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OPINION IN LEAD

Sub-regional cooperation in connectivity in South Asia

Four South Asian Association for Regional Cooperation (SAARC) nations—Bangladesh, Bhutan, India and Nepal (BBIN)—have agreed to start unhindered vehicular movement between them from September this year. With the implementation of the agreement, any of the four countries will be allowed to use land of another country to travel to a third country. Consequently, the BBIN Motor-Vehicle Agreement (MVA) is likely to have far reaching consequences in deepening economic integration in South Asia.

During the SAARC Summit held in Kathmandu in 2014, compromise could not be reached on the agreements related to rail and road connectivity within the SAARC framework. Against this backdrop, this sub-regional agreement shall facilitate seamless transit of passenger and cargo vehicles between the participating countries. There is no need for trans-shipment of goods and passengers at the border crossings either. This agreement shall also provide for easy movement of private vehicles and non-regular passenger vehicles across the border.

The proposed agreement is all set to not only provide stimulus to economic development in the region through better connectivity, but also encourage people-to-people contact and promote tourism among the participating countries. The BBIN is more important to land-locked countries like Bhutan and Nepal for it will enable them east access to sea ports such as Chittagong, Kolkata and Mongla, thus facilitating their international trade. At present, vehicles from these two countries are unable to enjoy the WTO provision for transit facility through a second country to access a third country, which has unnecessary increased their trade costs. However, the BBIN MAV gives a loud and clear signal that India—the largest trading partner of Bangladesh, Bhutan and Nepal—wants to maintain friendly relations with its neighbours. According to some estimates, 49 percent of the intra-region trade in SAARC is between the BBIN countries.

The onus is now on the participating countries to expedite the process of formulation of required institutions and procedures in the shortest time possible to realize the ultimate objective of free movement of people and goods in the region. The officials of the participating countries have reportedly discussed the possible institutional structures for effective implementation and monitoring of the Agreement and are expected to bilaterally negotiate arrangements for the implementation of the Agreement. They have also agreed to set up individual national committees and a sub-regional joint committee for overall facilitation of land transport, and to coordinate and monitor the implementation of the Agreement. It has been rightly agreed that the BBIN MVA is a complementary instrument to the existing transport agreements or arrangements at the bilateral levels, and implementation difficulties, if any, will be resolved based on provisions set on the BBIN MVA.

The biggest challenge in realizing the true potential of the BBIN MVA is in the need for upgrading existing trade routes between the participating countries. The Agreement needs to be supplemented through building and upgrading not only the roads and railways, but also other infrastructures such as the energy grids, communications links to ensure smooth cross border flow of goods, services, capital, technology and people. It is most likely that the international financing institutions such as the Asian Development Bank and the World Bank will substantially support the infrastructure need of the sub-region. However, a significant additional investment will be required to create supporting infrastructures to exploit the benefits of the Agreement.

It will be essential for the participating countries to generate additional funds on their own. At the SAARC level, a funding mechanism—SAARC Development Fund (SDF)—already exists. It has the mandate, *inter alia*, to finance infrastructure development in the region. However, the SDF, with its limited capital base of US$300 million, cannot meet the funding needed to support the infrastructure sector in the sub-region. While it is desirable to upscale the SDF, the largest economy in the region, India, may also want to channel its support through its ambitious SAARC Development Bank (SDB) to finance infrastructure need in the sub-region. The China-led Asian Infrastructure Investment Bank (AIIB) may also become an import source of financing for the sub-region.

Considering that Pakistan has thus far remained non-committal to a regional MVA, the Agreement took the sub-regional approach in the hope that Pakistan will join the Agreement during the next SAARC Summit to be organized in 2016. If Pakistan comes on board with the Agreement, the MVA will connect South Asia to Central Asia via Afghanistan. Then in the next phase, the two island countries in SAARC—Sri Lanka and the Maldives—will have to be connected through land or/and rail links to make the Agreement truly a regional agreement.

The sub-regional MVA has come as an important turning point in our quest to creating South Asia without borders and can be a game changer for the region marred with animosity and distrust. For SAARC and South Asian Free Trade Area (SAFTA), it should be taken as a step forward towards a South Asian economic union by integrating transport links and lowering trade barriers, and nullifying all intra-regional borders.

ANALYSIS

Stabilizing climate change through decarbonized development

If we are to achieve the internationally agreed target for limiting global warming, which has been set at 2 °C above preindustrial levels, the world needs to reach zero net emission by 2100. But what does the lofty goal of zero net emissions mean for policy makers around the world?

A recent World Bank report – “Decarbonizing Development: Three Steps to a Zero-Carbon Future”, walks policymakers through three steps that will help put countries on a path to decarbonizing their development. According to the report, getting to zero net emission starts with planning for the long-term future, which is supposed to enable governments to make proactive choices that lay the groundwork for future development and avoid locking in damaging development patterns and investments.

Importantly, the report argues that individual countries should define customized long-term target that is consistent with decarbonization and complement it by short-term plans. This implies getting prices right as part of a broad policy package that can provides incentives to ensure low-carbon growth. Putting a price on carbon through carbon tax or cap-and-trade system can be effective in this regard for it can address market failure to incorporate the cost of greenhouse gas (GHG) emissions and raise revenue while encouraging lower emission. But while carbon pricing is necessary, it is not enough to make the transition towards decarbonization. Carbon pricing thus needs to be implemented along with complementary policy package that provide incentives for the development and adoption of green technologies. Policymakers can also reduce tariffs on low-carbon goods and reduce fossil fuel subsidies to support decarbonization.

Undoubtedly, such policy changes are arduous and require careful preparation and planning. But success is possible. In South Asia, India has successfully liberalized diesel prices, capped subsidies for liquefied petroleum gas and increased natural gas prices by 50 percent. Additionally, many countries are moving to reform fossil-fuel subsidies including Bangladesh, India and Nepal. But while the implementation of policy measures that support green growth are the step in the right direction, countries need to be cautious when implementing such measures in order to ensure smooth transition for those most affected.

Arguing that the goal of the transition is not merely limited to reducing GHG emission but includes an overarching goal of decarbonized development, the report stresses that if policy makers do decide to phase out subsidies, they should do so progressively by phasing out subsidies in a way that favours the poor. By progressively removing fossil fuel subsidies and implementing carbon taxes, the government can free up or generate revenue that can be used to pursue socio-economic development and provide direct support to the poor. More importantly, the report recommends that policy package also include measures that avoid impacts that are unfair. While climate change policies typically tend to focus on pricing mechanism, roles of regulations and technology transfer, the report suggests that success in stabilizing climate change will be largely determined by the ability of climate change policies to ensure that the decarbonization of the economic system contributes to economic development and sustainable eradication of poverty.

Despite the gravity of the situation presented by climate change, blame game and shallow commitments continue to dominate climate change debate. Nonetheless, there is no denying that decarbonizing development is necessary to stabilize climate change. Thus, it is imperative for all countries, developed and developing countries alike, to undertake necessary steps to decarbonize their development. For South Asian countries that are struggling to reduce poverty and sustain economic development, the need for decarbonizing development along with the lack of adequate infrastructure provides opportunities to act accordingly and gain efficiency. Thus, despite limited fiscal and technical capacity, South Asian countries should integrate low-carbon transition into the overall development agenda. An early start with an eye on the long-term goal, complemented by policy package that goes beyond prices to trigger changes in investment patterns and behaviours, along with smooth transition for the poor will ultimately determine whether a nation can successfully decarbonize development.

NEWS

Pakistan, Sri Lanka trade lacklustre despite FTA

Pakistan and Sri Lanka signed a Free Trade Agreement (FTA) in July 2002 and it became operational in June 2005. The FTA is comprehensive and offers full concession on a variety of important exports. But the bilateral trade between Pakistan and Sri Lanka has not shown promising growth despite the existence of a FTA for a decade, a report compiled by the Pakistan Business Council has claimed.

According to a report, Pakistan's exports to Lanka grew from US$154 million in 2004 to US$316 million in 2013, but only 0.14 percent of Sri Lanka's total imports were from Pakistan. Similarly, Sri Lanka's exports to Pakistan grew from US$46 million to US$63 million between 2004 and 2013, and Pakistan could claim only 1.7 percent of total Sri Lankan imports from the world in 2013. Top Pakistani exports to Sri Lanka include cotton products, cement, refined sugar and potatoes, while top Sri Lankan exports to Pakistan include vegetable products, rubber, fibreboard and coconut products.

According to the study, the major impediment to healthier trade relations between Pakistan and Sri Lanka seems to be disengagement between the countries' businessmen as well as their policy makers. During Sri Lankan President Maithripala Sirisena's visit to Islamabad in early April, the two countries agreed to strengthen ties and increase the current trade of US$438 million to US$1 billion within the next few years.

Source: www.colombopage.com, 18.05.2015.

Nepal to cut customs on 50 Bangladeshi items

Nepal agreed to provide preferential treatment to 50 Bangladeshi items at the two-day bilateral talks which began on 22 April 2015. Officials at the Ministry of Commerce and Supply (MoCS) said Nepal agreed to reduce the customs duty on the select products.

Bangladesh had been seeking duty free access to 64 of its products, including fish, medicines, jute and juice, in the Nepali market. The Secretary at the Ministry, Mr. Naindra Prasad Upadhyaya said it has agreed to reduce the customs duty in line with the SAFTA provisions. “We have agreed to reduce the customs duty to 5 percent on those products from the previous rates of 15 percent or more,” he said.

The ministry has also agreed to reduce customs duty to just 3 percent on the goods which were in the 3-15 percent duty range, Upadhyaya said, adding that the Bangladeshi delegation would finalise the proposal after discussions with the concerned authority in Dhaka.

Nepal also tabled a proposal on harmonising the sanitary-phytosanitary measures (quality standards) of the two countries. Nepal has handed over a draft of the Memorandum of Understanding on accepting the lab certification of one country to another for exports of agro products.

According to the ministry, the meeting also decided to request the Indian authorities to establish an immigration office along the Fulbari-Baglabandh route in India. Currently, Nepali exporters have to endure problems in receiving visa and entry permit in Bangladesh in the absence of immigration office of India. “Provided India sets up an immigration office, Bangladesh has agreed to provide the on-arrival visa to Nepali exporters,” he said.

Similarly, the meeting endorsed the duty free access to 108 Nepali products in the Bangladeshi market as agreed in the last trade talks held in Dhaka in 2013. Nepal, which had proposed duty free access to 153 products, is seeking such concession for 45 additional products, mainly including farm products like tea, dairy items, vegetables, meat. The two countries have been holding the joint secretary-level trade talks since 2008.

Source: www.ekantipur.com, 23.04.2015.

India, Bangladesh to extend Protocol on Inland Water Transit and Trade

India and Bangladesh have agreed on the extension of Protocol on Inland Water Transit and Trade (PIWTT) with the provision of automatic renewal in line with the proposed amendment to Bangladesh-India trade agreement.

The Indian government today said the decision was taken during the Secretary-level talks between the two countries. “It was also agreed between the two countries that a draft agreement for the regular movement of passenger and cruise vessels would be shared by India with Bangladesh through the diplomatic channel," said an official statement by the Indian Ministry of Shipping.

With regard to development of the entire protocol route under the regional International Development Association (IDA) assistance of World Bank, while welcoming the proposal, Bangladesh agreed to revert after obtaining approval from the concerned authority on its side.

The issue relating to inclusion of the Pangaon container terminal (ICT) in Bangladesh as a Port of Call was discussed. Bangladeshi side informed that Pangaon (ICT) along with two other ICTs in Bangladesh may be used as a Port of Call by cargo vessel operators. It added that the Bangladesh side requested that Farraka and Bandel on National Waterway (NW) - 1 may be declared as Port of Call.

Port of Call is any port except its home port being visited by a ship, especially to load or unload cargo or passengers.

A draft agreement on coastal shipping was also initiated by both the countries, it was agreed to finalise the Standard Operating Procedures (SOP) in about two months time. On cooperation on Light House and marine training, India offered to extend training to the personnel in Bangladesh. Importantly, it was also agreed between the two countries that a draft agreement for the regular movement of passenger and cruise vessels would be shared by India with Bangladesh through the diplomatic channel.

Source: www.articles.economictimes.indiatimes.com, 21.04.2015.

NBSM in line to receive international accreditation

The Nepal Bureau of Standards and Metrology (NBSM) will soon be able to issue internationally recognized certification to Nepali exporters of cement, textiles and iron rods. Lack of such facilities in the country has been forcing exporters to obtain the quality assurance certification from laboratories in India.

The NBSM will begin providing certification to exporters after receiving international accreditation of its laboratories which is in the final stages. The certification will allow Nepali exporters to provide quality assurance of their products as per international norms and the requirements of the importing countries.
Director General Bishwa Babu Pudasaini of the NBSM said they had upgraded the calibration and quality testing laboratories and were in the final stages of receiving accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL), India. According to him, the NBSM is waiting for the NABL's confirmation of "non-conformity" testing in five to six categories, most of which are related to environmental issues.

At present, the NBSM can issue ISO 9000 certification to manufacturers through its accredited labs. The accreditation allows the NBSM to certify the quality management system of an organization as per international standards.

Pudasaini said that they were now in the process of receiving accreditation for an additional 42 parameters that would enable them to test the quality of Nepali cement, textiles and iron rods. The accredited laboratories at NBSM can also certify testing for 27 parameters that are related with the measurement and chemical testing of GI wire, noodles and drinking water, among others.

The NBSM has been carrying out upgradation activities with technical support from the PTB (National Metrology Institute) of Germany since 2007. The government has also been providing financial support to set up labs of international standard under its Nepal Trade Integration Strategy 2010. Upgradation of the labs is part of its programme to boost exports by removing non-tariff barriers on trade.

Source: www.ekantipur.com. 08.04.2015.

Scientists to submit GM mustard report to Indian government

Indian scientists have completed final trials of a genetically modified (GM) variety of mustard and will submit a report to the government in a month, hoping to win over stiff opposition to make it the country's first commercial transgenic food crop.

A powerful farmers group close to Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) is one of the biggest critics of GM crops and wants the government to stop all field trials saying they "will destroy the entire agrarian economy". Allowing GM crops is critical to Modi's goal of boosting farm productivity in India, where urbanization is devouring arable land and population growth will mean there are 1.5 billion mouths to feed by 2030 – more even than China.

India imports about 60 percent of its edible oil needs at an annual cost of up to US$10 billion – its third-biggest import item after crude oil and gold. But the new GM mustard offers India a chance to substantially reduce this import bill as it would be the highest-yielding oilseed in India, with yields 26-34 percent higher than the national average, said Delhi University's Deepak Pental, leading the research on the GM mustard.

He added that recently concluded biosafety studies did not show any adverse allergenic, toxic or environmental impact.

The findings come a month after leaders of Bharatiya Kisan Sangh (BKS), or Indian Farmers' Union, which is affiliated to the ideological parent of BJP and opposes field trials of GM crops met with some government scientists working on GM and urged them to stop all field trials.

But in August last year, the Modi government resumed the field trials for selected GM crops with little publicity and in January, Maharashtra state led by the BJP gave the all-clear to trials of rice, chickpeas, corn and aubergine, as well as new varieties of cotton.

GM cotton developed by Monsanto Co. and launched in India in 2002 helped transform the country from a net importer into the world's top fibre producer.

Source: www.in.reuters.com, 19.05.2015.

Nepal earthquake's impact on food security and agriculture likely very high

In the aftermath of a 7.8 magnitude earthquake that shook Nepal, killing thousands while limiting access to food and leaving some 3.5 million in need of food assistance, it has been estimated that some US$8 million is urgently needed to help disaster-struck Nepalese farmers rapidly recover lost agricultural inputs and resume preparations for the imminent rice sowing season.

The impact of the recent major earthquake on food security and agricultural livelihoods expected to be very high. Farmers who miss the planting season that is expected to start late May onwards will be unable to harvest rice—the country's staple food—again until late 2016. This, together with likely losses of food stocks and wheat and maize harvests, would severely limit food supplies and incomes in the South Asian country, where around two-thirds of people rely on agriculture for their livelihood.

Some of the country's most vulnerable agricultural areas, particularly the villages in mountain and hilly regions, bore the brunt of the disaster. Although damage to the agriculture sector has not yet been assessed, affected families have likely lost livestock, crops, food stocks and valuable agricultural inputs. At the same time, the disaster has destroyed markets and infrastructure, including roads and crucial irrigation and drainage canals. As a result, internal trade, including the movement of emergency assistance, is severely constrained.

Before the earthquake hit, Food and Agriculture Organization of the United Nations estimated Nepal's wheat production in 2015 at 1.8 million tonnes – some 5 percent below last year's record harvest. But crop damage and farmer's inability to harvest in earthquake-affected areas are likely to change this forecast.

In addition, disruption of planting operations for rice and maize may severely reduce the planted area for these crops in the most affected areas.

Source: www.timesofindia.indiatimes.com, 02.05.2015.

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