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CONTENTS

OPINION IN LEAD

Slow progress towards implementation of TFA

REPORT

Climate change and food systems: Global assessments and implications for food security and trade

NEWS

Bangladesh to get US$505 million in loan from ADB for railway improvements

Pak-Afghan: Trade discrepancies decreased, need to do more

Bengal fruit traders seek subsidy on road freight

India allows driving cars destined for Nepal over its roads

Malda mango traders face Bangladesh export duty hurdle

Quake-hit Nepal needs US$20 million to resume agriculture: FAO

OPINION IN LEAD

Slow progress towards implementation of TFA

The world breathed a sigh of relief when World Trade Organization (WTO) members concluded negotiations on a Trade Facilitation Agreement (TFA) at the Bali Ministerial Conference in December 2014, as part of a wider "Bali Package". It was agreed in Bali that the General Council—the WTO's highest decision making body in Geneva—would have until 31 July 2014 to adopt the Protocol of Amendment that would bring to legal effect the TFA by inserting it into Annex 1A of the WTO Agreement. But unfortunately, the deadline for adopting the Protocol of Amendment for the TFA has passed without a resolution. Nonetheless, in line with the decision adopted in Bali, WTO members finally adopted the Protocol on 27 November 2014.

Upon entry into force, TFA will create binding obligations for WTO members to improve customs procedures, transparency and efficiency. However, before some TFA provisions become binding, the Agreement's peace clause protects them from having to implement provisions that would harm their food security, and promises to provide "assistance and support" to help them achieve that capacity. More importantly, the agreement allows developing countries and the least-developed countries (LDCs) to decide on their commitments and timelines. In turn, developing countries and LDCs need to categorize their obligations under the TFA into Category A commitments, which they will implement within a year; Category B commitments, which they can only implement after a transitional period; and Category C commitments, for which they require assistance and support for capacity building. Till date, 72 countries have already notified the WTO about the Category A commitment they will be able to implement when the Agreement goes into effect.

Identifying the measures that a member country can implement on its own and where it needs assistance is just the first step towards the implementation of the TFA. Importantly, WTO members need to undertake a legal review of the text and subsequently notify the WTO that they formally accept the legal protocol for the TFA. Once two-third of the WTO's 160 Members formally accepted the TFA, it will enter into force and become part of the WTO rulebook. Unfortunately, progress have been slow in this regards as only eight members, namely, Hong Kong, Singapore, United States of America, Mauritius, Malaysia, Japan, Australia and Botswana have ratified the agreement. Despite the high number of Category A notifications received, which an encouraging sign of member's continued commitment to TFA, the challenge now is to ensure that the formal process of acceptance is completed. Achieving this by the 10th Ministerial Conference in December 2015 would sustain the momentum and reconfirm the commitment of the members to the TFA.

But considering that only 8 countries have ratified the TFA, the ambitious goal to implement the TFA before the Ministerial in December is far from reach. Developing countries and LDCs are particularly lacking commitment towards the rapid implementation of the TFA. Many have not notified the WTO about their commitments, while the majority has not ratified the agreement. South Asia—one of the least integrated region in the world—has also failed to show strong commitment in this regard. None of the South Asian members have ratified the agreement, while Pakistan and Sri Lanka are the only South Asian countries to have notified the WTO about their Category A commitments. Moreover, until November 2014, India had blocked the implementation of the TFA, demanding assurance that its food security programme would not be challenged under the WTO regime.

Though it has already been agreed that food security programmes implemented by developing countries would not be challenged under WTO rules "until a permanent solution regarding this issue has been agreed and adopted", the breakthrough has not translated into rapid progress towards the implementation of the TFA. Considering that the TFA promises to be an important tool in enabling developing countries and LDCs reduce costs liked to international trade, it is important for all WTO members to consider the way forward on how to implement the TFA at the earliest. If we are to capitalize on the progress made in Bali, it is critical that momentum is maintained both on formal acceptance of the TFA and on its practical implementation.

REPORT

Climate change and food systems: Global assessments and implications for food security and trade

Global warming will have profound consequences on where and how food is produced, and also lead to a reduction in the nutritional properties of some crops. This has policy implications for the fight against hunger and poverty and for the global food trade according to a new book published by the Food and Agriculture Organization of the UN (FAO).

The book titled *Climate change and food systems: Global assessments and implications for food security and trade* collects the findings of a group of scientists and economists who have taken stock of climate change impacts on food and agriculture at global and regional levels over the past two decades. According to the book, climate change is adding to the challenge of rapidly increasing global demand for agricultural commodities for food, animal feed and fuel in the face of population growth and rising income levels. Agriculture is highly dependent on local weather conditions and, therefore, is expected to be highly sensitive to changes in climate in the years to come. In particular, warmer, drier conditions nearer the equator are likely to reduce agricultural production in those areas, while moderate warming may, at least in the short term, benefit crop production further away.

Moreover, climate change is likely to exacerbate growing global inequality as the brunt of the negative climate effects is expected to fall on those countries that are least developed and most vulnerable.

The book examines how several technologies targeting climate change adaption can also have mitigation co-benefits, involving trade-offs. For example, current crop-based biofuels contribute to mitigation as renewable energy, but can exacerbate emissions through processes such as deforestation. The book also underscores the potential impact climate change could have on health and nutrition by exacerbating the prevalence of hidden hunger—the chronic lack of vitamins and minerals—and obesity.

According to the book, a higher concentration of carbon dioxide—the primary greenhouse gas emitted through human activities—lowers the amount of zinc, iron and protein, and raises the starch and sugar content in some of the world's major food crops such as wheat and rice. The nutrition and health implications of this could be substantial. In India, where up to a third of the rural population is at risk of not meeting protein requirements, the higher protein deficit from non-legume food crops could have serious health consequences.

The book goes on to underscore how, in many regions of the world, increased water scarcity due to climate change would reduce the capacity to produce food, with serious implications for food security, nutrition and health. It cites recent research that has assessed the global impact of diet change on both irrigated and rain-fed water consumption patterns. Some results suggest that reducing animal products in human diets offers the potential to save water resources up to the amount required to feed 1.8 billion people globally.

The book cites studies that indicate that trade would probably expand under climate change—with flows increasing from mid- to high-latitudes towards low-latitude regions—where production and export potential would be reduced. At the same time, more frequent extreme weather events, such as droughts and cyclones, can adversely impact trade by disrupting transportation, supply chains and logistics.

The book estimates that the major current global breadbaskets (e.g. in North America and South Asia) are expected to see significant reductions in agricultural production that will reduce their export shares and may require increased imports, as in South Asia, for example. Their analysis describes South Asia and Southern Africa as two regions that are likely to face the most severe outcomes for some of their crops. Similarly, the book estimates that South Asia region will have to satisfy an increasingly large amount of its livestock product demand from imports, in particular for dairy products.

It is suggested in the book that while global markets can help stabilize prices and supplies, and provide alternative food options for regions negatively impacted by climate change, trade alone is not a sufficient adaptation strategy. It also requires a domestic adaptation strategy that allows countries and regions to avoid heavy dependence on imports, which tend to increase vulnerability to price volatility. Another challenge is the need to align trade policy with climate objectives and ensure that open trade plays its role as an adaptation mechanism without impeding mitigation objectives.

The book makes the case for a "structured dialogue" involving a range of stakeholders, including scientific experts, policy makers, civil society and the private sector, to assess and verify global, regional and local impacts to inform and support policy action related to climate change. This could take the shape of a forum providing a portal on climate change impact evidence for agriculture and policy for trade and food security. Such a forum could support policy processes and initiatives targeting food and nutrition security and provide the best scientific evidence on climate impacts at the appropriate scale.

(Adapted from, FAO 2015. Climate change and food systems: global assessments and implications for food security and trade. FAO: http://www.fao.org/3/a-i4332e.pdf)

NEWS

Bangladesh to get US$505 million in loan from ADB for railway improvements

The Asian Development Bank (ADB) and the government of Bangladesh signed agreements for US$505 million in loans to further improve the country's railways that will help the national economy and boost sub-regional trade.

"The assistance will help railways better serve needs of people and movement of goods, and help improve domestic and subregional trade," said Kazuhiko Higuchi, Country Director, Bangladesh Resident Mission of ADB.

"This project will also help improve the overall railway transport system in Bangladesh, and aims to reduce transport costs and improve logistics of strategic corridors, such as Dhaka-Chittagong link, for subregional trade." he added.

The South Asia Subregional Economic Cooperation (SASEC) Railway Connectivity Project will help upgrade the 72-kilometer Akhaura-Laksam section of the Dhaka-Chittagong railway corridor to a double track dual-gauge railway line, along with modern signaling equipment. The existing track will be upgraded in accordance with the requirements of the Trans Asia Railways network. The project will also support capacity development for the permanent project management unit to be established in Bangladesh Railway and for accessing climate mitigation funding.

The total project cost is US$805 million. The European Investment Bank (EIB) will co-finance the project with US$175 million while the government of Bangladesh will provide US$125 million. The project will be executed by Bangladesh Railway and is expected to be completed by 2022.

Source: http://www.dailymail.co.uk, 28.06.2015.

Pak-Afghan: Trade discrepancies decreased, need to do more

Trade discrepancies between Afghanistan and Pakistan have decreased significantly from US$2.9 billion in 2010 to US$1 billion in 2014 after the implementation of new transit trade agreement in 2011. However, both governments need to cooperate closely to further minimise revenue losses for both the countries, according to a new study.

Pakistan Business Council (PBC), a business policy advocacy forum representing Pakistan's 47 largest enterprises including multinationals, conducted a study titled, "Afghanistan's transit trade patterns pre- and post-Pakistan Transit Trade Agreement (APTTA)".

"Pakistan and Afghanistan need to work on removing procedural shortcomings of the new agreement implemented in 2011 as opposed to negotiating a new transit agreement," the research report recommended. The report urged the customs departments of both countries to improve coordination to ensure that valuations of major smuggling-prone items like tyres, fabric and tea reflect their international prices and that those revenue leakages are plugged.

It noted that though Pakistan still accounted for 58 percent of Afghanistan's transit imports, Pakistan should make efforts to ensure that it does not lose its share in transit trade to Chabahar, an under construction Iranian port close to Pak-Iran border that is seen in competition with Pakistan's Gwadar port.

The disturbing aspect of Afghan transit trade is a major difference in Pakistan and Afghanistan's reporting in value of the transit trade. For instance, in 2014, Pakistan reported a transit trade of US$2.15 billion, while Afghan customs reported imports of only US$1.2 billion. Although this discrepancy or difference in trade figures has been reduced to $1 billion in 2014 from $2.9 billion in 2010, it should be further reduced.

The report specifically identified 14 items such as green and black tea, glassware, soap, electro diagnostic equipment, generating sets, tyres, fabric and office furniture where major undervaluation and smuggling seem to take place.

Source: www.tribune.com.pk, 26.06.2015.

Bengal fruit traders seek subsidy on road freight

Fruit traders in West Bengal have called for removal of inconsistencies in the export policy that grants subsidy on air and maritime export of fresh fruits but not on road freight, arguing that this has made exports unviable to neighbouring countries where there is a huge demand for Indian fruits.

India is the second largest producer of fruits in the world with an annual production of over 80 million tonne. But its share in the world's fruit exports is just 1 percent. "Transport subsidy is a major factor that needs a careful restructuring to alter this gloomy scenario," said U Saha, Secretary, Exporters Coordination Committee of West Bengal. "Fruit export is eligible for transport subsidy if shipped through air or water routes. But there is no subsidy on surface transport that creates multi-prong problems for exporters from West Bengal."

Saha said there are not many processing facilities in West Bengal, which makes fruit producers dependent on exports of 'raw' fruits. But being a perishable commodity, exporters have only a small time window to transport raw fruits from the producers to the market.

S Misra, President, Malda Mango Merchants Association, said the main fruit market in Bangladesh is about 150 km from Malda, while those in Bhutan and Nepal are about 250 km away. "It takes lesser time to reach these destinations by road than by air, as the nearest airports in Kolkata and Siliguri are over 250 km from Malda. Thus, air shipment is not a practical option for exporters in Bengal."

Source: www.articles.economictimes.indiatimes.com, 25.06.2015.

India allows driving cars destined for Nepal over its roads

Nepali traders, from now onwards, will be able to drive Nepal-bound imported automobiles over Indian roads as the Indian government has approved the letter of exchange (LoE), which is one of the components of the amended Treaty of Transit.

Prior to this arrangement, such vehicles were allowed to be transported under the Treaty only by railway wagons and trucks or trailers after receiving proper seals from the Indian Customs.

The movement of vehicles on their own power to Nepal has been allowed through Raxaul-Birgunj, Jogbani-Biratnagar, Sunauli-Bhairahawa and Nepalgunj Road-Nepalgunj border points.

Nepal government had requested India to allow movement of vehicles on their own power citing the requirements of additional handling facilities, special carriers and equipment, which added to the cost and time of clearance of vehicles from Kolkata Port. The request had been made during the third meeting of Nepal-India Joint Commission held in Kathmandu on July 25 and 26, 2014.

Nepali auto importers were persistently pushing the government to request the Indian government so that they could bring Nepal-bound vehicles on their own power rather than bring it via rail.

As per Shekhar Golchha, president of Nepal Automobile Dealers’ Association, the decision will help traders save the time and reduce the cost of importing automobiles. Earlier, they had to wait at least two to three weeks in the Kolkata Port to fill up the container and this provision will reportedly bring down the cost of four-wheelers by at least NPR 100,000.

Source: http://thehimalayantimes.com, 23.06.2015.

Malda mango traders face Bangladesh export duty hurdle

Delight over Malda district's bumper mango crop has been overshadowed by post-harvest worry: Bangladesh, which consumes about 60 percent of the output, has imposed heavy duty on imports of the fruit, making the Indian variety uncompetitive in the neighbouring country.

The districts of Malda, Murshidabad and Nadia in West Bengal make up the largest mango producing belt in eastern India. "Against an average annual yield of 0.6 to 0.7 million metric tonne (MT), going by the trend, the figure in 2015 is expected to cross 1 million MT, making it a record," said S Misra, President, Malda Mango Merchants Association. "But lack of available export avenue has put us in deep trouble," he said.

"But Bangladesh has imposed heavy import duty of BDT 36/kg (about INR 29/kg) on import of mangoes from India. That makes Indian mangoes uncompetitive in the Bangladesh market. Naturally, no Bangladeshi importer is lifting stock from us," said U Saha, Secretary, West Bengal Exporters Coordination Committee.

Senior officials from the Agricultural and Processed Food Products Export Development Authority (APEDA) said, "The issue deserves a deep initiative. West Bengal state government may approach Delhi to take it up with Bangladesh at a higher level."

However, "Without any export to Bangladesh, we are bound to have around 0.5 million tonne surplus after local consumption this year. The local unorganised processing sector alone can consume maximum 15 percent of that. The rest will remain under the mercy of upcountry agents," said Misra.

Source: www.articles.economictimes.indiatimes.com, 19.06.2015.

Quake-hit Nepal needs US$20 million to resume agriculture: FAO

According to the Food and Agriculture Organization (FAO), about US$20 million is needed to support farmers in earthquake-hit Nepal so that they can resume agricultural activities and stave off the threat of prolonged food insecurity.

For the current cropping season, FAO representative in Nepal, Somsak Pipoppinyo said that there is "a limited window to act" as rice seeds are needed to be distributed urgently before the start of the heavy monsoon rain.

Stating that the recent earthquake has also heavily disrupted agriculture activities in the country, FAO said: "To date, only 13 percent has been received of the US$23.4 million in emergency agricultural assistance, which FAO estimates is required, as part of the revised UN Flash Appeal for Nepal."

Agriculture is a priority area as two-third of Nepalese depend on farming for their livelihoods. But the current level of international assistance for Nepal's quake-affected farmers will deliver "only a fraction" of the assistance urgently required.

In the statement, the UN body said it has already distributed 40,000 (5 kilogram) bags of rice seeds to the six most-affected districts of Dhading, Dolakha, Gorkha, Nuwakot, Rasuwa and Sindhupalchowk, in time for farmers to plant before the monsoon. It has also distributed airtight grain storage bags, animal feed supplements and vegetable seeds.

According to the FAO-led Agricultural Livelihood Impact Appraisal, in Nepal's six hardest-hit districts, half of all farming households lost nearly all of their stored crops like rice, maize, wheat and millet. In addition, the earthquake destroyed farming tools, kitchen gardens and supplies of fertilizer and caused significant damage to small-scale irrigation. About 16 percent of cattle and 36 percent of poultry were lost in the disaster with detrimental effects on rural household consumption and income.

Source: http://www.outlookindia.com, 20.06.2015.

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