Trade, Climate Change and Development Monitor

Monthly E-Newsletter of South Asia Watch on Trade, Economics and Environment (SAWTEE)

Volume 10, Issue 4, June 2013

CONTENTS

OPINION IN LEAD

Eight years TRIPS extension for LDCs: Is it enough?

The least developed countries (LDCs) got eight more years exemption from implementing the World Trade Organization (WTO)'s Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement which was due to end on July 2013. The WTO TRIPS Council has extended the exemption period until July 2021. The decision comes as WTO members continue to work feverishly toward concluding a set of deliverables in time for the upcoming Ninth Ministerial Conference at year's end in Bali, Indonesia.

When the WTO was established in 1995, the organization's poorest members were initially given until 1 January 2006 to implement the obligations contained in the WTO's TRIPS Agreement. In 2002, the LDC transition period was extended until January 2016 for pharmaceutical patents, with a later 2005 decision extending the period for all intellectual property rights until July 2013.

In light of the impending July 2013 deadline, Haiti submitted a proposal on behalf of the LDC Group to extend the transition period further. "The situation of LDCs has not changed significantly since the last extension decision in 2005… [and they] have not been able to develop their productive capacities and have not beneficially integrated with the world economy," the proposal explained. Moreover, LDCs have a low level of economic and social development and thus require time to develop a viable technological base and to experiment with domestic IP legislation before being obliged to implement the TRIPS Agreement.

The new extension period of eight years, starting on 1 July 2013, is longer than the seven and a half years transition period provided in the 2005 decision. It is thus an improvement, though very slight. It is also significantly below what the LDC Group had asked for in its formal proposal, in which the Group had requested that the transition period should last so long as the country remains an LDC. Developed countries had argued that the proposal amounted in reality to an indefinite extension, which could have implied that intellectual property is not a relevant issue for LDCs.

The 11 June 2013 decision has also removed the condition introduced in the earlier 2005 decision that LDCs cannot roll-back the level of implementation of the TRIPS agreement that they have already undertaken in their national legislation, which is one of the main issues that had divided members in their recent consultations. LDCs have argued that the "non-rollback" clause is an undue restriction of their policy space and contrary to the letter and spirit of the extension, as stipulated in the TRIPS Agreement. Under the new wording, LDC members have expressed "their determination to preserve and continue the progress towards implementation of the TRIPS Agreement." However, the decision notes that nothing in the new extension should prevent LDCs from using the flexibilities inherent in TRIPS to address their needs, such as developing a technological base and overcoming capacity constraints.

In spite of the positive sides of the extension, the agreement to extend the period by only eight years has been criticised as "a half-hearted compromise." Developed countries should instead have permitted a "longer and more complete" extension, while urging LDCs to take advantage of the opportunity afforded by the exclusion of the "no rollback" clause. Experts warn that giving LDCs less than a decade of additional time would limit their opportunities to test out which domestic intellectual property laws might be in their best interests. In addition, the opportunity to experiment will be burdened with uncertainty about the longer term future.

The best outcome would have been that the LDC Group's request had been fully agreed to by the TRIPS Council. Nonetheless, given the circumstances, decision to extend the transition period is to be welcomed as it is a gain for the LDCs. This is better than nothing, but short time extension does not allow LDCs to build up their own technological and knowledge base, and the laws and regulations necessary for implementation of the TRIPS agreement – let alone to benefit from such implementation. LDCs need the space to implement intellectual property systems appropriate for their development needs.

LDCs should now receive full support from the developed countries and the UN agencies, in the spirit of the Development Agenda, to make effective use of the transition period to build their technological base through technology transfer and capacity building, whilst making full use of the flexibilities afforded to the LDCs, including the further extension.

Based on the Bridges Weekly Trade News Digest, Vol 17, No 21, 13.06.2013; and SOUTHNEWS, No 32, 13.06.2013, http://twnside.org.sg/

ANALYSIS

Rising trade restrictiveness among G-20 nations

According to the recent report released by the WTO on G20 Trade and Investment Measures, trade restrictive measures by the group are on the rise. The report, which covers the period between mid-October 2012 and mid-May 2013, finds that G-20 countries have continued to implement trade restrictive measures with over 100 such measures recorded in the last seven months that cover around 0.4 percent of global merchandise imports.

Despite chanting the mantra of trade liberalisation, and making firm commitments to open trade and investment at their last Summit meeting in Mexico on June 2012, many G-20 members have initiated trade remedy actions, in particular of anti-dumping investigations (accounts for around 61 percent of total restrictions), followed by tariff increases. But some have stuck to their commitments and adopted trade facilitation measures. In fact, 70 facilitation measures were implemented in this review period. However, the share of trade-facilitating measures has decreased from 55 percent of all trade measures to 40 percent. Since new trade restrictive measures add to those implemented in the past, most of which are still in place, the gradual accumulation of restrictions is fuelling concerns over the future of world trade.

This issue of increasing trade restrictiveness is of major concern for countries that are highly dependent on international exports, mainly developing and least developed countries. Given that the G-20 countries are among the largest consumers of world imports, if steps are not taken to overcome protectionist threats and to prevent a self-destructive lapse into economic nationalism, world exports will fall off the cliff and trade as an engine of growth will seize to exist. For developing and least developed countries, the economic impact of the loss of export market will be devastating. For instance, weak import demand of EU in recent years, which accounted for 35 percent of all world merchandise imports in 2011, has already had serious implications within the international trade system. Restrictive trade policies will further weaken EU's import demand and affect world trade.

On the bright side, with regards to investment measures, G-20 members have not introduced any significant investment restrictive policies. In fact, almost all new investment policy measures that have been adopted are aimed at facilitating inward or outward investment flows. However, in light of prevailing uncertain global economic climate, weak economic growth and global unemployment crisis, it is important that G-20 economies keep their markets open and not resort to trade protectionism. One has to realise that in a world where production is fragmented among global value chains, imports are increasingly more important for exports. Barriers to imports will inevitably decrease export competitiveness. In this context, adoption of trade restrictive policy measures by G-20 countries that are well integrated into the global value chain of production will severely affect their exports, drastically reduce world imports and may even bring the already sluggish world economy to a grinding halt.

The world economy is struggling and continues to expand slowly and below historical averages. The WTO has predicted below average growth of 3.3 percent in trade volume for 2013, to be followed by an increase to 5 percent in 2014. Fortunately, increasing trade and investment is possibly the most economical solution to revive the global economy. But trade will not be able to support the world economy if G-20 economies continue to adopt trade restrictive policy measures. Once again, countries need to recognise the importance of trade and investment in economic growth, and should work on reinforcing open and transparent multilateral trading system.

Based on the WTO Reports on G20 Trade and Investment Measures (Mid-October 2012 to Mid-May 2013), 17.06.2013.

NEWS

U.S. suspends trade benefits for Bangladesh over safety

The United States has cut off longtime U.S. trade benefits for Bangladesh in a mostly symbolic response to dangerous conditions in the country's garment industry that have cost more than 1,200 lives in the past year. The decision sent an important message to countries that receive duty-free access to the U.S. market under the Generalized System of Preferences (GSP) program.

"I have determined that it is appropriate to suspend Bangladesh ... because it is not taking steps to afford internationally recognized worker rights to workers in the country," President Obama said in a statement.

Suspending Bangladesh from the GSP program will increase U.S. duties on an array of products the country exports to the United States, such as tobacco, sporting equipment, porcelain china, plastic products and a small amount of textile products. But it will not directly affect Bangladesh's main export, clothing, since garments are not eligible for duty cuts under the program, which was created in 1976 to help economic development in the world's poorest countries and to reduce import costs for U.S. companies.

In 2012, Bangladesh was spared about US$2 million in U.S. duties on about US$35 million worth of goods under the GSP program, but it paid about US$732 million in U.S. duties on US$4.9 billion of clothing exports not covered by the program, said Ed Gresser, a trade analyst with the GlobalWorks Foundation.

A European Union decision to suspend trade benefits would have far more impact since Bangladesh's clothing and textiles exports receive duty-free treatment there in contrast to average U.S. duties of around 15 percent.The EU imported roughly 9.2 billion euros (US$12.13 billion) of goods from Bangladesh last year, according to data from the EU's executive branch, the European Commission. Clothing and textile products ranging from towels and bedding accounted for almost 93 percent of those goods. The EU and Bangladeshi officials will meet in Geneva in July for talks aimed at improving safety conditions in Bangladesh and preserving the country's trade benefits.

European retailers have responded to the two tragedies: the collapse of the Rana Plaza garment factory building in April that killed 1,129 people and the Tazreen factory fire in November that killed 112, by signing an agreement to promote worker safety in Bangladesh, but many U.S. retailers have balked at accord, saying it gives unions too much control over ensuring workplace safety.

Source: www.reuters.com, 27.06.2013.

India’s trade deficit at seven-month high as gold imports surge

India's trade deficit widened to a seven-month high in May as gold imports surged, but economists expect newly announced measures to dampen demand for the precious metal in coming months and narrow the shortfall.

A nearly 90 percent annual jump in gold and silver imports saw the trade deficit rise to US$20.14 billion last month from US$17.8 billion in April. The rise in gold import growth was slower than an annual 138 percent surge in April. A combination of sliding global prices and regional festivals in India that traditionally increase demand for gold as gifts prompted frenzied buying in April and May. A similar pattern was seen in the world's other major bullion buyer, China.

This robust retail demand has become a major headache for Indian policymakers who have announced a slew of measures to try to narrow the current account deficit, which hit an all-time high of 6.7 percent of gross domestic product (GDP) in the December quarter. India, the world's biggest buyer of the metal, hiked the import duty on gold to 8 percent earlier in the month from 6 percent. The central bank has also sought to curb gold imports by banks and non-banks.

India has been struggling to control its current account deficit, which has exacerbated the fall of the rupee against the dollar in the recent global sell-off in emerging currencies. The sharp depreciation in the rupee has also not helped Indian exports of value-added goods such as jewellery and pharmaceutical drugs. Merchandise exports fell 1.1 percent from a year earlier to US$24.51 billion, the first annual fall in five months. The sector makes up about 15 percent of the India's economy, which grew at its weakest pace in a decade in the fiscal year that ended in March. Annual imports, meanwhile, rose about 7 percent in May to US$44.65 billion, the trade ministry said. The Reserve Bank of India left interest rates steady on 17 June, warning of upside risks to inflation due to the weaker rupee and stressing the need to reduce the country's bloated current account gap to a sustainable level.

Source: www.in.reuters.com, 17.06.2013.

SAARC, GIZ agree to boost trade in the region

Aimed at promoting trade and economic collaboration in the region, the South Asian Association for Regional Cooperation (SAARC) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), a German Society for International Cooperation has signed a memorandum of understanding (MoU). SAARC Secretary-General Ahmed Saleem and GIZ Country Director (Nepal) Roland F Steurer signed the MoU on Wednesday on behalf of their respective institutions.

According to a statement, the signing ceremony took place at the SAARC Secretariat in Kathmandu. Also present on the occasion were the resident ambassadors of Pakistan and Sri Lanka to Nepal. “We are at a crucial stage in SAARC for deepening economic, trade and financial cooperation among the member countries,” Saleem said at a special function during the signing of the MoU.

The MoU envisages cooperation between the two organisations in promoting intra-regional trade and economic integration in South Asia. Earlier in 2003, the SAARC signed an MoU with the National Metrology Institute of Germany to promote collaboration among SAARC member states in the fields of metrology, standards, testing, quality management, accreditation and certification.

Source: www.ekantipur.com, 28.06.2013.

Number of poor declines by 26 percent in Bangladesh

Despite a growing population, the number of poor people in Bangladesh declined by 26 percent between 2000 and 2010, according to a World Bank report.

For further reduction in poverty, Bangladesh will need policies and coordinated multi-sectoral approaches that respond to the needs of the growing population of young adults as well as the poor in general, suggested the report, titled, ‘Bangladesh Poverty Assessment: A Decade of Progress in Reducing Poverty, 2000-2010.′

Released on 20 June, the report identified that during the 10-year period till 2010, poverty reduction was closely linked to the growth in labour income and changes in demographics. Poverty declined 1.8 percent annually between 2000 and 2005, and 1.7 percent annually over rest of the decade. There was a continuous decline in the number of poor people—from nearly 63 million in 2000, to 55 million in 2005, and then 47 million in 2010, according to the World Bank finding.

The Bangladesh poverty assessment shows that labour income, both formal and informal, was the dominant factor in higher incomes and lower poverty rates.

“Parallel to this, fertility rates have been steadily dropping over the last several decades which have resulted in lower dependency ratios thereby increasing income per-capita and reducing poverty.”

The potential to benefit from the demographic dividend will continue in the short to medium term, it forecasted.

Source: www.thedailystar.net. 20.06.2013.

New UN goals call for end to extreme poverty by 2030

The world should set itself the ambitious goal of ending extreme poverty by 2030, a UN panel co-chaired by David Cameron and the presidents of Indonesia and Liberia said in a report proposing 12 development goals and 54 targets.

"This report sets out a clear road map for eradicating extreme poverty by 2030. We need a new global partnership to finish the job on the current MDGs, tackle the underlying causes of poverty and champion sustainable development," said Cameron, who chaired the panel with Susilo Bambang Yudhoyono, the Indonesian president, and Ellen Johnson Sirleaf, the Liberian president.

Seeking to move beyond the MDGs, which aim to halve extreme poverty (defined as people earning less than US$1.25 a day) by 2015, the panel called for extreme poverty to be ended for good. It also proposes eliminating preventable infant deaths and reducing maternal mortality. But the proposals do not include a standalone goal on inequality.

Development experts say widening gaps in wealth and opportunity have acted as a brake on poverty reduction, as well as hindering progress in child survival, nutrition and education. The 1.2 billion poorest people account for only 1percent of world consumption while the billion richest consume 72percent.

The report states that one trend–climate change–will determine whether policymakers can deliver on the next set of development goals. "People living in poverty will suffer worst from climate change. The cost of taking action now will be much less than the cost of dealing with the consequences later," said the report.

The report was the culmination of a consultation process as the UN talked to civil society groups in London, Monrovia and Bali. The report recommended that a limited number of goals and targets be adopted in the post-2015 development agenda and that each should be specific, measurable, attainable and timebound. A major concern among policymakers is the risk of duplication and wasted effort if the work of the UN panel and that of the open working group on the sustainable development goals that grew out of the Rio+20 summit run along parallel tracks without meeting.

The 12 Development Goals are: 1. End poverty; 2. Empower girls and women and achieve gender equality; 3. Provide quality education and lifelong learning; 4. Ensure healthy lives; 5. Ensure food security and good nutrition; 6. Achieve universal access to water and sanitation; 7. Secure sustainable energy; 8. Create jobs, sustainable livelihoods, and equitable growth; 9. Manage natural resource assets sustainably; 10. Ensure good governance and effective institutions; 11. Ensure stable and peaceful societies and 12. Create a global enabling environment and catalyse long term finance.

Source: www.guardian.co.uk. 30.05.2013.

ACTIVITIES

South Asian Consultation on Green Economy

SAWTEE, along with the International Development Research Centre (IDRC), Canada, organized a two-day regional consultation "South Asian Consultation on Green Economy" in Lalitpur on 23-24 June 2013. The main objectives of the consultation were to identify research agendas on green economy in South Asia and create a network of like-minded individuals/institutions to work further on South Asian green economy. More than 40 participants from Bangladesh, Bhutan, Canada, India, Republic of Korea, the Maldives, Nepal, Pakistan and Sri Lanka participated in the event.

The participants expressed the view that although South Asia is the least contributor to climate change in the world, it is one of the regions most affected by it. A gradual transition towards a green economy would be to South Asia's advantage in terms of, among other things, addressing the region's high level of poverty and high vulnerability to climate change. The participants also agreed, however, that the transition towards a green economy is going to be a complex process and that there is a need to look at green economy in a pluralistic way and not get locked down into a particular pathway. International and regional cooperation, high level political will and engagement, ownership and resolve of the private sector, and involvement of local people, are necessary for the transition towards a green economy. The six sectors that the consultation chose to discuss, which by no means are exhaustive, were: agriculture, forestry, tourism, energy, transportation and infrastructure. Issues of green jobs, technology transfer, financing, etc. were some of the cross cutting themes that were discussed.

The two-day consultation ended with identifying various research agendas on green economy that will be pursued further.

EDITORS
Asish Subedi
Sudeep Bajracharya

CONTACT
South Asia Watch on Trade, Economics and Environment (SAWTEE)
P.O. Box: 19366, Tukucha Marg, Kathmandu, Nepal
Tel: 977-1-4424360, 4444438 Fax: 977-1-4444570
Email: sawteenewsletter@gmail.com
Web: www.sawtee.org

In order to subscribe or unsubscribe, send us an email with subject: "subscribe" or "unsubscribe".