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OPINION IN LEAD

Making the most of the path to graduation and beyond for the LDCs

Achieving global eradication of extreme poverty by 2030 is going to be tough as the proportion of the poor in the 48 Least Developed Countries (LDCs) has more than doubled since 1990, despite a decline in global poverty.

The annual flagship report of the United Nation Conference on Trade and Development (UNCTAD), the Least Developed Countries Report 2016 *The Path to Graduation and Beyond: Making the Most of the Process* warns that a global goal to halve the size of the poor will be missed unless the international community takes more action.

Economic growth in the LDCs has declined steeply since 2012, reaching a low of 3.6 per cent in 2015. The growth rate is far below the target rate of at least seven per cent per annum recommended by the 2011 Istanbul Programme of Action (IPoA) for the LDCs for the Decade 2011–2020. The average GDP per capita of other developing countries has increased by nearly half relative to the global average in just 16 years, from 28.4 per cent in 1998 to 42.8 per cent in 2015. By contrast, the figure for LDCs rose by barely a quarter over the same period, from 5.8 per cent to 7.3 per cent. Worse, LDCs have also fallen ever further behind in terms of social indicators in recent decades.

Such dismal performance by LDCs has been attributed to sharp decline in commodity prices, which has particularly affected African LDCs. Moreover, the current world economic climate, which is still struggling, is expected to further slowdown the economy of LDCs. The commodity slump has resulted in depressed exports, leading to a doubling of the merchandise trade deficit of LDC group from US$36 billion in 2014 to US$65 billion in 2015.

Accomplishing the goal of graduating half of all LDCs to developing countries by 2020 appears unlikely based on the slow rate of progress. According to the Report, only 10 countries could meet the graduation criteria by 2020, against a target of 24. By 2025, only 16 countries are projected to have graduated, including the four South Asian LDCs—Afghanistan, Bangladesh, Bhutan and Nepal. Countries graduate from the LDC category by satisfying a set of economic and social criteria. But only four countries have graduated in the 45 years since this classification was established in 1971, including the Maldives.

The Report says that the LDCs are caught in vicious circles which do not let them attain sustained development and growth. Many LDCs suffer from a poverty trap, with low income and limited economic growth giving rise to high levels of poverty, which in turn act as a brake on economic growth. Likewise, many LDCs suffer from a commodity trap, as they depend heavily on commodity production which increases vulnerability to shocks such as adverse terms of trade movements, extreme meteorological events and climate change impacts. At the same time, weak productive bases and limited export diversification in LDCs give rise to very high import content in production and consumption, and chronic current account deficits. These factors in turn result in aid dependence and the accumulation of foreign debt.

The Report says that the LDCs are dependent on external development assistance due to flawed fiscal administration, narrow tax bases, inadequate revenue administration and underdeveloped domestic finance sector. Official development assistance (ODA) to LDCs declined by 12.2 per cent in 2014 to US$26 billion—some 27 per cent of total aid to developing countries as a whole. But at the same time, foreign direct investment (FDI), rose by one third to US$35 billion (9.5 per cent of the developing country total), most being directed to African LDCs. Contrary to worldwide trends, workers' remittances to LDCs also rose in 2015, reaching US$41.3 billion.

Given the gloomy picture of economic performance of the LDCs, the Report calls for an effective international support mechanism to accelerate LDC's progress towards graduation. The developed countries not only need to fulfil their commitments to provide 0.15–0.20 per cent of their national income for assistance to LDCs, but more importantly they need to give duty-free and quota-free access for LDCs' exports. For that purpose, UNCTAD urges the developed countries for renewed efforts to break the stalemate on special and differential treatment for LDCs in the World Trade Organization negotiations. In addition, to bridge the technology gap, improved technology transfer to LDCs and operationalization of technology bank are advocated. The Report also highlights both the insufficiency of existing support measures and the importance of institutional constraints in LDCs as an obstacle to their effective use. The report also proposes establishing a finance facilitation mechanism which could serve as a 'one-stop shop' to improve LDC's access to development finance.

Although graduation of LDCs is an important milestone for a country, economically and politically, it is only expected to mark a move from economic dependence to a state of greater self-reliance. Thus, the LDCs, which have already included graduation as one of the main policy agenda, will have to create a momentum to sustain the economy post-graduation. Graduation would also mean the countries would be stripped off of all the preferential treatment and support mechanisms being granted by developed countries. The countries need not only fulfil the graduation criteria but structurally transform themselves as a competitive economy resilient enough to stand their ground on their own, thus, the emphasis is on 'graduation with momentum'.

Moreover, the concept of graduation with momentum also accords closely with the 2030 Agenda. Thus, graduation of LDCs and achieving the Sustainable Development Goals both require concerted efforts domestically and globally so that the LDCs could establish the foundations for their development, to avoid the traps and pitfalls of the later stages of the development process.

REPORT

Trade winds of change: Women entrepreneurs on the rise in South Asia

The agenda for women's economic empowerment cannot be ignored in order to attain improved and sustainable development outcomes. For this, micro, small and medium enterprises are well recognized as a critical pillar of economic growth and an important source of employment and poverty reduction, particularly for women.

In South Asia, women's share in formal small and medium enterprises is extremely low, compared to other Asian subregions. Tariffs and taxes imposed on internationally traded goods have declined over the years as a result of regional and bilateral free trade agreements as well as unilateral efforts. Intraregional trade in South Asia has been steadily increasing; yet, the share of intraregional trade in total trade has remained stagnant and low, in a range of five to seven per cent. Non-tariff barriers are seen as one of the main reasons behind limited intraregional trade in the subregion.

Against this background, a study was conducted in six South Asian countries, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka, between August 2014 and February 2015 with the objective of identifying the barriers that women-owned and led micro, small and medium enterprises (WMSME) faced in engaging in business and regional trade. The survey findings show that women-owned and led enterprises have remained at the microscale for many years. The social and cultural norms still prevented women from participating in economic activities. Women have limited mobility because of domestic responsibilities, lack of ownership or control over transport vehicles and safety and security concerns have limited women entrepreneurs from accessing information, finance, markets, trainings and networking opportunities, among other things. This has continued to serve as barriers for women to expand business and trade.

Few WMSME surveyed were directly engaged in cross-border trade in South Asia or in other subregions. A commonly felt hostile attitude among male suppliers, traders, and officials at checkpoints and customs, safety and security concerns, and lack of women-friendly amenities, such as hotels, at the border facility compels them to rely on male intermediaries to carry out trade procedures. Other barriers, such as bribery and the mishandling of products can affect all micro, small and medium enterprises. Some women were of the view that bribery is a way for men to deny women access to the business world.

The barriers women encountered to conduct businesses are also similar, attributed mainly to women's limited mobility. This may prevent them from participating in any marketing activities as a result of which they are not in contact with any of the importers abroad, making it difficult for them to make any appropriate move regarding their business. In addition, in some countries women who sell their own products face harassment from male customers, traders, and officials.

With the advancement in women's educational attainment and mobile technology and increased advocacy for women's empowerment, a number of opportunities have also risen. Many women entrepreneurs surveyed hoped to transform from the survival-oriented to the growth-oriented end of the enterprise spectrum, including business prospects of conducting cross-border trade. Governments, international organizations, development banks and civil society, among others, need to consult women entrepreneurs who are often at the bottom of the value chain at each stage of designing, implementing, monitoring and evaluating the effectiveness of the various support schemes that they provide to ensure the effectiveness of the investment and development impacts.

There are a number of South Asian regional mechanisms to promote the issues of both gender equality and intraregional trade. However, progress in terms of both growth of intraregional trade and WMSME as well as gender equality has been rather slow, despite a long history of negotiations and improvement in national and regional polices that are intended to improve trade relations and women's empowerment.

To make progress, policymakers and business leaders need to have a strong political will, which would translate policies into actions. Currently, South Asia is enjoying the demographic dividend, but if countries don't exploit it to attain inclusive growth in the near future, the dividend will be lost and could be a trigger for severe economic, political and social insecurity within a country and within the subregion.

The six countries surveyed have policies to promote entrepreneurship among women. The survey findings, however, show that such schemes are not reaching those who really need government support. Therefore, policy and programme interventions should not be a one-size-fits-all approach. The steps and interventions such as the formulation of gender-responsive trade and domestic policies; and better access to information and networking, finance, suitable trainings, and markets are recommendable.

Adapted from the study "Trade Winds of Change: Women Entrepreneurs on the Rise in South Asia" commissioned by the United Nations Development Programme (UNDP). SAWTEE has contributed the Background country study-Nepal for this regional study. The study report can be downloaded from http://www.asia-pacific.undp.org/content/rbap/en/home/library/sustainable-development/trade-winds-of-change.html.

NEWS

Blockade hits Nepal's 2016 manufacturing

Nepal's key manufacturing industries ran at half of their capacity in Fiscal Year 2015-16 as the Himalayan nation suffered prolonged border blockade, the country's central bank has said.

Nepal Rastra Bank (NRB) said the capacity utilisation of major industries suffered a downturn in the last fiscal year that ended in mid-July as they ran at 48 per cent of their average capacity against the average capacity utilisation of 52.7 per cent in the previous Fiscal Year 2014-15.

According to a recent report, Pashmina, noodles and electric cable manufacturing industries saw the highest capacity utilisation while industries producing rice, iron and steel and soft drinks ran at their lowest capacity during the review period.

The central bank said the capacity utilisation of the industries suffered in the last fiscal year as they faced shortage of essential fuel and raw materials which resulted from four and half months' blockade amid concerns about political unrest in Nepal's southern plain over the country's new constitution.

Most of Nepal's major industries are located in the southern plains because of proximity with India so that they could easily import raw materials as well as export finished goods.

The bank report also attributed April earthquake responsible for hitting overall demand which affected the capacity utilisation of the industries.

Source: http://www.business-standard.com/, 27.12.2016.

Record-high paddy production in Nepal

Owing to favourable monsoon this year, production of paddy in Nepal has surged to a record high of 5.23 million metric tonnes in fiscal year 2016-17.

According to the data of Ministry of Agricultural Development, paddy production has gone up by 21 per cent this year compared to fiscal year 2015-16 when total production stood at 4.3 million metric tonnes.

The last all-time high paddy production was recorded in 2011-12, when the total production stood at 5.07 million metric tonnes.

Paddy, which is a staple crop, accounts for one-fifth of total agricultural GDP of the country. While the contribution of agriculture sector in the country’s GDP is around one-third, paddy accounts for more than 50 per cent of the total agriculture production.

Government officials also cited the surge in paddy production due to the increase in plantation area this year as a result of the favourable monsoon.

Source: http://www.thehimalayantimes.com/, 27.12.2016.

CBD adopts benefit sharing plan for genetic sequences

Parties to the Convention on Biological Diversity (CBD) have adopted a decision on sequence information of genetic resources that sets in motion a plan intended to lead to an important decision at their next meeting in two years’ time.

The decision was adopted by the 22nd meeting of the CBD Conference of the Parties Cancun (COP), Mexico, which ended on 17 December.

The plan is a compromise that emerged after developing countries proposed that the Cancun meeting adopt a decision clarifying that sequence information should be treated equivalently to physical biodiversity samples for the purposes of benefit sharing. Developing countries are concerned that the proliferation of sequences and other genetic information in the internet “cloud” is promoting biopiracy.

Under pressure, developed countries’ negotiators acknowledged that gene sequences “are an issue to be dealt with.” The European Union, Australia, and others insisted, however, that they were unprepared to negotiate in Cancun because they had not anticipated that the issue would arise. This reason was offered despite a preliminary exchange on the subject at a meeting of the CBD’s Subsidiary Body on Science, Technical, and Technological Advice (SBSTTA) in May of this year, and gene sequences appearing in bracketed text in the Convention's draft decision on synthetic biology.

Source: www.twn.my, 19.12.2016.

NTBs hinder Sri Lankan farm exports

Sri Lanka needs to reduce non-tariff barriers (NTBs) to increase agricultural exports which account for almost a quarter of total exports, trade experts said.

In partnership with the Lanka Fruit & Vegetable Producers, Processors and Exporters Association (LFVPPEA), Verité Research held a roundtable discussion on "Boosting Agri Exports: Reducing Domestic NTBs" at the Ceylon Chamber of Commerce. Verité Research, a think-tank, said regulations can become NTBs that hinder exports.

The discussion brought together a wide range of stakeholders from both private sector and government involved in the process of agricultural trade in Sri Lanka.

Verité Research presented the findings of a study on the importance of regulations in agricultural trade in Sri Lanka. The study found that the regulations protect human, plant and animal health and ensure the quality of imports and exports.

However, when communication and implementation to private sector stakeholders is weak, these regulations can become non-tariff barriers. Additionally, such factor discourages legitimate trade and increases the circumvention of trade outside regulated channels, according to the report.

Agricultural exports account for 23 per cent of total exports and have a significant role to play in this regard. At present, the sector is dominated by traditional commodities such as tea, coconuts, and spices, which account for 83 per cent of total agricultural exports. There is untapped export potential within agriculture in sectors such as fruit, vegetables, seafood and floriculture.

Source: http://www.economynext.com, 16.12.2016.

WTO warns of growing trade restrictions

Global trade body's annual report on the state of the international trading environment, reiterated past warnings of a "worryingly high" level of trade-restrictive measures.

According to the report, World Trade Organization (WTO) members implemented 182 trade-restrictive measures between mid-October 2015 and mid-October 2016, representing a slight decline from the last reporting period. However, Director-General Roberto Azevêdo warned that this does not necessarily represent a "downward trend" overall, and added that the overall stockpile of these measures remains high.

The findings are consistent with the WTO's report on trade measures among G-20 economies, which similarly raised concerns over the growing trade restrictions stockpile. The G-20 economies implemented roughly half of the total trade-restrictive measures by WTO members.

The report also shows that of the nearly 3000 trade-restrictive measures implemented by WTO members since 2008, barely a quarter have been removed. The slow pace of removing these measures, combined with continuing creation of new ones, remains a long-term challenge for the global trading environment.

Meanwhile, the trade-facilitating measures adopted by WTO members outnumbered the restrictive ones during the 12 months reviewed, representing a continued increase since late 2014. The report credited some of the trade facilitation measures to the implementation of the Information Technology Agreement (ITA) expansion, a plurilateral agreement which commits participating members to eliminate import tariffs on products with over US$1.3 trillion annual trade.

Source: http://www.ictsd.org/, 15.12.2016.

‘Green goods’ talks collapse

A ministerial-level meeting of several WTO members aimed at concluding talks for a tariff-cutting deal on environmental goods finished without agreement on 4 December, leaving the next steps unclear for the time being.

The 3-4 December meeting in Geneva came immediately following a week of negotiations aiming to set the stage when ministers arrived in town. The ministers’ meeting was co-chaired by the United States (US) and the European Union (EU).

The EGA negotiations have been underway for over two years, having been launched in July 2014. The group of WTO members negotiating the EGA includes Australia, Canada, China, Chinese Taipei, Costa Rica, the EU, Hong Kong, Iceland, Israel, Liechtenstein, Japan, New Zealand, Norway, Singapore, South Korea, Switzerland, Turkey, and the US.

More political issues included how to treat bicycles in the final agreement—a key demand by China that was reportedly difficult for the EU, though the option of including bicycle parts was among the potential scenarios discussed. Among the other sensitive goods that proved especially difficult last week were wood, which is reportedly a difficult area for several members including Japan, and gas turbines.

Despite the setback at the ministerial, sources affirmed that there is a shared willingness to continue with the negotiations, describing the talks as still being productive. They generally suggested that the remaining issues can likely be resolved should participants demonstrate the necessary political will.

Source: http://www.ictsd.org/, 8.12.2016.

WTO trade facilitation pact nearly operational

The process to bring the WTO’s Trade Facilitation Agreement (TFA) into force is entering the final stage, with the Geneva-based organization reporting that only eight more ratifications are needed to do so.

The two most recent ratifications—Gabon and Kyrgyzstan—were confirmed this week, coming fast on the heels of Dominica and Mongolia. Under WTO rules, two-thirds of the global trade body’s membership must ratify an accord in order for it to enter into force for those members.

To date, 102 of the WTO’s 164 members have ratified the TFA. The deal includes a series of provisions aimed at making customs and border procedures easier, thus speeding up the passage of goods between countries and lowering their costs.

The Geneva-based organization predicts that the TFA’s export gains could add up to US$750 billion to US$1 trillion annually. According to the global trade body, developing countries—particularly African and the LDCs—are expected to see the greatest reductions in costs due to the TFA.

The TFA was adopted in Bali, Indonesia, in December 2013 at the WTO’s Ninth Ministerial Conference. It then opened for ratification in November of the following year.

Source: http://www.ictsd.org/, 8.12.2016.

Pakistan lifts ban on Indian cotton imports

Pakistan has lifted an “undeclared” ban on import of ginned cotton from India, days after rejecting a consignment of 10,000 bales of cotton citing violation of plant quarantine rules by importers.

Earlier, Pakistan’s Department of Plant Protection (DPP) of the Ministry of National Food Security and Research put cotton imports from India on hold through Wagah and Karachi port from 23 November, saying the shipments did not fulfil phytosanitary conditions.

The rising border tensions between the two neighbours had prompted Islamabad to impose the ban on 10,000 bales of cotton worth US$ 3.3 million from India.

Last year, Pakistan imported ginned cotton worth more than US$ 800 million from India which accounted for two-thirds of India’s cotton exports.

Source: http://indianexpress.com/, 8.12.2016.

India wants transit through Bangladeshi ports

India wants to use Bangladesh’s Chittagong and Mongla seaports for transit. The Indian High Commission in Dhaka sent a letter to the Shipping Ministry in October requesting permission for the purpose.

However, India has urged Bangladesh not to impose any additional fees on imports and exports, customs duties and administrative fees for the facility.

Bangladesh and India had exchanged draft Standard Operating Procedure (SOP) during a shipping secretary level meeting held in November 2015 in New Delhi. The transit deal between Bangladesh and India was initiated during Indian Prime Minister Narendra Modi’s visit to Dhaka last year.

The Indian High Commission letter stated that as per the Memorandum of Understanding, both countries will issue the required notification in a mutually agreed time-frame to implement the SOP deal.

Source: http://dhakatribune.com/, 2.12.2016.

Guangzhou sends freight train to Nepal

A freight train loaded with goods from Guangdong Province of China pulled out of the Dalang Railway Goods Yard in Guangzhou on 30 November, embarking on its 54 hour journey to the city of Kathmandu in Nepal.

The train will travel 6,070 kilometres through Sichuan Province, Chongqing Municipality and Tibet Autonomous Region, until it reaches Nepal’s capital. Its carriages are loaded with US$ 2.75 million worth of goods, including clothes, furniture, and home appliances.

On the same day, officials and business representatives from Guangzhou and Nepal signed a deal to build an international logistics centre which will integrate the trade services of railways, highways, and airports.

The move is expected to help upgrade the industrial structure and economic development in the region as well as deepen ties with Belt and Road countries and regions.

Source: www.chinadaily.com 1.12.2016.

ACTIVITIES

Agriculture intensification in SAARC region discussed

The need for and ways of promoting sustainable intensification of agriculture in South Asia was discussed in Dhaka, on 27 December 2016 at a reference group meeting. The meeting was titled "Sustainable Intensification of Agriculture in SAARC Region".

SAWTEE organized the event with support from International Fund for Agricultural Development (IFAD), and in cooperation with the SAARC Secretariat and SAARC Agriculture Centre (SAC).

The meeting disseminated the findings of a scoping study carried out by SAWTEE to key experts from South Asian Association for Regional Cooperation (SAARC) member countries for in-depth discussions. The discussions resulted in further inputs for the study.

The key presentation on the scoping study focussed on the need for sustainable intensification practices of agriculture in South Asia in the face of increasing population and pressing environmental degradation. Dr. Hari Dahal, Senior Consultant at SAWTEE made the presentation. Experts from SAARC member countries made country specific suggestions during the meeting.

The meeting also delved into identifying two key thematic areas in which sustainable intensification practices can be taken on board for implementation in SAARC countries. The two thematic areas identified by the meeting were: water and soil.

The event was held at Bangladesh Agriculture Research Council (BARC) and was attended by senior government officials from Bangladesh, SAC director, BARC executive chairman, SAARC Secretariat director and renowned agricultural and water experts and scientists from Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.

About, 25 participants representing inter-governmental organization, government and non-governmental organizations, donor agencies, research and academia attended the event.

'Technical standards sans labs hinder Nepal's vegetable exports'

The potential of Nepalese vegetable exports and the obstacles in its way were discussed at a seminar in Kathmandu on 20 December.

SAWTEE organized the national workshop titled "Export Potential of Fresh Vegetables to India and Other Countries" to validate the findings of a research carried out by SAWTEE with support from SAMARTH-NMDP.

The potential of fresh vegetables exports was analysed by the research from the perspectives of supply, demand and issues related with the market.

Presenting the study findings, Senior Consultant of SAWTEE, Mr. Purushottam Ojha pointed out the problems faced by Nepali traders at border crossings for not being able to meet sanitary and phytosanitary (SPS) standards set by India.

He said that proper coordination between India and Nepal in terms of harmonization of Nepali and Indian SPS and technical standards would help vegetable exports. Non-tariff measures discourage trade through customs points resulting in a high incidence of informal trade, he said citing the research. Mr.

Ojha also insisted on the importance of having proper measures related to pest risk analysis (PRA) to make Nepali vegetables exportable not only to India but also to third countries.

Similarly, Ms. Neelu Thapa, SAWTEE Programme Coordinator, said that Nepal's potential for vegetable export remains largely unexploited. Nepali vegetables, especially off-season vegetables, bitter gourd, pointed gourd, sponge gourd, mustard leaf etc. are preferred by Indian consumers for their quality and could be sold at a premium price on the Indian market, she said and added that Bangladesh could emerge as a lucrative market for Nepali vegetables too. She, however, said that a high tariff rate of 25 per cent to enter Bangladesh is a discouraging factor and pointed towards the potential market in the Middle East, provided that Nepali suppliers meet their strict sanitary and technical standards.

The study suggested measures to develop a concerted action agenda in order to address the problems related with vegetable exports and establishing effective market linkages. The need for capacity building of Nepali farmers and traders on post-harvest operations and other trainings to enable them market their produce was also discussed during the programme.

Speaking at the programme, Commerce Secretary Mr. Naindra Prasad Upadhyay also admitted that Nepal's inability to meet technical and food quality standards has hampered Nepal's export of perishable goods.

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