it draws attention to the fact that the narrow focus on "safe migration", an issue that percolated from the human trafficking discourse, has limited the scope of developing creative linkages between migration and development policies. It rightly argues that traditional models of inter-state relations must not inform the governance of labour migration, with the assumption that recipient states keep the gates. Historical evidence suggests that states have not done well in managing migration because they approach labour migration as a tap that can be turned on and off at will. The governance of migration is likely to be better informed and designed through the participation of non-state stakeholders. Third, the book addresses the conspicuous absence of regional cooperation on labour migration by recommending the establishment of a South Asia Migration Commission, and suggests terms of reference for such a commission that would help inform and shape labour migration policies.

The readers could have further benefitted from ensuring that each of the eight country case studies followed similar structures. This would have allowed the reader to build a comparative picture. Although chapter 10 provides a regional discussion, it does not sufficiently reflect on the issues raised in the country case studies and, therefore, appears disjointed from them. However, these limitations are understandably due to the scale and diversity of the South Asia region.

The book is an important source of information on issues surrounding labour migration and remittance in contemporary South Asia, and the linkages to macroeconomic variables and poverty reduction. It also provides policy options. There now remains no excuse for policy makers in South Asia to not act. ■

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Growing a better future

Oxfam International recently launched "GROW", a four-year mega-campaign. GROW envisages better ways to grow and to share solutions for a more hopeful future in which everyone always has enough to eat. Given that nearly one billion people face hunger every day, it has become increasingly challenging to end hunger while living within the planet's ecological boundaries. The looming crisis caused by food price and oil price hikes, devastating weather events, financial meltdowns, and global contagion is sure to aggravate the challenge further.

The campaign calls for a shift in action to deal with the root cause of the food crisis. It has a simple message: together we can avoid this grim future, but it will require decisive national and international actions. The GROW campaign is based on the report *Growing a Better Future: Food Justice in a Resource Constrained World*.

A similar report focusing on South Asia has also been prepared by Oxfam. The report *Nourishing South Asia: Grow a Better Future for Regional Food Justice* was launched during a South Asian Consultation on "Food Justice in a Resource Constrained South Asia" on 26–27 September 2011 in Kathmandu, Nepal. Oxfam, in partnership with SAWTEE, organized the consultation, which was participated by more than 40 stakeholders from Bangladesh, India, Nepal, Pakistan and Sri Lanka.

Key issues explored in the consultation included food insecurity and inequality in South Asia; national and regional solutions that help address current and future challenges in ensuring sustainable agriculture production, and equity in terms of access and sustainable management of land and water; and regional options and mechanisms to promote resilience to climate change.

South Asia houses about 40 percent of world's poor and is plagued by food insecurity. South Asian governments have largely failed in conquering hunger, mainly because of the broken food system that has now worsened the food security situation in the region.

The consultation urged the South Asian Association for Regional Cooperation (SAARC) governments to pursue policies and reforms in areas that affect food security of poor people, particularly women, and take concrete regional actions for the promotion of fair and competitive food markets and the effective operationalization of the SAARC Food Bank.

The GROW report for South Asia launched in the consultation outlines how the food system is broken and discusses why it leaves almost one billion people hungry. The report has chapters on policy, natural resources, climate change, access to land and markets, and government failures. The report predicts that food prices will double over the next 20 years, leading to increased suffering among the world's poor.

Despite huge increases in productivity and incomes in recent decades, global hunger is on the rise. As resource pressure mounts and climate change gathers pace, poor and vulnerable people will suffer first—from extreme weather, from spiraling food prices, and from the scramble for land and water.

This is largely attributed to a powerful minority of vested interests that profit from the *status quo*—the rich amassing wealth at the expense of impoverished rural population, biofuel lobbies diverting resources, industries blocking action on emissions and governments failing to resist these interests at the cost of the poor and vulnerable population. This is leading to increased inequality and ecological collapse with severe implications for the region's food security.

Oxfam outlines three major challenges, calling for collective action in dealing with hunger: i) the sustainable production challenge: to produce enough nourishing food for nine billion people by 2050 while remaining within planetary boundaries; ii) the equity challenge: to empower women and men living in poverty to grow or buy enough quality food to eat; and iii) the resilience challenge: to manage volatility in food prices and reduce vulnerability to climate change.

Sustainable production challenge

Oxfam studies show that by 2050, there will be nine billion people on the planet and the demand for food will have increased by 70 percent. The challenge is to transform the food system to meet the growing demand irrespective of lowering yields, increasing water scarcity, and growing competition over land, while adapting to climate change and reducing carbon footprints.

Equity challenge

Inequality is prevalent in the food system. The phenomenon of excess food production and subsequent wastages in the rich countries and deprivation of food in most developing countries poses a massive challenge. Poverty and hunger, primarily concentrated in rural areas, coupled with the lack of access to resources for smallholder agriculture (access to land, water, technology, investment and credit, among others), threaten to widen the gap further in future.

The situation seems to be more complex when it comes to women. Despite advances in women's rights and their key role in ensuring that families are fed, women are largely denied resources and their talent and leadership disallowed. Yields could increase by 20–30 percent if women farmers gain equal access to resources as their men counterparts.

Resilience challenge

The volatility in the food system ushered in by various shocks has escalated the resilience challenge. Weather events disrupting supplies, oil price shocks leading to increased cost of transportation, and speculative commodity markets are inflicting stress on an already complicated food system. To add to the woes of the poor and hungry, governments' policy of export bans and subsidies to biofuel programmes are making matters worse. Radical changes to collectively manage risk and volatility are advocated while protecting the most vulnerable population.

Way forward

The report predicts a grim future, where challenges are aplenty. But it also espouses a strong belief that there is still a way out. The essence of the GROW campaign serves as a wake-up call to avert the impending danger. It advocates a systemic change in three interlinked areas, hailed as "new prosperity", discussed below.

Build a new global governance

Governments should collectively prioritize hunger and reduce volatility. At the multilateral level, the report suggests that these risks can be reduced through well-managed trade—building a system of multilateral food reserves, increased market transparency, coordinated efforts to tackle export restrictions, dismantling support for biofules that displace food, and ending trade-distorting agriculture subsidies; reforming food aid; regulating commodity speculation; and establishing a well-funded global climate fund. Similarly, at the national level, the report stresses investing in climate change adaptation, expanding social protection, and developing integrated hunger strategies.

Build a new agriculture future

To build a new agriculture future, governments and donors should prioritize the needs of small-scale food producers in developing countries. The focus should be on diverting resources from unsustainable industrial farming in rich countries to small-scale food producers in developing countries, where the major gains in productivity, sustainable intensification, poverty reduction and resilience can be achieved. Official development assistance should be focused on spending on agriculture adaptation and a new global regulation to govern investment in land to ensure that it delivers social and environmental returns. Similarly, companies must embrace the opportunities provided by smallholder agriculture. And, national governments must invest more in agriculture, while carefully regulating private investment in land and water to ensure secure access of those living in poverty.

> To build a new agriculture future, governments and donors should prioritize the needs of small-scale food producers in developing countries.

Build a new ecological future

A new ecological future will rely on governments' interventions to speed up and direct low-carbon transition—such as investment in research and development in clean energy, and balancing subsidies provided to renewable energy compared to fossil fuels. Currently, global subsidies for renewable energy are just US$57 billion compared to US$312 billion for fossil fuels. Governments can create incentives through the use of subsidies and tax breaks to guide private capital to where it is needed. They can tax undesirables—such as greenhouse gas emissions—to direct economic activity towards desirable alternatives. And they can regulate, for example, to stop companies polluting or to encourage them to provide goods and services they otherwise would not. However, the ultimate success to building a new ecological future will depend on the success or failure of a global deal on climate change.

The GROW campaign may sound ambitious considering the challenges and the energy required. However, there is an optimism that it can be achieved if the world can bring together the will to end hunger. For this task, both top-down and bottom-up approaches are required. From the top, leaders need to overcome the opposition of vested interests while from the bottom, networks of citizens, consumers, producers, communities and civil society organizations should collectively demand change. ■

4th South Asia Economic Summit

THE 4th South Asia Economic Summit (SAES) was organized by the Centre for Policy Dialogue (CPD) in Dhaka on 22-23 October 2011. SAWTEE was one of the co-organizers of the Summit. The theme of the 4th SAES was Global Recovery, New Risks and Sustainable Growth: Repositioning South Asia.

The objective of SAES is to create a platform for in-depth discussion, where leading thinkers, intellectuals and scholars, policymakers, private sector and other stakeholders would be able to conduct interactive discussion on emerging issues, and the opportunities and challenges facing South Asia in a fast changing world. Recommendations originating from the 4th SAES were feed into the official SAARC process. The forum also contributed to wider dissemination of ideas to advance the cause of regional integration among various stakeholders in the region.

The discussions during the event were centred on eight issues: food security; acceleration of trade and investment; transport connectivity; regional approach to energy security; international migration and remittances; managing water resources in the SAARC region; addressing implications of climate change within a regional framework; and role of non-state actors in the development and democracy in South Asia.

Dr. Posh Raj Pandey, Executive Chairman, SAWTEE, chaired the parallel session "Addressing Implications of Climate Change within a Regional Framework: What are the Recent Initiatives?" Many prominent experts from South Asia working on areas of climate change deliberated on different issues related to climate change and the need for regional cooperation in the session. ■

Researchers trained in CGE modelling

SAWTEE and South Asia Network on Economic Modelling (SANEM) organized the "Fourth South Asian Training Programme on CGE Modelling" from 20–23 September 2011 in Kathmandu. Twenty researchers from South Asia were provided with basic knowledge of Input-Output Tables, Social Accounting Matrix and Computable General Equilibrium (CGE) modelling so as to enable them to contribute to informed trade, climate and development policy making and implementation in South Asia, and help the region in its pursuit of an effective and meaningful integration into the global economy. ■

Migration management in South Asia

EFFORTS to seek viable mechanisms of cooperation for the better management of international migration are not new. There are different means of managing international migration. They are migration policies, bilateral agreements, regional economic integration agreements, and regional consultative processes. Bilateral agreements have been a traditional means to manage the international flow of people between two countries. At the regional level, regional economic integration agreements have not made adequate progress towards ensuring the free movement of people, with the exception of agreements reached by the European Union; but regional consultative processes have emerged in virtually all regional agreements, and have become viable mechanisms of cooperation through which to enhance the management of migration. On the other hand, specific events such as changes in migration flows, political events and migration policies are the trigger for the establishment of Regional Consultative Processes.

With that in view, the Institute of Policy Studies of Sri Lanka, Colombo, in collaboration with the Friedrich Ebert Stiftung, Colombo, organized an international conference on "Institutionalizing Regional Approaches to Migration Management in South Asia" in Colombo on 25 November 2011.

The objective of the conference was to discuss the role of existing regional consultative forums for managing migration in South Asia, and to define the role of the proposed South Asia Migration Commission in this consultative process. The conference included researchers on migration from the South Asia region, government officials, and participants from national and international agencies dealing with issues of migration. ■

Food prices: From crisis to stability

TO commemorate the World Food Day 2011, Sustainable Development Policy Institute (SDPI), Islamabad and Oxfam jointly organized a seminar titled "Food Prices: From Crisis to Stability" on 17 October 2011 in Islamabad. The speakers of the conference stressed on the need of having effective and responsive food governance mechanisms to ensure equal access to food and to control high food prices in Pakistan.

Highlighting that food and energy are immediate challenges faced by Pakistan, they said it is time to invest in agriculture, devise startegy to import food commodities from neighbouring countries at times of higher food prices, and create strategic food grain reserves at national and regional levels. Speakers also urged the government to enforce effective mechanisms for food price controls and to deal with hoarding practices.

There were views that food storage is not only Pakistan's problem but rather a global problem. Recurrence of disasters across the world has heavily dented the food grains reserves resulting in enormous increase in food prices. Also, the International Monetary Fund and other financial institutions, through structural adjustments, have encouraged countries to move towards food reserves in private sectors, which has further lowered grain stocks throughout the world. ■

Technology diplomacy

Given the importance of technology for future economic development, Consumer Unity & Trust Society (CUTS) International, Jaipur, with the support of the Department of Science and Technology, Government of India, organized a five-day training programme on technology diplomacy on 14-18 November 2011 in Jaipur. The objective of the programme was to bridge the gap between scientists and technologists, and those engaged in international negotiations on comprehensive economic cooperation agreements in general and technology agreements in particular. The programme covered a range of issues—from basics of technology diplomacy to technology promotion, technology sourcing and assessment to the application of intellectual property rights. Case studies and simulation exercise were also conducted to impart practical skills and knowledge. ■

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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