# Trade, Climate Change and Development Monitor


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### OPINION IN LEAD

### Nepal's decline in outmigration: Is it job creation or something else?

Remittances sent home by Nepali people working abroad have kept the Nepali economy afloat. They are crucial to everything from macroeconomic stability to household-level welfare. In the absence of a well-thought-out, confidence-inspiring plan to create jobs for Nepali youths on Nepali soil, making foreign employment safe and decently remunerative would still earn the government the joys and blessings of millions of Nepali households, which would satisfy the said principle. Foreign employment looks set to continue to be important for the Nepali economy in the foreseeable future.

In the recent past, numbers of foreign job seekers is seemingly on a decline. So a question arises—Is it job creation or something else? Labour permits issued (new permits and permits for legalized workers) in the first 10 months of FY2018-19 fell by 39 percent compared to the same period in the previous fiscal year. Even after accounting for the 5.8 percent increase in the issuance of renewed permits, the total permits issued fell by 20.4 percent or by 108,922 people. Was it because of a spectacular creation of decently remunerative jobs on Nepali soil that these people chose not to go overseas? The government seems to think so. To test the government's assertion that job creation is the explanation would require a labour market or employment survey conducted over the two periods being compared.

But, available evidence points to other factors. The 94.6 percent plunge in the labour permits for Malaysia explains a substantial portion of the fall in permits issued. This in turn is likely explained by a government-imposed restriction on work-related migration to Malaysia, in place for about a year, as it sought to check malpractices in the recruitment process in order to reduce the monetary cost of migration for Malaysia-bound workers. The number of permits issued (new and those for legalized workers) for countries other than Malaysia fell by a more modest 13 percent (i.e., 27,719 fewer permits). Was this due to job creation? A question that again points to the need for labour market/employment surveys of higher frequency, say, half-yearly or yearly.

More broadly, an analysis seeking to credibly explain the fall in the number of people going overseas for work should cover not just the fall seen in FY2018-19 but the fall recorded since 2013-14. After peaking at 519,638 in 2013-14, the number had fallen continuously, reaching 354,082 in 2017-18 (new permits). Even before the 2018-19 fall, the biggest decline had been with respect to Malaysia. Various explanations have been posited for the fall since 2013-14: the devastating earthquake of 2014/15 that compelled foreign employment aspirers to stay back to rebuild their homes, the increased availability of jobs in Nepal during the subsequent reconstruction boom and, with regard to Malaysia, a relatively high cost of migration dissuading people from going there. Nepal Rastra Bank's 2018 paper *The impact of free visa and ticket provision on foreign employment* [in Nepali] rules out the 2015 introduction of the free-ticket-and-free-visa requirement as a factor on the grounds that, barring demand from Malaysia, the actual demand for workers received by Nepal in the two years after the requirement was introduced rose by 4.7 percent as compared to the demand received in the two years before the rule was put in place.

There is therefore a strong possibility that the fall in the number of permits issued in the first 10 months of 2018-19 is, at its core, a continuation of the falling trend observed since 2013-14. We will probably never be able to test the explanations for what happened. Data from frequent labour force/employment surveys would be a more neutral arbiter of future claims and counterclaims of job creation or otherwise.

*This is an excerpt from SAWTEE Working Paper 'International migration and remittances in Nepal Revisiting some "facts", and role of economic diplomacy' authored by Dr. Paras Kharel, Research Director, SAWTEE. The paper presents cases where numbers and facts used in the discourse on international outmigration and remittances in Nepal mislead, identifies data gaps, and highlights avenues through which the nation's foreign affairs apparatus can contribute to maximizing the net benefits of international outmigration and remittances.*

**REPORT**

### Stunted progress towards zero hunger

The global level of the prevalence of undernourishment, indicative of people suffering from hunger in the world, has remained virtually unchanged in the last three years, at a level slightly below 11 percent, according to a latest report.

After decades of steady decline, the trend in world hunger – as measured by the prevalence of undernourishment – reverted in 2015 and has remained virtually unchanged in the past three years, underscoring the immense challenge of ending hunger by 2030. The report *The State of Food Security and Nutrition in the World* prepared by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP) and the World Health Organization (WHO) shows that the absolute number of people suffering from hunger, however, continues to increase as more than 820 million people in the world are hungry today.

The report points out that Southern Asia (includes Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan and Sri Lanka) saw great progress in the last five years but is still the subregion with the highest prevalence of undernourishment, at almost 15 percent, followed by Western Asia at over 12 percent, where the situation is worsening. Likewise, hunger is on the rise in almost all subregions of Africa, the region with the highest prevalence of undernourishment, at almost 20 percent. It is also rising slowly in Latin America and the Caribbean, although the prevalence there is still below seven percent.

A broader look at the extent of food insecurity, beyond hunger, shows that 17.2 percent of the world population, or 1.3 billion people, have experienced food insecurity at moderate levels. This means that they do not have regular access to nutritious and sufficient food – even if they are not necessarily suffering from hunger, they are at greater risk of various forms of malnutrition and poor health. The combination of moderate and severe levels of food insecurity brings the estimate to 26.4 percent of the world population, amounting to a total of about two billion people.

In high-income countries, too, the report finds that sizeable portions of the population lack regular access to nutritious and sufficient food. Eight percent of the population in Northern America and Europe is estimated to be food insecure, mainly at moderate levels of severity.

Considering all people in the world affected by moderate levels of food insecurity together with those who suffer from hunger, it is estimated that over two billion people do not have regular access to safe, nutritious and sufficient food, including eight percent of the population in Northern America and Europe.

The report also calls attention to gender differentiated food insecurity. In every continent, the prevalence of food insecurity is slightly higher among women than men, with the largest differences found in Latin America. Regarding childhood stunting, the number of children under five years in the world affected by stunting, by contrast, has decreased by 10 percent in the past six years. However, with 149 million children still stunted, the pace of progress is too slow to meet the 2030 target of halving the number of stunted children, says the report.

The report shows that the uneven pace of economic recovery and continuing poor economic performance in many countries after the 2008–2009 global economic downturn are also undermining efforts to end hunger and malnutrition. Episodes of financial stress, elevated trade tensions and tightening financial conditions are contributing to uncertain global economic prospects. Hunger has increased in many countries where the economy has slowed down or contracted, mostly in middle-income countries. Furthermore, economic shocks are contributing to prolonging and worsening the severity of food crises caused primarily by conflict and climate shocks.

To safeguard food security and nutrition, the report points out that it is critical to already have in place economic and social policies to counteract the effects of adverse economic cycles when they arrive, while avoiding cuts in essential services, such as health care and education, at all costs. In the longer term, however, this will only be possible through fostering pro-poor and inclusive structural transformation, particularly in countries that rely heavily on trade in primary commodities.

*This piece is excerpted from The State of Food Security and Nutrition in the World report.*

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**NEWS**

## Indian truckers strike halts trade via Benapole

Trade through Benapole land port remained suspended from 30 July morning due to a strike called by Indian truck associations over allegations of harassment from Bangladeshi port labourers.

On 26 July, the two trade bodies of Indian truck owners and transport owners had submitted written complaints to the concerned authorities and the Bangladesh embassy in India, announcing their plans to go for the strike on 30 July.

In the written complaint, the All India Federation of Truck Owners Association complained of Indian truck drivers being regularly harassed and tortured at the Benapole land port. He said the night guards, handling workers, employees of clearing and forwarding agents, and shed in-charges in Benapole have been harassing their drivers.

Around 2,500 trucks in Petrapole and 300 in Benapole got stranded because of the strike, according to Mr. Mofizur Rahman Sajjan, president of the Benapole C&F (Clearing and Forwarding) Agents Association.

*Source:https://www.thedailystar.net/business/news/indian-strike-halts-trade-benapole-1779451, 31.07.2019.*

## Nepali freight forwarders say new cargo tracking system has increased costs

Nepali freight forwarders have complained that the electronic cargo tracking system recently launched by the government had raised transportation costs by 25 percent, despite assurances that it would make shipping cheaper.

Since mid-February, the electronic tracking and the transshipment has been operational on Nepal-bound cargo released from Kolkata, Haldiya and Visakhapatnam ports in India. The cargos are fitted with electronic chip that allows the shipper to keep track of consignments. Nepal has also received transshipment privileges from Indian authorities under which goods imported from third countries undergo customs clearance directly at the customs points on the Nepal-India border, eliminating hassles at Indian ports.

While the system has reduced the transportation time from 21 days to four to five days, it is also expected to help traders save on shipping costs by freeing them from demurrage and detention charges. To use the system, traders need to pay NPR4,200 extra per container to fit the electronic tracking device.

But freight forwarders said they were being forced to pay higher consignment charges after the new system was enforced. A past president of the Nepal Freight Forwarders Association said shipping companies had hiked the cost of cargo handling to NPR125,000 from NPR100,000 per container.

Cargo forwarders suspect the intervention of customs agents behind the hike in freight charges. When the system was launched in February, customs handling agents at Indian ports had disrupted the movement of Nepal-bound cargo. Upset by the loss of income they had been earning by using the manual system, the agents showed their dissatisfaction by stopping the movement of goods.

Currently, six shipping lines are providing services to Nepali traders. Among them, Maersk Line handles around 60 percent of the cargo destined for Nepal, according to the Consulate General of Nepal in Kolkata.

*Source:[https://kathmandupost.com/money/2019/07/30/freight-forwarders-say-new-cargo-tracking-system-has-increased-costs](https://kathmandupost.com/money/2019/07/30/freight-forwarders-say-new-cargo-tracking-system-has-increased-costs), 30.07.2019.*

### Benefits from digital trade for India to grow 14 times by 2030

The benefits of digital trade to the Indian economy could grow fourteen-fold from USD35 billion now to USD512 billion by 2030, if India dismantles barriers to digital trade and fully enables cross-border data flow, according to a report released by the All India Management Association (AIMA) and Hinrich Foundation.

The Digital Trade Report added that the export value of virtual goods and services, enabled by the digital economy, such as e-commerce, could grow more than three times from the current USD58 billion to USD197 billion by 2030. "To maintain and even enhance this strong performance, India's strategy in its export markets must be supported by greater cross-border data exchanges, processing and storage," the report said.

The report said there is an opportunity for India to play a leading role, not only at home, but also abroad in pushing for 'facilitative' digital trade rules in its various bilateral and multilateral trade negotiations.

The report said most Indian businesses are yet to tap the export opportunity, with about nine percent of businesses currently engaged in exporting, compared to China's 21 percent.

*Source: [https://www.livemint.com/news/india/benefits-from-digital-trade-may-grow-14-fold-to-512-billion-by-2030-1564079327892.html. 26.07.2019](https://www.livemint.com/news/india/benefits-from-digital-trade-may-grow-14-fold-to-512-billion-by-2030-1564079327892.html).*

### Nepal enforces online consignment tracking system

Nepal government brought Internet-based vehicle and consignment tracking system (VCTS) into operation from the start of the fiscal year 2019-20.

Minister for Finance, Mr. Yuba Raj Khatiwada, inaugurated the system amid a ceremony in Kathmandu on 17 July. With the enforcement of the tracking system, all transportation companies, importers or entrepreneurs must have to make entry of their goods and consignments in a centralized website before transportation of goods from one destination to another inside the country.

Revenue investigation officials say that the digital measure is aimed at combating revenue leakage. The Internet-based entry will be required only for wholesale entrepreneurs.

The system, which will also be linked with the customs, will track all parties involved in business activities, ranging from importers to consumers, according to officials.

The Department of Revenue Investigation has said that the tracking system will ensure greater transparency in import business, check smuggling of goods and discourage the use of fake Value Added Tax (VAT) bill, among others.

While officials say that the VCTS is beneficial for truckers and entrepreneurs as it will end the hassles emanating from manual checking of documents during transportation, private sector leaders say that they need some time for adaptation to the new system.

*Source:[https://myrepublica.nagariknetwork.com/news/govt-enforces-online-consignment-tracking-system/](https://myrepublica.nagariknetwork.com/news/govt-enforces-online-consignment-tracking-system/), 18.07.2019.*

### Pakistan fined billions in mining dispute

An international arbitration court has imposed USD5.976 billion penalty on Pakistan for the unlawful denial of a mining lease to a company for the Reko Diq project in 2011.

The Tethyan Copper Company—a joint venture between Chilean mining company Antofagasta and Canada's Barrick Gold Corporation—had filed claims before the World Bank's International Centre for Settlement of Investment Disputes (ICSID) in 2012 after the Balochistan government rejected a leasing request from the company. In its 700-page ruling, the tribunal awarded an USD4.08 billion penalty and USD1.87 billion in interests.

The company had claimed USD11.43 billion in damages. Tethyan Copper discovered vast mineral wealth more than a decade ago in Reko Diq, at the foot of an extinct volcano near Pakistan's frontier with Iran and Afghanistan.

After the verdict, Pakistan said it welcomed a statement by Tethyan Copper expressing willingness for a negotiated settlement. The government said it was disappointed by the ruling but had taken note of a statement from Tethyan Copper's chairman expressing willingness to seek a negotiated settlement.

The ruling comes at a sensitive time for Pakistan, which earlier this month signed a USD6 billion bailout agreement with the International Monetary Fund to stave off a looming balance of payments crisis.

*Source:https://www.hindustantimes.com/world-news/pakistan-told-to-pay-6bn-fine-in-mining-dispute/story-oSBjLikrvIyWKf1bkvoEFI.html, 15.07.2019.*

**Vietnam biggest winner from first year of the US-China trade war**

Vietnam is the biggest winner from the shift in supply chains caused by the nearly year-long trade war between China and the United States, according to a report, as importers from the world's two largest economies sought to avoid paying increased tariffs.

The economy of the Southeast Asian nation has been boosted by almost eight percent because of the shift in production resulting from the US-China trade war, according to analysis by Japanese investment bank Nomura.

The majority of Vietnam's gains came from additional imports of goods covered by US tariffs on China, mainly electronic apparatus for telephones, furniture and automatic data process machines, likely because multinationals could swiftly relocate to factories outside China, the analysis said. A small portion came from China's additional import of boards, panels, uncombed single cotton yarn, cotton and other electrical appliances from Vietnam instead of the US.

Diversion of US imports of goods, such as electronics, have also favoured Taiwan and South Korea, traditionally big manufacturers of such products. Furthermore, as China searched for new suppliers of agricultural goods such as soybeans and major commodities including copper, Chile, Malaysia and Argentina also stood out as beneficiaries.

However, it should be noted that the economies of Taiwan and South Korea are heavily exposed to fluctuations in the Chinese market. Korean gross domestic product for the first quarter shrank by 0.4 percent from the final quarter of 2018, data released on Tuesday showed.

Taiwan's exports, meanwhile, shrank by 3.3 percent in April from a year earlier, meaning that despite the fact that it is picking up some of China's trade diversion, it is suffering as a result of lower demand in China, which is by far its largest trading partner, accounting for 28.8 percent of total exports.

*Source: https://www.scmp.com/economy/global-economy/article/3013067/vietnam-biggest-winner-first-year-us-china-trade-war-supply, 05.07.2019.*

## Bangladesh, China sign five deals on power

Dhaka has signed five deals with Beijing to improve power transmission and distribution systems in Bangladesh.

The agreements followed bilateral talks between Prime Minister Sheikh Hasina and her Chinese counterpart Mr. Li Keqiang on 4 July.

The five deals are framework agreement of expansion and strengthening of power system network under Dhaka Power Distribution Company (DPDC); government concessional loan agreement of expansion and strengthening of power system network under DPDC area project; preferential buyer's credit loan agreement of expansion and strengthening of power system network under DPDC area project; framework agreement of power grid network strengthening project under Power Grid Company of Bangladesh (PGCB) project; and agreement on economic and technical cooperation between Bangladesh and China.

As per the agreements, the DPDC will receive USD1.4 billion in loans under the agreements. The PGCB will get over USD280 million and Bangladesh government will get over USD70 million under the framework agreements, according to officials of the Economic Relations Division.

Under the five-year project, 14 grid substations with 132/33 kV voltages each and 40 sub-stations with 33/11 kV voltages each will be built in Dhaka and Narayanganj.

Apart from the five agreements, the two memoranda of understanding have been signed between the two nations on the establishment of investment cooperative working group and hydrological information sharing of Yalu Zhangbo and Brahmaputra River, and cultural exchange and tourism programme.

*Source: https://bdnews24.com/economy/2019/07/04/bangladesh-china-sign-five-deals-on-power-during-hasinas-visit, 04.07.2019*

## India plans renewables push by 2030 without hurting coal

India needs USD330 billion in investments over the next decade to power its renewable energy dream, but coal would remain central to its electricity generation.

The energy guzzling country wants to raise its renewable energy capacity to 500 Gigawatts (GW), or 40 percent of total capacity, by 2030. Renewables currently account for 22 percent of India's total installed capacity of about 357 GW.

Additional investments in renewable plants up to year 2022 would be about USD80 billion at today's prices and an investment of around USD250 billion would be required for the period 2023-2030, according to the government's economic survey presented to parliament on 4 July.

The investment estimate reflects the magnitude of financial challenges facing one of the world's most important growth markets for renewable energy, with government data indicating a growth slowdown in private and capital investments in the year ended March 2019.

India, which receives twice as much sunshine as European countries, wants to make solar a cornerstone of its renewable expansion, but also wants to make use of its cheap and abundant coal reserves, the fifth-largest in the world.

The annual economic survey warned India against abruptly halting coal-based utilities, citing risks to its banking sector and the stability of the electricity grid.

India, one of the world's largest coal producers and greenhouse gas emitters, estimates coal to be its energy mainstay for at least the next three decades. The country’s coal use rose 9.1 percent to nearly a billion tonnes in 2018-19.

*Source: https://www.reuters.com/article/us-india-renewables-coal-idUSKCN1TZ18G, 04.07.2019.*

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## EVENT

**Pesticides Law and its Implementation**

Plant Quarantine and Pesticides Management Centre (PQPMC), Forum for Protection of Consumers’ Rights-Nepal and South Asia Watch on Trade, Economics and Environment (SAWTEE) organized an interaction programme titled ‘Pesticides Law and its Implementation’ on 1 July in Kathmandu. The participants in the programme discussed the new Pesticides Bill which will replace the Pesticides Act 1991. Also, the event saw discussions on various aspects of Nepal government's decision to allow import of fresh fruits and vegetables only after conducting pesticides testing. The participants of the programme included officials from concerned department under Ministry of Agriculture and Livestock Development, representatives from farmers’ associations, wellness experts, consumer and human rights activists, and representatives from media, among others. They pointed out the need for equipped laboratories, efficient technical support and effective coordination between government agencies and other stakeholders.

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